

## **Financial Statements**

### **Banco BTG Pactual S.A.**

December 31, 2016

with independent auditors' report on the financial statements.

# **BANCO BTG PACTUAL S.A.**

Financial Statements

December 31, 2016

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**A free translation from Portuguese into English of the Independent Auditors' Report on individual financial statement prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.**

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## **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**

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

### **Opinion**

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We have audited the financial statements of Banco BTG Pactual S.A. (Bank), which comprise the balance sheet as of December 31, 2016, and the statements of income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2016 and of its financial performance and its cash flows for the year then ended in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

### **Basis for opinion**

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We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the financial statements*" section of our report. We are independent of the Bank in accordance with the relevant ethical principles of the Code of Professional Ethics of Accountant and professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

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Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### *Fair value measurement of complex and illiquid financial instruments and derivatives*

The Bank has complex and illiquid financial instruments in its investment portfolio, which are priced and recorded at fair value. The fair value measurement of these instruments requires management to use pricing models and assumptions, such as expected cash



flow, risk free rate, credit risk spread, among other inputs. Due to the nature of these instruments and the complexity and subjectivity involved in the valuation methodologies, we considered the measurement of these complex and illiquid financial instruments as one of the main audit matters.

Our audit procedures included, among others, the involvement of specialists in illiquid financial instruments pricing to assist us in the evaluation of the pricing methodologies and the assumptions considered by management in measuring the fair value of these instruments. In addition, we evaluated the Bank's disclosures, which are included in footnotes 8, 9 and 13.

#### *Disposal of investments in subsidiaries and affiliates*

As disclosed in the financial statements for the year ended December 31, 2015, management implemented initiatives to preserve capital and liquidity, which included, among others, the disposal of certain relevant investments in subsidiaries and affiliates and the corporate restructuring of some investments. The process of computing the results and determining the consequent accounting treatment is a complex issue because it involves implications of clauses stipulated in the Share Purchase Agreement, in addition to the magnitude of the amounts involved; being, then, considered as one of the main audit matters. These aspects were analyzed and treated by management in the financial statements, according to footnotes 2 and 13.

Our audit procedures, included, among others, the involvement of specialists to assist us on the understanding of these Share Purchase Agreements, as well as the evaluation of the related accounting treatment, including their impacts on the statement of income for the period. Moreover, we evaluated the Bank's disclosures related to these disposals, which are disclosed in the aforementioned notes.

#### *Related party transactions*

The Bank is part of an organizational structure with several legal entities, in Brazil and abroad, and it carries out, within its operations, transactions with these related parties. Due to the number of related parties, and the volume and the inherent risk associated to these transactions, we considered related parties transactions to be one of the main audit matters.

Our audit procedures included, among others, the understanding of the Bank's procedures for identifying and mapping transactions with related parties, as well as obtaining formal representation by management with respect of the identification of all related parties with the Bank. Additionally, we audited, on a sampled basis, the transactions with related parties and the respective eliminations, when applicable, in the financial statements.

Furthermore, we evaluated the Bank's disclosures pertaining to related party transactions, disclosed in footnote 26.



### Information technology (IT) environment

Because of the volume and complexity, the Bank's operations are highly dependent on the proper functioning of the IT structures and its systems. Therefore, we considered the IT environment as one of the main audit matters.

Our audit procedures included, among others, the involvement of IT experts in conducting tests of information technology general controls for processes of managing changes and access to the systems that we deemed relevant to the preparation of the financial statements, including the automated transactional controls of those systems.

### **Other matters**

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#### Statement of value added

The statement of value added (SVA), for the year ended December 31, 2016, prepared under the responsibility of Bank's management, and presented as supplementary information under the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, was submitted to the same audit procedures performed in accordance with the audit of the Bank's financial statements. For the purposes of forming our opinion, we evaluated whether this statement is reconciled with the financial statements and accounting records, as applicable, and whether their layout and content are in accordance with the criteria set forth in Accounting Pronouncement CPC 09 - Statement of Value Added. In our opinion, this statement of value added was prepared fairly, in all material respects, in accordance with the criteria set forth in Accounting Pronouncement CPC 09 and are consistent with the financial statements taken as a whole.

### **Other information accompanying the financial statements and the auditor's report**

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Bank's management is responsible for such other information, which includes the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with the audit of the financial statements, our responsibility is to read the Management Report and, in doing so, to consider whether this report is materially inconsistent with the financial statements or with our knowledge obtained in the audit, or otherwise whether this report appears to be materially misstated. If based on our work we conclude that there is material misstatement in the Management Report, we are required to report this fact. We have nothing to report on this matter.



## **Responsibilities of management and those charged with governance for the financial statements**

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Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process, and includes Management, Audit Committee and Board of Directors.

## **Auditor's responsibilities for the audit of the financial statements**

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Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including the applicable independence requirements, and communicate any relationships or matters that could significantly affect our independence, including, where applicable, respective safeguards.

Based on the matters that were communicated to those in charge of governance, we determine those that were considered most significant in the audit of the financial statements for the current year and, therefore, that represent the significant audit issues. We describe these matters in our audit report, unless the law or regulation has forbidden public disclosure of the matter or when in extremely rare circumstances we determine that the matter should not be included in our report because the adverse consequences from such disclosure may, within a reasonable perspective, overcome the benefits from communication to the public interest.

São Paulo, February 14, 2017.

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

Grégory Gobetti  
Accountant CRC – 1PR 039.144/O-8

## BANCO BTG PACTUAL S.A.

### Balance sheets

As at December 31

(In thousands of reais)

	Note	2016	2015
Assets			
Current assets		83,767,434	102,219,796
Cash at banks	6	220,756	1,797,797
Interbank investments	7	20,536,791	28,543,123
Open market investments		18,682,903	24,700,061
Interbank deposits		1,853,888	3,843,062
Securities and derivative financial instruments		34,615,195	41,565,350
Own portfolio	8	13,678,855	19,367,547
Subject to repurchase agreements	8	8,578,277	1,839,558
Subject to unrestricted repurchase agreements	8	185,449	591,054
Derivative financial instruments	9	10,696,271	18,786,665
Subject to guarantees	8	1,476,343	980,526
Interbank transactions		1,962,901	1,545,249
Deposits in the Central Bank of Brazil		1,962,901	1,545,249
Loans	10	3,334,199	4,831,928
Loans		3,653,847	5,602,431
Transferred loans with coobligation		12,848	85,436
Allowance for loan losses		(332,496)	(855,939)
Other receivables		23,043,680	23,909,418
Credits by honored endorsements and sureties		5,926	-
Foreign exchange portfolio	11	14,653,654	11,747,172
Income receivable	12	2,221,897	80,969
Securities trading and brokerage	11	1,998,583	5,630,097
Sundry	12	4,255,536	6,668,584
Allowance for losses on other receivables		(91,916)	(217,404)
Other assets		53,912	26,931
Other assets		1,727	3,220
Prepaid expenses		52,185	23,711
Long-term-assets		33,078,016	35,507,733
Interbank investments	7	3,190,475	37,752
Open market investments		3,190,475	37,752
Securities and derivative financial instruments		17,175,627	19,212,728
Own portfolio	8	323,305	1,170,826
Subject to repurchase agreements	8	778,640	1,215,735
Derivative financial instruments	9	15,994,000	14,669,915
Subject to guarantees	8	79,682	2,156,252
Interbank transactions		248,985	303,639
Restricted credits – National Housing System		248,985	303,639
Loans	10	6,767,830	9,951,398
Loans		6,965,517	10,230,472
Allowance for loan losses		(197,687)	(279,074)
Other receivables		5,619,552	5,884,378
Sundry	12	5,619,634	5,890,871
Allowance for losses on other receivables		(82)	(6,493)
Other assets		75,547	117,838
Temporary investments		52,149	52,149
Other assets		19,371	19,371
Prepaid expenses		15,211	57,502
Provision for losses		(11,184)	(11,184)
Permanent assets		20,644,469	26,215,890
Investments		20,516,680	26,055,354
Investments in subsidiaries, associates and jointly controlled entities - in Brazil	13	17,927,775	25,466,173
Investments in subsidiaries, associates and jointly controlled entities - abroad	13	2,587,540	582,181
Other investments		4,232	9,867
Allowance for losses		(2,867)	(2,867)
Property and equipment in use		48,102	55,994
Other property and equipment in use		146,493	139,897
Accumulated depreciation		(98,391)	(83,903)
Deferred charges		3,990	3,994
Amortization and expansion costs		28,699	28,703
Accumulated amortization		(24,709)	(24,709)
Intangible assets	14	75,697	100,548
Other intangible assets		170,771	172,022
Accumulated amortization		(95,074)	(71,474)
Total assets		137,489,919	163,943,419

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



# BANCO BTG PACTUAL S.A.

## Balance sheets

As at December 31

(In thousands of reais)

	Note	2016	2015
Liabilities			
Current liabilities		80,631,965	87,576,574
Deposits	15	13,725,386	19,860,893
Demand deposits		127,819	130,554
Interbank deposits - with associates, jointly controlled ans subsidiaries		2,547,759	2,996,401
Interbank deposits		171,806	1,386,036
Time deposits		10,878,002	15,347,902
Open market funding	15	29,478,506	22,233,520
Own portfolio		9,846,939	2,940,158
Third-party portfolio		15,633,281	15,242,238
Unrestricted portfolio		3,998,286	4,051,124
Funds from securities issued and accepted	15	5,668,394	9,545,203
Real estate, mortgage, credit and similar notes		5,314,469	7,139,045
Securities issued abroad		342,252	2,388,076
Certificate of structured transactions		11,673	18,082
Interbank transactions		5,060	7,168
Unsettled receipts and payments		5,060	7,168
Interdependencies transactions		82,602	-
Unsettled third party assets		82,602	-
Loans and onlending	15	803,054	1,353,632
Loans in Brazil		-	141,460
Loans abroad		768,480	1,202,662
Onlending in Brazil – official institutions		34,574	9,510
Derivative financial instruments	9	11,281,631	17,560,372
Derivative financial instruments		11,281,631	17,560,372
Other liabilities		19,587,332	17,015,786
Collection and payments of tax and similar charges		3,476	1,476
Foreign exchange portfolio	11	14,295,423	11,611,589
Social and statutory	16	1,149,000	892,901
Tax and social security	16	65,032	462,183
Securities trading and brokerage	11	2,189,034	2,977,003
Subordinated debt	15	1,239,548	657,178
Sundry	16	645,819	413,456
Long-term liabilities		39,123,877	56,612,528
Deposits	15	215,215	4,792,125
Interbank deposits		54,329	89,331
Time deposits		160,886	4,702,794
Open market funding	15	820,545	3,195,486
Own portfolio		105,979	365,049
Unrestricted portfolio		714,566	2,830,437
Funds from securities issued and accepted	15	4,089,000	9,867,904
Real estate, mortgage, credit and similar notes		2,556,676	6,396,484
Securities issued abroad		1,532,324	3,471,420
Loans and onlending	15	2,545,209	2,358,294
Loans in Brazil		-	7,355
Loans abroad		-	1,622
Onlending in Brazil – official institutions		2,545,209	2,349,317
Derivative financial instruments	9	18,808,605	21,860,792
Derivative financial instruments		18,808,605	21,860,792
Other liabilities		12,645,303	14,537,927
Tax and social security	16	944,416	872,071
Subordinated debt	15	6,077,701	7,278,787
Debt instrument eligible to equity	15	4,305,202	5,160,397
Sundry	16	1,317,984	1,226,672
Deferred income		61,323	95,518
Shareholders' equity	19	17,672,754	19,658,799
Capital stock - domiciled in Brazil		4,727,289	4,687,289
Capital stock - domiciled Abroad		2,493,237	2,493,237
Capital Reserve		652,515	-
Fair value of assets available for sale		39,756	143,614
Income reserves		9,830,791	12,467,053
Treasury shares		(70,834)	(132,394)
Total liabilities and shareholders' equity		137,489,919	163,943,419

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

## BANCO BTG PACTUAL S.A.

### Statements of income

Year and semester ended December 31

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

	Note	2016		2015
		2nd semester	Year	Year
Financial income		4,451,211	10,535,014	13,259,775
Loans		502,167	1,263,784	2,438,607
Securities		2,543,660	430,048	10,694,827
Derivative financial instruments		896,653	6,716,964	-
Foreign exchange		408,379	1,922,095	-
Mandatory investments		100,352	202,123	126,341
Financial expenses		(3,909,719)	(7,129,888)	(22,577,326)
Funding operations		(3,762,244)	(8,190,624)	(10,313,092)
Borrowing and onlending		(118,784)	1,186,571	(5,510,708)
Derivative financial instruments		-	-	(6,100,882)
Foreign exchange		-	-	(125,083)
Allowance for loan losses and other receivables	10	(28,691)	(125,835)	(527,561)
Net financial income		541,492	3,405,126	(9,317,551)
Other operating income (expenses)		462,555	228,937	7,986,728
Income from services rendered	20	387,098	728,580	1,003,560
Personnel expenses		(99,460)	(275,302)	(286,496)
Other administrative expenses	23	(336,487)	(567,382)	(511,311)
Tax charges	24	(95,644)	(317,891)	148,847
Equity pick up in subsidiaries, associates and jointly controlled entities	13	567,758	593,630	7,319,016
Other operating income	21	366,880	580,126	1,284,177
Other operating expenses	22	(327,590)	(512,824)	(971,065)
Operating income		1,004,047	3,634,063	(1,330,823)
Non-operating income (expenses)	25	381,358	568,977	4,137,411
Income before taxation and profit sharing		1,385,405	4,203,040	2,806,588
Income tax and social contribution	18	(59,060)	(745,279)	3,360,198
Provision for income tax		32,829	(2,205)	(222,787)
Provision for social contribution		26,665	(1,440)	(178,255)
Deferred income tax and social contribution		(118,554)	(741,634)	3,761,240
Statutory profit sharing		70,519	(49,178)	(543,288)
Net income for the semester / year		1,396,864	3,408,583	5,623,498
Interest on equity		(890,000)	(1,390,000)	(914,754)
Weighted average numbers of share outstanding		3,143,375,609	2,928,585,698	2,748,536,622
Net income per share - R\$		0.44	1.16	2.05

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

## BANCO BTG PACTUAL S.A.

### Statements of changes in shareholders' equity

Year and semester ended December 31

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

	Note	Capital	Capital reserve	Income reserves				Fair value adjustments	Treasury shares	Retained earnings	Total
				Legal	Unrealized	Statutory	Total				
Balances as at December 31, 2014		6,406,863	-	626,595	2,467,107	5,137,855	8,231,557	40,442	-	-	14,678,862
Capital Increase	19	773,663	-	-	-	-	-	-	-	-	773,663
Own shares acquired	1	-	-	-	-	-	-	-	(452,188)	-	(452,188)
Own shares sold	1	-	-	-	-	(319,794)	(319,794)	-	319,794	-	-
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	(4,171)	-	-	(4,171)
Changes in fair value of assets available for sale	-	-	-	-	-	-	-	107,343	-	-	107,343
Intermediate interest on equity (R\$0.16 per share)	19	-	-	-	-	-	-	-	-	(422,000)	(422,000)
Dividends paid by previous years (R\$0.04 per share)	19	-	-	-	-	(106,130)	(106,130)	-	-	-	(106,130)
Intermediate dividends (R\$0.02 per share)	19	-	-	-	-	(47,324)	(47,324)	-	-	-	(47,324)
Net income for the year	-	-	-	-	-	-	-	-	-	5,623,498	5,623,498
Net income allocation	-	-	-	-	-	-	-	-	-	-	-
Income reserve	-	-	-	281,175	2,922,002	1,505,567	4,708,744	-	-	(4,708,744)	-
Interest on equity (R\$0.18 per share)	19	-	-	-	-	-	-	-	-	(492,754)	(492,754)
Balances as at December 31, 2015		<u>7,180,526</u>	<u>-</u>	<u>907,770</u>	<u>5,389,109</u>	<u>6,170,174</u>	<u>12,467,053</u>	<u>143,614</u>	<u>(132,394)</u>	<u>-</u>	<u>19,658,799</u>
Capital Increase	19	40,000	3,960,000	-	-	(4,000,000)	(4,000,000)	-	-	-	-
Share premium	2	-	(3,307,485)	-	-	-	-	-	-	-	(3,307,485)
Own shares acquired	1	-	-	-	-	-	-	-	(593,285)	-	(593,285)
Cancellation of treasury shares	1	-	-	-	-	(654,845)	(654,845)	-	654,845	-	-
Intermediate interest on equity (R\$0.19 per share)	19	-	-	-	-	-	-	-	-	(500,000)	(500,000)
Changes in fair value of assets available for sale	-	-	-	-	-	-	-	(105,609)	-	-	(105,609)
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	1,751	-	-	1,751
Net income for the year	-	-	-	-	-	-	-	-	-	3,408,583	3,408,583
Net income allocation	-	-	-	-	-	-	-	-	-	-	-
Income reserve	-	-	-	170,429	(2,152,576)	4,000,730	2,018,583	-	-	(2,018,583)	-
Interest on equity (R\$0.26 per share)	19	-	-	-	-	-	-	-	-	(890,000)	(890,000)
Balances as at December 31, 2016		<u>7,220,526</u>	<u>652,515</u>	<u>1,078,199</u>	<u>3,236,533</u>	<u>5,516,059</u>	<u>9,830,791</u>	<u>39,756</u>	<u>(70,834)</u>	<u>-</u>	<u>17,672,754</u>
Balances as at June 30, 2016		7,180,526	-	1,008,356	5,389,109	5,938,268	12,335,733	52,837	(152,529)	1,411,133	20,827,700
Capital increase	19	40,000	3,960,000	-	-	(4,000,000)	(4,000,000)	-	-	-	-
Share premium	2	-	(3,307,485)	-	-	-	-	-	-	-	(3,307,485)
Own shares acquired	1	-	-	-	-	-	-	-	(341,244)	-	(341,244)
Cancellation of treasury shares	1	-	-	-	-	(422,939)	(422,939)	-	422,939	-	-
Changes in fair value of assets available for sale	-	-	-	-	-	-	-	(17,209)	-	-	(17,209)
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	4,128	-	-	4,128
Net income for the semester	-	-	-	-	-	-	-	-	-	1,396,864	1,396,864
Net income allocation	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	69,843	(2,152,576)	4,000,730	1,917,997	-	-	(1,917,997)	-
Interest on equity (R\$0.32 per share)	19	-	-	-	-	-	-	-	-	(890,000)	(890,000)
Balances as at December 31, 2016		<u>7,220,526</u>	<u>652,515</u>	<u>1,078,199</u>	<u>3,236,533</u>	<u>5,516,059</u>	<u>9,830,791</u>	<u>39,756</u>	<u>(70,834)</u>	<u>-</u>	<u>17,672,754</u>

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

# BANCO BTG PACTUAL S.A.

## Statements of cash flows

Year and semester ended December 31

(In thousands of reais)

	Note	2016		2015
		2nd semester	Year	Year
Operating activities				
Net income for the semester / year		1,396,864	3,408,583	5,623,498
Adjustments to net income		(2,199,838)	(71,718)	(8,166,263)
Equity pick up in subsidiaries, associates and jointly controlled entities	13	(648,852)	(690,541)	(7,413,825)
Interest expense with subordinated debt and debt instrument eligible to equity		(585,471)	923,708	2,876,070
Subordinated debt and debt instrument eligible to equity exchange variation		(1,184,574)	(1,184,574)	-
Permanent assets exchange variation		(31)	257	(1,076)
Goodwill amortization		81,094	96,911	94,809
Deferred income tax and social contribution	18	118,554	741,634	(3,761,240)
Depreciation and amortization	23	19,442	40,887	38,999
Adjusted net income / (loss) for the semester / year		(802,974)	3,336,865	(2,542,765)
Operational activities				
Short-term interbank investments		6,709,513	4,060,313	3,383,415
Securities and derivative financial instruments		(5,381,176)	(449,281)	9,820,789
Loans		1,232,228	4,681,297	618,132
Other receivables and other assets		(4,201,440)	2,582,015	(1,546,649)
Interbank transactions		(300,547)	(365,106)	(698,174)
Interdependencies transactions		82,602	82,602	-
Other liabilities		5,034,893	1,755,589	4,024,134
Deferred income		1,256	(34,195)	(41,524)
Deposits		(4,030,601)	(10,712,417)	767,372
Open market funding		3,846,577	4,870,045	(11,997,626)
Loans and onlending		42,042	(363,663)	(1,006,869)
Cash provided by operating activities		2,232,373	9,444,064	780,235
Investing activities				
Acquisition of investments and capital increase	13	1,560,539	(79,427)	(9,191,346)
Sale of investments	13	(541,380)	272,169	4,838,667
Sale of other investments		5,635	5,635	296
Sale of property and equipment in use and deferred charges		373	395	-
Acquisition of property and equipment in use and deferred charges		(1,432)	(7,247)	(3,599)
Acquisition of intangible assets	14	(1,925)	(5,704)	(22,414)
Sale of intangible assets	14	1,015	4,160	-
Dividends and interest on equity received	13	424,419	450,416	931,502
Cash provided by / (used in) investing activities		1,447,244	640,397	(3,446,894)
Financing activities				
Acquisition of treasury shares		(341,244)	(593,285)	(452,188)
Funds from securities issued and accepted		(4,044,674)	(9,655,713)	(752,875)
Subordinated debt and debt instrument eligible to equity		1,393,242	(1,213,046)	(696,099)
Interest on equity	19	(500,000)	(992,754)	(720,200)
Dividends distributed	19	-	-	(153,454)
Cash (used in) financing activities		(3,492,676)	(12,454,798)	(2,774,816)
Increase / (decrease) in cash and cash equivalents	27	186,941	(2,370,337)	(5,441,475)
Balance of cash and cash equivalents				
At the beginning of the semester / year		13,064,964	15,622,242	21,063,717
At the end of the semester / year		13,251,905	13,251,905	15,622,242
Increase / (decrease) in cash and cash equivalents		186,941	(2,370,337)	(5,441,475)
Noncash transactions		885,080	(358,022)	3,109,895
Credit renegotiation		-	-	1,202,770
Dividends / interest on equity receivable	13	1,756,468	2,177,776	26,274
Subsidiary merger		-	-	773,663
Interest on equity payable	19	390,000	890,000	492,754
Debentures converted		-	-	(985,979)
Assets transfer, held for sale		-	-	1,210,000
Share premium	2	(3,307,485)	(3,307,485)	-
Debentures converted	13	2,046,097	(118,313)	390,413

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

## BANCO BTG PACTUAL S.A.

### Statements of value added

Year and semester ended December 31

(In thousands of reais)

	Note	2016		2015
		2nd semester	Year	Year
Income		3,010,224	11,774,038	18,186,297
Financial income		2,337,599	10,535,014	13,259,775
Services rendered	20	387,098	728,580	1,003,560
Allowance for loan losses and other receivables	10	(28,691)	(125,835)	(527,561)
Other		314,218	636,279	4,450,523
Expenses		(1,767,416)	(7,004,053)	(22,049,765)
Financial brokerage		(1,767,416)	(7,004,053)	(22,049,765)
Inputs acquired from third parties		(294,943)	(482,295)	(429,712)
Materials, energy and other		(3,172)	(7,084)	(6,359)
Outsourced services		(291,771)	(475,211)	(423,353)
Gross value added		947,865	4,287,690	(4,293,180)
Depreciation and amortization		(19,442)	(40,887)	(38,999)
Net value added produced by the entity		928,423	4,246,803	(4,332,179)
Value added received through transfer		567,758	593,630	7,319,016
Equity pick up in subsidiaries, associates and jointly controlled entities	13	567,758	593,630	7,319,016
Value added to be distributed		1,496,181	4,840,433	2,986,837
Distribution of value added		1,496,181	4,840,433	2,986,837
Personnel		28,942	324,480	829,784
Direct compensation		(4,592)	245,072	744,723
Benefits		28,532	66,736	73,079
FGTS – government severance pay fund		5,002	12,672	11,982
Taxes, fees and contributions		48,273	1,063,169	(3,509,045)
Federal		31,439	1,035,410	(3,545,301)
Municipal		16,834	27,759	36,256
Remuneration of third party capital		22,101	44,200	42,600
Rent		22,101	44,200	42,600
Remuneration of shareholders		1,396,865	3,408,584	5,623,498
Interest on equity	19	890,000	1,390,000	914,754
Dividends declared		-	-	47,324
Retained earnings		506,865	2,018,584	4,661,420

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

## **BANCO BTG PACTUAL S.A.**

Notes to the financial statements  
December 31, 2016  
(In thousands of reais, otherwise indicated )

### **1. Operations**

Banco BTG Pactual S.A. ("Bank" or "BTG Pactual") is incorporated as a multiple Bank, operating jointly with its subsidiaries ("the Group"), offering financial products and services relating to commercial, including exchange, and 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 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, bring it to levels of liquidity and capital better than its historical.

#### **Special Committee**

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

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

#### **Units buyback Program**

On November 25, 2015 the Board of Directors announced its units buyback program. Since the beginning of the program 77,801,250 units have been repurchased in the total amount of R\$1,045,473 and 71,904,350 units had been canceled, in the amount of R\$974,639. On December 31, 2016, 5,896,900 units are held in treasury.

## **BANCO BTG PACTUAL S.A.**

Notes to the financial statements  
December 31, 2016  
(In thousands of reais, otherwise indicated )

### **Liability Repurchase**

During the year ended December 31, 2016 and 2015 the Group repurchased liabilities and early liquidated liabilities, including some of the outstanding balance of senior and subordinated non-cumulative perpetual notes (tier I), with no impact on our capital base.

The Bank board of directors understands that concluded sufficient measures to fulfill the Group obligation's in both the short and medium terms, and strengthened its current liquidity. The cash level, measured by high quality liquid assets was higher than as at November 25, 2015. On December 31, 2016, short-term liquidity KPI is equivalent to 129% to the Bank.

The financial statements were approved by Bank's Management on February 14, 2017, and they contain a true and fair view of the development and results of the Bank. Management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, Management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

## **2. Corporate restructuring and acquisitions**

### **Corporate reorganizations**

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

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

## **BANCO BTG PACTUAL S.A.**

Notes to the financial statements

December 31, 2016

(In thousands of reais, otherwise indicated )

During the year ended December 31, 2016, as part of the commodity trading activities separation process, Engelhart CTP acquired 6.1% of its own shares held by Banco. The total consideration was US\$150 million and the price was equivalent to Engelhart CTP's net asset accounting value.

As at September 2015, the restructuring process of Eneva S.A. ("Eneva") was completed. As a result, part of the loans held by the Bank were converted into interest in the company and the Bank has also contributed new assets in the company. As at December 31, 2016, the Bank has a stake equivalent to 33.7% (December 31, 2015 - 49.7%) of the total capital of Eneva. As a result of the completion of the Eneva's restructuring process and its share market price, fair value in the amount of R\$142 million were recognized in the year ended December 31, 2016.

### **Acquisitions and disposals**

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

On November 2016, BTG Pactual, together with its joint-venture partner, has entered into definitive agreements to sell 100% of the equity interests in Maybrooke Holdings S.A. ("Maybrooke"), the holding company of Ariel Re, for an estimated cash consideration of US\$235 million. BTG Pactual does not expect any material gain or loss arising from the transaction. Additional information about the transaction is described on note 28.

On November 2016, the Bank has entered into definitive agreements to acquire 70% of the shares of Enforce Gestão de Ativos S.A. ("Enforce"), which operates in the recovery of corporate loan portfolios. The completion of the transaction is subject to regulatory approvals.

On November 1, 2016, BTG Pactual sale 100% of BSI to EFG International ("EFG"), a global private banking and asset management firm headquartered in Zurich, Switzerland. The final transaction consideration comprises (i) CHF575 million in cash, (ii) 86.2 million EFG shares (30% stake in EFG-BSI) and (iii) CHF31 million of bonds (Level 1 subordinated debt) issued by EFG, which generated a goodwill in the amount of CHF340 million. EFG's stake were accounted for using the equity pick up method. BSI's purchase transaction and the subsequent sale are subject to price adjustments, or indemnity for non-compliance to the transaction, including the execution of the guarantees provided by EFG shares deposits of Bank property in related account. Obligations or rights will be recognized as their effects become quantifiable and probable. The bank expect's to incur any material losses on the sale transaction, any liabilities with material risks related to the BSI sale, is related to rights from BSI purchase.



## BANCO BTG PACTUAL S.A.

Notes to the financial statements

December 31, 2016

(In thousands of reais, otherwise indicated )

On April 20, 2016, BTG Pactual, informed its shareholders and the market in general that on this date purchase and sale agreements were entered into, whereby CNP Assurances S.A. undertook to acquire BTG Pactual's entire interest in Pan Seguros S.A. and Panamericano Administração e Corretagem de Seguros e de Previdência Privada Ltda. for the total amount R\$700 million, subject to certain adjustments in order to reflect the Companies' performance until the date of completion of said transactions plus any dividends to be distributed to the their respective shareholders until said completion date, in accordance with the relevant agreements. Additional information about the transaction is described on note 28.

On December 31, 2015, the Bank entered into a sale commitment of its full ownership in Recovery do Brasil Consultoria S.A ("Recovery"), by the total amount of R\$1.2 billion, as per described: (i) transfer of ordinary shares, equivalents to 81.94% of Recovery share capital; (ii) transfer of shares issued by Fundo de Investimento em Direitos Creditórios NPL I ("FIDC NPL I"), equivalents to 69.34% of the fund's total investment, and; (iii) transfer of debentures not convertible issued by Renova Companhia Securitizadora de Créditos Financeiros S.A. ("Renova"). On the same date, the referred assets were transferred to held for sale, measured at fair value. The transaction generated a gain of R\$560 million. On February 17, 2015, the sale transaction was approved by Conselho Administrativo de Defesa Econômica (CADE) and on March 31, 2016 the transaction was settled.

On April, 2015, the Bank through one of its subsidiaries, converted debentures in the amount of R\$986 million, issued by Rede D'Or, and received shares equivalent to 21.1% of its equity, which generated a goodwill in the amount of R\$650 million. In May, 2015, Rede D'Or received a capital increase which diluted the Bank interest to 19.4% and generated an equity pickup gain of R\$269 million, net of proportional goodwill amortization. Additionally, during the year ended December 31, 2015, BTG Pactual sold its remaining investment in Rede D'Or and recognized an gain of R\$2.7 Billion. Also, the sale contracts contain terms that might change the receivable amount of the Bank, in case the share price of an initial public offering does not reach a certain price. On September 30, 2016, the Bank estimated that the value of these terms is zero.

BTG Pactual Group has entered into a joint venture to establish a reinsurance business operating through a number of regulated reinsurance entities. As part of the growth strategy of the joint venture, as at July 10, 2014, the Bank acquired 100% of the shares of Ariel Re (Holdings) Limited's operations ("Ariel"), a non-life international reinsurance group, based in London and Bermuda, that specializes in property catastrophe reinsurance. On January 12, 2015, the acquisition of Ariel was approved by the Brazilian Central Bank and on February 3, 2015, it was settled. In April 2015, the transfer of 50% of interest on Ariel to the joint venture was concluded.

On July 14, 2014, Banco BTG Pactual entered into a definitive share purchase agreement of BSI, a Swiss financial institution subsidiary of Generali Group. On September 30, 2015, the acquisition was concluded and the aggregate consideration paid by Banco BTG Pactual was CHF1,248 million (R\$4,935 million) as per the exchange rate on the date of acquisition, and it consisted of: (i) CHF1,048 (R\$4,162 million) in cash totally paid in September 2015, and (ii) shares in the amount of CHF200 million (R\$773 million). The shares issuance, mentioned above, was approved by the Brazilian Central Bank on November 3, 2015.

## **BANCO BTG PACTUAL S.A.**

Notes to the financial statements  
December 31, 2016  
(In thousands of reais, otherwise indicated )

In addition, Generali NV used part of the cash proceeds CHF50 million (R\$203 million) to fund the acquisition of a corresponding number of equity interests of BTG Pactual Participations needed to form units of the BTG Pactual Group.

### **3. Presentation of the financial statements**

The Bank's 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 preparation of the financial statements in accordance with the accounting practices adopted in Brazil requires Management to use its judgment to determine and register 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 fair value measurement on financial instruments. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inaccuracies inherent to its determination. The Bank periodically reviews these estimates and assumptions.

#### **Functional currency**

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

The financial statements of the foreign branch, originally stated in US dollars, were translated into reais using the closing rate at the reporting dates.

### **4. Significant accounting practices**

The most relevant accounting practices adopted by the Bank are the following:

#### **a. Cash and cash equivalents**

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

## **BANCO BTG PACTUAL S.A.**

Notes to the financial statements

December 31, 2016

(In thousands of reais, otherwise indicated )

### **b. Short-term interbank investments, remunerated deposits at the Central Bank of Brazil, time and interbank deposits, open market funding, funds from securities issued and accepted, loans and 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 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 and accounted for in income (loss).

#### **ii. Available for sale securities**

These are securities that are neither classified as trading securities nor as held-to-maturity securities. They are stated at cost, with interest recorded on profit or loss, and subsequently adjusted to fair value, with a corresponding entry to a separate account under shareholders’ equity, net of tax effects, which will only be recorded in profit or 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, with interest recorded on profit or 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, are recorded in profit or loss as realized losses.

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

### **d. Derivative financial instruments**

These are classified according to Management’s intention, on the transaction date, considering whether such transactions will be conducted to hedge against risk or not.

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

## **BANCO BTG PACTUAL S.A.**

Notes to the financial statements

December 31, 2016

(In thousands of reais, otherwise indicated )

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

- Market risk hedge: financial instruments included in this category, as well as their related hedged financial assets and liabilities, are measured at fair value, and their realized or unrealized related gains or losses are recorded in income (loss) for the period; and
- Cash flow hedge: the instruments classified in this category are measured at fair value, and the effective portion of the appreciation or depreciation are recorded in a separate account under shareholders' equity, net of tax effects. The non-effective portion of the respective hedge is directly recorded in income (loss) 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. Therefore, at the time of financial settlement of these transactions, results may differ from the estimates. 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, deducted from the difference between this amount and the price of the good or right adjusted at market prices, at the adequate assets or liabilities account. The income and expenses are recorded according to the maturity of their agreements.

Assets and liabilities resulting from swap and currency forward transactions of non-deliverable forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, adjusted at fair value, with a corresponding entry to income (loss).

The notional amount of the agreements is recorded in memorandum accounts.

### **f. Financial instruments – net presentation**

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

## **BANCO BTG PACTUAL S.A.**

Notes to the financial statements  
December 31, 2016  
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### **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 (transactions with loan 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 59<sup>th</sup> day of default, provided the expected receipt. As from the 60<sup>th</sup> day, the recognition in income (loss) occurs at the time of effective receipt 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 classified as level H; gains are recorded in income when actually received.

### **i. Allowance for loan losses**

Recognized based on an analysis of loan risk losses at an amount deemed sufficient to cover possible losses, pursuant to CMN Resolution 2682, of December 21, 1999, described below.

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

### **j. Investments**

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

### **k. Goodwill or negative goodwill**

Goodwill or negative goodwill is calculated based on the difference between the amount paid at the acquisition date and the net carrying amount of the assets acquired.

Goodwill and negative goodwill, recorded on the basis of expected future results of the acquired subsidiaries, are amortized in line with the cash flow projections underlying the transaction or when the investment is written off, due to sale or impairment, before projections are accomplished.

## **BANCO BTG PACTUAL S.A.**

Notes to the financial statements

December 31, 2016

(In thousands of reais, otherwise indicated )

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

### **l. 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.

### **m. 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, and (ii) for acquired rights of management contracts, and (iii) softwares and leasehold improvements. Amortization is calculated using the straight-line basis over the period in which the rights generate benefits.

### **n. Impairment**

Whenever there is clear evidence that the assets are value at an unrecoverable amount, it is recorded as loss in the lower of results for the period. 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 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.

### **o. 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.

### **p. Contingent assets and liabilities, legal, tax and social security obligations**

Recognized according to the criteria described below:

#### **i. Contingent assets**

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

## **BANCO BTG PACTUAL S.A.**

Notes to the financial statements  
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### **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 an 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.

### **q. Earnings per share**

Calculated based on the weighted average numbers of shares outstanding for the period.

### **r. Revenue recognition**

Revenues and expenses are recorded on the accrual basis.

## **5. Risk management**

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

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

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### a. Operating limits

	2016	2015
Reference Shareholders' Equity	17,672,754	19,658,799
Tier I	16,216,254	22,348,819
Common Equity	11,924,484	17,206,110
Complementary equity	4,291,770	5,142,708
Tier II	3,421,161	3,977,264
Reference Shareholders' Equity (PR) - (a)	19,637,415	26,326,083
Required Reference Shareholders' Equity (PRE)	9,571,425	18,742,699
Total exposure risk-weighted - (b)	91,156,431	169,705,482
Credit risk	55,813,608	125,148,545
Operational risk	3,385,968	75,855
Market risk	31,956,855	44,481,082
Basel ratio - (a/b*11%)	21.6%	15.5%
Tier I capital	17.8%	13.1%
Tier II capital	3.8%	2.3%
Fixed assets ratio	77.1%	69.9%
Fixed assets to equity capital ratio	9,813,329	13,156,602
Status for fixed assets to equity capital ratio	7,567,019	9,193,675
Amount of margin or insufficient	2,246,310	3,962,927

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

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

As at December 31, 2016 and 2015 the Bank was in compliance with all operating limits.

### b. Market risk

VaR is the potential loss of value of the trading positions due to adverse movements in the market during a defined period within a specific level of confidence. Together with the Stress Test, VaR is used to measure the exposure of the Bank's positions at market risk. The Bank uses a historical simulation for calculation of VaR, applying real distributions and correlation amongst assets, not using Greek approximations and standard distributions. VaR may be measured in accordance with different periods, historical data and reliable levels. The accuracy of the market risk methodology is tested through daily back testing that compares the compliance between VaR estimates and gains and losses realized.



## BANCO BTG PACTUAL S.A.

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The VaR presented below was calculated for a one-day period, at a confidence level of 95.0% and one-year historical data. Reliable level of 95.0% means that there is one within twenty changes that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trading in a single day exceeding the reported VaR would be expected to occur, on average, around once a month. Losses in a single day may exceed the VaR reported in material amounts. Losses 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 year ended as follows:

In millions of R\$	2016	2015	2014
Daily average VaR	141,3	125.6	73.0

### c. Credit risk

All of the Bank's and its subsidiaries' counterparties are subject to strict 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 bonds, derivatives, guarantees given, possible settlement risks among others.

### d. Liquidity risk

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

### e. Operating risk

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

## BANCO BTG PACTUAL S.A.

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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 strong 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 refer basically to deposits abroad in prime banks.

### 7. Interbank investments

	2016					2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	21,873,378	18,641,835	41,068	857,900	2,332,575	24,737,813
Own portfolio	1,862,233	1,211,234	21,475	81,144	548,380	3,176,135
Federal government bonds	1,850,139	1,199,140	21,475	81,144	548,380	2,943,597
Corporate bonds	12,094	12,094	-	-	-	54,374
Federal foreign government bonds	-	-	-	-	-	178,164
Third-party portfolio	15,808,356	13,886,021	19,593	749,746	1,152,996	18,071,753
Federal government bonds	15,755,882	13,833,547	19,593	749,746	1,152,996	18,061,782
Corporate bonds	36,356	36,356	-	-	-	9,971
Federal foreign government bonds	16,118	16,118	-	-	-	-
Short position	4,202,789	3,544,580	-	27,010	631,199	3,489,925
Federal government bonds	4,202,789	3,544,580	-	27,010	631,199	3,489,925
Interbank investments	1,853,888	1,853,888	-	-	-	3,843,062
Interbank deposit certificates	507,252	507,252	-	-	-	310,000
Investments in foreign currency - overnight	1,346,636	1,346,636	-	-	-	3,533,062
Total	23,727,266	20,495,723	41,068	857,900	2,332,575	28,580,875

As at December 31, 2016 the collateral received in repurchase agreements amounts to R\$22,342,171 (December 31, 2015- R\$23,374,462), whereas the collateral granted amounts to R\$33,798,834 (December 31, 2015 – R\$24,096,869).

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### 8. Securities

#### a. Summary by type of portfolio

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

	2016							2015
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	14,237,987	14,002,160	12,028,931	56,484	1,469,689	135,679	311,377	20,538,373
Federal government bonds	53,704	55,172	397	-	48,714	767	5,294	226,032
Brazilian foreign debt securities	9,031	9,031	7,053	-	-	-	1,978	2,083
Debentures/Eurobonds (i)	284,225	268,329	82,711	5,775	33,001	105,280	41,562	907,416
Certificate of real estate receivables	34,116	34,120	28,547	-	1,262	4,311	-	253,231
Investment fund quotes								
Multimarket	9,406,684	9,072,834	9,072,834	-	-	-	-	15,655,749
Shares	111,610	120,085	120,085	-	-	-	-	21,026
FIDC - Credit rights	246,282	246,282	246,282	-	-	-	-	31,854
Equity investment fund	1,222,298	1,222,297	-	-	1,092,955	-	129,342	1,133,083
Real estate	37,659	37,658	1,490	-	36,168	-	-	40,490
Shares	2,350,147	2,454,179	2,454,179	-	-	-	-	1,766,595
Promissory notes	30,546	30,546	-	30,546	-	-	-	121,250
Others	8,180	8,122	34	292	288	-	7,508	363,819
Foreign private securities	348,731	348,731	3,630	2,616	228,165	25,321	88,999	-
Foreign government bonds	94,774	94,774	11,689	17,255	29,136	-	36,694	15,745
Unrestricted portfolio	184,286	185,449	-	-	17,628	88,497	79,324	591,054
Federal government bonds	184,286	185,449	-	-	17,628	88,497	79,324	591,054
Subject to repurchase agreements	9,603,204	9,356,917	6,673,295	347,847	441,659	670,558	1,223,558	3,055,293
Federal government bonds	7,138,613	7,139,002	5,962,015	186,256	235,438	125,413	629,880	1,612,800
Brazilian foreign debt securities	10,076	10,076	10,076	-	-	-	-	-
Corporate bonds / Eurobonds (i)	1,552,363	1,305,688	693,073	148,598	82,340	130,469	251,208	830,047
Certificate of real estate receivables	314,623	314,623	-	-	-	-	314,623	450,277
Foreign private securities	494,460	494,460	-	-	63,115	409,690	21,655	-
Foreign government bonds	93,069	93,068	8,131	12,993	60,766	4,986	6,192	162,169
Subject to guarantees	1,611,444	1,556,025	425,098	391,896	37,341	319,060	382,630	3,136,778
Federal government bonds	1,009,357	1,010,005	-	350,656	37,341	260,678	361,330	285,568
Corporate bonds / Eurobonds (i)	103,240	99,223	2,318	41,240	-	34,365	21,300	2,759,705
Certificate of real estate receivables	24,017	24,017	-	-	-	24,017	-	-
Shares	474,830	422,780	422,780	-	-	-	-	91,505
Trading securities	20,627,769	20,358,041	15,792,892	569,776	1,848,675	915,352	1,231,346	21,631,381
Available for sale securities	5,009,152	4,742,510	3,334,432	226,451	117,642	298,442	765,543	5,690,117
<b>Total</b>	<b>25,636,921</b>	<b>25,100,551</b>	<b>19,127,324</b>	<b>796,227</b>	<b>1,966,317</b>	<b>1,213,794</b>	<b>1,996,889</b>	<b>27,321,498</b>

(i) Substantially securities issued by Brazilian companies.

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#### b. Trading securities

	2016							2015
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	11,223,078	11,003,201	9,389,890	19,871	1,434,387	26,088	132,965	18,824,881
Federal government bonds	53,704	55,172	397	-	48,714	767	5,294	226,032
Brazilian foreign debt securities	9,031	9,031	7,053	-	-	-	1,978	2,083
Debentures/Eurobonds (i)	-	-	-	-	-	-	-	285,934
Investment fund quotes								
Multimarket	6,878,935	6,545,085	6,545,085	-	-	-	-	15,655,749
Shares	111,610	120,085	120,085	-	-	-	-	21,026
FIDC - Credit rights	246,282	246,282	246,282	-	-	-	-	31,854
Equity investment fund	1,092,205	1,092,204	-	-	1,092,204	-	-	779,373
Real estate	37,659	37,658	1,490	-	36,168	-	-	40,490
Shares	2,350,147	2,454,179	2,454,179	-	-	-	-	1,766,595
Foreign private securities	348,731	348,731	3,630	2,616	228,165	25,321	88,999	-
Foreign government bonds	94,774	94,774	11,689	17,255	29,136	-	36,694	15,745
Unrestricted portfolio	184,286	185,449	-	-	17,628	88,497	79,324	591,054
Federal government bonds	184,286	185,449	-	-	17,628	88,497	79,324	591,054
Subject to repurchase agreements	7,736,218	7,736,606	5,980,222	199,249	359,319	540,089	657,727	1,838,373
Federal government bonds	7,138,613	7,139,002	5,962,015	186,256	235,438	125,413	629,880	1,612,800
Brazilian foreign debt securities	10,076	10,076	10,076	-	-	-	-	-
Corporate bonds / Eurobonds (i)	-	-	-	-	-	-	-	63,404
Foreign private securities	494,460	494,460	-	-	63,115	409,690	21,655	-
Foreign government bonds	93,069	93,068	8,131	12,993	60,766	4,986	6,192	162,169
Subject to guarantees	1,484,187	1,432,785	422,780	350,656	37,341	260,678	361,330	377,073
Federal government bonds	1,009,357	1,010,005	-	350,656	37,341	260,678	361,330	285,568
Shares	474,830	422,780	422,780	-	-	-	-	91,505
<b>Total</b>	<b>20,627,769</b>	<b>20,358,041</b>	<b>15,792,892</b>	<b>569,776</b>	<b>1,848,675</b>	<b>915,352</b>	<b>1,231,346</b>	<b>21,631,381</b>

(i) Substantially securities issued by Brazilian companies.

#### c. Available-for-sale securities

	2016							2015
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	3,014,909	2,998,959	2,639,041	36,613	35,302	109,591	178,412	1,713,492
Debentures (i)	284,225	268,329	82,711	5,775	33,001	105,280	41,562	621,482
Certificate of real estate receivables	34,116	34,120	28,547	-	1,262	4,311	-	253,231
Promissory notes	30,546	30,546	-	30,546	-	-	-	121,250
Others	8,180	8,122	34	292	288	-	7,508	363,819
Investment fund quotes								
Multimarket	2,527,749	2,527,749	2,527,749	-	-	-	-	-
Equity investment fund	130,093	130,093	-	-	751	-	129,342	353,710
Subject to repurchase agreements	1,866,986	1,620,311	693,073	148,598	82,340	130,469	565,831	1,216,920
Debentures (i)	1,552,363	1,305,688	693,073	148,598	82,340	130,469	251,208	766,643
Certificate of real estate receivables	314,623	314,623	-	-	-	-	314,623	450,277
Subject to guarantees	127,257	123,240	2,318	41,240	-	58,382	21,300	2,759,705
Debentures (i)	103,240	99,223	2,318	41,240	-	34,365	21,300	2,759,705
Certificate of real estate receivables	24,017	24,017	-	-	-	24,017	-	-
<b>Total</b>	<b>5,009,152</b>	<b>4,742,510</b>	<b>3,334,432</b>	<b>226,451</b>	<b>117,642</b>	<b>298,442</b>	<b>765,543</b>	<b>5,690,117</b>

(i) Substantially securities issued by Brazilian companies.

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### d. Reclassification of securities

Management classifies the securities according to its trading intention. No reclassifications or changes in intention were made by Management during the year ended in December 31, 2016 and 2015.

## 9. Derivative financial instruments

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

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

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

As at the year ended December 31, 2016 and 2015, the Bank does not have derivative financial instruments classified as hedge accounting. However, it has the policy to economically hedge its exposures to foreign currencies, including exposures in subsidiaries or to associates, using derivatives or other financial instruments. The policy aims to mitigate any effect from changes in foreign currency on assets and liabilities, other than those ones for trading purpose.

### a. Recognized in memorandum and balance sheet accounts

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

	2016				2015
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	56,050,196	3,878,637	20,854,572	80,783,405	26,998,517
Currency	6,602,098	164,535	-	6,766,633	71,392
Interest rate	49,343,275	3,714,102	20,854,572	73,911,949	26,901,817
Commodities	-	-	-	-	25,308
Other	104,823	-	-	104,823	-

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	2016				2015
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Short position	17,333,822	-	-	17,333,822	61,459,954
Currency	-	-	-	-	7,764,846
Interest rate	17,141,915	-	-	17,141,915	52,903,999
Commodities	7,549	-	-	7,549	791,109
Other	184,358	-	-	184,358	-
Swap					
Long position	24,321,772	16,398,845	69,069,282	109,789,899	148,994,818
Currency	1,377,206	4,261,868	33,155,621	38,794,695	63,205,546
Interest rate	22,786,438	11,999,257	35,686,160	70,471,855	84,807,489
Index	2,329	22,038	221,928	246,295	605,346
Equities	4,703	82,397	5,573	92,673	117,322
Other	151,096	33,285	-	184,381	259,115
Short position	24,321,772	16,398,845	69,069,282	109,789,899	148,994,818
Currency	378,641	3,854,066	9,803,375	14,036,082	6,490,189
Interest rate	21,795,947	12,007,936	55,688,390	89,492,273	138,101,702
Index	465,982	460,161	3,152,547	4,078,690	1,384,147
Equities	1,499	51,885	-	53,384	501,707
Other	1,679,703	24,797	424,970	2,129,470	2,517,073
Credit derivatives					
Long position	293,319	32,591	217,707	543,617	136,668
Sovereign	293,319	32,591	179,250	505,160	136,668
Corporate	-	-	38,457	38,457	-
Short position	-	-	93,048	93,048	182,745
Sovereign	-	-	11,570	11,570	-
Corporate	-	-	81,478	81,478	182,745
Non-deliverable forward - NDF					
Long position	42,989,574	6,573,843	466,796	50,030,213	68,781,355
Currency	42,906,796	6,544,221	463,120	49,914,137	62,287,450
Commodities	-	-	-	-	2,492,457
Interest rate	82,778	29,622	3,676	116,076	4,001,448
Short position	42,989,574	6,573,843	466,796	50,030,213	68,781,355
Currency	40,058,918	5,523,839	377,794	45,960,551	62,032,523
Commodities	-	-	-	-	1,992,700
Interest rate	2,930,656	1,050,004	89,002	4,069,662	4,756,132
Deliverable forward - DF					
Long position	11,210,418	503,946	204,895	11,919,259	33,011,323
Currency	11,210,418	503,946	204,895	11,919,259	32,764,137
Interest rate	-	-	-	-	64,558
Commodities	-	-	-	-	182,628
Short position	11,210,418	503,946	204,895	11,919,259	33,011,323
Currency	11,210,418	503,946	204,895	11,919,259	32,764,137
Interest rate	-	-	-	-	182,628
Commodities	-	-	-	-	64,558
Security forwards					
Long position	9,701	-	200,369	210,070	354,132
Interest rate	-	-	-	-	289,798
Government bonds	9,701	-	200,369	210,070	64,334
Short position	9,701	-	200,369	210,070	354,132
Interest rate	9,701	-	200,369	210,070	64,334
Government bonds	-	-	-	-	289,798
Options					
Long position					
Call option	21,405,051	7,278,816	75,087,769	103,771,636	65,549,154
Equities	165,581	189,269	54,364	409,214	415,851
Index	-	-	-	-	30,255
Currency	15,281,994	7,089,547	74,957,998	97,329,539	65,032,762
Interest rate	5,957,476	-	-	5,957,476	-
Other	-	-	75,407	75,407	70,286
Put option	24,706,405	12,339,649	88,955,411	126,001,465	84,105,227

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### Notes to the financial statements

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	2016				2015
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Equities	294,189	171,103	412,776	878,068	395,386
Index	3,798	-	-	3,798	-
Currency	9,295,918	11,834,309	88,542,635	109,672,862	83,705,619
Interest rate	15,112,500	-	-	15,112,500	4,222
Other	-	334,237	-	334,237	-
Short position					
Call option	11,098,230	11,868,664	88,711,160	111,678,054	86,344,986
Equities	255,232	-	-	255,232	299,972
Index	-	-	-	-	25,212
Currency	10,842,998	11,868,664	88,546,635	111,258,297	85,949,516
Other	-	-	164,525	164,525	70,286
Put option	29,682,637	7,818,620	74,953,998	112,455,255	62,774,744
Equities	29,006	172,881	-	201,887	807
Index	4,257	-	-	4,257	-
Currency	14,543,374	7,054,995	74,953,998	96,552,367	62,773,937
Interest rate	15,106,000	-	-	15,106,000	-
Other	-	590,744	-	590,744	-

### b. By cost and market value

	2016					2015
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Swaps						
Long position	653,003	1,029,242	170,447	197,674	661,121	2,693,427
Short position	973,178	1,436,987	159,919	310,336	966,732	2,994,088
Credit derivatives						
Long position	16,244	16,245	6,083	1,251	8,911	4,167
Short position	1,065	1,065	-	-	1,065	22,695
Non-deliverable forward - NDF						
Long position	2,283,923	2,282,879	1,813,460	449,791	19,628	2,187,506
Short position	2,232,481	2,234,016	1,771,289	444,215	18,512	1,922,144
Deliverable forward - DF						
Long position	5,899,603	5,899,603	5,412,601	320,301	166,701	15,448,876
Short position	5,865,895	5,865,895	5,382,646	320,090	163,159	15,451,212
Forward transaction						
Long position	209,890	209,875	9,697	-	200,178	353,813
Short position	209,963	209,978	9,696	-	200,282	353,648
Options market						
Long position	20,749,697	17,252,427	1,106,225	1,208,741	14,937,461	12,768,791
Short position	19,786,593	20,342,295	1,266,411	1,617,029	17,458,855	18,677,377
Long position	29,812,361	26,690,271	8,518,513	2,177,758	15,994,000	33,456,580
Short position	29,069,175	30,090,236	8,589,961	2,691,670	18,808,605	39,421,164

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

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### c. Notional value by counterparty

	2016				2015
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total
Futures market					
Long position	80,678,582	104,823	-	-	80,783,405
Short position	17,141,915	191,907	-	-	17,333,822
Swap					
Long position	5,989,584	103,800,315	-	-	109,789,899
Short position	5,989,584	103,800,315	-	-	109,789,899
Credit derivatives					
Long position	-	543,617	-	-	543,617
Short position	-	93,048	-	-	93,048
Non-deliverable forward - NDF					
Long position	-	50,030,213	-	-	50,030,213
Short position	-	50,030,213	-	-	50,030,213
Deliverable forward - DF					
Long position	-	11,919,259	-	-	11,919,259
Short position	-	11,919,259	-	-	11,919,259
Forward transactions					
Long position	-	210,070	-	-	210,070
Short position	-	210,070	-	-	210,070
Options market					
Long position	21,139,233	208,294,318	120,652	218,898	229,773,101
Short position	15,289,000	208,738,992	-	105,317	224,133,309
<b>Long position</b>	<b>107,807,399</b>	<b>374,902,615</b>	<b>120,652</b>	<b>218,898</b>	<b>483,049,564</b>
<b>Short position</b>	<b>38,420,499</b>	<b>374,983,804</b>	<b>-</b>	<b>105,317</b>	<b>413,509,620</b>

(i) Includes investments funds.

### d. Credit derivatives

	2016	2015
Credit swap		
Transferred risk		
Sovereign	505,161	136,668
Corporate	38,457	-
Risk received		
Sovereign	(11,570)	-
Corporate	(81,478)	(182,745)
	450,570	(46,077)



## BANCO BTG PACTUAL S.A.

Notes to the financial statements  
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(In thousands of reais, otherwise indicated )

During the year ended December 31, 2016 and 2015, there was no credit events related to triggering facts provided for in agreements.

According to CMN's resolutions, the effect on the calculation of the required reference shareholders' equity (PRE) as at December 31, 2016 is R\$64.237 (December 31, 2015 – R\$41,891).

### **e. Guarantee margin**

Guarantee margin in transactions traded on BM&FBovespa and other stock exchanges with derivatives comprises federal government bonds and others, totaling R\$1,024,555 (December 31, 2015 – R\$2,934,274), and equities in the amount of R\$422,780 (December 31, 2015 – R\$91,505). From the total amount, approximately R\$489,939 refers to additional margin deposited, as requested by BM&F Bovespa, due to volatility observed in function of events previously described, in Note 1.

### **f. Fair value of financial instruments**

The fair values of financial instruments are calculated as follows:

- Swaps: cash flows are discounted to present value based on yield curves reflecting the proper risk factors. These yield curves are mainly based on the prices traded on BM&FBovespa, Brazilian government bonds traded on the secondary or derivative market and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock market indexes, etc.).
- Futures and Forward: using stock exchange quotations or criteria identical to those described for swaps above.
- Options: the fair value of these instruments are calculated based on mathematical models (such as Black & Scholes) that use data containing implied volatility, interest rate yield curve and the fair value of the underlying asset. These data are obtained from different sources (normally prices from brokers and brokerage firms, Bloomberg and Reuters).
- Credit derivatives: the fair value of these instruments is calculated based on mathematical models largely adopted in the market that uses data relating to the issuer's credit spread and interest rate yield curve. These data are obtained from different sources (normally market prices, Bloomberg and Reuters).
- Securities and short selling: the fair value of government bonds are calculated based on prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). The fair value of corporate bonds is calculated based on prices traded on the secondary market, prices of similar assets and market visibility of the Company's commercial departments. Shares are calculated based on the prices informed by BM&FBovespa. Fund quotas are valued based on quota prices disclosed by the custodian.

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

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- 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, as 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 loan characteristics are as follows:

#### a. Loans

##### i. By type of credit

Type of credit	2016		2015	
	Balance	Allowance	Balance	Allowance
Loans	7,135,917	(456,089)	11,803,700	(969,035)
Financing	832,547	(61,076)	1,603,783	(128,025)
FINAME/BNDES	2,643,857	(13,018)	2,424,105	(35,481)
Securities financing	7,043	-	1,315	-
Total	10,619,364	(530,183)	15,832,903	(1,132,541)

##### ii. By risk level and maturity

Risk level	2016					2015		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	945,529	218,612	2,316,302	3,480,443	-	5,982,101	-
A	7,361	97,410	34,943	2,869,469	3,009,183	(15,046)	4,047,046	(20,235)
B	2	248,709	296,791	587,493	1,132,995	(11,326)	2,156,196	(21,562)
C	1,666	970,337	114,086	94,842	1,180,931	(49,535)	1,238,770	(37,163)
D	13,989	92,135	56,766	1,002,527	1,165,417	(156,258)	1,053,926	(145,062)
E	394,258	36,865	3,004	62,603	496,730	(190,354)	566,627	(171,952)
F	5,870	40,555	11,209	32,281	89,915	(48,324)	103,341	(51,671)
G	14,694	-	-	-	14,694	(10,284)	-	-
H	49,056	-	-	-	49,056	(49,056)	684,896	(684,896)
Total	486,896	2,431,540	735,411	6,965,517	10,619,364	(530,183)	15,832,903	(1,132,541)

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### iii. By activity sector

Sector	2016	2015
Commerce	18,277	41,972
Industry	328,834	306,496
Services	9,320,776	14,407,981
Rural	151,118	258,270
Individuals	800,359	818,184
Total	10,619,364	15,832,903

### b. Other receivables with loans characteristics and transferred loan

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

#### i. By risk level and maturity

Risk level	2016						2015	
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	13	264	277	-	139,768	-
A	-	-	-	-	-	-	74,286	(371)
B	30	1,584	1,453	8,873	11,940	(119)	530,315	(5,303)
C	-	13,720	27,182	43,618	84,520	(2,547)	149,847	(4,495)
D	-	44,776	-	-	44,776	(4,500)	-	-
E	-	-	-	-	-	-	56,786	(22,715)
F	-	-	-	-	-	-	52,388	(26,194)
H	-	-	-	-	-	-	63,730	(63,730)
Total	30	60,080	28,648	52,755	141,513	(7,166)	1,067,120	(122,808)
Transferred loans with co-obligations					12,848	-	85,436	(2,472)
Securities and credits receivable (note 12(b))					128,665	(7,166)	981,684	(120,336)

#### ii. By activity sector

Sector	2016	2015
Individuals	-	93,915
Rural	-	75,298
Services	141,513	897,907
Total	141,513	1,067,120

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

December 31, 2016

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### c. Advances in foreign exchange contracts

#### i. By risk level and maturity

Risk level	2016					2015		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	-	64,494	-	64,494	-	9,196	-
A	-	-	16,332	-	16,332	(82)	-	-
B	-	-	-	-	-	-	72,863	(879)
C	-	48,181	-	-	48,181	(1,473)	-	-
D	-	51,373	15,740	-	67,113	(8,380)	14,145	(2,733)
E	-	-	-	-	-	-	35,275	(12,246)
H	20,886	-	-	-	20,886	(20,886)	20,886	(20,886)
Total	20,886	99,554	96,566	-	217,006	(30,821)	152,365	(36,744)

#### ii. By activity sector

Sector	2016	2015
Industry	62,097	56,161
Services	154,909	96,204
Total	217,006	152,365

### d. Credit risk concentration

	2016	%	2015	%
Largest debtors				
10 largest debtors	6,362,931	58%	9,496,571	56%
20 following largest debtors	1,805,532	16%	3,253,712	19%
50 following largest debtors	1,563,635	14%	2,446,871	14%
100 following largest debtors	1,001,649	9%	1,366,692	8%
200 following largest debtors	244,120	3%	479,180	3%
500 following largest debtors	16	0%	9,362	0%
Total	10,977,883	100%	17,052,388	100%

### e. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics in the quarters and periods ended:

	2016		2015
	2nd semester	Year	Year
Opening balances	(788,309)	(1,442,349)	(971,801)
Reversal/(recording) of allowance	(28,691)	(125,835)	(527,561)
Exchange rate variation	2,888	26,583	(94,951)
Transferred provision on credit sale	-	1,210	-
Credits written off as loss	29,538	755,817	151,964
Closing balances	(784,574)	(784,574)	(1,442,349)

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

December 31, 2016

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	2016		2015
	2nd semester	Year	Year
Breakdown of closing balances			
Allowance for loan losses	(530,183)	(530,183)	(1,132,541)
Allowance for transferred loans	-	-	(2,472)
Allowance for other receivables (Note 10 (b))	(7,166)	(7,166)	(120,336)
Allowance for advances on foreign exchange contracts	(30,821)	(30,821)	(36,744)
Provision for standby letters of credit (Note 16 c)	(216,404)	(216,404)	(150,256)
	<u>(784,574)</u>	<u>(784,574)</u>	<u>(1,442,349)</u>

### f. Renegotiation/recovery of credits written off to loss

In December 31, 2016, the amount of R\$1,229,927 were due to credit renegotiation (December 31, 2015 – R\$1,458,054). Also in the year ended December 31, 2016 there were the amount of R\$17,801 due to written off loans recovery (December 31, 2015 – R\$1,414).

### g. Transferred loan

In the year ended December 31, 2016 and 2015 there was no credit assignment with co-obligation.

## 11. Other receivables/obligations

### a. Foreign exchange portfolio

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange purchased/sold	3,910,750	10,528,240	1,580,853	10,246,983
Rights on foreign exchange sales	10,743,012	-	10,163,220	-
(-) Advances on foreign Exchange contracts (Note 10 (c))	1,498	(215,508)	3,489	(148,876)
(-) Advances in foreign currency received	(326)	-	(156)	-
(-) Advances in local currency received	(1,280)	-	(234)	-
Liability for foreign exchange purchase	-	3,982,691	-	1,513,482
Total	<u>14,653,654</u>	<u>14,295,423</u>	<u>11,747,172</u>	<u>11,611,589</u>
Current	14,653,654	14,295,423	11,747,172	11,611,589
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\$108,690 (December 31, 2015 - R\$111,000).

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

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### b. Securities trading and brokerage

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	863,032	382,603	1,137,447	1,108,518
Commissions and brokerage payable	-	468	-	318
Debtors/creditors – pending settlement account	1,118,461	806,596	2,056,230	1,068,409
Unsettled third-party interbank investments	-	13,476	-	36
Creditors for stock loans	-	482	-	3,100
Securities trading and brokerage	17,090	985,409	2,436,420	796,622
Total	1,998,583	2,189,034	5,630,097	2,977,003
Current	1,998,583	2,189,034	5,630,097	2,977,003
Long term	-	-	-	-

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

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

## 12. Other receivables

### a. Income receivable

	2016	2015
Dividends and profit sharing	2,180,856	33,048
Receivables from services rendered	22,039	17,351
Management and performance fees from investment funds and portfolios	2,360	8,068
Distribution fees	3,105	11,744
Commissions on guarantees	13,537	10,751
Other	-	7
Total	2,221,897	80,969
Current	2,221,897	80,969
Long term	-	-

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### b. Sundry

	2016	2015
Deferred tax assets - IR/CS (Note 18)	3,891,354	5,085,694
Deferred tax assets - Others	190,845	358,964
Judicial deposits	956,750	884,726
Taxes to offset	172,708	576,561
Tax incentive options	1,317	1,317
Securities and credits receivable		
With loan characteristics (Note 10(b))	128,665	981,684
Without loan characteristics (ii)	62,027	126,703
Held for sale	1,767,580	1,176,377
Advance to suppliers	145,564	540,870
Sundry - Brazil (i)	2,551,615	2,815,074
Other	6,745	11,485
Total	9,875,170	12,559,455
Current	4,255,536	6,668,584
Long term	5,619,634	5,890,871

(i) Refers, basically to receivables from sale of investments. (Note 2).

(ii) On December 31, 2016, the line above has allowance for losses of R\$17,729 (December 31, 2015 – R\$50,634), registered in “Other receivables - Allowance for losses in other receivables”.

## BANCO BTG PACTUAL S.A.

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### 13. Investments in subsidiaries, associates companies and jointly controlled entities

	Subsidiaries, associates and jointly controlled entities						
	Shareholders Equity		Net income (loss)			Equity interest	
	2016	2015	2nd semester	2016	2015	2016	2015
<b>In Brazil</b>							
BTG Pactual Asset Management S.A. DTVM	318,047	517,876	11,527	173	244,153	99.99%	99.99%
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	318,848	394,091	34,576	53,256	120,411	99.99%	99.99%
BTG Pactual Serviços Financeiros S.A. DTVM	48,341	84,916	8,041	14,367	26,998	99.99%	99.99%
BTG Pactual Holding Participações S.A.	721	691	33	30	(158)	99.99%	99.99%
BTG Pactual Holding Internacional S.A.	8,767,902	13,406,793	(107,067)	(1,018,468)	3,951,297	99.99%	99.99%
BTG Pactual Comercializadora de Energia Ltda.	1,829,904	1,916,607	(89,104)	413,327	50,997	99.99%	99.99%
BW Properties S.A.	457,406	537,017	(30,360)	(79,610)	(133,947)	50.93%	50.93%
Warehouse 1 Empreendimentos Imobiliários S.A.	29,754	40,974	(9,890)	(9,217)	(5,621)	35.00%	35.00%
Max Casa XIX Empreendimentos Imobiliários S.A.	2,680	23,848	(4,677)	(1,910)	4,125	50.00%	50.00%
ACS Omicron Empreendimentos Imobiliários S.A.	5,706	9,624	(4,735)	(3,918)	1,344	44.74%	44.74%
BTG Pactual Holding de Seguros Ltda.	807,475	763,020	16,182	44,528	48,875	99.99%	99.99%
TTG Participações Holding	89,299	100,473	(12,630)	(29,574)	44,268	99.99%	99.99%
Pan Corretora S.A.	67,612	59,961	4,820	10,386	10,030	51.00%	51.00%
Banco Sistema S.A.	6,015,349	6,704,056	561,276	1,424,293	1,215,602	99.91%	99.91%
BTGP Corretora de Seguros S.A.	9,646	7,936	5,450	11,406	6,651	99.99%	99.99%
BTG Pactual Corretora de Resseguros Ltda	2,040	72	2,012	1,969	(30)	99.99%	99.99%
<b>Jointly-controlled entities - In Brazil</b>							
Banco Pan S.A.	3,412,162	3,643,797	(12,770)	(237,238)	8,052	40.35%	40.35%
<b>Abroad</b>							
BTG Pactual Overseas Corporation	24,989	30,122	(92)	(152)	293,317	99.99%	99.99%
BTG Pactual Chile Internacional Ltd.	60,088	50,152	10,100	18,230	2,791	99.99%	99.99%
Banco BTG Pactual Luxembourg S.A.	327,985	327,364	(1,793)	54,754	114,267	99.99%	99.99%
BTG Pactual S.A. Comisionista de Bolsa	126,410	137,910	(707)	5,318	1,522	99.99%	99.99%
BSI Limited	1,683,532	-	-	61,732	-	99.99%	0.00%



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	Changes in investments					
	2015	Aquisition / Increase / Transfer / (Sales)	Dividends paid	Equity pick up	Fair value adjustments	2016
						Equity pick up in 2015
<b>Subsidiaries and associates - In Brazil</b>						
BTG Pactual Asset Management S.A. DTVM	517,874	-	(200,000)	173	-	318,047
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	394,092	-	(128,500)	53,256	-	318,848
BTG Pactual Serviços Financeiros S.A. DTVM	84,916	-	(50,942)	14,367	-	48,341
BTG Pactual Corretora de Mercadorias Ltda.	-	-	-	-	-	-
BTG Pactual Holding Participações S.A.	690	-	-	30	-	720
BTG Pactual Holding Internacional S.A.	13,406,794	(5,277,439)	(108,598)	(839,292)	(1,967)	7,179,498
BTG Pactual Comercializadora de Energia Ltda.	1,916,595	(500,030)	-	291,910	-	1,708,475
Recovery do Brasil Consultoria Ltda. (ii)	-	-	-	-	-	-
BTG Pactual Vivere Participações S.A.	-	(5,022)	-	5,022	-	-
BW Properties S.A.	273,487	-	-	(40,543)	-	232,944
Goodwill – BW Properties S.A.	2,322	-	-	-	-	2,322
Warehouse 1 Empreendimentos Imobiliários S.A.	14,340	-	(700)	(3,226)	-	10,414
Max Casa XIX Empreendimentos Imobiliários S.A.	11,924	(11,518)	1,889	(955)	-	1,340
ACS Omicron Empreendimentos Imobiliários Ltda.	4,306	-	-	(1,753)	-	2,553
BTG Pactual Commodities S.A. (i)	-	-	-	-	-	-
TTG Participações Holding	100,473	39,000	(20,600)	(29,420)	-	89,453
BTG Pactual Holding de Seguros	763,019	-	-	44,529	(72)	807,476
BTGP Corretora de Seguros S.A.	7,936	-	(9,697)	11,406	-	9,645
Pan Corretora S.A.	30,580	-	-	3,902	-	34,482
Banco Sistema S.A.	6,697,850	-	(2,111,044)	1,422,974	-	6,009,780
Negative goodwill - Banco Sistema S.A.	(26,551)	-	-	-	-	(26,551)
BTG Pactual Corretora de Resseguros Ltda.	71	-	-	-	-	71
Rede D'OR São Luiz S.A. (ii)	-	-	-	-	-	-
Goodwill - Rede D'OR São Luiz S/A	-	-	-	-	-	-
BPMB I Participações S.A.	-	-	-	-	-	-
BTG Pactual Corretora de Resseguros Ltda	-	-	-	1,969	-	1,969
Other	-	5,965	-	-	-	5,965
	<b>24,200,718</b>	<b>(5,749,044)</b>	<b>(2,628,192)</b>	<b>934,349</b>	<b>(2,039)</b>	<b>16,755,792</b>
<b>Jointly-controlled entities - In Brazil</b>						
Banco Pan S.A.	1,376,799	-	-	(95,733)	2,261	1,283,327
Negative goodwill - Pan S.A.	(111,344)	-	-	-	-	(111,344)
	<b>1,265,455</b>	<b>-</b>	<b>-</b>	<b>(95,733)</b>	<b>2,261</b>	<b>1,171,983</b>
						<b>5,928,103</b>
						<b>5,045</b>

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

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	Changes in investments					
	2015	Aquisition / Increase / Transfer / (Sales)	Dividends paid	Equity pick up	Fair value adjustments	2016
						Equity pick up in 2015
<b>Total</b>	<b>25,466,173</b>	<b>(5,749,044)</b>	<b>(2,628,192)</b>	<b>838,616</b>	<b>222</b>	<b>17,927,775</b>
<b>Abroad</b>						
Pactual Overseas Corporation (iii)	30,127	-	-	(5,138)	-	24,989
BTG Pactual Chile Internacional Ltd. (iii)	50,152	-	-	9,937	-	60,089
Banco BTG Pactual Luxembourg S.A.	327,364	-	-	621	-	327,985
BTG Pactual S.A. Comisionista de Bolsa (iii)	129,286	-	-	(9,806)	-	119,480
Goodwill - BTG Pactual S.A. Comisionista de	45,252	-	-	(26,735)	-	18,517
Bolsa						
Ariel Re (Holding) Limited (ii)	-	-	-	-	-	-
BSI Limited (ii) (iii)	-	1,867,184	-	(186,179)	1,529	1,682,534
Goodwill - BSI Limited (ii) (iii)	-	414,810	-	(70,176)	-	344,634
Other	-	(33,178)	-	42,490	-	9,312
	<b>582,181</b>	<b>2,248,816</b>	<b>-</b>	<b>(244,986)</b>	<b>1,529</b>	<b>2,587,540</b>
<b>Total</b>	<b>26,048,354</b>	<b>(3,500,228)</b>	<b>(2,628,192)</b>	<b>593,630</b>	<b>1,751</b>	<b>20,515,315</b>

# BANCO BTG PACTUAL S.A.

## Notes to the financial statements

December 31, 2016

(In thousands of reais, otherwise indicated )

- (i) See note 2.
- (ii) As of September 30, 2016, EFG International entities start to be treated as investments in associates and jointly controlled entities.
- (iii) The difference between equity pick up in subsidiaries and net income of subsidiaries refers to exchange variation.

## 14. Intangible asset

	Changes in intangible assets					2016
	2015	Acquisitions	Write off	Amortization expenses	Exchange variation	
<b>Other intangible assets</b>						
Cost						
Softwares	91,201	2,191	(27)	-	(637)	92,728
Leasehold improvements	80,821	1,420	(4,036)	(162)	-	78,043
Amortization						
Softwares	(46,184)	663	-	(15,289)	380	(60,430)
Leasehold improvements	(25,290)	1,430	(97)	(10,687)	-	(34,644)
<b>Total</b>	<b>100,548</b>	<b>5,704</b>	<b>(4,160)</b>	<b>(26,138)</b>	<b>(257)</b>	<b>75,697</b>

The intangible asset amortization period is 5 years.

## 15. Fund raising and loans onlending

### a. Summary

	2016						2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	13,940,601	8,920,461	4,804,925	108,847	72,931	33,437	24,653,018
Open market funding	30,299,051	28,342,039	1,136,467	133,192	687,353	-	25,429,006
Funds from securities issued and accepted	9,757,394	2,579,211	3,089,183	1,988,758	1,929,984	170,258	19,413,107
Loans and onlending	3,348,263	712,203	90,851	130,694	153,752	2,260,763	3,711,926
Subordinated debts and subordinated debt eligible to equity	11,622,451	-	1,239,548	2,736,509	1,872,957	5,773,437	13,096,362
<b>Total</b>	<b>68,967,760</b>	<b>40,553,914</b>	<b>10,360,974</b>	<b>5,098,000</b>	<b>4,716,977</b>	<b>8,237,895</b>	<b>86,303,419</b>

### b. Deposits

	2016						2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	127,819	127,819	-	-	-	-	130,554
Interbank deposits	2,773,894	2,196,164	523,401	49,744	4,585	-	4,471,768
Time deposits (i)	11,038,888	6,596,478	4,281,524	59,103	68,346	33,437	20,050,696
<b>Total</b>	<b>13,940,601</b>	<b>8,920,461</b>	<b>4,804,925</b>	<b>108,847</b>	<b>72,931</b>	<b>33,437</b>	<b>24,653,018</b>

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

## BANCO BTG PACTUAL S.A.

### Notes to the financial statements

December 31, 2016

(In thousands of reais, otherwise indicated )

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

### c. Open market funding

Open market funding has collateral on the following securities:

	2016						2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own portfolio	9,952,918	8,710,472	1,136,467	105,979	-	-	3,305,207
Federal government bonds	7,132,532	7,132,532	-	-	-	-	1,606,253
Corporate bonds	2,760,533	1,518,087	1,136,467	105,979	-	-	1,664,943
Federal foreign government bonds	59,853	59,853	-	-	-	-	34,011
Third-party portfolio	15,633,281	15,633,281	-	-	-	-	15,242,238
Federal government bonds	15,582,534	15,582,534	-	-	-	-	15,233,771
Corporate bonds	50,747	50,747	-	-	-	-	8,467
Unrestricted portfolio (i)	4,712,852	3,998,286	-	27,213	687,353	-	6,881,561
Federal government bonds	4,712,852	3,998,286	-	27,213	687,353	-	6,881,561
Total	30,299,051	28,342,039	1,136,467	133,192	687,353	-	25,429,006

(i) From the unrestricted portfolio, R\$4,299,968 (December 31, 2015 – R\$3,489,295) refers to short position and R\$412,884 (December 31, 2015 – R\$3,392,266) to third-party portfolio.

### d. Fund from securities issued and accepted

	2016						2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	7,882,818	2,577,839	2,748,303	1,946,894	502,079	107,703	13,553,611
Financial bills	6,906,450	2,277,788	2,170,689	1,855,077	495,193	107,703	11,945,501
Mortgage bonds/letters of credit for agrobusiness	964,695	291,369	574,623	91,817	6,886	-	1,590,028
Structured transactions	11,673	8,682	2,991	-	-	-	18,082
Securities – abroad	1,874,576	1,372	340,880	41,864	1,427,905	62,555	5,859,496
Medium term notes (i)	1,731,769	-	300,999	13,362	1,414,633	2,775	5,553,012
Fixed rate notes and others	142,807	1,372	39,881	28,502	13,272	59,780	306,484
Total	9,757,394	2,579,211	3,089,183	1,988,758	1,929,984	170,258	19,413,107

(i) During the year ended December 31, 2016, gains in the amount of R\$203.764 (December 31, 2015 – R\$356,083) were recognized by the Bank, as a result of notes acquired below bar.

As at December 31, 2016, securities in Brazil were basically indexed o interest referenced rates (CDI) between 88% and 112% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 8.2% p.a. (December 31, 2015 – indexed to (CDI) between 86% and 113% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 7.8% p.a.).

On December 31, 2016, securities abroad have rates between 1.45% p.a. and 8.0% p.a. (December 31, 2015 – between 1.2% p.a. and 7% p.a.).

## BANCO BTG PACTUAL S.A.

### Notes to the financial statements

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#### e. Loans and onlending

	2016						2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	768,480	704,928	63,552	-	-	-	1,204,284
Foreign currency	63,552	-	63,552	-	-	-	160,766
Loans abroad	704,928	704,928	-	-	-	-	1,043,518
Loans - Brazil	-	-	-	-	-	-	148,815
Loans	-	-	-	-	-	-	148,815
Onlending in Brazil – official institution	2,579,783	7,275	27,299	130,694	153,752	2,260,763	2,358,827
FINAME/BNDES	2,579,783	7,275	27,299	130,694	153,752	2,260,763	2,358,827
Total	3,348,263	712,203	90,851	130,694	153,752	2,260,763	3,711,926

On December 31, 2016, loans and onlending have rates of 0.25% p.a. and 6.4% a.a. (December 31, 2015 – between 0.73% p.a. and 6% p.a.).

#### f. Subordinated debt and debt instrument eligible to equity

Type - original currency	2016					2015
	Issued amount (original currency)	Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	5,876,451	6,084,766
Subordinated debt - US\$	800,000	28/09/2012	15/09/2022	5.75%	1,440,798	1,851,199
Subordinated debt eligible to equity - US\$ (ii)	1,300,000	12/09/2014	Callable at September 2019	8.75%	4,305,202	5,160,397
Total					11,622,451	13,096,362

- (i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.  
(ii) During the year ended December 31, 2016, gains in the amount of R\$43,619 (December 31, 2015 – R\$67.108) were recognized by the Bank, as a result of notes acquired below bar.

## 16. Other obligations

#### a. Social and statutory

	2016	2015
Dividends and profit sharing payable	890,000	459,703
Employees' profit sharing	257,000	433,198
Other benefits	2,000	-
Total	1,149,000	892,901
Current	1,149,000	892,901
Long-term	-	-

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### Notes to the financial statements

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#### b. Tax and social security

	2016	2015
Tax and contributions to be collected	62,001	61,073
Tax and contribution payable	3,031	401,111
Deferred income tax and social contribution (Note 18)	9,598	9,598
Suspended-payment taxes and other tax liabilities (Note 17 (c))	934,818	862,472
Total	1,009,448	1,334,254
Current	65,032	462,183
Long-term	944,416	872,071

#### c. Sundry

	2016	2015
Payable for acquisition of assets and rights (i)	1,084,913	1,041,364
Allowance for accounts payable	34,117	44,650
Payable - subject to loans operations	15,321	104,211
Provision for guarantees (Note 10 (e))	216,404	150,256
Provision for contingent liabilities (Note 17 (c))	22,808	13,218
Other creditors - Brazil	398,026	229,858
Other creditors - Abroad	192,147	53,915
Other	67	2,656
Total	1,963,803	1,640,128
Current	645,819	413,456
Long-term	1,317,984	1,226,672

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

## 17. Contingent assets and liabilities and legal obligations

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

#### a. Contingent assets

As at December 31, 2016 and 2015, the Bank did not record contingent assets.

#### b. Contingent liabilities classified as probable losses and legal obligations

##### i. Labor provisions

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

## BANCO BTG PACTUAL S.A.

Notes to the financial statements  
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### 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 the opinion of internal and external legal counsel.

### iii. Tax and social security provisions

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

#### c. Breakdown and changes in provisions

The Bank's Management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recorded for such proceedings at December 31, 2016 are appropriate to cover probable losses arising therefrom.

The provisions recognized and their changes are as follows for the year ended December 31:

	2016				2015
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the year	862,472	-	13,218	875,690	831,042
Recognition	76,722	248	21,259	98,229	127,109
Write-off / reversal	(4,376)	(43)	(11,874)	(16,293)	(82,461)
Balance at the end of the year	934,818	205	22,603	957,626	875,690
Suspended-payment taxes and other taxes contingencies (Note 16b) a				934,818	862,472
Provision for contingent liabilities				22,808	13,218

The natures of the main provisions are presented below.

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

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

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

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

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

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As at December 31, 2016, the Bank was part to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R\$992 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- Lawsuits relating to the demutualization and IPO of BM&F Bovespa, challenging the taxation of PIS and Cofins on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R\$20 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.
- In October 2012, we received a tax assessment, which in December 31, 2016 totaled R\$2,324 million alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by us was inappropriate. Such goodwill was originated in connection with the acquisition of us by UBS in 2006, and in the acquisition by BTG in 2009. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009. The Bank presented a defense against this tax assessment. On February 2013, a first instance decision was issued, providing for a partial reduction of the tax assessment amount. On June 03, 2015, a second instance decision was issued, which canceled the isolated fine in the amount of R\$330 million, as of December 31, 2016. Based on our analysis of applicable case law, including in recent similar cases, we believe that the tax assessment is without merit and that we will ultimately prevail in its appeal. In addition, on December 2015, the Bank received other tax assessment in the amount of R\$1,810 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties and also by our parent company in relation to the first and second tax assessments, respectively. Accordingly, in no event we expect to incur any material losses in connection with this matter.

### ii. Provision for other contingent liabilities

As at December 31, 2016, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.



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Notes to the financial statements

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## 18. Income tax and social contribution

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

	2016	2015
Tax base	2,763,249	1,348,546
Income before taxes and profit sharing	4,202,427	2,806,588
Statutory profit sharing	(49,178)	(543,288)
Interest on equity	(1,390,000)	(914,754)
Total charge of income tax and social contribution at the current rates	(1,243,462)	(539,418)
Permanent (additions) / deductions in taxation calculation	(39,046)	3,122,061
Equity pick up in subsidiaries and associates and jointly controlled companies in Brazil	112,035	1,928,639
Income / (loss) of foreign exchange on foreign investments	(123,569)	763,357
Income on foreign investments	(6,753)	46,692
Dividends	82,914	137,847
Other Permanent (additions) / deductions	(103,673)	245,526
Temporary (additions) / deductions on the taxation calculation	1,280,189	(2,853,366)
Reversal of provision for goodwill on the acquisition of investments	102,960	100,633
Fair value of securities and derivatives	1,524,584	(2,645,888)
Allowance for loan losses	(72,672)	(343,427)
Equity on interest	(400,500)	119,280
Tax contingencies and provision for suspended-payment taxes	-	13,390
Other provisions	125,817	(97,354)
	-	-
Effect of increase in social contribution 5% (current tax)	-	(51,085)
Offset of tax losses carry forward - Brazil	(1,326)	(79,234)
Tax and social contribution expense	(3,645)	(401,042)
Temporary differences		
Recognition / (reversal) of the year	(1,280,803)	2,853,366
Recognition / (reversal) on losses in Brazil	1,326	79,234
Recognition / (reversal) on losses on Branches abroad	147,594	79,682
Recovery of income tax of investment abroad	15,007	212,813
Other temporary differences	375,242	536,145
(Expenses) / revenues from deferred taxes assets	(741,634)	3,761,240
Total revenues / (expenses)	(745,279)	3,360,198

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:

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Income tax and social contribution	2015	Recognition	Realization (i)	2016
Tax loss	444,939	148,920	(25,133)	568,726
Interest on equity	-	400,500	-	400,500
Allowance for loan losses	807,423	211,544	(147,030)	871,937
Marked-to-market valuation of securities and derivatives	3,254,951	15,300,739	(16,841,844)	1,713,846
Goodwill on the acquisition of investment	108,310	-	(108,310)	-
Tax contingencies and provision for suspended-payment taxes	182,980	-	-	182,980
Other temporary differences	273,046	291,469	(411,485)	153,030
	<u>5,071,649</u>	<u>16,353,172</u>	<u>(17,533,802)</u>	<u>3,891,019</u>
Effects on other comprehensive income				
Marked-to-market adjustments on securities and derivatives	14,045	-	(13,710)	335
Total	<u>5,085,694</u>	<u>16,353,172</u>	<u>(17,547,512)</u>	<u>3,891,354</u>
Income tax and social contribution	2014	Recognition	Realization (i)	2015
Tax loss carryforward	221,444	200,049	-	421,493
Interest on equity	119,280	-	(119,280)	-
Allowance for loan losses	370,928	498,661	(154,804)	714,785
Marked-to-market valuation of securities and derivatives	284,077	14,902,201	(12,149,000)	3,037,278
Goodwill on the acquisition of investment	196,907	-	(100,632)	96,275
Tax contingencies and provision for suspended-payment taxes	196,062	-	(16,381)	179,681
Other temporary differences	147,475	216,486	(136,084)	227,877
Increase in Social Contribution - CSLL 5%	-	391,503	-	391,503
	<u>1,536,173</u>	<u>16,208,900</u>	<u>(12,676,181)</u>	<u>5,068,892</u>

(i) On December 31, 2016, the amount of R\$464,596 (December 31, 2015 – R\$228,521), refers to recovery paid taxes from investments abroad

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

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2017	1,438,650	151,807	1,590,457
2018	1,700,998	168,749	1,869,747
2019	-	248,170	248,170
2020 onwards	182,980	-	182,980
	<u>3,322,628</u>	<u>568,726</u>	<u>3,891,354</u>
Present value	<u>2,772,034</u>	<u>447,301</u>	<u>3,219,335</u>

The Bank has deferred tax obligations in the amount of R\$9,598 (December 31, 2015 - R\$9,598) according to Note 16(b).

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

## **BANCO BTG PACTUAL S.A.**

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### **19.Shareholders' equity**

#### **a. Capital**

As at December 31, 2016, fully subscribed and paid in capital consists of 3,406,544,075 shares (December 31, 2015 – 2,756,103,006), of which 1,718,895,529 common shares (December 31, 2015 – 1,404,405,002), 431.840.524 class A preferred shares (December 31, 2015 – 535,847,600), 449,356,339 class B preferred shares (December 31, 2015 – 815,850,404), 806,451,683 class C preferred shares (December 31, 2015 – Nil) all no-par, registered shares.

At Special General Meeting held on September 6, 2016, was approved capital increase, through the capitalization of statutory reserves, in the amount of R\$4,000,000, with issuance of 817,526,483 class C preferred shares, by way of stock dividend, both nominative and without par value, which R\$40,000 for capital and R\$3,960,000 for the capital reserve.

At Special General Meeting held on September 15, 2015, was approved capital increase of R\$773,663, with issuance of 33,634,410 common shares and 67,268,820 Class A preferred shares, both nominative and without par value.

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

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

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

The Class B preferred shares are convertible into common shares, upon request by writing to the holder or the 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 Company's shareholders' agreement. Class B preferred shares can be convertible into Class A preferred shares at the request of its holder, and provided that (i) the Bank is a public company with shares listed on stock exchanges and (ii) conversion is in accordance with the Company's shareholders' agreement.

#### **b. Treasury shares**

During the year ended December 31, 2016, the Bank repurchased 137,483,124 shares, in the amount of R\$593,285, and canceled 119,792,424 shares, in the amount of R\$654,845, due to approved program.

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### c. Legal reserve

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

### d. Statutory reserve

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

### e. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

### f. Profit distribution

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

As at February 25, 2015, the Bank has approved the distribution of dividends, in the amount of R\$106,130, equivalent to R\$0.04 per share, which refers to prior periods. The payment of such dividends, occurred on March 10, 2015.

As at August 05, 2015, the Bank has approved the distribution of dividends in the amount of R\$47,324, equivalent to R\$0.2 per share. The payment of such dividends, occurred on August 20, 2015.

As at June 30, 2016 the Bank has accrued R\$500,000 (June 30, 2015 - R\$422,000), relating to interest on equity, equivalent to R\$0.19 (June 30, 2015 - R\$0.16) per share, which generated R\$225,000 (June 30, 2015 - R\$168,800) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2016, and the payment occurred on November 9, 2016.

As at December 29, 2016 the Bank has accrued R\$890,000 (December 31, 2015 - R\$492,754), relating to interest on equity, equivalent to R\$0.32 (December 31, 2015 - R\$0.18) per share, which generated R\$400,500 (December 31, 2015 - R\$197,102) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 29, 2016.

## 20. Income from services rendered

	2016		2015
	2nd semester	Year	Year
Management and performance fee from investment funds and portfolios	38,565	98,388	297,250
Technical services	196,444	317,324	340,118
Commission on the placement of securities	30,596	64,946	92,735
Guarantees granted	115,838	236,096	258,683
Other services	5,655	11,826	14,774
Total	387,098	728,580	1,003,560

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### 21. Other operating income

	2016		2015
	2nd semester	Year	Year
Recovery of charges and expenses	-	-	12,552
Reversal of allowances - other	153,131	165,651	39,915
Reversal of allowances - contingencies	1,959	14,339	38,027
Adjustment to inflation of judicial deposits	68,080	116,404	101,734
Exchange rate variation	4,670	8,355	225,797
Fair value of assets held for sale	-	-	560,582
Adjustments of receivables from sale	124,862	238,882	291,492
Other operating income	14,178	36,495	14,078
Total	366,880	580,126	1,284,177

### 22. Other operating expenses

	2016		2015
	2nd semester	Year	Year
Guarantees granted allowances	45,991	91,730	121,399
Monetary restatement expense	81,349	161,012	140,569
Adjustment of amounts payable for acquisition of investments	103,609	129,901	135,724
Exchange rate variation - other	7,244	11,474	268,122
Tax restatement expense	-	-	366
Discounts granted in renegotiation	60,708	75,515	289,139
Others	28,689	43,192	15,746
Total	327,590	512,824	971,065

### 23. Other administrative expenses

	2016		2015
	2nd semester	Year	Year
Outsourced services and consulting	191,841	280,625	173,274
Telecommunications and data processing	56,519	117,550	133,634
Leases and condominiums	26,479	53,160	51,756
Travel and lodging	9,991	18,345	28,719
Expenses of the financial system	13,564	22,623	40,601
Advertising and public relations	2,152	9,156	17,002
Depreciation/amortization	19,442	40,887	38,999
Others	16,499	25,036	27,326
Total	336,487	567,382	511,311

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### 24. Tax charges

	2016		2015
	2nd semester	Year	Year
Suspended-payment taxes	31,292	69,402	87,693
ISS	12,304	20,329	71,602
PIS / COFINS - current and deferred taxes	49,546	211,453	(322,135)
IOF	1,005	3,294	-
Others	1,497	13,413	13,993
Total	95,644	317,891	(148,847)

### 25. Non-operating income

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

### 26. 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 arms' length, are reflected in the following accounts:

	Parent company		Subsidiaries and joint controlled entities		Total	
	2016	2015	2016	2015	2016	2015
<b>Assets</b>						
Open market investments	-	-	3,785,918	8,398,658	3,785,918	8,398,658
Interbank investments deposits	-	-	435,000	310,000	435,000	310,000
Securities	-	-	10,049,777	223,402	10,049,777	223,402
Derivative financial instruments	8,275	-	17,498,213	15,118,704	17,506,488	15,118,704
Loans and Receivables	987,295	515,237	971,297	3,663,406	1,958,592	4,178,643
Income Receivable	-	-	2,101,477	28,080	2,101,477	28,080
Securities trading and brokerage	-	-	52,292	154,662	52,292	154,662
Sundry	-	-	1,789,112	92,693	1,789,112	92,693
<b>Liabilities</b>						
Interbank deposits	(58)	(190)	(2,549,366)	(2,996,401)	(2,549,425)	(2,996,592)
Time deposits	(108,658)	(13,205)	(3,786,390)	(5,186,985)	(3,895,048)	(5,200,190)
Open market funding	-	(1,473)	(5,594,394)	(5,825,370)	(5,594,394)	(5,826,843)
Funds from securities issued and accepted	-	-	(41,186)	(1,223,363)	(41,186)	(1,223,363)
Securities issued abroad	-	-	(1,723,067)	(2,334,584)	(1,723,067)	(2,334,584)
Derivative financial instruments	(483)	-	(22,243,804)	(21,794,623)	(20,690,862)	(21,794,623)
Securities trading and brokerage	-	-	(154,958)	(332,062)	(154,958)	(332,062)
Debt instrument eligible to equity	-	-	-	(29,691)	-	(29,691)
Sundry	-	(102,916)	(203,334)	(15,320)	(203,334)	(118,235)
<b>Statements of income</b>						
Financial income	74,431	70,286	1,172,143	2,223,842	1,246,574	2,294,128
Financial expenses	(6,887)	(9,264)	(1,986,364)	(719,417)	(1,993,251)	(728,681)
Other operating income	-	-	307,060	541,203	307,060	541,203

(i) Subsidiaries of BTG Pactual Participations Ltd.

Total compensation paid in the year to key management personnel totaling R\$4,860 (December 31, 2015 – R\$61,012) is considered a short-term benefit.

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### 27. Other information

#### a. Cash and cash equivalents

	2016	2015
<b>Balances as at beginning of year</b>		
Cash at banks	1,797,797	590,257
Open market investments	9,981,383	16,080,581
Interbank deposits	3,843,062	4,392,879
Total	15,622,242	21,063,717
<b>Balances as at end of year</b>		
Cash at banks	220,756	1,797,797
Open market investments	11,177,261	9,981,383
Interbank deposits	1,853,888	3,843,062
Total	13,251,905	15,622,242

#### b. Commitments and responsibilities

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

	2016	2015
Co-obligation and risks for guarantees granted	39,138,229	37,976,932
Responsibility for the management of funds and investment portfolio	21,705,163	27,905,462
Securities under custody	202,334,775	225,555,794
Securities trading and brokerage	1,714,187,289	1,514,796,291
Loans contracted to release	297,075	709,744
Commitments to be released	47,700	128,280

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

"Responsibility for the management of funds and investment portfolio" is recognized by the sum of the equity value of funds and investment portfolios.

"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 loan contracts with clients to release.

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

### 28. Subsequent events

## **BANCO BTG PACTUAL S.A.**

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

On January 27, 2017, BTG Pactual and BTGP informed their shareholders and the market in general that they are currently evaluating the potential effects of the independent trading of the securities issued by the Companies, seeking to address, among other things, (i) greater transparency of the assets of each of the Companies, with clearer differentiation between the banking and asset management activities performed by BTG Pactual and the private equity investment vehicle activities performed by BTGP, (ii) the possibility of greater liquidity for securities issued by BTG Pactual, which securities, if traded without a corresponding interest in BTGP, would become eligible to be incorporated into major trading indexes (which currently is not permitted by applicable rules), and could also be targeted as an investment by a broader range of potential investors, and (iii) the specific context of each of the Companies, particularly with respect to their capital structures.

On February 14, 2017, date of completion of these financial statements, the Companies issued a material fact informing to the market the conclusion of the aforementioned intention.

On February 2, 2016, given that it is impossible to comply with some conditions precedent, the sale transactions of the interest entirely held by BTG Pactual in Pan Seguros S.A. and Panamericano Administração e Corretagem de Seguros e de Previdência Privada Ltda. to CNP Assurances S.A. will therefore not be concluded.

On February 6, 2017, the sale transaction of Maybrooke equity interest was settled.