

# **Financial Statements**

**Banco BTG Pactual S.A.**

September 30, 2016

with independent auditors' review report.

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

Financial Statements

September 30, 2016

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**A free translation from Portuguese into English of the independent auditors' review report on interim 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 auditors' review report**

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

### **Introduction**

We have reviewed the interim financial statements of Banco BTG Pactual and its subsidiaries ("Bank") for the three-month period ended September 30, 2016, which comprise the balance sheet as of September 30, 2016 and the related statements of income for the three and nine-month periods then ended, and changes in shareholders' equity and cash flows for the nine-month period then ended, and a summary of significant accounting practices and other explanatory notes.

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

### **Scope of review**

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

### **Conclusion**

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

### **Emphasis of matter**

- i) As of September 30, 2016, the jointly controlled subsidiary Banco Pan S.A., reviewed by other independent auditors who issued its review report on its financial statements on November 07, 2016, has deferred tax assets recorded on its balance sheet amounting to R\$ 3.3 billion, recognized based on long-term deferred tax realization projection. This deferred tax realization projection was reviewed by Banco Pan S.A.'s management based on current and future scenarios analysis and approved by its Board of Directors on August 1<sup>st</sup>, 2016, which main assumptions used were the macroeconomics indexes for production and funding costs. The realization of these tax credits, within the estimated realization period, depends on delivery of these projections and business plan as approved by the management bodies of Banco Pan S.A. Our conclusion is not qualified in respect of this matter.
- ii) We draw attention to Note nº 1 to the interim financial statement, which indicates the actions implemented by the Bank since the November 25, 2015 events that impacts its operations, including the investigation process, which was completed at April 7, 2016, measures to preserve capital, to maintain liquidity related to dividend distributions, among others. Our conclusion is not qualified in respect of this matter.

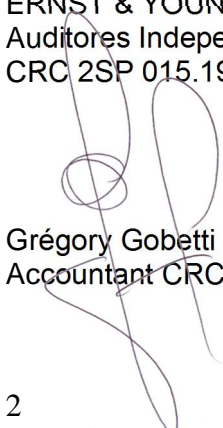
### **Other matters**

#### **Statement of value added**

We have also reviewed the statement of value added (SVA), for the nine-month period ended at September 30, 2016, prepared under the responsibility of Bank's management, which financial statement presentation mentioned above is required by Brazilian Corporate Law, as supplementary information under the accounting practices applicable to institutions accredited by the Central Bank of Brazil. This statement has been subject to the same review procedures previously described, and based on our review nothing has come to our attention that causes us to believe that the statement of value added is not fairly presented, in all material respects, in relation to the overall interim financial statements.

São Paulo, November 08, 2016.

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



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

## BANCO BTG PACTUAL S.A.

### Balance sheets

As at September 30, 2016 and December 31, 2015

(In thousands of reais)

	Note	30/09/2016	31/12/2015
Assets			
Current assets		87,677,161	102,219,796
Cash at banks	6	202,943	1,797,797
Interbank investments	7	28,181,695	28,543,123
Open market investments		26,930,326	24,700,061
Interbank deposits		1,251,369	3,843,062
Securities and derivative financial instruments		33,771,457	41,565,350
Own portfolio	8	13,100,287	19,367,547
Subject to repurchase agreements	8	3,840,726	1,839,558
Subject to unrestricted repurchase agreements	8	290,013	591,054
Derivative financial instruments	9	15,001,507	18,786,665
Subject to guarantees	8	1,538,924	980,526
Interbank transactions		1,414,412	1,545,249
Deposits in the Central Bank of Brazil		1,410,670	1,545,249
Restricted credits – National Housing System		-	-
Correspondent banks		3,742	-
Loans	10	3,509,963	4,831,928
Loans		3,822,427	5,602,431
Transferred loans with coobligation		-	85,436
Allowance for loan losses		(312,464)	(855,939)
Other receivables		20,539,302	23,909,418
Credits by honored endorsements and sureties		5,961	-
Foreign exchange portfolio	11	13,568,804	11,747,172
Income receivable	12	321,490	80,969
Securities trading and brokerage	11	2,516,716	5,630,097
Sundry	12	4,206,079	6,668,584
Allowance for losses on other receivables		(79,748)	(217,404)
Other assets		57,389	26,931
Other assets		1,681	3,220
Prepaid expenses		55,708	23,711
Long-term-assets		30,714,211	35,507,733
Interbank investments	7	39,014	37,752
Open market investments		39,014	37,752
Securities and derivative financial instruments		18,630,203	19,212,728
Own portfolio	8	397,166	1,170,826
Subject to repurchase agreements	8	921,702	1,215,735
Derivative financial instruments	9	17,120,498	14,669,915
Subject to guarantees	8	190,837	2,156,252
Interbank transactions		259,101	303,639
Restricted credits – National Housing System		259,101	303,639
Loans	10	5,531,190	9,951,398
Loans		5,715,031	10,230,472
Allowance for loan losses		(183,841)	(279,074)
Other receivables		6,179,156	5,884,378
Sundry	12	6,180,446	5,890,871
Allowance for losses on other receivables		(1,290)	(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		27,635,887	26,215,890
Investments		27,499,634	26,055,354
Investments in subsidiaries, associates and jointly controlled entities - in Brazil	13	19,377,120	25,466,173
Investments in subsidiaries, associates and jointly controlled entities - abroad	13	8,115,514	582,181
Other investments		9,867	9,867
Allowance for losses		(2,867)	(2,867)
Property and equipment in use		51,450	55,994
Other property and equipment in use		146,315	139,897
Accumulated depreciation		(94,865)	(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	80,813	100,548
Other intangible assets		169,830	172,022
Accumulated amortization		(89,017)	(71,474)
Total assets		146,027,259	163,943,419

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

# BANCO BTG PACTUAL S.A.

## Balance sheets

As at September 30, 2016 and December 31, 2015

(In thousands of reais)

	Note	30/09/2016	31/12/2015
Liabilities			
Current liabilities		80,739,689	87,576,574
Deposits	15	12,837,776	19,860,893
Demand deposits		91,356	130,554
Interbank deposits - with associates, jointly controlled ans subsidiaries		2,579,583	2,996,401
Interbank deposits		146,745	1,386,036
Time deposits		10,020,092	15,347,902
Open market funding	15	28,480,690	22,233,520
Own portfolio		4,404,980	2,940,158
Third-party portfolio		17,713,308	15,242,238
Unrestricted portfolio		6,362,402	4,051,124
Funds from securities issued and accepted	15	6,221,836	9,545,203
Real estate, mortgage, credit and similar notes		5,868,860	7,139,045
Securities issued abroad		343,766	2,388,076
Certificate of structured transactions		9,210	18,082
Interbank transactions		6,245	7,168
Unsettled receipts and payments		6,245	7,168
Loans and onlending	15	1,043,548	1,353,632
Loans in Brazil		163,026	141,460
Loans abroad		853,575	1,202,662
Onlending in Brazil – official institutions		26,947	9,510
Derivative financial instruments	9	14,563,894	17,560,372
Derivative financial instruments		14,563,894	17,560,372
Other liabilities		17,585,700	17,015,786
Collection and payments of tax and similar charges		1,507	1,476
Foreign exchange portfolio	11	13,292,447	11,611,589
Social and statutory	16	862,562	892,901
Tax and social security	16	32,201	462,183
Securities trading and brokerage	11	1,696,742	2,977,003
Subordinated debt	15	1,228,817	657,178
Sundry	16	471,424	413,456
Long-term liabilities		43,975,941	56,612,528
Deposits	15	3,101,385	4,792,125
Interbank deposits		69,864	89,331
Time deposits		3,031,521	4,702,794
Open market funding	15	340,545	3,195,486
Own portfolio		340,545	365,049
Unrestricted portfolio		-	2,830,437
Funds from securities issued and accepted	15	4,613,854	9,867,904
Real estate, mortgage, credit and similar notes		2,956,305	6,396,484
Securities issued abroad		1,657,549	3,471,420
Loans and onlending	15	2,494,429	2,358,294
Loans in Brazil		-	7,355
Loans abroad		-	1,622
Onlending in Brazil – official institutions		2,494,429	2,349,317
Derivative financial instruments	9	20,332,639	21,860,792
Derivative financial instruments		20,332,639	21,860,792
Other liabilities		13,093,089	14,537,927
Tax and social security	16	926,486	872,071
Subordinated debt	15	6,622,048	7,278,787
Debt instrument eligible to equity	15	4,196,640	5,160,397
Sundry	16	1,347,915	1,226,672
Deferred income		51,615	95,518
Shareholders' equity	19	21,260,014	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		3,960,000	-
Fair value of assets available for sale		38,482	143,614
Income reserves		7,912,794	12,467,053
Treasury shares		-	(132,394)
Retained earnings		2,128,212	-
Total liabilities and shareholders' equity		146,027,259	163,943,419

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

# BANCO BTG PACTUAL S.A.

## Statements of income

Nine-month period and quarters ended September 30

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

	Note	Quarter ended:		Nine-month period ended:	
		30/09/2016	30/09/2015	30/09/2016	30/09/2015
Financial income		2,600,075	6,490,157	8,683,878	11,819,082
Loans		303,188	1,057,413	1,064,805	2,197,095
Securities		1,695,469	5,054,408	(418,143)	9,635,529
Derivative financial instruments		436,671	-	6,256,982	-
Foreign exchange		119,498	346,946	1,633,214	(95,894)
Mandatory investments		45,249	31,390	147,020	82,352
Financial expenses		(2,099,608)	(12,828,275)	(5,319,777)	(21,231,203)
Funding operations		(2,002,519)	(2,859,183)	(6,430,899)	(8,153,532)
Borrowing and onlending		(103,896)	(3,911,535)	1,201,459	(5,991,674)
Derivative financial instruments		-	(6,238,194)	-	(7,064,205)
Allowance for loan losses and other receivables	10	6,807	180,637	(90,337)	(21,792)
Net financial income		500,467	(6,338,118)	3,364,101	(9,412,121)
Other operating income (expenses)		419,688	4,852,136	186,070	8,263,159
Income from services rendered	20	199,983	243,301	541,465	699,474
Personnel expenses		(50,492)	(71,621)	(226,334)	(213,588)
Other administrative expenses	23	(108,343)	(129,253)	(339,238)	(328,662)
Tax charges	24	(63,197)	280,875	(285,444)	231,094
Equity pick up in subsidiaries, associates and jointly controlled entities	13	308,333	4,970,820	334,205	8,292,132
Other operating income	21	229,878	328,772	443,124	570,175
Other operating expenses	22	(96,474)	(770,758)	(281,708)	(987,466)
Operating income		920,155	(1,485,982)	3,550,171	(1,148,962)
Non-operating income (expenses)	2	60,209	472,698	247,828	1,509,066
Income before taxation and profit sharing		980,364	(1,013,284)	3,797,999	360,104
Income tax and social contribution	18	(237,445)	2,940,458	(923,664)	4,133,446
Provision for income tax		35,034	5,435	-	(25)
Provision for social contribution		28,105	3,276	-	-
Deferred income tax and social contribution		(300,584)	2,931,747	(923,664)	4,133,471
Statutory profit sharing		(25,840)	(79,127)	(145,537)	(414,025)
Net income for the quarter / period		717,079	1,848,047	2,728,798	4,079,525
Interest on equity		-	-	(500,000)	(422,000)
Weighted average numbers of share outstanding		2,869,132,343	2,714,902,212	2,764,384,777	2,714,902,212
Net income per share - R\$		0.25	0.68	0.99	1.50

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

## BANCO BTG PACTUAL S.A.

### Statements of changes in shareholders' equity

Nine-month period ended September 30

(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
				Special earnings reserve	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
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	-	(2,379)	-	-	(2,379)
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(89,378)	-	-	(89,378)
Dividends paid by previous years (R\$0.04 per share)	19	-	-	-	-	-	(106,130)	(106,130)	-	-	-	(106,130)
Net income for the period		-	-	-	-	-	-	-	-	-	4,079,525	4,079,525
Net income allocation		-	-	-	-	-	-	-	-	-	-	-
Income reserve		-	-	-	111,574	-	-	111,574	-	-	(111,574)	-
Intermediate interest on equity (R\$0.16 per share)	19	-	-	-	-	-	-	-	-	-	(422,000)	(422,000)
Intermediate dividends (R\$0.02 per share)	19	-	-	-	-	-	(47,324)	(47,324)	-	-	-	(47,324)
Balances as at September 30, 2015		<u>7,180,526</u>	<u>-</u>	<u>-</u>	<u>738,169</u>	<u>2,467,107</u>	<u>4,984,401</u>	<u>8,189,677</u>	<u>(51,315)</u>	<u>-</u>	<u>3,545,951</u>	<u>18,864,839</u>
Balances as at December 31, 2015		7,180,526	-	-	907,770	5,389,109	6,170,174	12,467,053	143,614	(132,394)	-	19,658,799
Capital Increase	19	40,000	3,960,000	-	-	-	(4,000,000)	(4,000,000)	-	-	-	-
Own shares acquired	1	-	-	-	-	-	-	-	-	(522,451)	-	(522,451)
Cancellation of treasury shares	1	-	-	-	-	-	(654,845)	(654,845)	-	654,845	-	-
Intermediate interest on equity (R\$0.07 per share)	19	-	-	250,000	-	-	(250,000)	-	-	-	-	-
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(103,261)	-	-	(103,261)
Changes in fair value of assets available for sale - jointly controlled	13	-	-	-	-	-	-	-	(1,871)	-	-	(1,871)
Net income for the period		-	-	-	-	-	-	-	-	-	2,728,798	2,728,798
Net income allocation		-	-	-	-	-	-	-	-	-	-	-
Income reserve		-	-	-	100,586	(473,546)	473,546	100,586	-	-	(100,586)	-
Intermediate interest on equity (R\$0.19 per share)	19	-	-	-	-	-	-	-	-	-	(500,000)	(500,000)
Balances as at September 30, 2016		<u>7,220,526</u>	<u>3,960,000</u>	<u>250,000</u>	<u>1,008,356</u>	<u>4,915,563</u>	<u>1,738,875</u>	<u>7,912,794</u>	<u>38,482</u>	<u>-</u>	<u>2,128,212</u>	<u>21,260,014</u>

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



# BANCO BTG PACTUAL S.A.

## Statements of cash flows

Nine-month period ended September 30

(In thousands of reais)

	Note	30/09/2016	30/09/2015
Operating activities			
Net income for the period		2,728,798	4,079,525
Adjustments to net income		2,677,407	(10,288,951)
Equity pick up in subsidiaries, associates and jointly controlled entities	13	(354,375)	(8,370,248)
Interest expense with subordinated debt and debt instrument eligible to equity		2,056,353	2,108,488
Permanent assets exchange variation		269	(1,135)
Goodwill amortization		20,170	78,116
Deferred income tax and social contribution	18	923,664	(4,133,471)
Depreciation and amortization	23	31,326	29,299
Adjusted net income / (loss) for the period		5,406,205	(6,209,426)
Operational activities			
Short-term interbank investments		838,366	135,034
Securities and derivative financial instruments		3,748,526	(2,499,553)
Loans		2,816,689	(7,689,732)
Other receivables and other assets		3,399,786	4,113,768
Interbank transactions		174,452	(516,866)
Other liabilities		166,690	(1,899,067)
Deferred income		(43,903)	6,816
Deposits		(8,713,857)	4,133,717
Open market funding		3,392,229	2,108,536
Loans and onlending		(173,949)	1,293,943
Cash provided by / (used in) operating activities		11,011,234	(7,022,830)
Investing activities			
Acquisition of investments and capital increase	13	(259,300)	(8,176,276)
Sale of investments	13	812,448	2,995,012
Sale of other investments		-	296
Sale of property and equipment in use and deferred charges		559	-
Acquisition of property and equipment in use and deferred charges		(7,070)	(6,412)
Acquisition of intangible assets	14	(4,960)	(12,528)
Sale of intangible assets	14	4,160	-
Dividends and interest on equity received	13	24,108	396,243
Cash provided by / (used in) investing activities		569,945	(4,803,665)
Financing activities			
Acquisition of treasury shares		(522,451)	-
Funds from securities issued and accepted		(8,577,417)	3,941,583
Subordinated debt and debt instrument eligible to equity		(3,105,211)	992,471
Interest on equity	19	(492,754)	(720,200)
Dividends distributed	19	-	(153,454)
Cash (used in) / provided by financing activities		(12,697,833)	4,060,400
(Decrease) in cash and cash equivalents	25	(1,116,654)	(7,766,095)
Balance of cash and cash equivalents			
At the beginning of the period		15,622,242	21,063,717
At the end of the period		14,505,588	13,297,622
(Decrease) in cash and cash equivalents		(1,116,654)	(7,766,095)
Noncash transactions		(1,439,204)	1,776,077
Credit renegotiation		-	1,202,770
Dividends / interest on equity receivable	13	421,308	395,612
Subsidiary merger		-	773,663
Interest on equity payable	19	500,000	-
Interest on equity	19	(250,000)	-
Debentures converted		-	(985,979)
Debentures converted	13	(7,871,717)	-
Acquisition of investments	13	5,761,205	390,011

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

## BANCO BTG PACTUAL S.A.

### Statements of value added

Nine-month period ended September 30  
(In thousands of reais)

	Note	30/09/2016	30/09/2015
Income		9,544,250	13,684,432
Financial income		8,683,878	11,914,976
Services rendered	20	541,465	699,474
Allowance for loan losses and other receivables	10	(90,337)	(21,792)
Other		409,244	1,091,774
Expenses		(5,229,440)	(21,305,305)
Financial brokerage		(5,229,440)	(21,305,305)
Inputs acquired from third parties		(274,436)	(267,892)
Materials, energy and other		(5,936)	(6,214)
Outsourced services		(268,500)	(261,678)
Gross value added		4,040,374	(7,888,765)
Depreciation and amortization		(31,326)	(29,299)
Net value added produced by the entity		4,009,048	(7,918,064)
Value added received through transfer		334,205	8,292,132
Equity pick up in subsidiaries, associates and jointly controlled entities	13	334,205	8,292,132
Value added to be distributed		4,343,253	374,068
Distribution of value added		4,343,253	374,068
Personnel		371,871	627,294
Direct compensation		283,071	564,870
Benefits		78,848	20,046
FGTS – government severance pay fund		9,952	42,378
Taxes, fees and contributions		1,209,109	(4,364,539)
Federal		1,190,850	(4,390,852)
Municipal		18,259	26,313
Remuneration of third party capital		33,475	31,789
Rent		33,475	31,789
Remuneration of shareholders		2,728,798	4,079,524
Interest on equity		500,000	422,000
Dividends declared		-	47,324
Retained earnings		2,228,798	3,610,200

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

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

Notes to the financial statements

September 30, 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 continues to implement measures to improve liquidity and preserve capital; and it understands that the measures implemented as well as the ones planned, particularly the sale of BSI, spin-off of commodities as well as the cost reduction program, will bring it to levels of liquidity and capital better than its historical levels before November 2015. In addition, the bonds and share (unit) prices have increased significantly demonstrating positive perception from market and investors.

#### **Special Committee**

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

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

#### **Units buyback Program**

On November 25, 2015 the Board of Directors announced its units buyback program. Since the beginning of the program 71,904,350 units have been repurchased in the total amount of R\$974,639. As of September 30, 2016, all units were canceled.

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### **Liability Repurchase**

During the period ended September 30, 2016 and year ended December 31, 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.

Additionally, in connection with the material fact from December 4, 2015, related to agreements with the FGC, additional measures were implemented, aiming to preserve the Group liquidity, comprising (i) strict the dividend distribution to the minimum amount required by our by-laws (1% of adjusted net income), (ii) defer the payment of interest on equity declared to shareholder's, on December 2015, (iii) suspension of payment of variable compensation to managers and the fixed remuneration increase, (iv) suspension of any loans to the partnership members.

The Bank board of directors understands that those measures are sufficient to fulfill the Group obligation's in both the short and medium terms, and strengthen its current liquidity. The cash level, measured by high quality liquid assets was higher than as at November 25, 2015. On September 30, 2016, short-term liquidity KPI is equivalent to 123% to the Bank.

The financial statements were approved by Bank's Management on November 8, 2016, and they contain a true and fair view of the development and results of the Bank. Management evaluated the Bank' and its subsidiaries' capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, Management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

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

### **Corporate reorganizations**

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 September 30, 2016, the Bank has a stake equivalent to 33.7% (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\$259 million were recognized in the quarter ended September 30, 2016.

In 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. On September 30, 2016, the Engelhart CTP shareholders' equity is approximately US\$1,5 billion. 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.

BTG Pactual expects to the delivery approximately 65% of its equity stake in Engelhart CTP to BTG Pactual's shareholders and, upon completion of it, BTG Pactual is aiming should no longer to consolidate the assets and liabilities of Engelhart

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CTP for accounting and regulatory purposes and, accordingly, BTG Pactual will recognize the remaining stake as an investment in an associate entity based on the equity method. On July 19, 2016 the Bank formally initiated the separation of its commodity trading activities. The completion of the separation is described on Note 27.

### **Acquisitions and disposals**

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. The transaction is subject to the conclusion of certain commercial discussions and regulatory approvals.

On February 22, BTG Pactual entered into a definitive agreement under which EFG International ("EFG"), a global private banking and asset management firm headquartered in Zurich, Switzerland, will acquire BSI S.A ("BSI") in a cash and stock transaction. The completion of the transaction is described on Note 27.

As at October 30, 2015, the Bank sold one of its energy trading entities entity with contracts evaluated in R\$1.8 billion for the total amount of R\$2 billion, of which R\$200 million was received on the transaction date and the remaining amount would be received over five years in semiannual installments, subject to price changes.

In 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.

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

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

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

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

### **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.

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### **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.

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:

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- 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.

### **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



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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.

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.

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### **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.

#### **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.

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### 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.

#### a. Operating limits

	30/09/2016 (i)	31/12/2015
Reference Shareholders' Equity	21,260,014	19,658,799
Tier I	22,875,139	22,348,819
Common Equity	18,692	17,206,110
Complementary equity	4,183,533	5,142,708
Tier II	3,420,868	3,977,264
Reference Shareholders' Equity (PR) - (a)	26,296,007	26,326,083
Required Reference Shareholders' Equity (PRE)	16,863,294	18,742,699
Total exposure risk-weighted - (b)	16,863,294	18,742,699
Credit risk	10,321,981	13,766,340
Operational risk	334,364	83,440
Market risk	6,206,949	4,892,919
Basel ratio - (a/b*11%)	16.4%	15.5%
Tier I capital	14.2%	13.1%
Tier II capital	2.2%	2.3%
Fixed assets ratio	63.1%	69.9%
Fixed assets to equity capital ratio	13,142,562	13,156,602
Status for fixed assets to equity capital ratio	8,287,729	9,193,675
Amount of margin or insufficient	4,854,833	3,962,927

(i) Banco BTG Pactual consolidated Engelhart CTP and BSI for regulatory purposes as at September 30, 2016, and therefore the operational limits information presented is not affected by the sale and separation of BSI and Engelhart CTP, respectively.

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,

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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 September 30, 2016 and December 31, 2015 the Bank was in compliance with all operating limits.

### b. Market risk

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

The VaR presented below was calculated for a one-day period, 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 periods ended as follows:

In millions of R\$	September 2016	December 2015	September 2015
Daily average VaR	139,5	170.7	130.7

### 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.

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### d. Liquidity risk

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

### e. Operating risk

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

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

The Bank and its subsidiaries have a 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

	30/09/2016					31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	26,969,340	26,929,313	1,013	39,014	-	24,737,813
Own portfolio	3,326,512	3,291,265	430	34,817	-	3,176,135
Federal government bonds	3,317,675	3,282,428	430	34,817	-	2,943,597
Corporate bonds	8,837	8,837	-	-	-	54,374
Federal foreign government bonds	-	-	-	-	-	178,164
Third-party portfolio	18,898,410	18,893,630	583	4,197	-	18,071,753
Federal government bonds	18,844,523	18,839,743	583	4,197	-	18,061,782
Corporate bonds	36,408	36,408	-	-	-	9,971
Federal foreign government bonds	17,479	17,479	-	-	-	-
Short position	4,744,418	4,744,418	-	-	-	3,489,925
Federal government bonds	4,744,418	4,744,418	-	-	-	3,489,925
Interbank investments	1,251,369	1,251,369	-	-	-	3,843,062
Interbank deposit certificates	494,551	494,551	-	-	-	310,000
Investments in foreign currency - overnight	756,818	756,818	-	-	-	3,533,062
	28,220,709	28,180,682	1,013	39,014	-	28,580,875

As at September 30, 2016 the collateral received in repurchase agreements amounts to R\$27,628,033 (December 31, 2015- R\$23,374,462), whereas the collateral granted amounts to R\$28,782,438 (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:

	30/09/2016							31/12/2015
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	13,691,778	13,497,453	8,783,858	3,915,932	380,177	275,041	142,445	20,538,373
Federal government bonds	86,885	88,079	-	-	66,104	21,975	-	226,032
Brazilian foreign debt securities	-	-	-	-	-	-	-	2,083
Debentures/Eurobonds (i)	605,799	583,681	88	73,099	303,350	116,753	90,391	907,416
Certificate of real estate receivables	73,667	73,667	30,640	-	2,551	4,565	35,911	253,231
Investment fund quotes								
Multimarket	9,104,167	9,099,931	6,514,732	2,585,199	-	-	-	15,655,749
Shares	122,142	122,142	-	122,142	-	-	-	21,026
FIDC - Credit rights	137,085	137,085	-	137,085	-	-	-	31,854
Equity investment fund	573,679	573,679	-	444,411	-	129,268	-	1,133,083
Real estate	39,333	39,333	-	39,333	-	-	-	40,490
Shares	2,817,443	2,648,360	2,134,438	513,922	-	-	-	1,766,595
Promissory notes	75,777	75,764	75,764	-	-	-	-	121,250
Others	11,340	11,272	28	54	540	-	10,650	363,819
Foreign private securities	5,060	5,060	-	-	1,884	2,480	696	-
Foreign government bonds	39,401	39,400	28,168	687	5,748	-	4,797	15,745
Unrestricted portfolio	288,067	290,013	-	-	61,202	143,922	84,889	591,054
Federal government bonds	288,067	290,013	-	-	61,202	143,922	84,889	591,054
Subject to repurchase agreements	4,952,571	4,762,428	1,216,576	1,326,280	559,930	457,535	1,202,107	3,055,293
Federal government bonds	2,739,793	2,745,637	1,146,977	592,928	389,558	249,148	367,026	1,612,800
Brazilian foreign debt securities	10,011	10,011	-	10,011	-	-	-	-
Corporate bonds / Eurobonds (i)	1,591,186	1,395,197	4,854	687,200	131,795	182,879	388,469	830,047
Certificate of real estate receivables	345,312	345,312	37,432	-	850	-	307,030	450,277
Foreign private securities	131,871	131,871	-	-	-	25,508	106,363	-
Foreign government bonds	123,751	123,751	27,313	36,141	37,727	-	22,570	162,169
Others	10,647	10,649	-	-	-	-	10,649	-
Subject to guarantees	1,731,958	1,729,761	430,668	361,018	183,258	172,911	581,906	3,136,778
Federal government bonds	780,552	787,246	-	40,008	141,478	109,942	495,818	285,568
Corporate bonds / Eurobonds (i)	497,047	488,155	2,275	321,010	41,780	37,002	86,088	2,759,705
Certificate of real estate receivables	25,967	25,967	-	-	-	25,967	-	-
Shares	428,392	428,393	428,393	-	-	-	-	91,505
Trading securities	17,694,489	17,536,849	10,280,021	4,521,210	978,633	597,770	1,159,215	21,631,381
Available for sale securities	2,969,885	2,742,806	151,081	1,082,020	205,934	451,639	852,132	5,690,117
	<b>20,664,374</b>	<b>20,279,655</b>	<b>10,431,102</b>	<b>5,603,230</b>	<b>1,184,567</b>	<b>1,049,409</b>	<b>2,011,347</b>	<b>27,321,498</b>

(i) Substantially securities issued by Brazilian companies.

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(In thousands of reais, otherwise indicated )

#### b. Trading securities

	30/09/2016							31/12/2015
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	13,092,082	12,919,957	8,677,338	3,842,122	304,938	38,738	56,821	18,824,881
Federal government bonds	86,885	88,079	-	-	66,104	21,975	-	226,032
Brazilian foreign debt securities	-	-	-	-	-	-	-	2,083
Debentures/Eurobonds (i)	297,046	297,046	-	233	231,202	14,283	51,328	285,934
Investment fund quotes								
Multimarket	9,104,167	9,099,931	6,514,732	2,585,199	-	-	-	15,655,749
Shares	122,142	122,142	-	122,142	-	-	-	21,026
FIDC - Credit rights	137,085	137,085	-	137,085	-	-	-	31,854
Equity investment fund	443,520	443,521	-	443,521	-	-	-	779,373
Real estate	39,333	39,333	-	39,333	-	-	-	40,490
Shares	2,817,443	2,648,360	2,134,438	513,922	-	-	-	1,766,595
Foreign private securities	5,060	5,060	-	-	1,884	2,480	696	-
Foreign government bonds	39,401	39,400	28,168	687	5,748	-	4,797	15,745
Unrestricted portfolio	288,067	290,013	-	-	61,202	143,922	84,889	591,054
Federal government bonds	288,067	290,013	-	-	61,202	143,922	84,889	591,054
Subject to repurchase agreements	3,105,396	3,111,240	1,174,290	639,080	471,015	305,168	521,687	1,838,373
Federal government bonds	2,739,793	2,745,637	1,146,977	592,928	389,558	249,148	367,026	1,612,800
Brazilian foreign debt securities	10,011	10,011	-	10,011	-	-	-	-
Corporate bonds / Eurobonds (i)	99,970	99,970	-	-	43,730	30,512	25,728	63,404
Foreign private securities	131,871	131,871	-	-	-	25,508	106,363	-
Foreign government bonds	123,751	123,751	27,313	36,141	37,727	-	22,570	162,169
Subject to guarantees	1,208,944	1,215,639	428,393	40,008	141,478	109,942	495,818	377,073
Federal government bonds	780,552	787,246	-	40,008	141,478	109,942	495,818	285,568
Shares	428,392	428,393	428,393	-	-	-	-	91,505
	<b>17,694,489</b>	<b>17,536,849</b>	<b>10,280,021</b>	<b>4,521,210</b>	<b>978,633</b>	<b>597,770</b>	<b>1,159,215</b>	<b>21,631,381</b>

(i) Substantially securities issued by Brazilian companies.

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

	30/09/2016							31/12/2015
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	599,696	577,496	106,520	73,810	75,239	236,303	85,624	1,713,492
Debentures (i)	308,753	286,635	88	72,866	72,148	102,470	39,063	621,482
Certificate of real estate receivables	73,667	73,667	30,640	-	2,551	4,565	35,911	253,231
Promissory notes	75,777	75,764	75,764	-	-	-	-	121,250
Others	11,340	11,272	28	54	540	-	10,650	363,819
Investment fund quotes								
Equity investment fund	130,159	130,158	-	890	-	129,268	-	353,710
Subject to repurchase agreements	1,847,175	1,651,188	42,286	687,200	88,915	152,367	680,420	1,216,920
Debentures (i)	1,491,216	1,295,227	4,854	687,200	88,065	152,367	362,741	766,643
Certificate of real estate receivables	345,312	345,312	37,432	-	850	-	307,030	450,277
Others	10,647	10,649	-	-	-	-	10,649	-
Subject to guarantees	523,014	514,122	2,275	321,010	41,780	62,969	86,088	2,759,705
Debentures (i)	497,047	488,155	2,275	321,010	41,780	37,002	86,088	2,759,705
Certificate of real estate receivables	25,967	25,967	-	-	-	25,967	-	-
	<b>2,969,885</b>	<b>2,742,806</b>	<b>151,081</b>	<b>1,082,020</b>	<b>205,934</b>	<b>451,639</b>	<b>852,132</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 period ended in September 30, 2016 and year ended December 31, 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 period ended September 30, 2016 and year ended December 31, 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.

	30/09/2016				31/12/2015
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	48,964,218	5,476,761	14,813,247	69,254,226	26,998,517
Currency	206,399	169,655	-	376,054	71,392
Interest rate	48,750,941	5,307,106	14,813,247	68,871,294	26,901,817
Commodities	-	-	-	-	25,308
Other	6,878	-	-	6,878	-
Short position	17,619,009	577,671	632,267	18,828,947	61,459,954
Currency	811,127	-	10,011	821,138	7,764,846
Interest rate	16,291,156	577,671	622,256	17,491,083	52,903,999
Commodities	62,884	-	-	62,884	791,109



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### Notes to the financial statements

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	30/09/2016				31/12/2015
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Other	453,842	-	-	453,842	-
Swap					
Long position	98,024,697	12,249,417	49,684,636	159,958,750	148,994,818
Currency	29,937,816	8,243	1,388,244	31,334,303	63,205,546
Interest rate	66,861,569	12,046,561	47,375,498	126,283,628	84,807,489
Index	49,424	20,758	914,434	984,616	605,346
Equities	7,435	173,855	6,460	187,750	117,322
Other	1,168,453	-	-	1,168,453	259,115
Short position	98,024,697	12,249,417	49,684,636	159,958,750	148,994,818
Currency	4,599,384	4,050,204	21,222,972	29,872,560	6,490,189
Interest rate	60,114,106	7,380,424	24,085,878	91,580,408	138,101,702
Index	7,946,508	12,368	4,368,032	12,326,908	1,384,147
Equities	25,364,699	806,421	7,754	26,178,874	501,707
Other	-	-	-	-	2,517,073
Credit derivatives					
Long position	-	275,927	265,539	541,466	136,668
Sovereign	-	275,927	227,234	503,161	136,668
Corporate	-	-	38,305	38,305	-
Short position	-	-	254,989	254,989	182,745
Sovereign	-	-	11,524	11,524	-
Corporate	-	-	243,465	243,465	182,745
Non-deliverable forward - NDF					
Long position	28,749,889	2,778,895	4,695,911	36,224,695	68,781,355
Currency	27,762,839	2,742,244	4,671,767	35,176,850	62,287,450
Commodities	-	-	-	-	2,492,457
Interest rate	987,050	36,651	24,144	1,047,845	4,001,448
Short position	28,749,889	2,778,895	4,695,911	36,224,695	68,781,355
Currency	26,500,882	2,312,704	4,647,340	33,460,926	62,032,523
Commodities	-	-	-	-	1,992,700
Interest rate	2,249,007	466,191	48,571	2,763,769	4,756,132
Deliverable forward - DF					
Long position	22,375,865	1,091,797	224,976	23,692,638	33,011,323
Currency	22,200,220	1,091,797	224,976	23,516,993	32,764,137
Interest rate	94,793	-	-	94,793	64,558
Commodities	80,852	-	-	80,852	182,628
Short position	22,375,865	1,091,797	224,976	23,692,638	33,011,323
Currency	22,200,220	1,091,797	224,976	23,516,993	32,764,137
Interest rate	80,852	-	-	80,852	182,628
Commodities	94,793	-	-	94,793	64,558
Security forwards					
Long position	-	15,984	657,989	673,973	354,132
Interest rate	-	-	-	-	289,798
Government bonds	-	15,984	657,989	673,973	64,334
Short position	-	15,984	657,989	673,973	354,132
Interest rate	-	15,984	657,989	673,973	64,334
Government bonds	-	-	-	-	289,798
Options					
Long position					
Call option	8,180,683	10,083,836	75,396,649	93,661,168	65,549,154
Equities	594,858	-	144,156	739,014	415,851
Index	1,076	-	-	1,076	30,255
Currency	7,211,436	10,083,836	75,212,375	92,507,647	65,032,762
Other	373,313	-	40,118	413,431	70,286
Put option	18,668,245	11,682,230	90,948,651	121,299,126	84,105,227
Equities	669,513	-	560,715	1,230,228	395,386
Index	4,518	-	-	4,518	-
Currency	16,789,478	11,682,230	90,387,936	118,859,644	83,705,619
Interest rate	872,000	-	-	872,000	4,222
Other	332,736	-	-	332,736	-

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Notes to the financial statements

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	30/09/2016				31/12/2015
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Short position					
Call option	13,616,872	11,884,615	90,554,774	116,056,261	86,344,986
Equities	556,901	-	5,807	562,708	299,972
Index	1,291	-	-	1,291	25,212
Currency	13,058,680	11,884,615	90,461,436	115,404,731	85,949,516
Other	-	-	87,531	87,531	70,286
Put option	13,628,222	9,983,951	75,209,182	98,821,355	62,774,744
Equities	192,384	31,001	807	224,192	807
Index	5,057	-	-	5,057	-
Currency	11,935,911	9,952,950	75,208,375	97,097,236	62,773,937
Interest rate	871,600	-	-	871,600	-
Other	623,270	-	-	623,270	-

### b. By cost and market value

	30/09/2016					31/12/2015
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Swaps						
Long position	712,983	1,771,396	115,361	102,552	1,553,483	2,693,427
Short position	1,121,798	1,959,287	221,015	107,012	1,631,260	2,994,088
Credit derivatives						
Long position	20,516	20,516	-	7,890	12,626	4,167
Short position	13,168	13,168	-	-	13,168	22,695
Non-deliverable forward - NDF						
Long position	2,158,710	2,146,225	1,686,114	160,679	299,432	2,187,506
Short position	2,152,047	2,128,727	1,636,109	170,876	321,742	1,922,144
Deliverable forward - DF						
Long position	10,578,578	10,592,595	9,766,268	650,108	176,219	15,448,876
Short position	10,570,910	10,570,608	9,746,365	652,174	172,069	15,451,212
Forward transaction						
Long position	673,408	673,407	-	15,975	657,432	353,813
Short position	673,344	673,344	-	15,971	657,373	353,648
Options market						
Long position	20,828,622	16,917,866	1,201,654	1,294,906	14,421,306	12,768,791
Short position	19,795,170	19,551,399	325,324	1,689,048	17,537,027	18,677,377
Long position	34,972,816	32,122,005	12,769,397	2,232,110	17,120,498	33,456,580
Short position	34,326,438	34,896,533	11,928,813	2,635,081	20,332,639	39,421,164

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### c. Notional value by counterparty

	30/09/2016				31/12/2015
	Clearing houses / stock exchange	Financial Institutions (i)	Companies	Individuals	Total
Futures market					
Long position	69,247,348	6,878	-	-	69,254,226
Short position	18,312,221	516,726	-	-	18,828,947
Swap					
Long position	6,385,982	153,572,768	-	-	159,958,750
Short position	6,385,982	153,572,768	-	-	159,958,750
Credit derivatives					
Long position	-	541,466	-	-	541,466
Short position	-	254,989	-	-	254,989
Non-deliverable forward - NDF					
Long position	-	36,222,403	350	1,942	36,224,695
Short position	-	36,222,403	350	1,942	36,224,695
Deliverable forward - DF					
Long position	-	23,516,993	175,645	-	23,692,638
Short position	-	23,516,993	175,645	-	23,692,638
Forward transactions					
Long position	-	673,973	-	-	673,973
Short position	-	673,973	-	-	673,973
Options market					
Long position	1,130,780	213,519,937	304,076	5,501	214,960,294
Short position	1,088,600	213,490,081	292,780	6,155	214,877,616
<b>Long position</b>	<b>76,764,110</b>	<b>428,054,418</b>	<b>480,071</b>	<b>7,443</b>	<b>505,306,042</b>
<b>Short position</b>	<b>25,786,803</b>	<b>428,247,933</b>	<b>468,775</b>	<b>8,097</b>	<b>454,511,608</b>

(i) Includes investments funds.

### d. Credit derivatives

	30/09/2016	31/12/2015
Credit swap		
Transferred risk		
Sovereign	503,161	136,668
Corporate	38,305	-
Risk received		
Sovereign	(11,524)	-
Corporate	(243,465)	(182,745)
	<u>286,477</u>	<u>(46,077)</u>

During the period ended September 30, 2016 and year ended on December 31, 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 September 30, 2016 is R\$91,857 (December 31, 2015 – R\$41,891).

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

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### **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\$1,301,368 (December 31, 2015 – R\$2,934,274), and equities in the amount of R\$428,393 (December 31, 2015 – R\$91,505). From the total amount, approximately R\$713,704 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.
- 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:

## BANCO BTG PACTUAL S.A.

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### a. Loans

#### i. By type of credit

Type of credit	30/09/2016		31/12/2015	
	Balance	Allowance	Balance	Allowance
Loans	6,029,062	(404,430)	11,803,700	(969,035)
Financing	935,152	(79,234)	1,603,783	(128,025)
FINAME/BNDES	2,573,244	(12,641)	2,424,105	(35,481)
Securities financing	-	-	1,315	-
Total	9,537,458	(496,305)	15,832,903	(1,132,541)

#### ii. By risk level and maturity

Risk level	30/09/2016					31/12/2015		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	930,769	237,821	1,064,383	2,232,973	-	5,982,101	-
A	16	184,266	25,576	2,843,429	3,053,287	(15,268)	4,047,046	(20,235)
B	113	206,134	373,749	603,105	1,183,101	(11,831)	2,156,196	(21,562)
C	18,835	917,909	119,749	150,571	1,207,064	(36,212)	1,238,770	(37,163)
D	85,046	47,268	120,206	1,009,006	1,261,526	(177,422)	1,053,926	(145,062)
E	438,732	38,222	7,900	43,837	528,691	(203,318)	566,627	(171,952)
F	-	1,167	1,633	700	3,500	(1,750)	103,341	(51,671)
G	56,040	-	-	-	56,040	(39,228)	-	-
H	10,864	412	-	-	11,276	(11,276)	684,896	(684,896)
Total	609,646	2,326,147	886,634	5,715,031	9,537,458	(496,305)	15,832,903	(1,132,541)

#### iii. By activity sector

Sector	30/09/2016	31/12/2015
Commerce	24,919	41,972
Industry	327,924	306,496
Services	8,618,259	14,407,981
Rural	173,356	258,270
Individuals	393,000	818,184
Total	9,537,458	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:

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

September 30, 2016

(In thousands of reais, otherwise indicated )

### i. By risk level and maturity

Risk level	30/09/2016					31/12/2015	
	Overdue	Maturity			Total	Allowance	Total
		Up to 6 months	6 to 12 months	Over 12 months			
AA	-	6	28	281	315	-	139,768
A	-	-	-	-	-	-	74,286
B	-	-	-	-	-	-	530,315
C	-	-	38,452	43,000	81,452	(2,444)	149,847
D	-	42,741	-	-	42,741	(4,274)	-
E	-	-	-	-	-	-	56,786
F	-	-	-	-	-	-	52,388
H	-	-	-	-	-	-	63,730
Total	-	42,747	38,480	43,281	124,508	(6,718)	1,067,120
Transferred loans with co-obligations					-	-	85,436
Securities and credits receivable (note 12(b))					124,508	(6,718)	981,684

### ii. By activity sector

Sector	30/09/2016	31/12/2015
Individuals	-	93,915
Rural	-	75,298
Services	124,508	897,907
Total	124,508	1,067,120

### c. Advances in foreign exchange contracts

#### i. By risk level and maturity

Risk level	30/09/2016					31/12/2015	
	Overdue	Maturity			Total	Allowance	Total
		Up to 6 months	6 to 12 months	Over 12 months			
AA	-	-	-	-	-	-	9,196
B	-	-	-	-	-	-	72,863
D	4	33,341	34,095	-	67,440	(7,361)	14,145
E	-	-	-	-	-	-	35,275
H	20,886	-	-	-	20,886	(20,886)	20,886
Total	20,890	33,341	34,095	-	88,326	(28,247)	152,365

#### ii. By activity sector

Sector	30/09/2016	31/12/2015
Industry	48,868	56,161
Services	39,458	96,204
Total	88,326	152,365

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

September 30, 2016

(In thousands of reais, otherwise indicated )

### d. Credit risk concentration

	30/09/2016	%	31/12/2015	%
Largest debtors				
10 largest debtors	5,586,461	57%	9,496,571	56%
20 following largest debtors	1,803,050	18%	3,253,712	18%
50 following largest debtors	1,426,023	15%	2,446,871	14%
100 following largest debtors	725,056	7%	1,366,692	8%
200 following largest debtors	209,609	1%	479,180	4%
500 following largest debtors	93	0%	9,362	0%
Total	9,750,292	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:

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Opening balances	(788,309)	(1,108,185)	(1,442,349)	(971,801)
Reversal/(recording) of allowance	6,807	180,637	(90,337)	(21,792)
Exchange rate variation	12,033	(21,055)	35,728	37,329
Transferred provision on credit sale	-	-	1,210	-
Credits written off as loss	46,596	1,414	772,875	9,075
Closing balances	(722,873)	(947,189)	(722,873)	(947,189)
Breakdown of closing balances				
Allowance for loan losses	(496,305)	(718,388)	(496,305)	(718,388)
Allowance for transferred loans	-	(3,468)	-	(3,468)
Allowance for other receivables (Note 10 (b))	(6,718)	(65,120)	(6,718)	(65,120)
Allowance for advances on foreign exchange contracts	(28,247)	(52,540)	(28,247)	(52,540)
Provision for standby letters of credit (Note 16 c)	(191,603)	(107,673)	(191,603)	(107,673)
	(722,873)	(947,189)	(722,873)	(947,189)

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

In September 30, 2016, the amount of R\$1,154,897 were due to credit renegotiation (December 31, 2015 – R\$1,458,054). Also in the period ended September 30, 2016 there were the amount of R\$17,372 due to written off loans recovery (December 31, 2015 – R\$1,414).

### g. Transferred loan

In the period ended September 30, 2016 and year ended December 31, 2015 there was no credit assignment with co-obligation.

## BANCO BTG PACTUAL S.A.

Notes to the financial statements

September 30, 2016

(In thousands of reais, otherwise indicated )

### 11. Other receivables/obligations

#### a. Foreign exchange portfolio

	30/09/2016		31/12/2015	
	Assets	Liabilities	Assets	Liabilities
Unsettled exchange purchased/sold	3,705,256	9,692,844	1,580,853	10,246,983
Rights on foreign exchange sales	9,883,026	-	10,163,220	-
(-) Advances on foreign Exchange contracts (Note 10 (c))	813	(87,513)	3,489	(148,876)
(-) Advances in foreign currency received	-	-	(156)	-
(-) Advances in local currency received	(20,291)	-	(234)	-
Liability for foreign exchange purchase	-	3,687,116	-	1,513,482
	<u>13,568,804</u>	<u>13,292,447</u>	<u>11,747,172</u>	<u>11,611,589</u>
Current	13,568,804	13,292,447	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\$111,000 on December 31, 2015. On September 30, 2016, there were no guarantees for foreign exchange transactions

#### b. Securities trading and brokerage

	30/09/2016		31/12/2015	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	464,036	369,952	1,137,447	1,108,518
Commissions and brokerage payable	-	487	-	318
Debtors/creditors – pending settlement account	1,412,919	543,095	2,056,230	1,068,409
Unsettled third-party interbank investments	-	55,665	-	36
Creditors for stock loans	-	4,050	-	3,100
Securities trading and brokerage	639,761	723,493	2,436,420	796,622
	<u>2,516,716</u>	<u>1,696,742</u>	<u>5,630,097</u>	<u>2,977,003</u>
Current	2,516,716	1,696,742	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.



## BANCO BTG PACTUAL S.A.

Notes to the financial statements

September 30, 2016

(In thousands of reais, otherwise indicated )

### 12. Other receivables

#### a. Income receivable

	30/09/2016	31/12/2015
Dividends and profit sharing	288,351	33,048
Receivables from services rendered	18,895	17,351
Management and performance fees from investment funds and portfolios	1,875	8,068
Distribution fees	3,086	11,744
Commissions on guarantees	9,283	10,751
Other	-	7
	<u>321,490</u>	<u>80,969</u>
Current	321,490	80,969
Long term	-	-

#### b. Sundry

	30/09/2016	31/12/2015
Deferred tax assets - IR/CS (Note 18)	4,146,135	5,085,694
Deferred tax assets - Others	158,235	358,964
Judicial deposits	938,879	884,726
Taxes to offset	88,991	576,561
Tax incentive options	1,317	1,317
Securities and credits receivable		
With loan characteristics (Note 10(b))	124,508	981,684
Without loan characteristics (ii)	25,580	126,703
Held for sale	1,834,941	1,176,377
Advance to suppliers	195,497	540,870
Sundry - Brazil (i)	2,867,627	2,815,074
Other	4,815	11,485
	<u>10,386,525</u>	<u>12,559,455</u>
Current	4,206,079	6,668,584
Long term	6,180,446	5,890,871

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

(ii) On September 30, 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.

Notes to the financial statements

September 30, 2016

(In thousands of reais, otherwise indicated )

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

	Subsidiaries, associates and jointly controlled entities					
	Shareholders Equity		Net income (loss)		Equity interest	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015	30/09/2016	30/09/2015
<b>In Brazil</b>						
BTG Pactual Asset Management S.A. DTVM	513,781	517,876	(4,095)	156,243	99.99%	99.99%
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	423,250	394,091	29,159	65,098	99.99%	99.99%
BTG Pactual Serviços Financeiros S.A. DTVM	95,382	84,916	10,466	17,134	99.99%	99.99%
BTG Pactual Holding Participações S.A.	687	691	(4)	(148)	99.99%	99.99%
BTG Pactual Holding Internacional S.A.	8,738,963	13,406,793	(1,047,407)	4,210,586	99.99%	99.99%
BTG Pactual Comercializadora de Energia Ltda.	1,528,652	1,916,607	412,076	1,135,728	99.99%	99.99%
BTG Pactual Vivere Participações S.A.	-	-	-	(5,009)	20.32%	20.32%
BW Properties S.A.	466,700	537,017	(70,316)	(14,058)	50.93%	50.93%
Warehouse 1 Empreendimentos Imobiliários S.A.	286,037	40,974	34,981	(2,438)	35.00%	35.00%
Max Casa XIX Empreendimentos Imobiliários S.A.	3,772	23,848	(504)	(354)	50.00%	50.00%
ACS Omicron Empreendimentos Imobiliários S.A.	7,080	9,624	922	1,594	44.74%	44.74%
BTG Pactual Holding de Seguros Ltda.	804,334	763,020	41,357	37,700	99.99%	99.99%
TTG Participações Holding	108,089	100,473	(15,784)	42,715	99.99%	99.99%
Pan Corretora S.A.	67,206	59,961	7,245	7,246	51.00%	51.00%
Banco Sistema S.A.	7,479,797	6,704,056	1,088,740	966,719	99.91%	99.91%
BTGP Corretora de Seguros S.A.	6,784	7,936	8,544	4,142	99.99%	99.99%
BTG Pactual Corretora de Resseguros Ltda	1,454	72	1,384	1	99.99%	99.99%
<b>Jointly-controlled entities - In Brazil</b>						
Banco Pan S.A.	3,179,643	3,643,797	(237,435)	(35,625)	40.35%	40.35%
<b>Abroad</b>						
BTG Pactual Overseas Corporation	24,909	30,122	(132)	298,451	99.99%	99.99%
BTG Pactual Chile Internacional Ltd.	54,477	50,152	12,784	4,357	99.99%	99.99%
Banco BTG Pactual Luxembourg S.A.	327,693	327,364	55,544	19,168	99.99%	99.99%
BTG Pactual S.A. Comisionista de Bolsa	134,511	137,910	8,934	12,981	99.99%	99.99%
Engelhart CTP Group SA	5,007,773	-	(186,778)	-	65.00%	0.00%
BSI S.A.	3,176,549	-	-	141,585	100.00%	0.00%

## BANCO BTG PACTUAL S.A.

Notes to the financial statements  
September 30, 2016

(In thousands of reais, otherwise indicated )

	Changes in investments						
	31/12/2015	Aquisition / Increase / Transfer / (Sales)	Dividends paid	Equity pick up	Fair value adjustments	30/09/2016	Equity pick up in 30/09/2015
<b>Subsidiaries and associates - In Brazil</b>							
BTG Pactual Asset Management S.A. DTVM	517,874	-	-	(4,095)	-	513,779	156,243
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	394,092	-	-	29,159	-	423,251	65,098
BTG Pactual Serviços Financeiros S.A. DTVM	84,916	-	-	10,466	-	95,382	17,134
BTG Pactual Corretora de Mercadorias Ltda.	-	-	-	-	-	-	9,724
BTG Pactual Holding Participações S.A.	690	-	-	(4)	-	686	(148)
BTG Pactual Holding Internacional S.A.	13,406,794	(5,264,592)	(108,598)	(1,047,407)	(1,967)	6,984,230	4,210,599
BTG Pactual Comercializadora de Energia Ltda.	1,916,595	(800,030)	-	412,078	-	1,528,643	1,135,715
Recovery do Brasil Consultoria Ltda. (ii)	-	-	-	-	-	-	31,274
BTG Pactual Vivere Participações S.A.	-	(5,022)	-	5,022	-	-	(3,419)
BW Properties S.A.	273,487	-	-	(32,098)	-	241,389	(9,339)
Goodwill – BW Properties S.A.	2,322	-	-	-	-	2,322	-
Warehouse 1 Empreendimentos Imobiliários S.A.	14,340	-	(700)	(3,226)	-	10,414	(288)
Max Casa XIX Empreendimentos Imobiliários S.A.	11,924	(8,640)	(1,889)	(1,009)	-	386	(290)
ACS Omicron Empreendimentos Imobiliários Ltda.	4,306	-	-	(1,138)	-	3,168	2,013
BTG Pactual Commodities S.A. (i)	-	-	-	-	-	-	2,031
TTG Participações Holding	100,473	39,000	(15,600)	(15,784)	-	108,089	42,715
BTG Pactual Holding de Seguros	763,019	-	-	41,380	(43)	804,356	38,860
BTGP Corretora de Seguros S.A.	7,936	-	(9,697)	8,544	-	6,783	4,142
Pan Corretora S.A.	30,580	-	-	3,695	-	34,275	3,695
Banco Sistema S.A.	6,697,850	-	(312,710)	1,087,733	-	7,472,873	966,297
Negative goodwill - Banco Sistema S.A.	(26,551)	-	-	-	-	(26,551)	-
BTG Pactual Corretora de Resseguros Ltda.	71	-	-	1,553	-	1,624	-
Rede D'OR São Luiz S.A. (ii)	-	-	-	-	-	-	370,507
Goodwill - Rede D'OR São Luiz S/A	-	-	-	-	-	-	(78,077)
BPMB I Participações S.A.	-	-	-	-	-	-	44,448
BTG Pactual Corretora de Resseguros Ltda	-	-	-	-	-	-	2
Other	-	280	-	-	-	280	-
	<b>24,200,718</b>	<b>(6,039,004)</b>	<b>(449,194)</b>	<b>494,869</b>	<b>(2,010)</b>	<b>18,205,379</b>	<b>7,008,936</b>
<b>Jointly-controlled entities - In Brazil</b>							
Banco Pan S.A.	1,376,799	-	-	(95,812)	2,098	1,283,085	(9,609)
Negative goodwill - Pan S.A.	(111,344)	-	-	-	-	(111,344)	-
	<b>1,265,455</b>	<b>-</b>	<b>-</b>	<b>(95,812)</b>	<b>2,098</b>	<b>1,171,741</b>	<b>(9,609)</b>
<b>Total</b>	<b>25,466,173</b>	<b>(6,039,004)</b>	<b>(449,194)</b>	<b>399,057</b>	<b>88</b>	<b>19,377,120</b>	<b>6,999,327</b>
<b>Abroad</b>							
Pactual Overseas Corporation (iii)	30,127	-	-	(5,217)	-	24,910	1,093,794
BTG Pactual Chile Internacional Ltd. (iii)	50,152	-	-	3,704	-	53,856	20,327
Banco BTG Pactual Luxembourg S.A.	327,364	-	-	330	-	327,694	62,165
BTG Pactual S.A. Comisionista de Bolsa (iii)	129,286	-	-	(2,149)	-	127,137	24,447
Goodwill - BTG Pactual S.A. Comisionista de Bolsa	45,252	-	-	(20,170)	-	25,082	(39)
Ariel Re (Holding) Limited (ii)	-	-	-	-	-	-	92,111
Engelhart CTP Group SA (ii) (iii)	-	3,299,070	-	47,446	-	3,346,516	-
BSI S.A. (ii) (iii) (iv)	-	3,256,751	-	(78,243)	(1,959)	3,176,549	-
Goodwill - BSI S.A. (ii) (iii) (iv)	-	1,044,323	-	(10,553)	-	1,033,770	-
	<b>582,181</b>	<b>7,600,144</b>	<b>-</b>	<b>(64,852)</b>	<b>(1,959)</b>	<b>8,115,514</b>	<b>1,292,805</b>
<b>Total</b>	<b>26,048,354</b>	<b>1,561,140</b>	<b>(449,194)</b>	<b>334,205</b>	<b>(1,871)</b>	<b>27,492,634</b>	<b>8,292,132</b>

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(In thousands of reais, otherwise indicated )

- (i) Transfer company to subsidiary BTG Pactual Holding Internacional S.A.
- (ii) As of September 30, 2016, Engelhart CTP and BSI Limited entities starting 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.
- (iv) BSI S.A. investment held by the Bank, includes intercompany loans.

## 14. Intangible asset

	Changes in intangible assets					30/09/2016
	31/12/2015	Acquisitions	Write off	Amortization expenses	Exchange variation	
<b>Other intangible assets</b>						
Cost						
Softwares	91,201	2,129	(27)	-	(1,481)	91,822
Leasehold improvements	80,821	1,385	(4,036)	(162)	-	78,008
Amortization						
Softwares	(46,184)	16	-	(11,705)	1,212	(56,661)
Leasehold improvements	(25,290)	1,430	(97)	(8,399)	-	(32,356)
	<u>100,548</u>	<u>4,960</u>	<u>(4,160)</u>	<u>(20,266)</u>	<u>(269)</u>	<u>80,813</u>

The intangible asset amortization period is 5 years.

## 15. Fund raising and loans onlending

### a. Summary

	30/09/2016						31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	15,939,161	9,777,029	3,060,747	2,405,718	663,343	32,324	24,653,018
Open market funding	28,821,235	27,498,370	982,320	340,545	-	-	25,429,006
Funds from securities issued and accepted	10,835,690	1,562,588	4,659,248	2,351,689	2,009,559	252,606	19,413,107
Loans and onlending	3,537,977	1,019,332	24,216	119,138	150,527	2,224,764	3,711,926
Subordinated debts and subordinated debt eligible to equity	12,047,505	614,408	614,409	2,709,584	2,470,881	5,638,223	13,096,362
Total	<u>71,181,568</u>	<u>40,471,727</u>	<u>9,340,940</u>	<u>7,926,674</u>	<u>5,294,310</u>	<u>8,147,917</u>	<u>86,303,419</u>

### b. Deposits

	30/09/2016						31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	91,356	91,356	-	-	-	-	130,554
Interbank deposits	2,796,192	2,161,726	564,602	61,244	8,620	-	4,471,768
Time deposits (i)	13,051,613	7,523,947	2,496,145	2,344,474	654,723	32,324	20,050,696
Total	<u>15,939,161</u>	<u>9,777,029</u>	<u>3,060,747</u>	<u>2,405,718</u>	<u>663,343</u>	<u>32,324</u>	<u>24,653,018</u>

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

On December 4, 2015 a Memorandum of Understanding with the FGC was executed to extend a credit line up to the amount of R\$6,0 billion, guaranteed by part of the Bank loan portfolio (basically Debentures and Bank Credit Certificate) and personally guaranteed by the controlling shareholders (Top Seven Partners); such collateral represents 120% of the credit line. As of September 30, 2016, the amount of R\$1,8 billion remain outstanding, regarding this credit line. See Note 27 for details of the credit line total payment.

## BANCO BTG PACTUAL S.A.

Notes to the financial statements  
September 30, 2016  
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### c. Open market funding

Open market funding has collateral on the following securities:

	30/09/2016						31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own portfolio	4,745,525	3,424,910	980,070	340,545	-	-	3,305,207
Federal government bonds	2,821,293	2,821,293	-	-	-	-	1,606,253
Corporate bonds	1,829,126	508,511	980,070	340,545	-	-	1,664,943
Federal foreign government bonds	95,106	95,106	-	-	-	-	34,011
Third-party portfolio	17,713,308	17,713,308	-	-	-	-	15,242,238
Federal government bonds	17,671,485	17,671,485	-	-	-	-	15,233,771
Corporate bonds	41,823	41,823	-	-	-	-	8,467
Unrestricted portfolio (i)	6,362,402	6,360,152	2,250	-	-	-	6,881,561
Federal government bonds	6,362,402	6,360,152	2,250	-	-	-	6,881,561
	<u>28,821,235</u>	<u>27,498,370</u>	<u>982,320</u>	<u>340,545</u>	<u>-</u>	<u>-</u>	<u>25,429,006</u>

(i) From the unrestricted portfolio, R\$4,826,304 (December 31, 2015 – R\$3,489,295) refers to short position and R\$1,536,098 (December 31, 2015 – R\$3,392,266) to third-party portfolio.

### d. Fund from securities issued and accepted

	30/09/2016						31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	8,834,375	1,519,452	4,358,618	2,265,270	499,212	191,823	13,553,611
Financial bills	7,847,129	1,206,317	3,797,131	2,159,365	492,493	191,823	11,945,501
Mortgage bonds/letters of credit for agrobusiness	978,036	312,339	553,073	105,905	6,719	-	1,590,028
Structured transactions	9,210	796	8,414	-	-	-	18,082
Securities – abroad	2,001,315	43,136	300,630	86,419	1,510,347	60,783	5,859,496
Medium term notes (i)	1,889,290	-	262,400	68,796	1,497,311	60,783	5,553,012
Fixed rate notes and others	112,025	43,136	38,230	17,623	13,036	-	306,484
	<u>10,835,690</u>	<u>1,562,588</u>	<u>4,659,248</u>	<u>2,351,689</u>	<u>2,009,559</u>	<u>252,606</u>	<u>19,413,107</u>

(i) During the period ended September 30, 2016, gains in the amount of R\$198,500 (December 31, 2015 – R\$356,083) were recognized by the Bank, as a result of notes acquired below bar.

As at September 30, 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 September 30, 2016, securities abroad have rates between 2.6% p.a. and 7.0 % p.a. (December 31, 2015 – between 1.2% p.a. and 7% p.a.).

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Notes to the financial statements

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### e. Loans and onlending

	30/09/2016						31/12/2015
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	853,575	853,575	-	-	-	-	1,204,284
Foreign currency	-	-	-	-	-	-	160,766
Loans abroad	853,575	853,575	-	-	-	-	1,043,518
Loans - Brazil	163,026	163,026	-	-	-	-	148,815
Loans	163,026	163,026	-	-	-	-	148,815
Onlending in Brazil – official institution	2,521,376	2,731	24,216	119,138	150,527	2,224,764	2,358,827
FINAME/BNDES	2,521,376	2,731	24,216	119,138	150,527	2,224,764	2,358,827
	<u>3,537,977</u>	<u>1,019,332</u>	<u>24,216</u>	<u>119,138</u>	<u>150,527</u>	<u>2,224,764</u>	<u>3,711,926</u>

On September 30, 2016, loans and onlending have rates of 0.25% p.a. and 6.0 % 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	Issued amount (original currency)	30/09/2016				31/12/2015
		Issued	Maturity	Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i)	4,161,000	15/04/2011 1	15/04/2021	Inflation plus fixed rates	6,435,702	6,084,766
Subordinated debt - US\$	800,000	28/09/2011 2	15/09/2022	5.75%	1,415,163	1,851,199
Subordinated debt eligible to equity - US\$ (ii)	1,300,000	12/09/2011 4	Callable at September 2019	8.75%	4,196,640	5,160,397
<b>Total</b>					<u>12,047,505</u>	<u>13,096,362</u>

(i) Financial bills have different maturities and have interests and principal generally amortized every six months beginning as at 2016.

(ii) During the period ended September 30, 2016, gains in the amount of R\$43,555 (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

	30/09/2016	31/12/2015
Dividends and profit sharing payable	467,425	459,703
Employees' profit sharing	262,080	433,198
Other benefits	133,057	-
	<u>862,562</u>	<u>892,901</u>
Current	862,562	892,901
Long-term	-	-

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#### b. Tax and social security

	30/09/2016	31/12/2015
Tax and contributions to be collected	32,202	61,073
Tax and contribution payable	-	401,111
Deferred income tax and social contribution (Note 18)	9,598	9,598
Suspended-payment taxes and other tax liabilities (Note 17 (c))	916,887	862,472
	<u>958,687</u>	<u>1,334,254</u>
Current	32,201	462,183
Long-term	926,486	872,071

#### c. Sundry

	30/09/2016	31/12/2015
Payable for acquisition of assets and rights (i)	1,157,481	1,041,364
Allowance for accounts payable	90,604	44,650
Payable - subject to loans operations	-	104,211
Provision for guarantees (Note 10 (e))	191,603	150,256
Provision for contingent liabilities (Note 17 (c))	23,547	13,218
Other creditors - Brazil	145,375	229,858
Other creditors - Abroad	204,921	53,915
Other	5,808	2,656
	<u>1,819,339</u>	<u>1,640,128</u>
Current	471,424	413,456
Long-term	1,347,915	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 September 30, 2016 and December 31, 2015, the Bank did not record contingent assets.

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

##### i. Labor provisions

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

##### ii. Civil provisions

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

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### iii. Tax and social security provisions

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

#### c. Breakdown and changes in provisions

The Bank's Management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recorded for such proceedings at September 30, 2016 are appropriate to cover probable losses arising therefrom.

The provisions recognized and their changes are as follows for the period ended September 30:

	30/09/2016				30/09/2015
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the period	862,472	-	13,218	875,690	831,042
Recognition	158,134	241	21,259	179,634	105,906
Write-off / reversal	(103,719)	(43)	(11,128)	(114,890)	(79,909)
Balance at the end of the period	916,887	198	23,349	940,434	857,039
Suspended-payment taxes and other taxes contingencies (Note 16b)				916,887	843,492

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 possible loss by the internal and external counsel is fully recorded in provision. The main legal disputes are the following:

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

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

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

As at September 30, 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\$974 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\$19,6 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.



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- In October 2012, we received a tax assessment, which in September 30, 2016 totaled R\$2,279 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 September 30, 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\$1,768 million, which refers to 2010 and 2011, alleging that our use of the goodwill originated in the acquisition of Pactual by UBS, held on 2006, and in the buyback of Pactual by BTG, on 2009. As a result, the Bank does not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties and also by our parent company in relation to the first and second tax assessments, respectively. Accordingly, in no event we expect to incur any material losses in connection with this matter.

#### ii. Provision for other contingent liabilities

As at September 30, 2016, the bank was part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

## 18. Income tax and social contribution

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

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Tax base	954,524	(1,092,411)	3,152,462	(475,921)
Income before taxes and profit sharing	980,364	(1,013,284)	3,797,999	360,104
Statutory profit sharing	(25,840)	(79,127)	(145,537)	(414,025)
Interest on equity	-	-	(500,000)	(422,000)
Total charge of income tax and social contribution at the current rates	(429,536)	460,760	(1,418,608)	214,164
Permanent (additions) / deductions in taxation calculation	102,073	1,736,017	(108,573)	2,942,548
Equity pick up in subsidiaries and associates and jointly controlled companies in Brazil	52,586	1,196,709	31,062	2,267,737
Income / (loss) of foreign exchange on foreign investments	35,639	511,742	(91,296)	779,468
Income on foreign investments	6,625	(126,254)	(3,358)	(304,396)
Dividends	2,346	16,026	55,984	51,949
Other Permanent (additions) / deductions	4,877	137,794	(100,965)	147,790
Temporary (additions) / deductions on the taxation calculation	632,368	(2,160,657)	1,741,883	(2,454,235)
Reversal of provision for goodwill on the acquisition of investments	27,077	19,591	81,231	45,335
Fair value of securities and derivatives	353,995	(2,223,056)	1,680,974	(2,410,465)
Allowance for loan losses	(871)	(131,185)	(57,775)	(176,690)
Equity on interest	225,000	168,800	-	119,280
Tax contingencies and provision for suspended-payment taxes	-	-	-	13,390
Other provisions	27,167	5,193	37,453	(45,085)
Effect of increase in social contribution 5% (current tax)	-	87,813	-	87,813
Offset of tax losses carry forward - Brazil	(241,767)	(92,752)	(214,702)	(790,315)

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## Notes to the financial statements

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	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Tax and social contribution expense	63,138	(56,632)	-	(87,838)
Temporary differences				
Recognition / (reversal) of the quarter / period	(633,016)	2,157,075	(1,741,883)	2,454,236
Recognition / (reversal) on losses in Brazil	241,768	70,282	214,703	790,315
Recognition / (reversal) on losses on Branches abroad	3,838	133,631	83,863	283,561
Recovery of income tax of investment abroad	(16,689)	73,785	5,496	130,855
Other temporary differences	103,516	474,504	514,157	474,504
(Expenses) / revenues from deferred taxes assets	(300,583)	2,909,277	(923,664)	4,133,471
Total revenues / (expenses)	(237,445)	2,852,645	(923,664)	4,045,633

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

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

Income tax and social contribution	31/12/2015	Recognition	Realization (i)	30/09/2016
Tax loss	444,939	332,065	(30,121)	746,883
Interest on equity	-	112,500	-	112,500
Allowance for loan losses	807,423	204,805	(147,030)	865,198
Marked-to-market valuation of securities and derivatives	3,254,951	15,300,739	(16,950,958)	1,604,732
Goodwill on the acquisition of investment	108,310	-	(81,231)	27,079
Tax contingencies and provision for suspended-payment taxes	182,980	-	-	182,980
Other temporary differences	273,046	370,835	(37,453)	606,428
	5,071,649	16,320,944	(17,246,793)	4,145,800
Effects on other comprehensive income				
Marked-to-market adjustments on securities and derivatives	14,045	-	(13,710)	335
	5,085,694	16,320,944	(17,260,503)	4,146,135

Income tax and social contribution	31/12/2014	Recognition	Realization (i)	30/09/2015
Tax loss carryforward	221,444	1,071,529	-	1,292,973
Interest on equity	119,280	-	(119,280)	-
Allowance for loan losses	370,928	327,798	(148,109)	550,617
Marked-to-market valuation of securities and derivatives	284,077	13,976,829	(11,483,364)	2,777,542
Goodwill on the acquisition of investment	196,907	31,230	(76,564)	151,573
Tax contingencies and provision for suspended-payment taxes	196,062	-	(13,390)	182,672
Other temporary differences	147,475	151,807	(120,422)	178,860
Increase in Social Contribution - CSLL 5%	-	391,503	-	391,503
	1,536,173	15,950,696	(11,961,129)	5,525,740

(i) On September 30, 2016, the amount of R\$5,496 (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
2016	1,000,470	212,034	1,212,504
2017	1,267,238	134,826	1,402,064
2018	948,566	400,021	1,348,587
2020 onwards	182,980	-	182,980
	3,399,254	746,881	4,146,135
Present value	2,831,311	602,606	3,433,917

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

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

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

#### **a. Capital**

As at September 30, 2016, fully subscribed and paid in capital consists of 3,417,618,875 shares (December 31, 2015 – 2,756,103,006), of which 1,352,401,464 common shares (December 31, 2015 – 1,404,405,002), 431,840,524 class A preferred shares (December 31, 2015 – 535,847,600), 815,850,404 class B preferred shares (December 31, 2015 – 815,850,404), 817,526,483 class C preferred shares (December 31, 2015 – Nil) all no-par, registered shares.

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

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

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 period ended September 30, 2016 and the year ended December 31, 2015, the Bank accomplished the buyback units cancellation, due to approved program, in the amount of R\$132,394 (December 31, 2015 - R\$132,394), equivalent to 71,904,350 units (December 31, 2015 – 31,973,542). On September 30, 2015, there were no treasury shares.

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### c. Special earnings reserve

The purpose of this reserve is to interest on equity, in the amount of R\$250,000, declared after year ended on December 31, 2015.

### d. 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.

### e. 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.

### f. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

### g. Profit distribution

The shareholders are entitled to minimum dividends of 1% on net income 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 December 31, 2015 the Bank has accrued R\$492,754, relating to interest on equity, equivalent to R\$0.18 per share, which generated R\$197,102 of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 28, 2015, and the payment occurred on June 20, 2016.

As at June 30, 2015 the Bank has accrued R\$500,000 (June 30, 2015 - R\$422,000), relating to interest on equity, equivalent to R\$0.19 (June 30, 2015 - R\$0.16) per share, which generated R\$225,000 (June 30, 2015 - R\$168,800) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on June 30, 2015, and the payment occurred on March 5, 2015.

## 20. Income from services rendered

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Management and performance fee from investment funds and portfolios	19,513	75,859	79,336	223,475
Technical services	111,791	63,034	232,671	239,138
Commission on the placement of securities	9,653	29,660	44,003	40,977
Guarantees granted	56,370	70,847	176,628	185,034
Other services	2,656	3,901	8,827	10,850
	<u>199,983</u>	<u>243,301</u>	<u>541,465</u>	<u>699,474</u>

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### 21. Other operating income

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Recovery of charges and expenses	-	5,128	-	5,421
Reversal of allowances - other	145,910	14,921	158,430	40,611
Reversal of allowances - contingencies	(1,398)	2,817	10,982	37,407
Adjustment to inflation of judicial deposits	45,427	24,578	93,751	79,942
Exchange rate variation	97	173,383	3,782	173,976
Adjustments of receivables from sale	45,344	109,796	159,364	220,161
Other operating income	(5,502)	(1,851)	16,815	12,657
	<u>229,878</u>	<u>328,772</u>	<u>443,124</u>	<u>570,175</u>

### 22. Other operating expenses

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Guarantees granted allowances	14,912	71,136	60,651	120,462
Monetary restatement expense	41,331	38,722	120,994	101,457
Adjustment of amounts payable for acquisition of investments (i)	21,794	49,111	48,086	97,286
Exchange rate variation - other	16	12,869	4,246	27,147
Allowance for other receivables	-	418,331	-	418,331
Tax restatement expense	-	-	-	32,463
Discounts granted in renegotiation	13,163	183,416	27,970	183,416
Others	5,258	(2,827)	19,761	6,904
Total	<u>96,474</u>	<u>770,758</u>	<u>281,708</u>	<u>987,466</u>

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

### 23. Other administrative expenses

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Outsourced services and consulting	34,507	34,364	123,291	88,375
Telecommunications and data processing	28,421	35,097	89,452	91,332
Leases and condominiums	13,633	13,395	40,314	38,695
Travel and lodging	5,827	8,541	14,181	20,868
Expenses of the financial system	5,737	14,532	14,796	30,907
Advertising and public relations	1,084	3,013	8,088	11,270
Depreciation/amortization	9,881	10,073	31,326	29,299
Others	9,253	10,238	17,790	17,916
Total	<u>108,343</u>	<u>129,253</u>	<u>339,238</u>	<u>328,662</u>

### 24. Tax charges

	Quarter ended:		Nine-month period ended:	
	30/09/2016	30/09/2015	30/09/2016	30/09/2015
Suspended-payment taxes	6,190	19,813	44,300	62,036
ISS	6,505	7,518	14,530	28,908
PIS / COFINS - current and deferred taxes	35,419	(308,896)	197,326	(330,735)
IOF	153	156	2,442	4,503
Others	14,930	534	26,846	4,194
Total	<u>63,197</u>	<u>(280,875)</u>	<u>285,444</u>	<u>(231,094)</u>

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## 25. Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank.

Related-party balances, which are all carried at arms' length, are reflected in the following accounts:

	Relationship	Maturity	Assets/(Liabilities)		Revenues/(Expenses)	
			30/09/2016	31/12/2015	30/09/2016	30/09/2015
<b>Assets</b>						
<b>Open market investments</b>						
- FIM CP LS Investimento no Exterior	Subsidiary	01/12/2017	3,200,941	6,469,931	721,442	371,043
- FIM B-2 (i)	Related	No maturity	-	1,298,726	-	238,004
- Banco Pan S.A.	Jointly Controlled	01/07/2016	60,496	630,001	55,378	8,742
- Others	Subsidiary and Related	No maturity	34,371	-	-	-
<b>Interbank investments deposits</b>						
- Banco Pan S.A.	Jointly Controlled	01/07/2016	432,000	310,000	49,390	182,811
<b>Securities</b>						
- BTG Investments LP (i)	Related	17/04/2018	221,213	194,711	2,741	4,375
- Banco Pan S.A.	Jointly Controlled	23/04/2020	12,734	23,040	-	-
<b>Derivative financial instruments</b>						
- FIM CP LS Investimento no Exterior	Subsidiary	02/01/2020	16,018,142	11,380,325	-	807,806
- BTG Pactual Global Fund	Subsidiary	27/10/2016	2,101,760	-	1,174	-
- BTG Pactual International Port Fund SPC - Class C	Subsidiary	20/07/2017	1,579,341	965,537	-	-
- BTG Pactual Commodities Absolute Return Ltd	Subsidiary	No maturity	-	764,257	-	-
- BTG Pactual Commodities (Switzerland) AS	Subsidiary	No maturity	-	537,357	52,313	3,887
- BTG Pactual Commodities Holding (UK) Limited	Subsidiary	No maturity	-	459,569	18,587	2,177
- BTG Pactual Commodities Singapore PLC	Subsidiary	No maturity	-	320,642	-	-
- BTG Pactual Commodities S.A.	Subsidiary	No maturity	-	577,924	-	-
- Others	Subsidiary and Related	No maturity	81,152	113,094	-	155,540
<b>Loans and Receivables</b>						
- BSI UK Holding	Related	14/09/2025	-	3,663,406	-	-
- Partners and key members	Partners	No maturity	574,706	634,253	56,592	52,227
<b>Income Receivable</b>						
- Banco Sistema S.A.	Subsidiary	No maturity	279,391	-	-	-
- BTG Pactual Global Asset Management Limited	Subsidiary	No maturity	-	6,345	-	60,591
- Others	Subsidiary and Related	No maturity	7,142	7,142	-	3,019
<b>Securities trading and brokerage</b>						
- BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Subsidiary	No maturity	147,312	66,316	-	-
- BTG Pactual Commodities (Switzerland) AS	Subsidiary	No maturity	-	40,855	-	-
- BTG Comisionista de Bolsa	Subsidiary	No maturity	-	35,300	-	-
- BTG Pactual International Port Fund SPC - Class C	Subsidiary	No maturity	-	12,191	-	-
<b>Sundry</b>						
- BTG Pactual Holding Internacional S.A.	Subsidiary	No maturity	2,147,456	6,694	-	-
- BTG Investments LP (i)	Jointly Controlled	17/04/2018	244,052	194,711	2,741	4,375
- BPMB I S.A.	Subsidiary	No maturity	-	40,492	-	-
- BTG Pactual Serviços Financeiros S.A.-DTVM	Subsidiary	No maturity	7,734	29,540	-	-
- Others	Subsidiary and Related	No maturity	10,251	13,149	-	-
<b>Liabilities</b>						
<b>Interbank deposits</b>						
- Banco Sistema S.A.	Subsidiary	01/10/2016	(2,000,000)	(2,500,000)	(243,166)	(288,680)
- BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Subsidiary	01/10/2016	(382,735)	(375,105)	(37,359)	(26,515)
- BTG Pactual Asset Management S.A.- DTVM	Subsidiary	01/10/2016	(117,457)	(54,216)	(10,875)	(14,513)
- Others	Parent company and subsidiary	No maturity	(113,108)	(67,081)	(6,065)	(8,824)
<b>Time deposits</b>						
- BTG Pactual International Port Fund SPC - Class C	Subsidiary	01/10/2016	(1,165,431)	(394,323)	-	-
- BTG Pactual Absolute Return Master Fund I	Related	01/10/2016	(1,479,800)	(824,878)	-	-
- BTG Pactual US Capital, LLC	Subsidiary	01/10/2016	(338,322)	(266,257)	-	-
- BTG Investments LP (i)	Related	01/10/2016	(8,923)	(735,287)	-	(3,398)
- BTG Pactual Global Fund	Subsidiary	01/10/2016	(51,590)	(1,202,613)	-	-
- BTG Pactual US AM Corp.	Subsidiary	01/10/2016	(172,564)	(276,159)	-	-
- BTG Pactual Europe LLP	Subsidiary	01/10/2016	(80,929)	(147,001)	-	-
- BTG Pactual Proprietary Feeder (1) Limited	Related	01/10/2016	-	(221,463)	-	-
- BTG Pactual Commodities Absolute Return Ltd	Subsidiary	01/10/2016	-	(163,575)	-	-
- BTG Pactual Commodities Holding (UK) Limited	Subsidiary	01/10/2016	-	(261,819)	-	-
- BTG Pactual Chile CL Inver Ltda	Subsidiary	01/10/2016	(230,621)	-	-	-
- BTG Pactual Comercializadora de Energia Ltda.	Subsidiary	01/10/2016	(155,348)	(53,572)	(7,577)	(3,672)

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	Relationship	Maturity	Assets/(Liabilities)		Revenues/(Expenses)	
			30/09/2016	31/12/2015	30/09/2016	30/09/2015
- Others	Subsidiary and Related	01/10/2016	(148,492)	(460,265)	(7,069)	(5,125)
<b>Open market funding</b>						
- Banco Sistema S.A.	Subsidiary	20/11/2038	(5,428,679)	(4,302,955)	(243,166)	(186,315)
- FIM CP LS Investimento no Exterior	Subsidiary	29/04/2022	(713,030)	(1,099,100)	(125,274)	(16,591)
- BTG Pactual Comercializadora de Energia Ltda.	Subsidiary	01/02/2021	(112,902)	-	(35,047)	(28,238)
- BRPEC Agropecuária (i)	Related	23/03/2017	-	(165,336)	(17,972)	(8,030)
- BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Related	No maturity	-	-	(37,359)	-
- BTG Pactual Corretora de Mercadorias Ltda.	Subsidiary	No maturity	-	-	-	(7,154)
- BTG Pactual Asset Management S.A.- DTVM	Subsidiary	30/06/2017	(117,457)	-	(10,875)	-
- BTG Pactual Serviços Financeiros S.A.- DTVM	Subsidiary	25/09/2017	(79,390)	-	(6,065)	-
- Others	Subsidiary and Related	No maturity	(130,276)	(257,979)	(47,889)	(13,490)
<b>Funds from securities issued and accepted</b>						
- BTGP Int Por Fund II Commodities	Partners	No maturity	-	(626,527)	-	-
- FIM CP LS Investimento no Exterior	Subsidiary	29/04/2022	(46,458)	(596,836)	-	-
<b>Securities issued abroad</b>						
- BTG Investments LP (i)	Related	29/02/2049	(1,833,685)	(1,930,422)	(674,608)	(11,876)
- BTG MB Investments LP	Related	No maturity	(612,967)	(404,162)	(71,596)	(122,715)
<b>Derivative financial instruments</b>						
- FIM CP LS Investimento no Exterior	Subsidiary	02/01/2020	(19,508,956)	(17,546,994)	(673,687)	(594,240)
- BTG Pactual Global Fund	Subsidiary	27/10/2016	(2,096,636)	-	-	-
- BTG Pactual e&P S.a.r.l.	Subsidiary	20/10/2016	(1,418,369)	-	-	-
- BTG Pactual Commodities Absolute Return Ltd	Subsidiary	01/06/2018	-	(744,778)	(64,219)	(385,284)
- BTG Pactual International Port Fund SPC - Class C	Subsidiary	20/07/2017	(529,096)	(1,397,738)	(11,996)	(25,846)
- BTG Pactual Commodities (Switzerland) AS	Subsidiary	No maturity	-	(549,262)	-	(5,623)
- BTG Pactual Commodities S.A.	Subsidiary	No maturity	-	(306,397)	(714,793)	(2,027,183)
- BTG Pactual Commodities Holding (UK) Limited	Subsidiary	No maturity	-	(473,250)	-	-
- Banco Pan S.A.	Jointly Controlled	15/02/2022	(66,155)	(351,450)	-	(140,823)
<b>Securities trading and brokerage</b>						
- BTG Pactual Commodities Holding (UK) Limited	Subsidiary	No maturity	-	(88,556)	-	-
- Covalis Master Feeder	Subsidiary	No maturity	-	(241,920)	-	-
- BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Subsidiary	No maturity	(172,556)	-	-	-
- Others	Subsidiary and Related	No maturity	-	(1,580)	-	-
<b>Debt instrument eligible to equity</b>						
- BTG Investments LP (i)	Related	No maturity	-	-	-	(12,643)
- FIM CP LS Investimento no Exterior	Related	No maturity	-	(29,691)	-	-
<b>Sundry</b>						
- BTG Pactual Holding S.A.	Parent Company	No maturity	(105,813)	(102,916)	-	-
- BTG Investments LP (i)	Related	No maturity	(31,230)	-	-	-
- BPMB I S.A.	Subsidiary	No maturity	(5,723)	(5,723)	-	-
- BTG Pactual Casa de Bolsa, S.A. de C.V.	Subsidiary	No maturity	(3,060)	-	-	-
- Others	Subsidiary and Related	No maturity	(279)	(9,597)	-	-

(i) Subsidiaries of BTG Pactual Participations Ltd.

Total compensation paid in the period to key management personnel totaling R\$3,615 (September 30, 2015 – R\$46,647) is considered a short-term benefit.

## BANCO BTG PACTUAL S.A.

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### 26. Other information

#### a. Cash and cash equivalents

	31/12/2015	31/12/2014
<b>Balances as at beginning of period</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
	<u>15,622,242</u>	<u>21,063,717</u>
	30/09/2016	31/12/2015
<b>Balances as at end of period</b>		
Cash at banks	202,943	632,703
Open market investments	13,051,276	9,209,282
Interbank deposits	1,251,369	3,455,637
	<u>14,505,588</u>	<u>13,297,622</u>

#### b. Commitments and responsibilities

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

	30/09/2016	31/12/2015
Co-obligation and risks for guarantees granted	38,073,571	37,976,932
Responsibility for the management of funds and investment portfolio	21,718,864	27,905,462
Securities under custody	199,321,414	225,555,794
Securities trading and brokerage	2,175,572,905	1,514,796,291
Loans contracted to release	308,068	709,744
Commitments to be released	368,700	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.



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

Notes to the financial statements

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(In thousands of reais, otherwise indicated )

### **27. Subsequent events**

On October 19, 2016, the financial assistance line obtained from Fundo Garantidor de Créditos – FGC, (See Note 15b), had its outstanding amount fully paid.

Further to process of separation of its commodity trading activities described in Note 2, 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.

Still in October and as part of the commodity trading activities separation process, Engelhart CTP acquired 4.3% of its own shares held by Banco. The total consideration was US\$100 million and the price was equivalent to Engelhart CTP’s net asset accounting value.

On November 1, 2016 all closing conditions were met and the sale of 100% of BSI to EFG has been completed. 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. EFG’s stake were accounted for using the equity pick up method.