

## **DEAR SHAREHOLDERS**

The Management of Banco BTG Pactual S.A. ("Bank") and its subsidiaries are pleased to present the Management Report and consolidated Quarterly Information for the quarter ended on September 30, 2016, in accordance with the standards established by Laws 4595/64 (Brazilian Financial System Law) and 6404/76 (Brazilian Corporation Law), with changes introduced by Law 11638/07 and 11941/09 for the accounting of operations, associated with the regulations and instructions of the National Monetary Council (CMN), the Brazilian Central Bank (BACEN) and the Brazilian Securities Commission (CVM).

## **RECENT EVENTS**

### **Units buyback Program**

During the year ended December 31, 2015, the Bank accomplish buyback units cancellation, due to approved program, in the amount of R\$132,394, equivalent to 71,904,350 units. On September 30, 2015, there were no treasury shares.

### **Corporate events**

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.

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 Engelhart 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.

## **PERFORMANCE**

The Bank's net income in the quarter decreased 61.2% from R\$1,848.0million in the quarter ended September 30, 2015 to R\$717,1million in the same quarter of 2016, due to the business performance and one off events of permanent asset disposal in the same period of 20015. The Bank's total assets balance decreased 10.9% from R\$163,943.4 million in December 31, 2015 to R\$146,027.3 million in the quarter ended June 30, 2016, due to and FX on positions on foreign currencies and a deleverage in the Bank's assets.

## **INDEPENDENT AUDITORS**

The Bank's policy on contracting services not related to the external audit by our independent auditors is based on the applicable regulations and the internally accepted principles that safeguard the auditor's independence, i.e. that the auditors should not audit their own work, carry out management functions for their clients or promote the interests of those clients.

## **SUBSEQUENT EVENT**

As at October 19, 2016, the financial assistance line obtained from Fundo Garantidor de Créditos – FGC, Vide Note 15b, had its outstanding amount fully paid on the date.

Further to process of separation of its commodity trading activities described in Note 2, as at 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 will be added to the book-entry position of those shareholders that did not elect to receive equity interests in Engelhart CTP.

As at November 1, 2016 all closing conditions were met and the sale of 100% of BSI to EFG International AG has been completed. The final transaction consideration comprises (i) CHF 575 million in cash, (ii) 86.2 million EFG shares (30% stake in EFG-BSI) and (iii) CHF 31 million of bonds (Nivel 1 subordinated debt) issued by EFG International. EFG’s stake will be accounted for using the equity pick up method.

In October 2016 and as part of the separation process, Engelhart CTP acquired of 4.3% of its own shares held by Banco. The total consideration was USD 100 million and the price was equivalent to Engelhart CTP’s net asset accounting value.

## **ACKNOWLEDGEMENTS**

Committed to maintaining ongoing, balanced growth, BTG Pactual thanks its clients, employees and partners for their continued confidence, dedication and support.