



# Annual Report 2017

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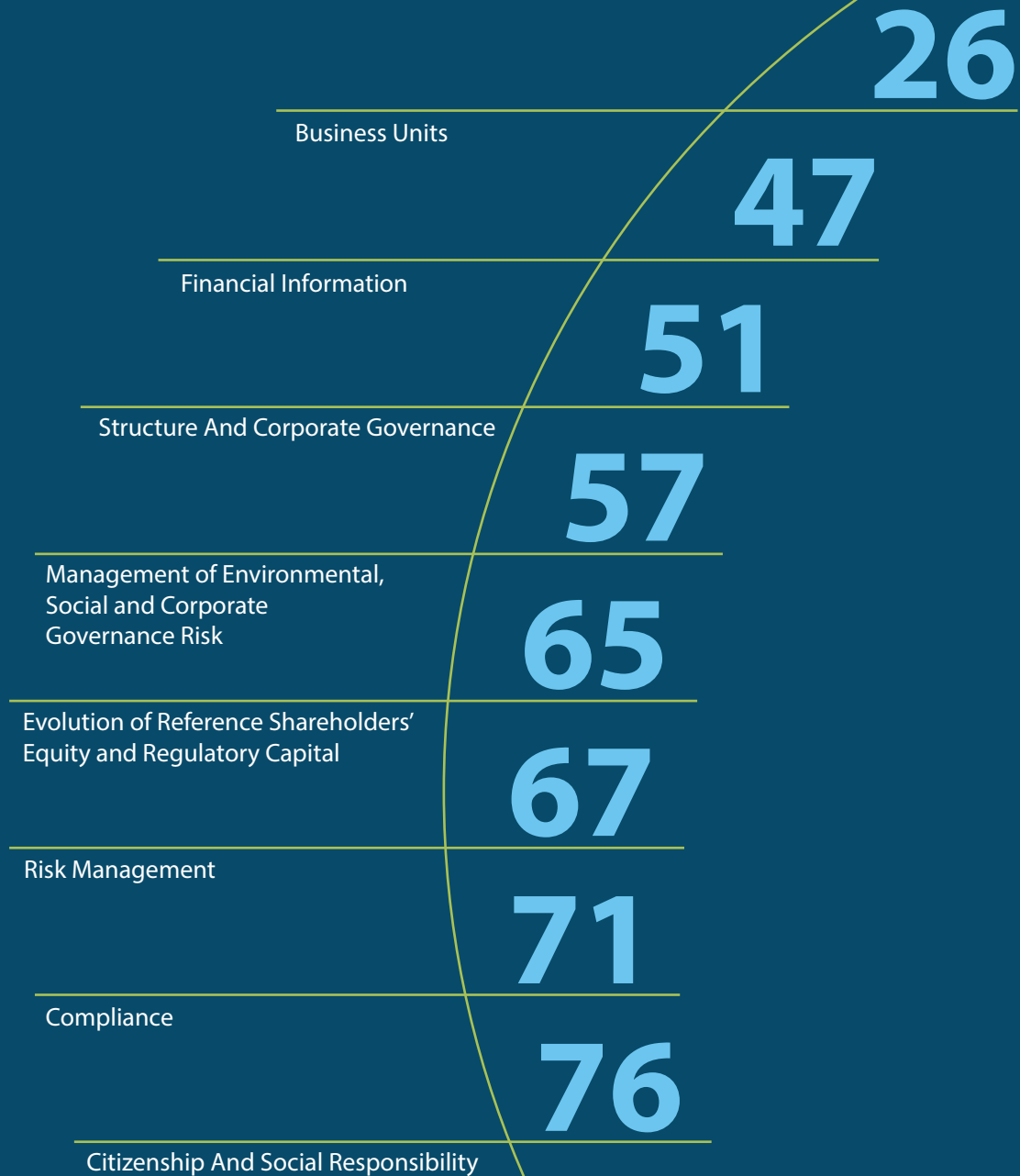
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# PARTNERSHIP LETTER



Dear partners:

*- Throughout 2017, we concentrated much of our energy internally, strategically repositioning our business and reigniting our franchises.*

*- We started the year with a cautious view of the Latin American economy and ended with optimism for the near-term future, as growth resumes, albeit with uncertainties related to the Brazilian presidential elections.*

In recent years, we have focused on repositioning our business to (i) reduce complexity, (ii) increase transparency and (iii) position our franchise to deliver solid results both in the near- and long-term future. 2017 was characterized by significant accomplishments to advance this. We completed our strategic repositioning, reignited our clients' franchises, resumed the stabilization of our funding lines, commenced our balance redeployment in markets and, towards the end of the year, in credit, while maintaining solid profitability and meeting other key performance indicators. Our

meritocratic Partnership is strong and remains a very important pillar of our business.

The process of repositioning BTG Pactual included several landmark transactions. First, we distributed to our shareholders the majority of the equity of our Commodities trading company, Engelhart Commodities Trading Partners, to reduce complexity and risk on our balance sheet. We also sold our Swiss Private Banking (BSI) business to EFG International, for which we received roughly 60% in cash and 40% in shares. We exited Principal Investments, which involved

decoupling our BBTG11 unit plus significant illiquid portfolio divestments. Following these strategic transactions, we reemerged as a leading, dedicated and full-fledged Latin American investment bank, with very strong asset and wealth management capabilities, significantly less leveraged, and with a strong foothold to capture growth. BTG Pactual currently has three business units (Asset Management, Wealth Management and Investment Banking) that rely only on client fees, and two business units (Corporate Lending and Sales and Trading) that also rely on balance sheet usage.

In 2017, we saw recovery and solid performance across all our franchises. In Investment Banking, we maintained a leading position across most segments, especially in M&A, where we led Brazilian and Latin American rankings and revenues ended the year on a positive note. We anticipate continued positive momentum in the years ahead. Asset Management had a very positive year as we regained client confidence – recording NNM of R\$15.6 billion – a 25.2% increase from 2016-year end AuM. We also launched new funds – and NNM performance was supported by strong performance in most of our investment products. Wealth Management also saw significant positive developments, with R\$4.0 billion of NNM. We are pleased that 2017 was marked by strong performance and increased market share in Latin American (ex-Brazil), and we are working hard to ensure we continue to grow as the region further develops.

Last year we preserved our fortress balance sheet and we expect to maintain a conservative approach. We kept our leverage low (~6x), maintained strong cash reserves of R\$12.8 billion and had a Basel ratio of 18%. There was tepid growth in our Corporate Lending exposure concentrated in non-cash products. Our corporate lending spreads remain in line with historical averages, and we continue to manage the risk profile of our

transactions on an individual basis. Still, we continue to seek opportunities to gradually grow our portfolio. In Sales and Trading we had a very active year with a lot of market volatility, which brought opportunities and client flows, and we maintained relatively low market risk allocation. We continue to expand our Sales and Trading capabilities throughout Latin America. Our trading desks play an important dealership role, and the sales and research team continues to solidify our leading position in Latin America.

We continued to invest in the development of our core businesses to strengthen our Latin American franchise. For example, we successfully launched BTG Pactual digital, our retail investment solution, following its incubation in 2014. We are in the process of adding a full spectrum of investment products to the platform, while providing retail investors access to BTG Pactual's wealth management solutions.

We also opened a broker-dealer office in Argentina, run by several senior partners, to reinforce our Argentine presence.

Finally, we established a venture to exploit distressed loans and assets, focused on the corporate segment.

We believe the key to our success is our meritocratic partnership model. The

partnership culture is core to everything we do and fosters our culture of teamwork, talent development and long-term commitment - our culture also stresses an alignment of interests between minority and controlling shareholders. We continue to run our business with a flat management structure that emphasizes the value of intellectual capital, entrepreneurship and meritocracy in all regions and markets in which we operate. Consistent with our long-standing strategies, we have taken concrete steps aimed at ensuring that our partnership model remains in effect for the foreseeable future. The controlling shareholder group is comprised of our five most senior partners, including our CEO, and our business unit heads continue to be long-standing members of our Partnership.

We are confident that our focus in our core Latin American franchise – Investment Banking, Asset and Wealth Management – will allow for significant improvement in business mix, better and more meticulous capital usage, instill greater confidence from clients, investors and partners, and, more importantly, lead to strong and stable profitability. The Partnership model will remain intact and we are confident it will provide best in class talent to deploy our strategy.

# OUR HISTORY



# 1983 to 1998

## The first phase

Our history began in 1983, when Pactual was founded as a brokerage house in Rio de Janeiro. From day one, the founding partners agreed that this new financial organization would be a meritocratic partnership that championed the values of intellectual excellence, entrepreneurship, and a hard-working and hands-on culture. All employees, including partners, periodically received a grade for their individual performance and their adherence to the values and culture, which culminated in attribution of a bonus. Those who constantly performed well, an essential factor for success of the business, were invited to become partners. Everyone was expected to have a high level of commitment, dedication, creativity and, above all, goal of becoming an owner in the business.

In 1983, Pactual's activities were comprised of trading of public and private securities, using both the firm's own capital and that of clients. In 1989, the small brokerage firm registered as a Multiple Bank and opened an office in São Paulo. Starting in 1990, the firm expanded into Asset and Wealth Management. At the time, with the creation of Annex IV (a National Monetary Council resolution), which allowed the entry of foreign investors in Brazil, the Bank began its internationalization process, marked by the opening of a New York-based brokerage firm.



# 1998 to May 2006

## The second phase

The Bank's client franchises recorded pronounced growth. In 2001, the Bank created Pactual Corretora to broker trades on the BM&F and on the Bovespa. Within a few years, it became one of the best performing brokerage firms in Brazil.

Over the years, Pactual's research division played a fundamental role in the growth of both the brokerage and the other areas of the Bank. With a team of analysts specialized in all economic sectors, the Bank produced research reports that rapidly became a benchmark in the market. The Research area received awards in several categories and was considered one of the best in Brazil and Latin America.

In 2003, the Brazilian capital market started to grow exponentially. Accelerated economic growth, controlled inflation, and political and institutional stability, combined with a very favorable external scenario, enabled several Brazilian companies to access capital markets. During the period, Pactual led the main share issuances in Brazil.

## May 2006 to April 2009

### The third phase

In May 2006, UBS acquired Banco Pactual to operate as its main division in Latin America, called UBS Pactual. In 2008, a group of partners left UBS Pactual to establish BTG, a global investment company with the Pactual culture they had inherited and perfected.

## April 2009 to 2015

### The fourth phase

In April 2009, BTG acquired UBS Pactual, thus forming Banco BTG Pactual. With the purchase, partners who had left the Bank in 2008 to found BTG joined those who had remained in the institution in the period after the sale to UBS.

In December 2010, we raised US\$1.8 billion by selling a stake in the business to a consortium of international investors. In 2011, BTG Pactual acquired an interest in Banco Panamericano, which led to a new brand and visual identity for the merged entity in 2013.

In April 2012, we held our Initial Public Offering (IPO), raising R\$3.2 billion that positioned us among the 20 largest companies listed in BM&FBovespa. In that same year, we made several strategic acquisitions to extend our presence throughout Latin America. We acquired Celfin – Chile's leading brokerage firm, with operations in Peru. We also acquired Bolsa y Renta – one of the largest Colombian brokerage firms in terms of traded volume, which also has a presence in Peru.

In 2014, we obtained a Chilean banking license, essential to the expansion of our business in Latin America. We expanded globally our Wealth Management offering by acquiring a private Swiss bank, BSI.

In a little over 30 years, we built a leading Latin American investment bank, with global Asset Management and Wealth Management capabilities. We continue operating as a meritocratic partnership, fully focused on the continuous and consistent creation of value for clients and shareholders.

# Recent year

## The fifth phase

In 2015, we ended the year with some of the best results in the Bank's history, with an ROAE of 22.4%, revenues growing above 50% and net income 35% higher when compared to the previous year, even amidst the worst stress test we ever had. Strategic steps were taken to reposition the Bank, making it simpler, solvent and liquid, and focusing on core activities (Asset Management, Wealth Management, Investment Banking, Corporate Lending and Sales & Trading). Part of this strategy consisted of the sale of noncore assets, the reduction of our corporate lending portfolio and the approval of a credit guarantee fund (FGC) of R\$6 billion (fully settled in 2016).

In 2016, we consolidated a strategy that started in 2015, turning us into a simpler Bank. We spun-off our commodities unit, giving rise to ECTP, a London-based global commodities trading company operating 15 different platforms in 18 countries. We also concluded the sale of BSI to EFG, creating the fifth largest Swiss Bank, in which we now hold a 30% stake.

In 2017 we announced the segregation of our unit, separating the Bank from other Group investments. Additionally, we removed a US\$390 million outstanding perpetual subordinated bond from the market, from a total of US\$1.3 billion, as a way to improve our capital structure. In December 2017, we issued a US\$500 million senior five-year bond. We achieved our objective of using a favorable window to demonstrate investor confidence in the Bank. The transaction attracted strong demand from investors in the United States, Europe and Asia.

# PARTNERSHIP





*We have operated as a merit-based partnership since our foundation 35 years ago, a model that creates significant alignment of interest with the market and builds partner wealth over the long term. In our view, the Partnership, or the group of persons that effectively run BTG Pactual, is the fundamental reason for the success of our business*

## How does the Partnership work?

- Only people who work full time in BTG Pactual can be or become a member of the Partnership. There are no “capitalist” or “rentier” partners.
- All BTG Pactual’s leading executives are members of the Partnership.
- The shares held by the Partnership constitute most of the partners’ equity. Almost the majority of the Partnership’s assets are shares in BTG Pactual.
- The culture of ownership is at the core of everything we do. The partners make every effort to ensure the Bank’s success, not only as their fiduciary duty, but also because most of their wealth is in the Bank’s shares. It is not only our culture, but the Partnership model incentivizes the partners to have a long-term approach when dealing with clients and managing risks precisely because they regard themselves as the owners of the business and the model prevents short termism.
- Partners do not hold shares because of favoritism, inertia or inheritance, but because of their contribution to BTG Pactual’s results. Partners who retire or who decide to pursue other professional paths sell all their shares to the Partnership so they can be reallocated to other partners on merit. There are no restrictions on selling rights because we require our partners to be motivated, willing to work hard and wholly dedicated to the success of BTG Pactual.
- At the end of every year, there is a reorganization of partners’ holding interests in accordance with merit. All partners are evaluated in terms of results, entrepreneurship, focus on developing business with clients and adherence to the principles of our culture: hard work, hands-on, teamwork, accompanied by a long-term vision and commitment. This assessment is both qualitative and quantitative.
- Based on the annual evaluation, the Partnership reacquires the shares of relatively underperforming partners and offers them to those who have done better or to professional newcomers who deserve to enter as a result of their excellent performance. This process ensures the permanent renewal of the Partnership based on merit.
- The partners may be responsible for certain countries or business areas, or have specific responsibilities, but they must also prioritize and be accountable for BTG Pactual’s overall result. No one person is solely a partner of a given business or area. This is vital for the effective integration of the various business areas and the maximization of product cross-selling, as well as for fostering teamwork, client focus and a culture of ownership.
- All transactions between partners take place at book value and not market value. We do not make use of stock options as an incentive mechanism in the belief that high returns on equity are the best means of creating a solid base for the appreciation of our shares over time. In addition, market prices are subject to many other factors beyond return on equity. Maximizing market value in the short term often leads to wrong decisions in the long term.

## The Partnership in practice: some examples

- Although BTG Pactual is Brazilian-controlled, the proportion of its non-Brazilian partners and associate partners has been growing over the years as a natural result of our internationalization process. At the end of 2014, we had 3,277 employees, including 145 associate partners and 58 partners. More than 30% of the associate partners and 20% of the partners were not Brazilian, a natural reflection of our meritocratic culture as we expand our operations outside Brazil.
- Many of our partners have never worked for any other company, having given ample proof of their ability and dedication over the years. We are very proud of having nurtured our own talented professionals from their entry as university graduates (and often earlier) until they reach the Bank's highest decision-making positions. Whenever possible, we prefer to give opportunities to our own people. But we also have partners who have made their careers in other institutions and who have brought skills and expertise we were unable to obtain internally.
- Every year, we make space in the Partnership for new talent, often financing this entirely through the acquisition of shares. We have never adopted the easy solution of proportionally diluting the holdings of all the other partners to make way for newcomers. Who should sell their shares to admit new talent and who has the right to buy those shares is always determined by meritocracy. This is always a difficult decision because there are many more buyers than sellers of the Partnership's shares.
- The same meritocratic principles we use to decide who buys and who sells shares in the Partnership are also used to determine end-of-year bonuses, for both partners and non-partners. The difference is that the bonuses primarily reflect performance throughout the year, while partnerships necessarily take longer-term prospects into account.
- The partnership culture pervades every aspect of our day-to-day activities. In our offices, no one has a room to themselves. All employees, whether partners or not, have the same table and chair. Respecting the regulatory barriers, everyone sits together and anyone can talk to anyone else at any time. This layout expresses our preference for a flat structure, with little hierarchy and no time for status symbols, thereby fostering direct and continuous interaction involving everyone, streamlining decision making and creating an environment free of red tape and unnecessary costs. It also allows the hands-on, hard-working conduct of senior staff to inspire their more junior colleagues.

# CULTURE AND VALUES

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## Exceeding expectations

We believe that the sense of ownership created by our meritocratic partnership encourages rigorous analysis of the risks in all transactions in which we engage, as well as in the search for innovative solutions to address the very varied demands of our clients. We behave properly, with responsibility, simplicity, non-conformism and dedication to being agents for transformation and for creating value for our clients, shareholders and the company. We believe in nurturing long-lasting relations as the key indicator of success. As entrepreneurs, we step into our clients' shoes and understand their challenges as if they were ours. This means we act independently and quickly in a non-bureaucratic and non-hierarchical relationship of equals.

We are an institution that places great emphasis on excellence and long-term relationships, driven by an entrepreneurial spirit that enables us to attract top talent and to maintain the finest products and services. We combine a global outlook with local expertise, with offices in the leading financial centers of Latin America, managed by local partners. Our offices in New York and London give us a competitive edge and help to cement our position as Latin America's leading investment bank since 2012.

# STRATEGIC POSITIONING

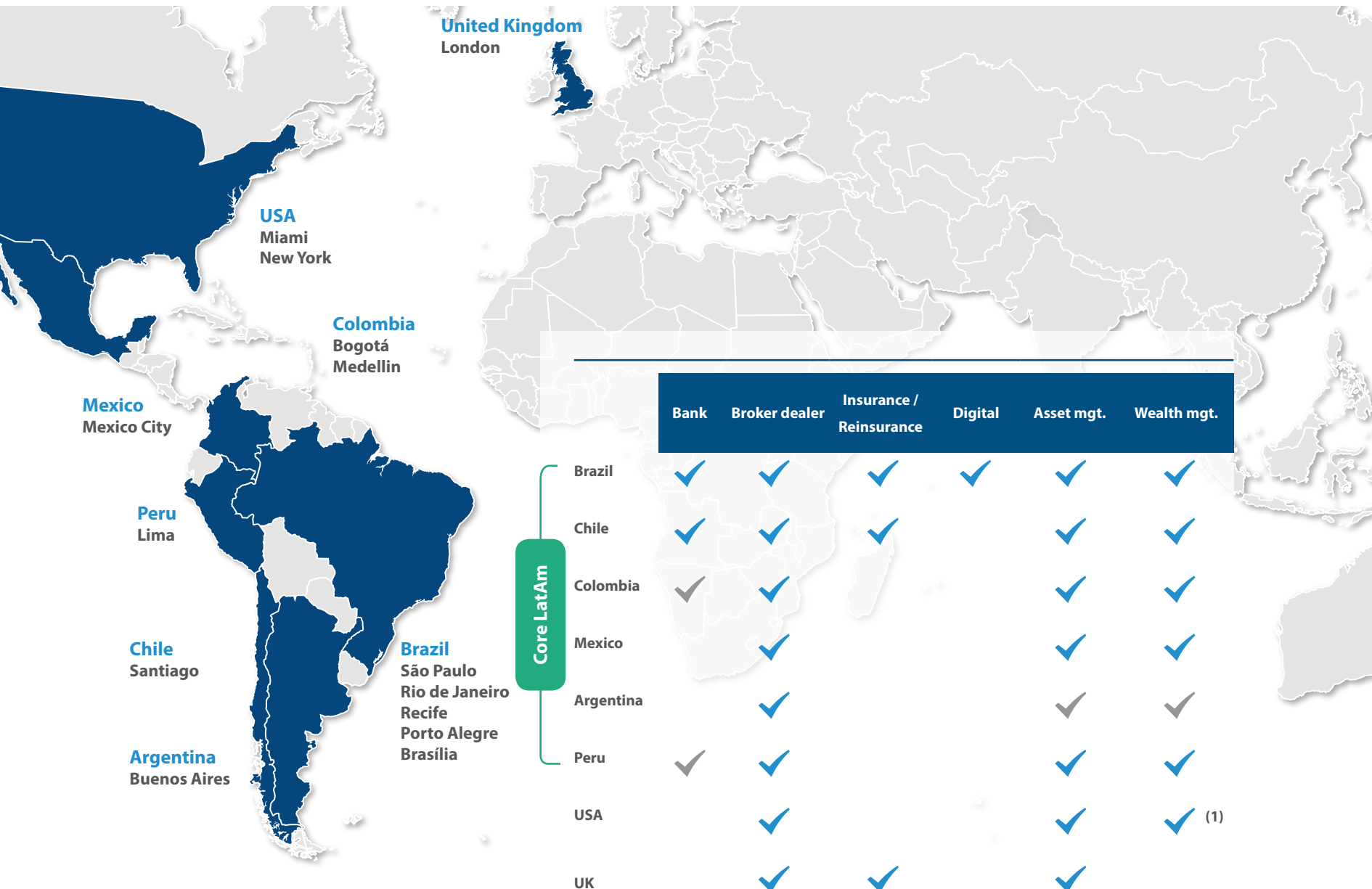


We are a Latin American multi-service investment bank, asset manager and wealth manager. Over the past three decades, we have experienced several economic cycles and adversities in the markets, and we have been able to successfully adapt and evolve. We have grown from a strictly Brazilian bank to become an important player in Latin America, with leading positions in Brazil, Chile, Peru, Colombia and Mexico, and recent operations in Argentina.

We have built global Asset Management and Wealth Management businesses, with access to and extensive knowledge of the countries in which we are present, along with strong international investment and distribution capabilities that bring Latin American, emerging market and global investment products and services to our client base.

We have offices across Latin America, including in Brazil, Chile, Colombia, Mexico and Argentina, and have an international presence focused on distribution of a wide variety of banking products in Latin America and managing global clients' funds in New York and London. Through this platform, we provide a comprehensive range of financial services and solutions to a Latin American and global client base that includes corporations, institutional investors, governments and high net worth individuals.

In an increasingly globalized world, in which the major financial centers have become independent and self-sufficient, we have innovated by serving our clients locally while still growing in a strategic international foot print. Our local presence allows us to better understand our clients' needs, leading to new products, services and personalized solutions. The tables below present the relevant examples of our strong strategic positioning in Latin America and worldwide.



Note (1): Focused in off-shore LatAm clients

## Presence in Latin America

We are one of the leading players in Latin America's financial services industry, which we believe to be one of the most attractive financial services markets globally. Given our substantial experience and presence in all of the major financial markets of the region, we believe that we are expertly positioned to benefit from the growth and further development of Latin America.

Following the acquisitions of Celfin, a leading broker dealer in Chile (with operations in Peru and Colombia), and Bolsa y Renta, a leading broker dealer in Colombia in 2012, we cemented and expanded our Latin American franchise. We opened a bank in Chile in December 2014 and subsequently opened offices in Bogota and Medellin, Colombia, Mexico City, Mexico and Buenos Aires, Argentina, each offering advisory, asset management and wealth management services, as well as providing a broad range of sales and trading services through local broker-dealers.

We believe that the growth of the financial services sector in Brazil and in a number of other countries in Latin America, such as Chile, Colombia, Peru and Mexico, will continue and further develop in the future. These countries exhibit a number of characteristics that we believe provide the basis for growth while these countries are still far from the financial maturity of fully developed economies.

One of our main strategies relating to our presence in Latin America involves the expansion of our business in Mexico, where we intend to attract even more clients to our local investment funds and broker dealer business. In addition, we are expanding our business in Argentina following the approval by the Brazilian and Argentinian authorities of our entry into the broker dealer market in Argentina.

We intend to continue to take advantage of favorable Latin American market conditions by expanding our franchises and leveraging our reputation among our current and prospective Latin American and international clients interested in emerging markets-related opportunities.

*We are one of the leading players in Latin America's financial services industry. We believe that we are expertly positioned to benefit from the growth and further development of the region*

# REVENUE MIX



In recent years, we have built a diversified portfolio of products and services designed to maximize client relationship opportunities and to perform in different market conditions at varying points in the cycle. The revenue mix currently includes revenues from services and from the return on invested capital of liquid and illiquid strategies, providing us with resilience to take advantage of more challenging market scenarios, as well as maintain stability and consistent returns.

We have two major revenue groups, business areas that require capital usage (Sales and Trading and Corporate Lending) and business areas that are fee driven (IBD, Asset Management and Wealth Management).

With these two major revenue groups, which come directly from services or predominantly from capital allocated in favor of clients' businesses, we are capable of maintaining a long-lasting, stable and growing revenue stream.

We believe that we have successfully diversified our business operations and revenue sources to maximize opportunities for leveraging our client relationships across business units. Our geographic

diversification positions us to exploit changes in market conditions throughout the world.

Our strong capabilities across the spectrum of financial services enable us to adapt quickly and to prosper under changing market conditions. Our entrepreneurial culture leads us to consistently seek new and diversified revenue sources, including opportunities outside our historical target market in Brazil, such as our acquisitions throughout Latin America, including in Mexico and Argentina, and through our online platform, BTG Pactual digital. We believe that our geographic diversification and expanding portfolio of businesses increases our potential to successfully grow our business and to maintain our profitability.

In addition, our market strength within each of our business units allows us to maximize the value we obtain from our client relationships by using an integrated approach to provide more products and services. For example, many of our significant asset and wealth management clients generated their wealth through public offerings that we have underwritten. Having synergistic businesses is particularly advantageous in Latin America, where

many wealthy families control a significant share of local businesses and thus require a wide variety of financial services for both their personal wealth and the substantial companies they control.

Our solid research capabilities also contributed to our significant participation in equity underwritings in Latin America in addition to generating significant brokerage commissions for our sales and trading unit. Consequently, we provide our clients with both high quality asset and wealth management and financial advisory services – both in capital markets and mergers and acquisitions. In addition, our sales and trading and principal investments units cover multiple markets and different geographies, with a focus on building long-term relationships and delivering high quality execution.

# PERFORMANCE IN 2017





Our performance in 2017 was marked by a consistent and strong recovery in asset management areas, with significant AuM and WuM growth in the period and a strong Sales & Trading performance. Our Investment Banking operations, despite its outstanding position in key transaction rankings, performed in line with the previous year. During 2017, we maintained our conservative balance sheet positioning, especially for long-term operations, and ended the year with asset leverage and cash position at their historical lowest and highest levels (6.8x and R\$12.8 billion, respectively). Our Basel ratio at the end of the year stood at a solid 18%.

In this context, we delivered consistent results. Our total revenue reached R\$5.5 billion and adjusted net income totaled R\$2.9 billion, resulting in an adjusted return on shareholders' equity of 16.3%.

Our costs remained under control and our efficiency indexes have remained as benchmark for the industry. In 2017, our expenses totaled R\$2.6 billion, of which R\$746 million were bonus expenses, resulting in an efficiency ratio of 48% and a compensation ratio of 23%. If we exclude non-recurring costs, mainly due to the sale of BSI and the amortization of goodwill, our efficiency ratio would be 38%.

*Our performance in 2017 was marked by a consistent and strong recovery in asset management areas*

	4Q 2017
<b>Total Assets</b>	<b>R\$126.6 billion</b>
	(US\$38.3 billion)
<b>Shareholders' Equity</b>	<b>R\$18.5 billion</b>
	(US\$5.6 billion)
<b>AuA and AuM</b>	<b>R\$144.9 billion</b>
	(US\$43.8 billion)
<b>WuM</b>	<b>R\$86.9 billion</b>
	(US\$26.3 billion)
<b>Employees<sup>(1)</sup></b>	<b>2.037</b>
	(241 partners)

# BUSINESS UNITS



## IBD

The Investment Banking unit acts as a provider of various investment services, including acting as an underwriter or placement agent in funding operations through public or private debt or equity issues and providing financial advisory services and sophisticated structured and personalized financial services for companies, financial institutions, investment funds, governments and individuals. Although these services are provided mainly for clients based in Latin America, we also provide services for non-residents.

Investment Banking activities are divided into three main categories:

**Equity Capital Market (ECM)** – includes acting as an underwriter and placement agent and providing advisory in public or private share issues. The activity is one of the main strengths of our platform's long-term strategy.

**Debt Capital Market (DCM)** – distributes and originates fixed income securities and several debt instruments for Brazilian companies and government entities. Our approach is focused on the placement of fixed income instruments with the objective of better serving our clients, with emphasis on high value-added activities.

**Mergers & Acquisitions (M&A) and Financial Advisory** – involves advisory in mergers and acquisitions, divestments, restructurings, spin-offs, reorganizations and other corporate operations.

## BTG Pactual Announced Transactions (unaudited)

	Number of Transactions <sup>(1),(3)</sup>			Value <sup>(2),(3)</sup> (US\$ mln)		
	2015	2016	2017	2015	2016	2017
Financial Advisory (M&A) <sup>(4)</sup>	47	21	36	18,102	16,010	23,926
Equity Underwriting (ECM)	4	10	31	402	1,962	4,110
Debt Underwriting (DCM)	24	27	38	3,434	2,409	11,836

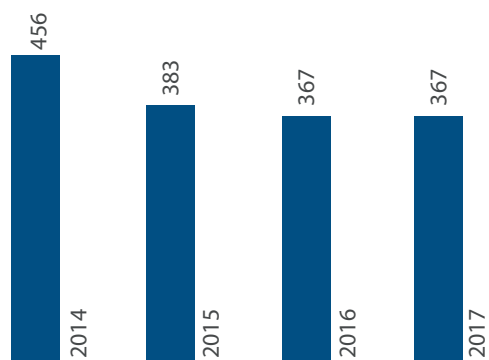
Source: Dealogic for ECM, M&A and International Brazilian DCM and Anbima for Local Brazilian DCM Note:

- (1) Equity underwriting and debt underwriting represent closed transactions. Financial advisory represents announced M&A deals, which typically generate fees upon their subsequent closing.
- (2) Local DCM transactions were converted to U.S. Dollars using the end of quarter exchange rates.
- (3) Market data from previous quarters might vary in all products, due to potential inclusions and exclusions.
- (4) M&A market data for previous quarters may vary because: (i) deal inclusions might be delayed in any moment, (ii) canceled transactions will be withdrawn from the rankings, (iii) transaction value might be revised and (iv) transaction enterprise values might change due to debt inclusion, which usually occurs some weeks after the transaction is announced (mainly for non-listed targets).

## Performance

Investment banking revenues remained flat in 2017 compared to 2016, at R\$366.6 million. We maintained our leading market share across most of the products, and revenue performance was impacted by (i) the one-off fee devolution that occurred in the 2Q 2017 and (ii) backlog of announced transactions in financial advisory that had yet to close when we publicly reported our results for the year.

### Investment Banking Revenue



## Corporate Lending

In Corporate Lending, we operate in Latin America, mainly in Brazil, Chile, Peru, Mexico, Argentina and Colombia, serving both high grade and high yield corporate clients, and we apply rigorous technical analyses and compliance standards to all our transactions. BTG Pactual offers a broad portfolio of products and services, including stand-by letters of credit, trade finance solutions and tailor-made structured loans.

We also have Special Situations, a local multi-asset proprietary desk based on BTG Pactual's well-known expertise in legal frameworks, our risk-adjusted business

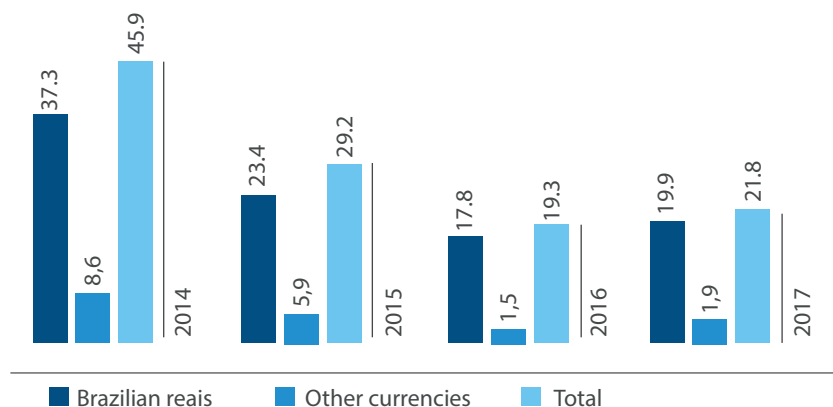
footprint and investments in technology and talent. We invest in corporate non-performing loans portfolios and distressed real estate assets through our subsidiary, Enforce. Enforce provides creative and value-additive financial solutions to fund well-placed companies within its market that are under financial distress, such as those in liquidation or bankruptcy, and invests in other alternative assets, such as investments in litigation finance either through claim acquisition or liability assumption. We have been currently facing a strong expansion due to the recent Brazilian economic crisis and the consequent markets' lack of liquidity.

*BTG Pactual offers a broad portfolio of products and services, including stand-by letters of credit, trade finance solutions and tailor-made structured loans*

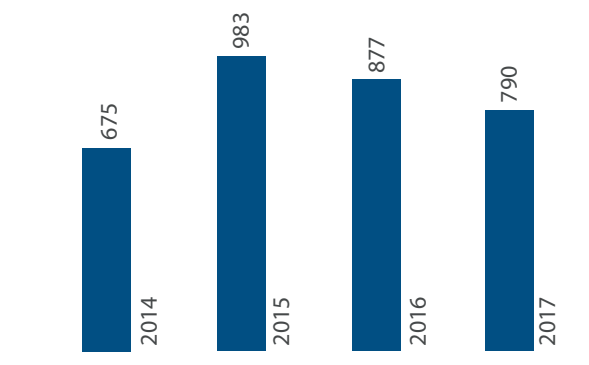
## Expanded Credit Portfolio

Our expanded credit portfolio is composed mainly by our corporate lending book and wealth management, and grew R\$4.3 billion or 18% when compared to 2016. The book is well diversified, and we have maintained a balance in the various sectors of the economy, with concentration in utilities, oil & gas and infrastructure, areas where our corporate lending activity has more competitiveness. Our portfolio is mainly composed by loans and letters of credit.

Corporate Lending Portfolio (in R\$ million)



Corporate Lending Full Year Revenues (in R\$ million)



## Performance

The Corporate Lending portfolio achieved a total exposure of R\$21.8 billion in 2017 (13% growth year-on-year), and 2017 revenues decreased 10% compared to 2016. This decrease in revenues was mainly due to higher provisioning, lower revenues from our non-performing loans strategies, although still presenting adequate performance, and a slight reduction in the average portfolio size. Spreads remained stable in the period.

We also emphasized specific credit allocations in the Oil & Gas, Utilities and Infrastructure sectors, highlighting our efforts in continuing to develop, via geographic diversification, our corporate lending origination throughout LatAm, in addition to Brazil.

By the end of 2017 approximately 69% of the portfolio was represented by counterparties classified as A or AA. In the same period, the total credit volume rated between E and H represented 6% of the portfolio, in line with historical levels. Delinquency ratio represented by overdue loans above 90 days was 3.6% in 2017.

## Sales and Trading

Through the Sales & Trading unit, we offer products in the local and international markets, such as market-making, brokerage and clearance services, as well as derivatives, interest rate, foreign exchange, equities, energy, insurance and reinsurance operations. These activities are divided into two segments: (i) FICC (Fixed Income, Currency and Commodities) Sales & Trading and (ii) Equity Sales & Trading.

### FICC Sales & Trading

Through our FICC (Fixed Income, Currency and Commodities) operation, we develop several market-making and trading activities for our clients. Our products and services include operations with fixed income securities, currencies, brokerage and clearance, derivatives, interest rates, foreign exchange and energy for hedging and trading purposes.

We operate with a wide range of financial instruments, including debt securities, exchange operations on the spot market, swaps, options, futures, derivatives, loans, insurance and forward contracts without physical delivery, among others. We also act

as a Central Bank broker in foreign exchange transactions and as an expert broker in the distribution of government bonds for both the Central Bank and the National Treasury.

We believe our willingness and our skill to take calculated risks set us apart from our competitors and substantially improve our relationship with our clients.

FICC trading activities consist of (i) a high volume of transactions with modest spreads in large volume and high liquidity markets, (ii) the use of solid market relationships and capital positions to participate in operations in markets with lower liquidity and higher spreads in general, and (iii) the structuring and execution of transactions pegged to fixed income, foreign exchange and commodities products, in accordance with the needs of BTG Pactual's clients.

In 2017 we reinforced our LatAm client platform through a wider and integrated coverage to Corporate and Institutional clients, mainly in Chile and Colombia. We increased our distribution capability of External Managers and expanded our global franchise to Argentina with our local Broker Dealer.

*We operate with a wide range of financial instruments and we develop several market-making and trading activities for our clients*

## Equities Sales & Trading

In the Equities Sales & Trading area, we make markets and acquire positions in certain stocks to facilitate clients' operations and provide liquidity to the market. We operate on the world's main stock exchanges, such as the BM&FBovespa, the New York Stock Exchange (NYSE), the London Stock Exchange (LSE), the Hong Kong Exchanges and Clearing Ltd. (HKEx) and the Santiago IPSA, IPC.

As agents, we execute stock brokerage operations for institutional and individual clients all around the world, leveraging our Latin American expertise. Our work comprises from the purchase and sale of shares to larger scale operations, such as block trading and positions in securities.

The service scope of our Equities platform also includes structuring services and the execution of complex stock-related transactions in accordance with our clients' needs.

## Main conferences in 2017

We organize annual conferences where we convene senior members of the largest companies to share their opinions on market trends with investors. We also organize one-on-one meetings between investors and guest companies.

The largest of these conferences is the Brazil CEO Conference, which had its 18<sup>th</sup> edition in 2017. In this edition we brought together 120 of the largest Brazilian companies and more than 2,300 participants, primarily financial investors from all over the world interested in Latin America.

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03-05/10/2017	VIII Latam CEO Conference - NY
31/10/2017	VI BTG Pactual Utilities Day - SP
02-03/08/2017	BTG PACTUAL VI PRIVATE CONFERENCE - SP
05/07/2017	II Marketplace Day - Brazil E-Commerce
07-08/06/2017	BTG Pactual V Andean CEO Conference - Chile
03-04/04/2017	BTG Pactual VII Latin Opportunities Conference - London
10-11/04/2017	BTG Pactual I Commodities Conference - RJ
12/04/2017	BTG Pactual Internet Retailing – I Marketplace Day - SP
23-24/03/2017	V Rio Financials Days - RJ
02/02/2017	CF&T Day - Cosmetics, Fragrances & Toiletries - SP
20/02/2017	BTG Pactual VII Argentina Trip
21-23/02/2017	BTG Pactual XVIII CEO Conference - SP
11-12/01/2017	BRAZIL TOP - DOWN 2017 - SP/RJ
17-18/01/2017	BRAZIL BOTTOM -UP - SP / RJ



## Research

Our Sales & Trading business is supported by an award-winning research team. Our clients have access to the valuations, analytical quantitative and qualitative trend models, and team members' insights. The operations are divided into three different and complementary analysis groups:

**Macroeconomic analysis:** focused on Latin America, the team makes projections for the economic activity based on the analysis of the behavior of major aggregates, analyzing factors related to income generation, the production of goods, the use of available resources, foreign trade, currency inventory, interest rates, the balance of payments and the behavior of prices of a series of basic items.

**Stock analysis:** the team makes projections of the returns of the stock market and offers recommendations on the allocation of assets, analyses of fundamentals, projections and investment recommendations for Latin American companies and sectors. It is one of the largest Research houses in the entire continent. At the end of 2017, our team covered 235 publicly held companies in Brazil, Chile, Peru, Colombia, Mexico, Panamá and Argentina from 20 economic sectors.

**Fixed income analysis:** the team provides credit analysis and investment recommendations for companies and markets in Latin America.

## Recent Highlights

- #1 Equity Research House in Latin America and Brazil according to Institutional Investor magazine
- Best analysts in Latin America in 2017 according to Institutional Investor magazine in the following sectors:
  - Chile – Alonso Aramburú, César Pérez-Novoa
  - North Andean Countries - Alonso Aramburú, César Pérez-Novoa
  - Agribusiness – Thiago Duarte
  - Financial (Banks) – Eduardo Rosman
  - Metals and Mining – Leonardo Correa
  - Pulp & Paper – Leonardo Correa

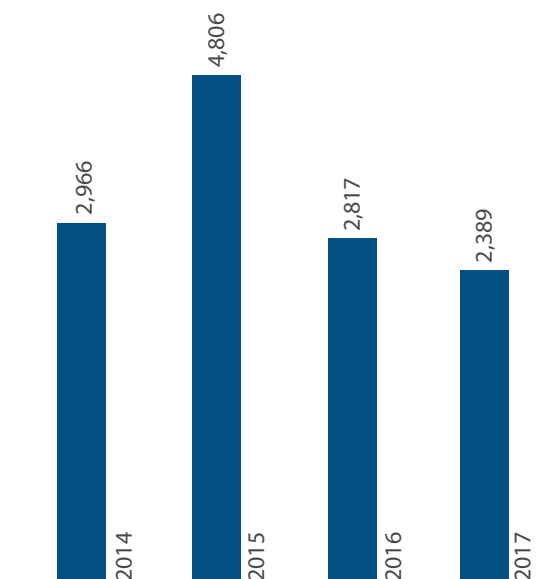
## Performance

Sales & Trading revenues reached R\$2,389.0 million in 2017, which represented an 18% increase when comparing to 2016 excluding ECTP's revenues, which was distributed to shareholders in the 3Q 2016. This was mainly a result of increase in revenues in Rates and Equities desks, while Energy desk presented a reduction.

During the year, we made important investments in the development and growth of the Sales & Trading platform in Latin America, especially in Argentina, Chile and Mexico.

We have also continued developing our insurance and reinsurance unit. Our activity is concentrated in the high-risk market, through insurance such as performance guarantees and litigation insurance. The economic segments that most commonly use these classes of insurance have a strong relation with Investment Banking and Corporate Lending activities. After evaluating the insurance and reinsurance market in Brazil and Latin America, we decided to expand our operations in terms of both new products and geographic regions.

## Sales & Trading Full Year Revenues (in R\$ million)



# Asset Management

BTG Pactual is an innovative global asset manager, with R\$144.9 billion in AuM/AuA at the close of 2017. Our robust geographic footprint, with over 340 employees across 16 offices worldwide, not only encourages a dynamic exchange of ideas while sourcing, evaluating, executing and monitoring investments, but also allows our on-the-ground teams to provide a comprehensive range of financial services to a global client base that includes corporations, institutional investors, governments and high net worth families and individuals.

Our value-added knowledge includes deep macroeconomic perspectives and strategic competitive analysis, produced by our senior management team, which has many years of experience leading the asset management activity through various economic cycles. Each investment team benefits from the experience and expertise of the broader BTG Pactual Asset Management platform in evaluating opportunities, monitoring and existing positions.

Our investment strategies range from Liquid Strategies (Fixed Income, Equities and Global Funds) to Alternative Investments (Private Equity, Infrastructure, Real Estate and Timberland). All of these strategies apply what we believe to be a differentiated and unique

investment approach. Our Asset Management division focuses on having the strategies lead the way, as the potential for gains of scale and quality of returns are higher. This pioneer approach creates two distinct characteristics: the ability to have more than one manager per fund and investment professionals managing both funds dedicated to their strategy as well as the exposure of their strategy in other portfolios. All of these activities are strictly overseen by an autonomous management and supported by a globally integrated risk and operational infrastructure. This fully dedicated governance structure allows BTG Pactual Asset Management to implement best in class internal controls and procedures, meet rigorous daily risk management parameters, and execute live triangular reconciliation between external service providers and internal investment teams.

Finally, as BTG Pactual Asset Management continually strives to deliver a world class compliance structure to its shareholders and investors, we have implemented a permanent commitment to conduct our business with ethics, and combat fraud, corruption and money laundering. Our senior management developed a robust compliance program aligned with market best practices, further enhancing our

mechanisms to prevent, detect and correct any illegal activity or activity that is not in conformity with our Code of Principles and Ethics.

## Liquid Strategies

We offer regional, country specific funds, as well as tailor-made products according to our investors' needs. Our equities strategy follows a concentrated approach, choosing good companies at reasonable valuations rather than average companies that appear cheap. The team invests in companies whose operations, sector and competitive environment we have a deep understanding of, focusing on management quality, proven execution and alignment of interests between executives and shareholders. Our fixed income teams seek to have a deep understanding of macroeconomic scenarios, always aiming to anticipate major market movements while maintaining strict risk control with a strong focus on capital preservation. Leveraging our managers' expertise, we also offer solutions that combine the management of our main strategies, with over 40 investment professionals focused on our flagship multimarket strategy.

## Equities

### Absoluto

- Flagship Brazilian equity strategy, with a successful 10- year track record.
- Highly concentrated (10-12 core holdings typically represent 80% of the book).
- Does not pursue a correlation with any specific stock index.

### Long-short

- Net long: 10%/50% of the fund, concentrated in securities without correlation to the Ibovespa.
- Long-short: 30%/70% of the fund (60%/140% gross).
- Total gross exposure: 100%/200%.

### Latin America Equity

- Latin American long-only equity strategies.
- Country specific funds, according to each market demands, including funds aligned with the Absoluto strategy.
- Investment focus on Chile, Colombia, Mexico and Peru.

## Fixed Income

### Money Market

- Aimed at investors with a limited risk appetite.
- Returns close to the local Interest Rate.
- Low volatility.

### Explorer

- Conservative Profile.
- Scenarios rigorously built based on our economists' projections.
- Exposure to: Interest (fixed or floating), foreign exchange (long or short) and foreign exchange coupon.

## Multimarket

### Discovery

- Our flagship multimarket fund in Brazil.
- Fundamentalist approach on Rates & FX in Brazil and LatAm aligned with our equities strategies LatAm and globally.
- Higher leverage on fixed income assets rather than equities.

## Credit

### Brazilian Corporate credit

- Capital gains through transactions in the local corporate and bank debt market.
- 100% focused on the corporate debt of Brazilian companies issued in Brazil.
- Portfolio focused in conservative sectors with higher predictability.
- Constant controls to credit exposure in corporate and banking debt focusing liquidity.
- Active participation in new emissions and opportunistic trades.

### Latin America Corporate Debt

- Diversified portfolio in corporate debt of Latin American companies.
- Investment focused on dollar-denominated assets.

## Global Funds

### Liquid Strategies

'Absoluto' was launched 10 years ago under the same management team. During this period, the Fund posted a performance significantly higher than the main market indices, reflecting our approach of investing

in a concentrated manner in companies with quality management and solid business models, which results in sustainable value creation. For the year ahead, we continue to envision a very promising scenario for our investment universe.

Our rebranded “Explorer” and “Discovery” Brazil funds as well as our Chilean fixed income fund have all produced top quartile performance compared with that of their peers, solidifying our investment philosophy in the asset class. As a testament to these strong results, in December BTG Pactual Asset Management was named Best Specialist Investment Manager by Exame magazine for Explorer and Discovery, as well as the Best Investment Manager in Brazil, Chile and across Latin America by Euromoney magazine.

‘GEMM’, posted top quartile returns once more this year, and was nominated for Best Macro Fund 2017 by Eurohedge, its fifth nomination in nine years. We have also had top quartile returns in our Rates fund. In addition, in October we launched the Global Derivatives Opportunity (GDO) Fund, our first new global hedge fund in nearly three years. Looking ahead, we believe that implied volatility for 2017 has now found a floor, which bodes well in 2018 for our long volatility bias.

Our global funds are based outside Brazil and run by our teams in London and New York offices, along with our Brazilian offices. The investments include financial instruments across several asset classes and geographic regions. The teams concentrate on both developed and emerging markets and allocate capital through strategies that include a mix of emerging markets and macro global themes, such as fixed income, equities, currencies, foreign exchange, derivatives, securities, commodities and mortgages. Our investor base is mainly comprised of high-net-worth individuals and institutional investors, such as global pension funds. These funds also allow foreign investors the opportunity to invest in local strategies.

### **GEMM**

The BTG Pactual GEMM Fund (“GEMM”) is our integrated multi-strategy flagship fund, with exposure to both developed and emerging markets. The fund has a unique mix of strategies with low correlation to other large macro funds and implements a bottom-up investment strategy approach complemented by our global macro views. Capital moves dynamically across strategies based on opportunities, to the benefit of the overall performance. The investment objective of the fund is to achieve long-

term capital appreciation, employing an absolute return focus and actively managing the portfolio to reflect not only our global macroeconomic views but also our edge on certain emerging markets.

The Fund’s Investment Team employs a collaborative investing approach, with open dialogue between strategies, with portfolio management led by the Investment Committee (including Strategy Heads, the CEO and the CRO). The Fund’s Strategy Heads average 24 years of experience in their respective strategies and are supported globally by 34 portfolio managers across New York, London and Latin America.

### **Global Derivatives Opportunity (GDO)**

The BTG Pactual Global Derivatives Opportunities Fund (“GDO”) is a relative value fund focusing on Equity Derivatives as an asset class. The Fund trades volatility, dividends and correlation, scanning for opportunities in all liquid markets across Europe, North America and Asia, both at the Index and single stock level. The Relative Value approach has the objective of performing in all market conditions, with a preference for volatile markets. The Fund’s CIO, Benjamin Clerget, is an 18-year industry veteran who joined us from Societe

Generale in August of 2011 to grow the Equity Derivatives business and has headed it since. Benjamin was the first person ever to launch an Equity Volatility Proprietary Trading desk.

### **Rates Fund**

The BTG Pactual Rates Fund seeks to achieve long term capital appreciation with an absolute return focus using a variety of highly liquid sovereign interest rate strategies. The Fund invests in global liquid rates and targets net returns of Libor + 7%. The Fund's CIO is John Fath, Head of Global Rates for BTG Pactual, Partner and Management Committee member. Prior to joining BTG Pactual, John was Head of US Government and Agencies Group from 2003 to 2008 at UBS and responsible for trading the long-end of the US Treasury market at UBS from 1997 to 2003. Through 2014 John served as a member of the Treasury Market Practices Group of the New York Federal Reserve for seven years. The majority of the team has worked together since 2009 and accumulated over 50+ years of trading experience, developing a robust investment process that has been refined over a number of interest rate cycles.

### **Global Equities**

Our Global Equities strategy follows the same concentrated approach of our overall equities strategy described above, typically focusing on 10 to 12 core holdings, which usually represents 80% of the book: the most extensively researched investment theses with the best risk/reward profile. The investment team employs a thesis driven and rigorous due diligence process, investing in companies where they have an in-depth understanding of the sector, company operations and the competitive dynamics, all supported by a strong analytical and detailed unit economic models. The investment team seeks best-in-class businesses and management teams with proven track records, preferring high-quality companies at reasonable valuations (over average companies that appear under-valued), and compounders with strong earnings algorithm profile: where sustainable, idiosyncratic, non-cyclical sales growth drive outsized earnings and free cash-flow generation and growth.

All of our team members come from best-in-class US funds and have over a decade of experience covering the focus universe as on-the-ground locals, with unique sector expertise and history with management teams.

*The investment team  
employs a thesis  
driven and rigorous  
due diligence process,  
investing in companies  
where they have an  
in-depth understanding  
of the sector*

## Illiquid Strategies

Through our Illiquid Strategies platform, we act as investment managers on behalf of our clients over the past 15 years. Our global presence and leadership in Latin America have opened opportunities for unique transactions in several sectors that, we believe, are characterized by strong growth potential.

Our investment teams are comprised of professionals with solid analytical backgrounds and deep operational industry experience. Each strategy has its own investment committee, which includes members from different areas of our asset management division as well as independent members. As a result, we are able to invest in highly selective opportunities in various sectors where the team has already invested. Our investment professionals play an active role in each portfolio company, both through (i) direct participation in operating activities and (ii) the board of directors' level.

### Infrastructure

With a solid history of operations, the infrastructure strategy has built the largest diversified LatAm portfolio, with

opportunistic exposure to European and North American markets. We operate a value-added strategy with a sector agnostic approach through four different allocation pockets.

### Real Estate

BTG Pactual is one of the largest real estate managers in Latin America, with a 25-person dedicated team focused on origination, development and investment in assets and real estate projects in Brazil, Chile, Peru and Colombia. We combine a long-term investment strategy with the capability to adapt to market conditions and clients' objectives, accounting to US\$13 billion in AUM. We offer a diversified range of products: Income, Development, MBS, Hospitality and REIT Funds of Funds.

### Timberland

BTG Pactual's Timberland Investment Group has a team of more than 80 professionals with expertise in investment, agribusiness and timberland management, and a strong commitment to sustainability. At the end of 2017, the team had over 850,000 hectares

under management located in the U.S., Latin America, Eastern Europe, and South Africa representing nearly US\$3 billion in assets and commitments. TIG has executed more than 225 transactions and returned more than US\$1.6 billion to investors since inception.

Our investments are built around broad strategic insights, bottom-up research, hands-on investment management, and careful monitoring of portfolios based on a solid analytical framework. The team's continuous improvement methodology keeps the group focused on the investment solutions offered to clients. Product innovation is fostered with close communication between the client services, global investment and distribution teams. Innovative ideas are incubated in an environment that values research, knowledge, insight and productive debate.

### Illiquid Strategies

Over the past year, our infrastructure strategy invested over R\$350 million in a transmission line opportunity in Brazil, and we believe it is well placed to gain from opportunities in the year ahead in the LatAm infrastructure sector. LatAm is undergoing a unique moment in terms of infrastructure investment, with

major political shifts leading to anticipated concessions and privatizations in countries such as Colombia, Chile and Argentina. We are continuing to explore a number of investment opportunities in Brazil.

In our Real Estate strategy, we have been cautious about investing in the poorly performing Brazilian sector for several years, but we have expanded our activities into Chile and Colombia. However, as vacancy levels fall, we believe that Brazil could prove attractive in 2018.

One of the highlights for our Timber strategy in 2017 was the acquisition of Weyerhaeuser's Uruguay timber assets for more than US\$400 million. We were joined by three North American institutional investors in this important transaction, which further reinforces our global presence in the sector. In the US, we launched one of the world's first open-ended funds focused on core US timberland.

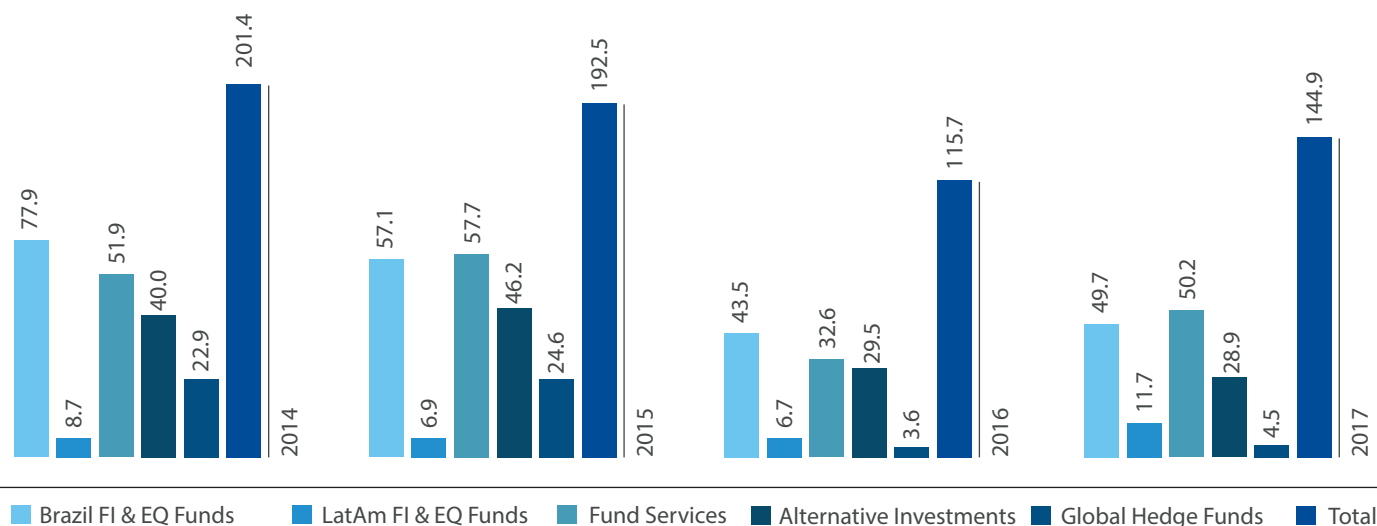
## Fund Administration

We provide several financial services to investment funds domiciled in Brazil and other countries. These products include the NAV calculation, fund accounting, register and transfer agent, compliance breach control, pricing and custody reconciliation. The Fund Administration area began its operations supporting only the funds managed by the Bank, but gradually expanded its services to funds managed by other companies, and today is the 11th largest administrator in Brazil.

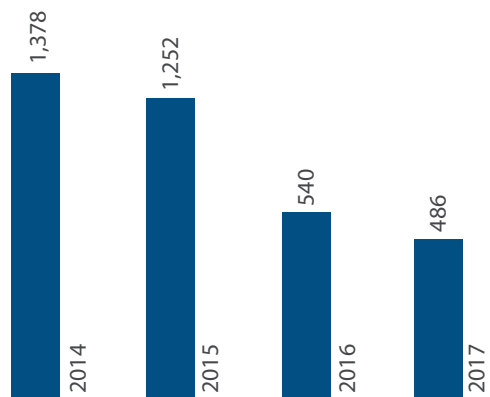
## Performance

Revenues from Asset Management decreased 10% in the yearly comparison due to the reduction in the average AuM/AuA from 2016 to 2017. Management fees as a percentage of AuM remained stable.

**AuM & AuA by Asset Class (in R\$ billion)**



**Asset Management Full Year Revenues (in R\$ million)**





## Wealth Management

Our mission in Wealth Management is to serve our clients both in local and international markets with the highest standards of service. We are strategically located in the main local markets in the region with WM teams in Brazil, Chile and Colombia as well as in New York and Miami, our booking centers in the United States. We offer a complete range of products and services to high-net-worth individuals, such as trading and execution of equities, fixed income, foreign exchange and derivatives as well as alternative and structured products. We provide credit for clients to leverage transactions and also as traditional loans. We have local portfolio management teams in all locations and dedicated wealth planning teams in Brazil, Chile and Colombia. We complete our offering with independent family office services, consolidating and advising on all clients' financial holdings including those with third party custodies. For each client we design a tailored solution that will meet its investment needs subject to individual suitability standards and under the strictest compliance rules.

Our efforts are concentrated on seeking the best investment solution for each asset class so our clients can access the finest products in the industry for a wide spectrum of macroeconomic environments. For clients who want a dedicated portfolio management service, our teams are constantly monitoring markets to advise on the most appropriate asset allocation for the current and upcoming macroeconomic challenges, matching our product selection to that scenario. For clients who wish to trade, we offer access to the main markets and assets around the world with a flexible and competitive execution service. In addition to a comprehensive investment offering, our relationship managers are oriented to acknowledge every aspect of a client's financial life to take full advantage of the bank's structure to serve our clients holistically.

We are present in the main wealth management hubs in Latin America offering local service with a global investment approach. We have 7 offices in Brazil, 4 in Colombia and 4 in Santiago to best serve our clients, understanding their investment culture, country peculiarities and local needs. These offices count with a full array of professionals that are prepared to give sound investment advice through the most appropriate structures, recognizing local particularities and global economic momentum. Additionally, we have been investing to enhance our presence in the US. Our Miami office opened in 2016 to serve clients in this growing financial hub, including the rising Latin American community in south Florida. In 2017 our New York

office has undergone renovation works to offer upgraded facilities for our clients. At both our US locations, we offer clients a complete investment platform through a full fledged US Broker Dealer.

In 2017, we devoted a lot of energy into technology enhancements and client experience throughout local LatAm markets and the US. In Brazil, we focused on improving the interaction our clients have with the bank through the launch of our new web portal. Typical burdensome tasks such as client profiling, signing of regulatory documents and updating personal information may now be simply executed by electronic signature and secure authentication. We have also upgraded the available online tools to clients with a new mobile app. Both the app and the portal incorporate modern layout and new functionalities to enhance user experience. Our plan is to roll out these digital initiatives to other Latin American countries over the upcoming months. In the US, our clients gained new digital capabilities with access to online trading and execution of a wide selection of securities such as equities and mutual funds. We are committed to the digital transformation of the WM business, allowing clients to take full advantage of new technologies and reshaping their relationship with the bank.

## Recent Highlights & Awards

In 2017, the WM unit has been awarded prizes in a large list of categories from a selected set of publications across the region. These awards are tokens of recognition by the Private Banking industry of the high quality of the services provided by our team. As recent examples, we would like to highlight the following prizes received: Best Private Bank in Brazil – 2017 / 2016 / 2015 & 2014 World Finance Awards

- Best Wealth Management in Colombia – 2017 The European
- Best Family Office Services in Brazil – 2016 Euromoney Magazine
- Best Private Bank in Colombia – 2017 / 2016 / 2015 & 2014 PWM / The Banker Magazine
- Best Private Bank for Growth Strategy – 2014 PWM / The Banker Magazine

*In Brazil, we focused on improving the interaction our clients have with the bank through the launch of our new web portal. We have also upgraded the available online tools to clients with a new mobile app*

## BTG Pactual digital

Launched in December 2016, BTG Pactual digital operates as a start-up, focused on traditional retail individual clients, with an all-in platform for investment products. We currently operate in Brazil and have plans for growth in Latin America.

As the processes for opening accounts, customer service and investment take place 100% online, the platform uses the website and the app to offer different products based on an open architecture model, also offering products from different independent managers and various fixed income issuers.

During the first year of operation of the platform, we made it possible for clients to invest in different fixed income securities, investments and private pension funds and Structured Transactions Certificates (COE), in addition to investing in government bonds through the *Tesouro Direto* program. Furthermore, since November 2017, clients can close foreign exchange transactions over the phone.

For 2018, our key strategies include expanding the product portfolio and extending the distribution network.

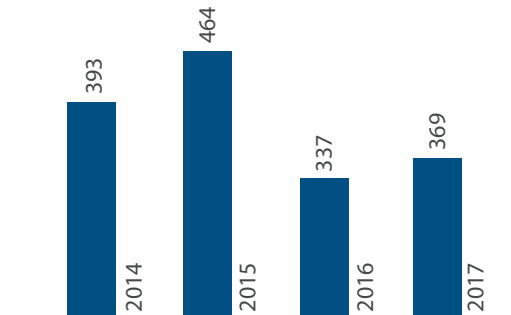
Regarding the strategy for expanding the portfolio, a Home Broker tool will be launched, in addition to an expanded offer of fixed income securities that will include Debentures, CRIs and CRAs, as well as the possibility of trading government bonds on the secondary market. The platform will also extend the offer of Structured Transaction Certificates (COE) by commencing the distribution of bonds and securities issued by other financial institutions.

## Performance

In 2017, Wealth Management delivered a solid performance amid a challenging market and political environment in our core markets. Our Relationship Managers produced a strong Net New Money flow of R\$5.6 billion, and we have ended 2017 with R\$86.9 billion of total Assets under Management, an increase of 18% year on year. While our revenues increased around 10% year on year, we were able to continue to streamline costs, resulting in a two-fold increase in our bottom line. Last year, BTG Pactual consolidated its position as one

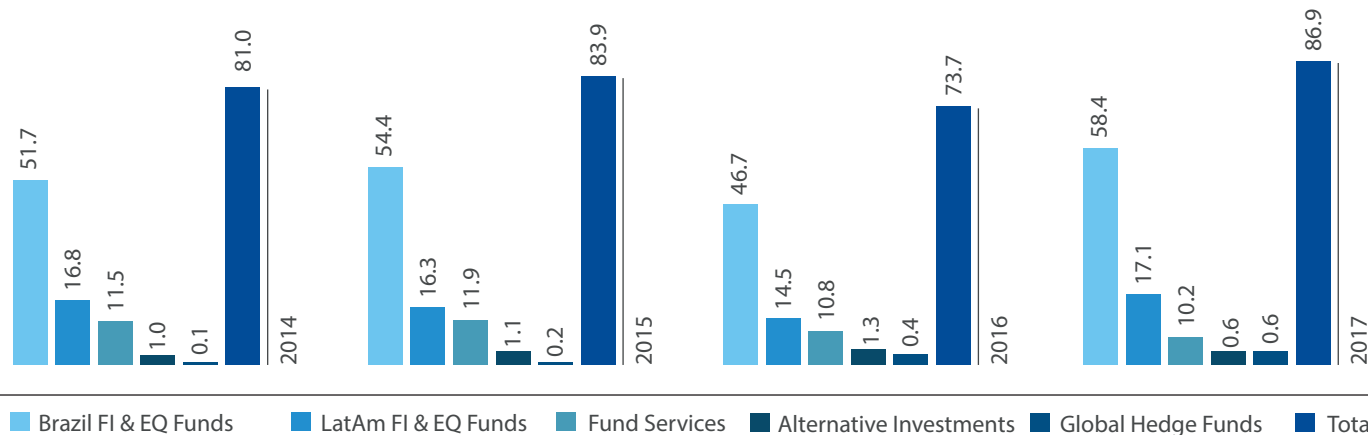
of the main Wealth Management firms in Latin America by capturing market share in Brazil, Chile and Colombia. Additionally, most of these core countries for BTG Pactual as well as others, such as Argentina, have undergone Tax Repatriation programs creating a more transparent, fully compliant ambiance and generating more business opportunities locally. We believe that our strong local presence and close synergies with our offshore hubs will lead to further growth and market share gains in the next few years.

### Wealth Management Full Year Revenues (in R\$ million)<sup>(1)</sup>



(1) Excludes BSI

### WuM Evolution (in R\$ billion)<sup>(1)</sup>



Note: (1) Excludes BS

## Non-Core Assets

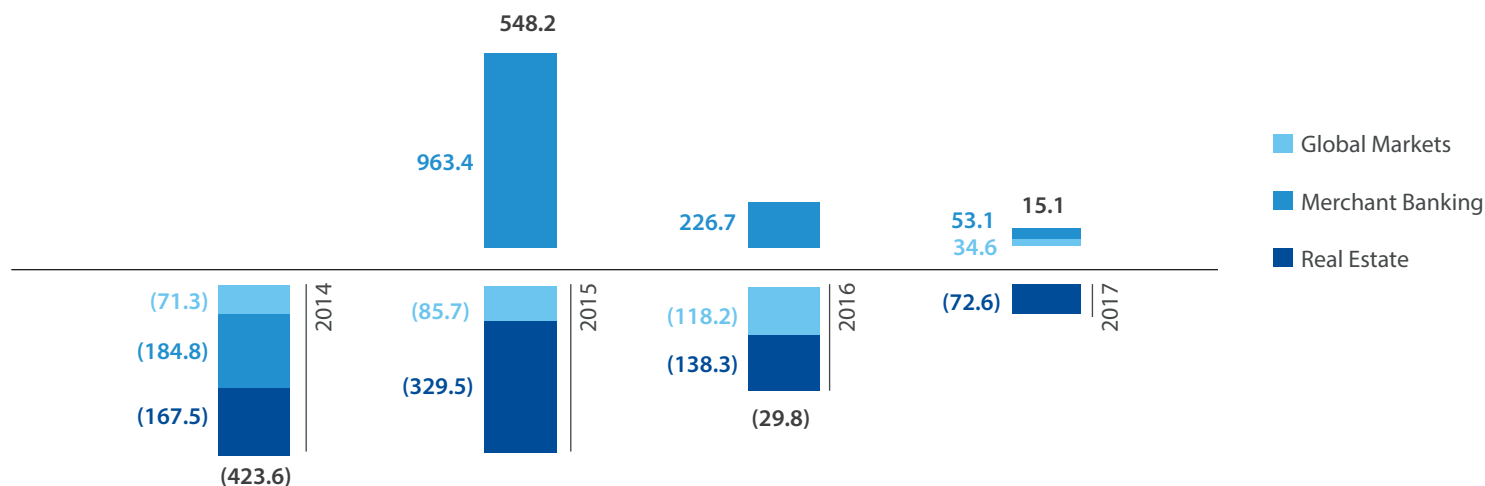
We continue to also hold ownership interests in companies as part of our Principal Investments business unit and, separately, hold strategic investments in certain other companies both in Brazil and abroad as part of our Participations business unit, each as described below:

## Principal Investments

Our Principal Investments business relates to (i) Global Markets trading focus in liquid strategies mostly as part of fostering our global hedge fund business, (ii) seed capital in certain of our investment products as a minority investor, with the objective that

any such investments usually represent less than 10% of our total investments, (iii) an investment constituting a 17.4% stake in our infrastructure fund; (iv) small investments in real estate funds; and (v) certain other legacy assets.

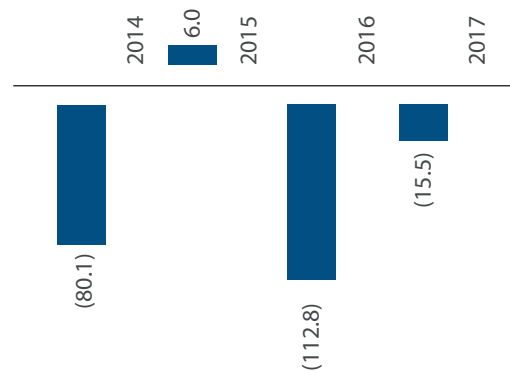
**Principal Investments Full Year Revenues (in R\$ million)**



## Participations

We hold select strategic Participations, which include, as of year-end 2017: (i) a co-controlling interest of 50.3% in Banco Pan, a commercial and consumer bank, focused on loans, consumer credit, payment-deducted loans and middle market loans; (ii) a 30% ownership interest in EFG, following our sale of BSI to EFG; (iii) a 51% ownership interest in Pan Seguros, a Brazilian insurance company providing personal property insurance to individuals; (iv) a 51.0% ownership interest in Pan Corretora, a Brazilian insurance broker with activities in diverse insurance segments; and (v) an approximately 19% ownership interest in Engelhart CTP, a global commodities trading platform, which we spun-off in 2016 but continue to hold a minority interest in.

**Participations Full Year Revenues  
(in R\$ million)**



*We hold strategic investments in certain companies both in Brazil and abroad as part of our Participations business unit*

# FINANCIAL INFORMATION

# 9



## BTG Pactual Balance Sheet

Assets	2014	2015	2016	2017
Cash and bank deposits	1,585	20,491	674	4,347
Interbank investments	37,172	32,587	20,753	27,792
Marketable securities and derivatives	67,738	77,669	37,486	42,288
Interbank transactions	1,164	1,921	2,235	1,704
Loans	16,203	55,665	9,513	13,026
Other receivables	32,282	57,646	32,315	31,770
Other assets	220	253	154	127
Permanent asset	6,299	8,317	8,641	5,537
<b>Total assets</b>	<b>162,663</b>	<b>254,549</b>	<b>111,772</b>	<b>126,592</b>

## Liabilities

Deposits	19,292	86,744	7,691	9,178
Open market funding	38,400	20,308	24,904	33,890
Funds from securities and accepted	20,784	19,559	10,336	10,290
Interbank transactions	3	7	5	30
Loans and onlendings	6,869	8,098	3,627	4,730
Derivatives	30,075	42,327	9,645	14,162
Subordinated liabilities	10,916	13,458	7,283	6,317
Other liabilities	20,826	43,795	30,286	29,218
Deferred income	171	310	142	121
Shareholders' equity	14,733	19,713	17,727	18,528
Non-controlling interest	593	229	125	128
<b>Total liabilities</b>	<b>162,663</b>	<b>254,549</b>	<b>111,772</b>	<b>126,592</b>

## Income Statement

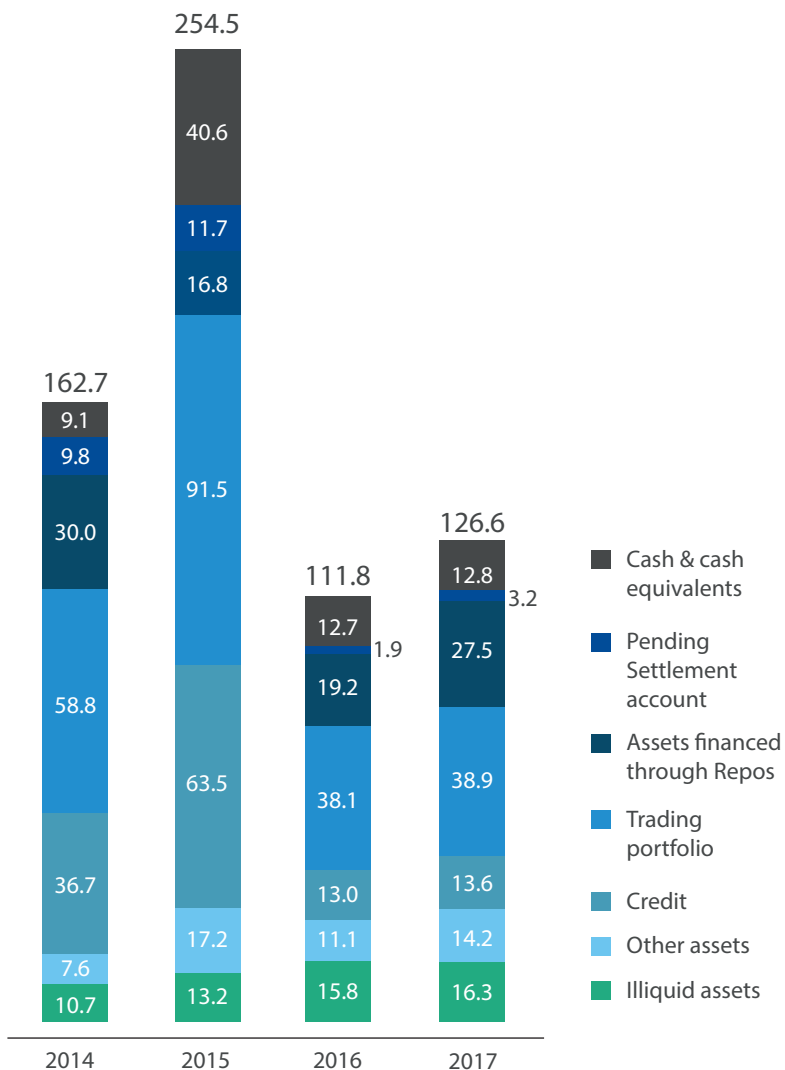
	2014	2015	2016	2017
<b>Accounting summary</b>				
Financial income	13,328	15,482	13,451	9,516
Financial expenses	(10,644)	(15,684)	(6,643)	(5,629)
<b>Gross financial income</b>	<b>2,684</b>	<b>(202)</b>	<b>6,809</b>	<b>3,888</b>
Other operating income (expenses)	1,225	1,303	(2,554)	(2,114)
<b>Operating income</b>	<b>3,910</b>	<b>1,100</b>	<b>4,254</b>	<b>1,773</b>
Non-operating income/expenses	38	2,737	940	5
<b>Income before taxes and profit sharing</b>	<b>3,948</b>	<b>3,838</b>	<b>5,195</b>	<b>1,778</b>
Income and social contribution taxes	86	3,160	(1,113)	1,287
Statutory profit sharing	(881)	(1,534)	(722)	(689)
Non-controlling interest	216	161	49	8
<b>Net income for the quarter</b>	<b>3,369</b>	<b>5,623</b>	<b>3,409</b>	<b>2,384</b>



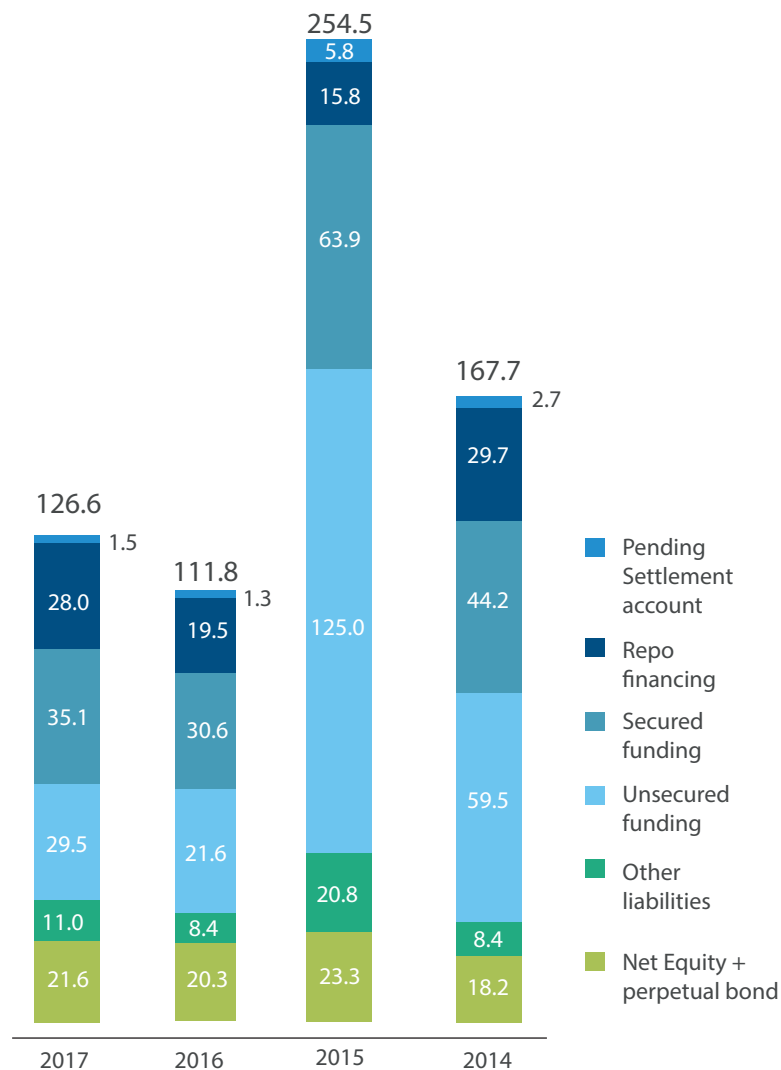
Income Statement	2014	2015	2016	2017
<b>Managerial reconciliation</b>				
Investment banking	456	383	367	367
Corporate lending	675	983	877	790
Sales and trading	2,966	4,806	2,817	2,389
Asset management	1,378	1,252	540	486
Wealth management	393	1,454	2,408	369
Principal investments	(424)	548	(30)	15
Participations	(80)	6	(113)	(16)
Interest and other	1,186	1,648	1,932	1,127
<b>Total revenues</b>	<b>6,552</b>	<b>11,081</b>	<b>8,797</b>	<b>5,527</b>
Bonus	(836,0)	(1,598.9)	(805,8)	(745,5)
Retention expenses	-	-	-	-
Salaries and benefits	(695,0)	(1,385.7)	(1,637.4)	(529,4)
Administrative and other	(883,4)	(1,429.7)	(1,707.9)	(852,6)
Goodwill amortization	(160,9)	(209,1)	(243,8)	(279,8)
Tax charges, other than income tax	(154,5)	(430,4)	(370,7)	(244,0)
Total operating expenses	(2,729.9)	(5,053.8)	(4,765.6)	(2,651.3)
Income before taxes	3,822.4	6,027.1	4,031.6	2,876.1
Income tax and social contribution	(453,2)	(403,6)	(623,0)	(492,3)
<b>Net Income</b>	<b>3,369</b>	<b>5,623</b>	<b>3,409</b>	<b>2,384</b>

# Balance sheet evolution (in R\$ billion)

## Assets



## Liabilities



# STRUCTURE AND CORPORATE GOVERNANCE

# 10

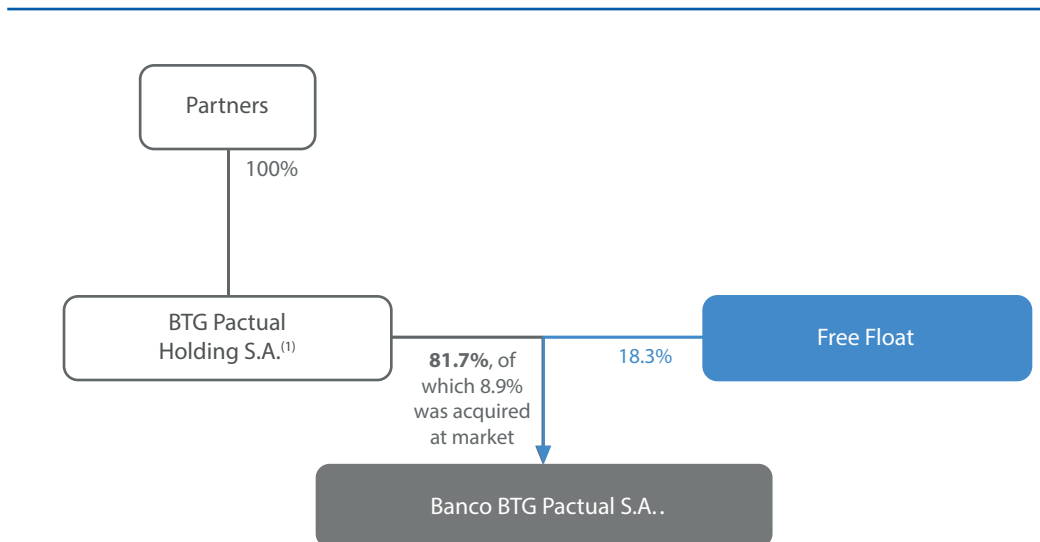


We are a public company with units listed on the B3, in São Paulo. Each unit represents one common share of BTG Pactual and two Class A preferred shares of BTG Pactual.

In line with our commitment to create value for shareholders, we adopt and adhere to high corporate governance standards. We also voluntarily comply with certain requirements applicable to companies traded in the B3's Corporate Governance Level 1 segment.

The total number of theoretical units is 893,867,257. For the concept of theoretical units, we presume that all shares with economic rights are traded as units.

The Partnership controls BTG Pactual Holding S.A., through which it holds a 81.7% interest in Banco Pactual S.A. (72.8% corresponds to Partnership equity and 8.9% corresponds to the units acquired in the market since the IPO).



### Total Units

Each BPAC11 Unit is composed of 1 ON and 2 PNA shares of Banco BTG Pactual S.A.

BPAC11 Formed: 243,090,055

BPAC11 Theoretical: 893,867,257

#### Notes:

(1) Includes units acquired by investment vehicles owned by certain partners individually or collectively and vehicles under common control of the Partnership

## Board of Directors

The Board of Directors, without prejudice to the other duties attributed by law, is responsible for electing and removing the executive officers, as well as establishing their duties and overseeing their management.

## Board of Executive Officers

The Board of Executive Officers is responsible for managing and administering the business and may resolve any matters related to the corporate purpose, as well as acquire, sell and encumber movable and immovable property, assume obligations, enter into agreements, make settlements and waive rights, except for the acts that depend on the authorization of the Board of Directors or General Assembly.

### Banco BTG Pactual S.A.

Names	Position
Marcelo Kalim	Chairman
Roberto Balls Sallouti	Director
Cláudio Eugênio Stiller Galeazzi	Director
John Huw Gwili Jenkins	Vice Chairman
Mark Clifford Maletz	Director
Nelson Azevedo Jobim	Director
Guillermo Ortiz Martínez	Director

### Banco BTG Pactual S.A.

Names	Position
Roberto Balls Sallouti	Chief Executive Officer
André Fernandes Lopes Dias	Executive Officer
Antonio Carlos Canto Porto Filho	Senior Vice President
Bruno Duque Horta Nogueira	Executive Officer
Eduardo Henrique de Mello Motta Loyo	Executive Officer
Guilherme da Costa Paes	Executive Officer
Iuri Rapoport	Executive Officer
João Marcello Dantas Leite	Executive Officer, Chief Financial Officer and IRO
Marcelo Kalim	Senior Vice President
Mariana Botelho Ramalho Cardoso	Chief Compliance Officer
Oswaldo de Assis Filho	Executive Officer
Renato Monteiro dos Santos	Senior Vice President
Rogério Pessoa Cavalcanti de Albuquerque	Executive Officer

## BTG Pactual Asset Management S.A. DTVM

Names	Position
Bruno Duque Horta Nogueira	Executive Officer
João Marcello Dantas Leite	Executive Officer
José Zitelmann Falcão Vieira	Executive Officer
Mariana Bothelho Ramalho Cardoso	Executive Officer

## BTG Pactual Serviços Financeiros S.A. DTVM

Names	Position
Allan Hadid	Executive Officer
Ana Cristina Ferreira da Costa	Executive Officer
Bruno Duque Horta Nogueira	Executive Officer
João Marcello Dantas Leite	Executive Officer
Mariana Botelho Ramalho Cardoso	Executive Officer

## BTG Pactual Corretora de Títulos e Valores S.A.

Names	Position
Guilherme Loos Martins	Executive Officer
Ricardo Chamma Luftalla	Executive Officer
Rodrigo dos Santos Goés	Executive Officer
Luiza Gonçalves Xavier de Faria	Executive Officer

## Audit Committee

On behalf of Banco BTG Pactual's management, the Audit Committee guarantees the transparency and integrity of the financial information published, thereby ensuring market confidence. It is responsible for the preparation of financial reports under management's responsibility include:

- Internally establishing the rules for its operation.
- Recommending the hiring or replacement of independent auditors to the Board of Directors.
- Reviewing the six-monthly and annual financial statements and, if applicable, reviewing the financial statements issued in other periods, as well as the management report and the independent auditors' report, as applicable.
- Evaluating the effectiveness of the internal and independent audits, including verifying compliance with the legal provisions and standards applicable to Banco BTG Pactual, in addition to the internal regulations, as applicable.
- Verifying if Banco BTG Pactual's management has complied with the recommendations of internal or independent auditors.

Names	Position
Pedro Paulo Longuini	Qualified member
Cláudio Eugênio Stiller Galeazzi	Sitting member
Anibal Cardoso Joaquim	Sitting member

## Compensation Committee

The Compensation Committee is responsible for defining the financial benefits granted to Banco BTG Pactual's key executives.

The main duties of Banco BTG Pactual's compensation committee are:

- Approving the granting of stock options;
- Discussing and analyzing the current compensation models; and
- Assessing and approving the compensation packages proposed by the Chief Executive Officer for Banco BTG Pactual's statutory officers, including the fixed and variable compensation components, benefits and compensation in the form of long-term incentives.

Names	Position
Marcelo Kalim	Member of the Compensation Committee
Roberto Balls Sallouti	Member of the Compensation Committee
Mateus Ivar Carneiro	Member of the Compensation Committee

## Risk Committee

The Risk Committee is responsible for assessing the management of risk and capital regarding Banco BTG Pactual and its conglomerate.

The main duties of Banco BTG Pactual's Risk Committee are:

- Assessing the risk appetite and strategies for its management the granting of stock options; and
- Evaluating the adherence of the processes regarding the risk management structure and the correspondent policies.

Names	Position
Gustavo Henrique Moreira Montezano	Sitting member
João Marcello Dantas Leite	Sitting member
Leandro Marra Romani	Sitting member

# Compliance Committee

The Compliance Committee is responsible for advising the Board of Directors in the performance of its duties related to the adoption of strategies, policies and measures aimed at disseminating the Compliance culture, risk mitigation and compliance with the standards applicable to Banco BTG Pactual.

The main duties of Banco BTG Pactual's Compliance committee are:

- Formulating the Compliance Risk management strategies, supervising the development and implementation of the program;
- Receiving and analyzing the quarterly Compliance reports, as well as those issued by the Regulatory Agencies and Internal and External Audits;
- Approving and disseminating our global Compliance policies; and
- Promoting investigations related to the complaints involving counselors and/or directors of Banco BTG Pactual.

Names	Position
Marcelo Kalim	Sitting member
Roberto Balls Sallouti	Sitting member
Nelson Azevedo Jobim	Sitting member
Cláudio Eugênio Stiller Galeazzi	Sitting member
Bruno Duque Horta Nogueira	Sitting member
Mariana Botelho Ramalho Cardoso	Sitting member



# MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE RISK



We are aware of our role in influencing the dissemination of good ESG (Environmental, Social and Governance) practices, with a positive impact on all our stakeholders, whether clients, investors, suppliers or our internal stakeholders. Thus, to ensure the consistency of our actions, the Board of Directors approved the Global ESG Policy that sets out the principles and guidelines that all business and operations areas of the Bank must abide by.

The ESG Committee plays an important role in monitoring the ESG projects implemented within the Bank, as well as in ensuring compliance with the Global ESG Policy. The ESG Committee is chaired by one of the Bank's senior partners, accountable to the Central Bank of Brazil (CENTRAL BANK) for socioenvironmental risk, and also consists of the Head of Compliance and the Head of ESG Risk Management.

## ESG in the business areas

### Corporate Lending

The ESG team participates in all credit committees of the Bank, verifying the socioenvironmental risk that all transactions could represent for the institution. During the socioenvironmental risk analysis, a range of factors are analyzed by the team, such as, for example, whether the client is complying with the socioenvironmental legislation, whether they are respecting the occupational health and safety standards and whether or not they employ forced labor. All this information comprises a client dossier which is finalized by indicating the socioenvironmental categorization, which can be: A (high risk), B (medium risk) or C (low risk), according to the relevance and proportionality principles established by the Central Bank.

The ESG team's mission is to identify, to classify and to monitor the socioenvironmental risk of the credit transactions, in accordance with the Bank's risk appetite, until the end of the transaction at the institution. In the case of transactions involving high socioenvironmental risk, the Bank may demand that an independent consulting company, specializing in the matter, accompany the socioenvironmental aspects. Transaction agreements contain socioenvironmental clauses to ensure that monitoring is maintained until the business is concluded.

In 2017, the ESG team filtered 125 credit transactions, of which 93 were forwarded for socioenvironmental risk analysis. The transactions submitted for analysis were classified in the following risk categories:

- Socioenvironmental category A: 13 transactions
- Socioenvironmental category B: 30 transactions
- Socioenvironmental category C: 50 transactions

The analyses carried out in 2017 represent an increase of 23% over the analyses carried out the previous year.

## Asset Management

We are signatories to the Principles for Responsible Investment, an initiative of the United Nations Organization, and also to the Carbon Disclosure Program, an initiative of a group of global investors interested in carbon risk management. Our public commitments and actions reiterate our on-going interest in incorporating ESG criteria into decision making, assessing those risks and respecting our fiduciary duty.

During 2017, we worked on publishing responsible investment policies for the investment strategies of our Asset Management area. In the case of Timberland (TIG), given the peculiarity of the business, we published the Policy on Responsible Investment with nine principles, namely:

As a result of having incorporated these nine principles, in 2017 we published the first TIG ESG Report with ESG performance indicators of the properties under BTG Pactual management. Among the results, worthy of note is that 88% of the forests under our management have forestry stewardship environmental certification, while 97% of them have engagement programs with local communities.

- 01 To strictly comply with the laws, regulations and environmental, social and health and safety standards;
- 02 To promote environmental protection and biodiversity conservation;
- 03 To ensure human rights in all transactions and agreements;
- 04 To develop a supply network and prioritize local contractors;
- 05 To comply with all regulations for combatting corruption and bribery;
- 06 To establish an open dialog with the communities;
- 07 To make employees aware of the importance of ESG through specific training programs;
- 08 To report the ESG performance in a clear and transparent manner;
- 09 To adhere to global initiatives that reinforce our values.

Asset management's other investment strategies, like equities, infrastructure and real estate, are tied to the Policy on Responsible Investment, while each of them has its own ESG analysis methodology and flow designed to respond to the respective peculiarities of the internal investment decision making flows. In 2017, we developed the ESG questionnaire for analyzing companies. The questionnaire has already been applied to part of the companies in the portfolio, and in 2018 we will continue to engage with the companies on these issues.

In December 2017, we launched in Chile the market's first ESG Equity Fund. The investment strategy will abide by the ESG benchmark and all companies have been submitted to a specific ESG performance analysis prior to decisions being taken. The ESG analysis will be carried out by the local team in Chile with the support of our ESG technical team and respected external consultants.

## ESG in the Bank's operations

The main environmental impacts of the Bank's operations involve electricity consumption, directly related to our greenhouse gas emissions, water consumption and production of solid waste. To manage these factors and mitigate the impacts arising from them, we have adopted a series of eco-efficiency programs of which details follow.

### Energy consumption

In the Bank's administrative centers, the higher electricity consumption is due to the heavy load of the air conditioning system. To mitigate the high demand for energy, the buildings in which we are located have façades that promote maximum use of daylight and, consequently, ensure better lighting and acclimatization.

Along with the choice of buildings, we have prioritized more efficient lamps and have sought to automate our lighting systems in such a way that during the day the intensity of the lighting from the lamps is less than during the day (**sic**). At the office in Rio de Janeiro, we retrofitted 100% of the office lamps, moving to an LED lighting system. This substitution has resulted in savings of 50% in lighting expenditures.

Other measures have also been implemented at the Bank's offices to ensure our operations are more efficient, such as optimizing the use of the elevators, the installation of lighting motion sensors and switching off the air conditioning system outside working hours.

Our head office in São Paulo is located in a building with LEED (Leadership in Energy and Environmental Design) Certification, which guarantees the highest degree efficiency in energy consumption. In Recife, the building in which we are located also takes advantage of natural lighting, in addition to automated sensors in the social areas, to reduce electricity consumption.

### Greenhouse gas emissions

Since 2015 we have calculated the Bank's greenhouse gas emissions and have published our emissions inventory on our sustainability site. In 2016, our equivalent carbon dioxide emissions (CO<sub>2</sub>e), divided into the three scopes, were as follows:

- Scope 1 – referring to the Bank's direct emissions – 114 tons of CO<sub>2</sub>e
- Scope 2 – referring to indirect emissions arising from electricity consumption – 2,758 tons of CO<sub>2</sub>e
- Scope 3 – referring to the Bank's indirect emissions – 4,381 tons of CO<sub>2</sub>e

Within Scope 3, which consolidates emissions from sources not directly controlled by the Bank, but which are necessary for us to go about our business, business travel and employee commuting represent our greatest, jointly accounting for 64% of total emissions within this scope.

To reduce the emissions from air travel, all the Bank's offices are equipped with videoconference rooms, and the use of this tool is internally encouraged. In 2017, there were 48,750 meetings via videoconference. And, to reduce emissions arising from commuting of employees, in 2017 we implemented the BTG *Bora Bike* Program to encourage the use of bikes in traveling from home to the office. The *Bora Bike* Program has attracted approximately 200 employees who, together, have cycled 47,345 km, representing 17, 517 kg fewer CO<sub>2</sub> emissions.

The target for the greenhouse gas inventory in 2017 is to increase the representativeness of the offices involved and to enhance data gathering. The consolidated global emissions inventory for 2017 will abide by the GHG Protocol methodology and ISO 14.064, and will be audited by an independent third party. The new inventory is public available on our sustainability site.

## **Solid waste production**

To mitigate the effects of the solid waste produced by our business, we have adopted a rigorous program for the segregation and proper disposal of the waste. The program began at our head office in São Paulo and, today, it is a benchmark for the Bank's other units. At our head office in São Paulo, recyclable solid waste (paper, plastics, glass and metal) are sent to recycling cooperatives, while organic waste is subjected to a composting process to produce the fertilizer used in the building's own gardens and for donation. In 2017, the Bank sent 2,887.46 Kg of solid waste for recycling and another 15,187.46 Kg of organic material for fertilizer production. Also in 2017 we launched an in-house campaign in São Paulo for the collection of employees' electronic equipment no longer in use or obsolete. 100% of the equipment collected was forwarded for dismantling and the materials recycled.

In 2017, we implemented the selective collection process at the offices in Rio de Janeiro, Recife, Brasília and New York. As a result, we have reached segregated and properly disposed of 75.01% of the waste, bearing in mind the number of employees affected by this initiative.

## **Water Usage**

We have embraced a series of practices to reduce our water consumption, for example, our head office in São Paulo is equipped with a catchment system for rainwater and for reuse of the water from locker room taps and showers. This so-called "grey" water is for secondary application, such as washing the parking lot, irrigating the gardens and in the bathrooms. Reuse of grey water enables us to reduce our collection from the supply system by more than 20%.

The condominium of the Rio de Janeiro office enjoys ISO 14.001:2004 environmental quality certification, with several indicators for monitoring environmental aspects like water and light consumption and the production of waste. These indicators enable monitoring of the environmental impacts and the establishment of action plans to reduce or mitigate them.

## Responsible Consumption

In 2017, we launched an in-house campaign to reduce the number of plastic cups, achieving a reduction of 45% in total cups used. The reduction was the result of substituting the cups with reusable water bottles, as well as the choice of cups made with other materials from renewable sources that decompose more rapidly in the environment.

In the Bank's offices, all paper used is environmentally certified as to origin, ensuring that best forest stewardship and social practices were used to manufacture this material. The Bank embraces initiatives to reduce the use of paper and, in 2017, for example, control of printing was implemented using passwords on the equipment and higher use of digital processes, including notifications for in-house consumption and also directed at clients.

## Positive impacts on the value chain

We understand our potential for having a positive impact on our value chain by imposing the most rigorous criteria when engaging suppliers. In 2017, we enhanced our supplier analysis and began analyzing 100% of our service providers with respect to environmental aspects such as environmental permits and management systems, in addition to social aspects like work safety compliance, and forced labor.

## Social

In 2017, we rolled out an in-house volunteering program in which our employees give English classes to outsourced general service providers (tea room, restaurants and couriers). There are around 100 volunteer teachers who take it in turns to give classes to the 80 students enrolled in the program.

Also in 2017 we inaugurated at the offices in São Paulo and Rio de Janeiro the lactation room, an area reserved for female staff who, upon returning from maternity leave, can continue breastfeeding.

## ESG Public Commitments and Rewards

On the recommendation of the ESG Committee, we have become signatories to the Global Compact, the world's largest corporate sustainability initiative led by the United Nations Organization. The Global Compact is founded on ten principles in the fields of the environment, human rights, social and anti-corruption. The principles of the Global Compact are the foundations of the Bank's Code of Conduct, our Global ESG Policy and have been incorporated into the specific criteria for analyzing the socioenvironmental risk of the Bank's counterparties, which includes clients and suppliers. The day-to-day running of the sustainability, socioenvironmental risk and eco-efficiency actions is coordinated by the ESG team whose members include specialists in these areas.

Since July 2015, Banco BTG Pactual has been a signatory to the Principles for Responsible Investment of the United Nations Organization, a leading initiative in responsible investment in which investors are encouraged to consider the implications of the environmental, social and governance factors in their investment decisions.

Lastly, we are also signatories to the CDP – Carbon Disclosure Program, an international organization engaged in gathering reports about the impacts on the environment by major global companies. The CDP makes this data base available to signatory companies so that investors can better consider the ESG risks and opportunities when taking their investment decisions.

In 2017, we were included in the highly selective FTSE4 Good sustainability index of the FTSE Russel, which measures the performance of those companies that demonstrate strict ESG practices. The composition of the index for emerging markets only takes into account public information of the chosen companies, acknowledging the transparency we allocated to ESG criteria during the year.

*Since July 2015,  
BTG Pactual has  
been a signatory  
to the Principles for  
Responsible Investment  
of the United Nations  
Organization*



# EVOLUTION OF REFERENCE SHAREHOLDERS' EQUITY AND REGULATORY CAPITAL

# 12



## Evolution of Reference Shareholders' Equity and Regulatory Capital

Capital requirement standards established by Brazilian Central Bank follow the guidelines suggested by the Basel III Agreement. Our Basel ratio is applicable to consolidated financial statements of BTG Pactual prudential conglomerate.

	2017	2016	2015	2014
<b>Credit Risk</b>	56,089	55,813	125,145	69,609
<b>Rates Brazil</b>	8,659	8,824	3,082	2,927
<b>Foreign Exchange Coupon</b>	7,694	5,528	6,873	11,827
<b>Inflation</b>	1,575	4,608	2,427	6,136
<b>Interest Rates</b>	22	27	18	64
<b>Foreign Exchange</b>	2,350	2,943	12,118	2,936
<b>Commodities</b>	4,906	4,984	16,391	19,091
<b>Equities</b>	9,087	5,039	3,527	3,382
<b>Market Risk</b>	34,293	31,953	44,436	46,364
<b>Operational Risk</b>	4,615	3,385	755	5,864
<b>RWA</b>	94,997	91,151	170,336	121,836
<b>Tier I</b>	14,772	16,215	22,347	16,737
<b>Common Equity Tier I</b>	11,752	11,924	17,205	13,239
<b>Adicional Tier I</b>	3,020	4,291	5,142	3,498
<b>Tier II</b>	2,369	3,421	3,977	4,545
<b>Reference Shareholder's Equity</b>	17,141	19,636	26,324	21,282
<b>Common Equity Tier I Ratio</b>	12.4%	13.1%	10.1%	10.9%
<b>Additional Tier I Ratio</b>	15.5%	17.8%	13.1%	13.7%
<b>Basel Ratio</b>	18.0%	21.5%	15.5%	17.5%

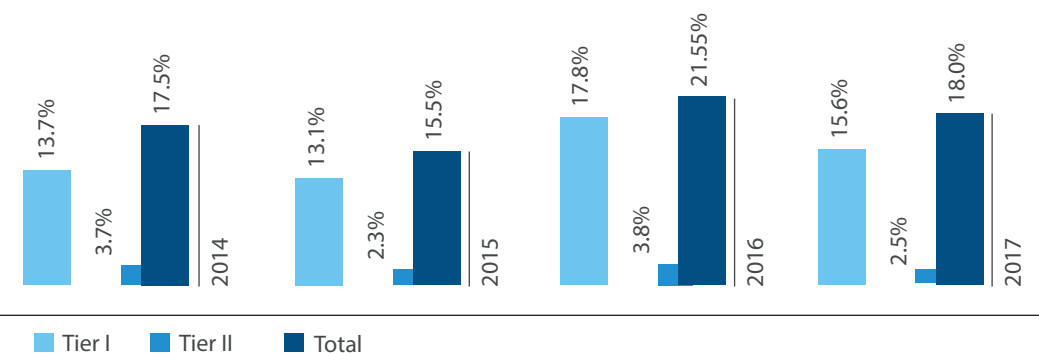
# RISK MANAGEMENT

# 13

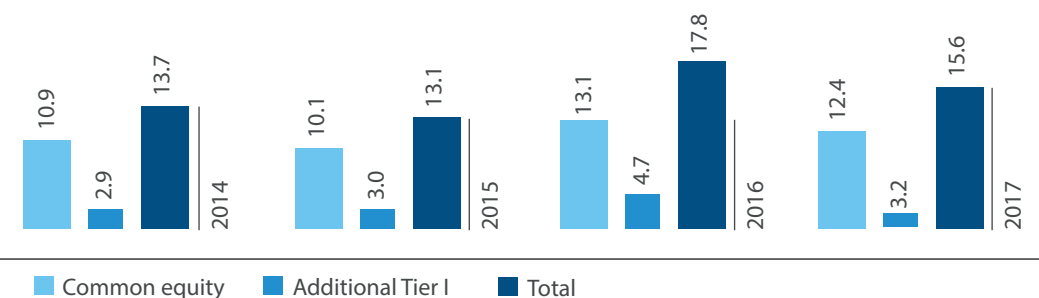


Our Basel Ratio 2017 reflect mostly our strong capital position and low balance sheet deployment, especially in to credit risk. During the year, VaR (Value at Risk) also was at low historical level given the higher volatility in markets. This is a characteristic of our business model, in which the average VaR and the Basel Ratio may vary as a result of our views about investment opportunities in several markets in which we operate.

### Basel Ratio



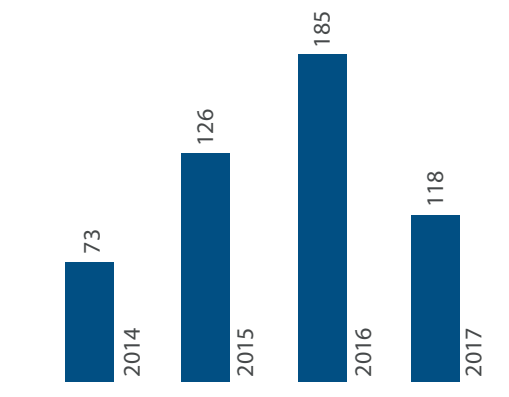
### Tier 1: CET1 e AT1



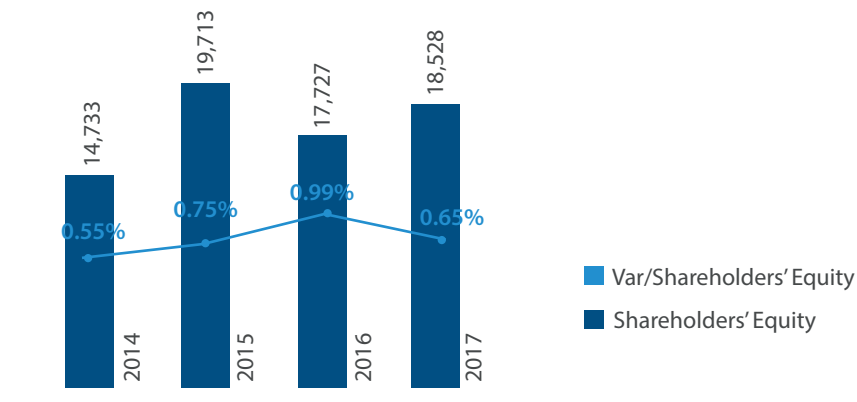
In the course of our business, we are exposed to several risks inherent in banking activities. The way we manage these risks directly affects our activities and operations and, consequently, our results and financial condition. The most significant risks include market, credit, counterparty, fiscal and liquidity risks, in addition to operating, legal and regulatory risks.

We monitor our risk through several independent yet complementary credit, financial, operating, legal and compliance controlling systems. These committees, and the respective sub-committees, meet on a regular basis and are composed of senior members of BTG Pactual's business units and independent areas.

#### Value at Risk (in R\$ million)



#### Shareholders' Equity and VaR



## Risk Governance

We have determined the risks related to our activities based on the guidance from the Brazilian Central Bank. The main risks are:

### Market risk

Market risk consists of the possibility of losses resulting from fluctuations in the market value of positions held by a financial institution, as well as its financial margins, which include risks of operations subject to variations in exchange rates, interest rates, stock prices, and commodity prices.

For the purpose of maintaining the risks incurred by our business areas aligned with our expectations of performance and based on the Bank's capital, we have established market risk limits to be observed by our business units. The limits are controlled using the following risk measures:

### Portfolio limits

VaR 95% (1 day) by portfolio / business area. Hypothetical Stress Test by business area / region.

### Concentration limits

Limits of exposure / concentration of risk factors by country / region / issuer.

### Operational limits

Used to cover material risks that are not adequately captured by traditional metrics, such as exposure to non-observable risk factors.

### Credit risk

Credit risk consists of the possibility of losses associated with the failure of borrowers or counterparties to meet their respective financial obligations resulting in the deterioration in the borrowers' risk rating and the associated reduction of gains. Credit risk is inherent in lending activity and is present in some derivative products, as well as in certain structured transactions.

### Liquidity risk

Liquidity risk consists of the possibility of imbalance between assets and liabilities – “mismatches” between payments and receipts that may affect the institution's capacity for payment by taking into consideration the different currencies and settlement terms of its rights and obligations

### Operational risk

Operational risk consists of the possibility of losses from faults, deficiencies or flaws caused by people, systems and internal processes, or external events. It includes legal risk associated with inadequacies or deficiencies in agreements entered into by the institution, as well as sanctions related to non-compliance with legal provisions and indemnifications for damages to third parties arising from certain activities undertaken by the institution.

COMPLIANCE

14



Throughout its almost 35 years of existence, we have continuously improved our partnership model and corporate governance processes with the objective of establishing and maintaining the highest standard of ethical and professional behavior to be observed by all our staff members (including members of the Board of Directors, directors, partners, permanent and temporary employees, trainees, consultants and contractors) whenever they interact with each other, with clients, with counterparties and any third parties related to us.

We are fully committed to complying with the applicable legislation and regulations, implementing best market compliance practices and ensuring that relations between BTG Pactual's employees and business partners are governed by the highest standards of ethics, integrity, honesty and professionalism.

In 2016, Nelson Jobim joined BTG Pactual as responsible for Institutional Relations and Compliance Policies. As a result, the Legal and Compliance functions were segregated into two distinct areas, and Mariana Cardoso, partner of BTG Pactual, became the new Global Chief Compliance Officer, as well as the responsible Director for prevention of Money Laundering, Corruption and the Terrorism Financing ("AML").

We also created the Compliance Committee, reporting directly to the Board of Directors of Banco BTG Pactual, with the purpose of advising the Board in the performance of your duties related to the adoption of strategies, policies and measures aimed at disseminating the Compliance culture, risk mitigation and compliance with the standards applicable to Banco BTG Pactual. All Compliance matters, including AML, will be discussed within the Compliance Committee, which meets monthly and whenever necessary.

To provide a complete view of our principles, we wrote the Global Code of Business Principles and Ethics comprising a set of precepts for guiding our strategy and how we work and manage our performance. We also have a team of around 40 Compliance Officers, distributed regionally in accordance with the Bank's activities.

We have an area dedicated to Compliance, which advises the Board of Directors and the Compliance Committee in the implementation of our Integrity Program, focusing on the following principles:



01

Involvement of the Board, including the Board of Directors.

02

Guidelines for Conduct with Internal Audiences: Code of Ethics / Conduct and Compliance Policies

03

Guidelines for Conduct with external audiences: Integrity standards for third parties: suppliers, service providers, business partners, intermediary agents etc.

04

Education and Communication: Periodic training and communication actions.

05

Risk Analysis: Corporate Risk Management Guidelines and Practices.

06

Accounting records: The quality of the accounting and tax accounting system.

07

Internal Controls: The quality of monitoring and compliance with the guidelines and practices.

08

Practices to Combat Illicit Acts: The quality of specific practices to prevent and combat illicit activities within the scope of the company's activities, operations and business.

09

Management of the Compliance Program: Management structure and resources for the Program.

10

Whistleblowing Channel: Quality of the channel and its processes.

11

Disciplinary Measures: Quality, timeliness, universality and impartiality of the application of disciplinary sanctions.

12

Practices of Containment of Irregularities or Infractions Detected: Practices of interruption of detected irregularities and infractions and of the remediation of the damages generated.

13

Policies for Hiring Intermediaries with the Public Administration: Guidelines and Practices for the hiring and monitoring of third parties.

14

Due Diligences – M&A and Third Parties: Quality of procedures in mergers, acquisitions, corporate restructuring and third-party relationships.

15

Monitoring of Compliance Program: Quality of evaluation processes and continuous improvement of the Compliance Program.

16

Contribution Policy for Political Agents: The transparency of the company regarding donations and support for candidates and political parties.

We encourage our employees, as well as any third parties, to report any behavior or suspicion of criminal and / or fraudulent action of which they are aware. For this, we offer direct, secure, confidential and independent channels. Internal and external complaint channels may be used by anyone without the obligation to identify themselves. Anonymous reports are of equal importance and treated in the same way as those of identified source. Good faith whistleblowers are protected by us and any type of retaliation is strictly prohibited.

Our commitment to continuous improvement of corporate governance processes and the partnership model brings us the certainty that we will continue to achieve our business objectives while preserving and enhancing the image and reputation of BTG Pactual. By applying the principles of our Integrity Program to our daily actions, we guarantee the success and sustainability of one of the largest investment banks in Latin America.

## Prevention of Money Laundering, Corruption and the Financing of Terrorism

BTG Pactual makes every effort to combat money laundering, corruption and the financing of terrorism. In order to manage the legal, regulatory and reputational risks associated with these activities, we adopted a risk-based approach which formed the basis for the prevention, detection and communication of suspect operations and activities.

All our employees are responsible for ensuring that the business is conducted in accordance with the applicable laws against money laundering and the Global Program for the Prevention of Money Laundering.

We are committed to conducting our business with integrity and honesty and we adopt a zero-tolerance approach to any and all acts of corruption and bribery. No employee, partner or third party acting in the name of BTG Pactual may engage in corruption irrespective of where they are in the world. This rule takes precedence over all other company policies or business activities.

Staff members should exercise the principle of "Know your Client" ("KYC") at all times. Staff members must follow the account opening procedures in your business area which require the provision of information so that that we have records of with whom it is dealing. Proper client identification should be carried out before initiating a financial relationship. Staff Members should clarify the economic background and purpose of any transaction where the form or amount appears unusual in relation to the Client, bank or branch office concerned.

Staff and third parties are prohibited to offer/give/receive any bribe, explicit inducements, preferential treatment or other similar consideration to public or private agents/entities in exchange for performing, or promising to perform, unlawful or improper acts for attracting business or for any other reason.

In addition, wide-ranging training and education programs were implemented, which all employees, including the recently hired and those occupying senior management positions, must conclude or repeat annually.

## Whistleblowing

We have a Global Whistleblowing Policy to guide employees and third parties and encourage them to report any irregularities they become aware of. We maintain safe and direct communication channels for staff members and/or third parties to report knowledge or suspicion of any breach of laws, rules or regulations related to our business or internal activities, through which they can report suspicions of any type of violation of the laws, rules or regulations related to the business or internal activities, including fraud, corruption, money laundering, improper or unethical conduct, discrimination and sexual harassment.

All communications and the identity of the informants are maintained in strict confidentiality and whistleblowers acting in good faith are protected from any type of retaliation. All denunciations are investigated immediately and, if necessary, appropriate measures are taken.

It constitutes an important detection tool, providing valuable contribution towards the enforcement of compliance with laws, rules and regulations.

*We have a Global Whistleblowing Policy to guide employees and third parties and encourage them to report any irregularities they become aware of*

# CITIZENSHIP AND SOCIAL RESPONSIBILITY



## Investing in dreams for a better world!

Throughout our 35 years, we have supported and encouraged our employees and partners to collaborate with projects and institutions dedicated to the well-being and development of society. We encourage active citizenship through social and cultural projects nationwide, and projects that expand and increase access to education, culture and quality of life. We invest in education, innovation and sustainability so that together we can dream of a better future for us all.

## List of Sponsored Projects



Fundação Iberê Camargo

### Fundação Iberê Camargo

Founded in 1995, *Fundação Iberê Camargo* is a private not-for-profit institution dedicated to preserving, promoting and democratizing the study and dissemination of the works of Iberê in Brazil and overseas, in addition to encouraging dialogue with the most diverse cultural manifestations and fields of knowledge through modern and contemporary art. Inaugurated in 2008, in Porto Alegre, the foundation's central office was designed by Álvaro Siza from Portugal. Siza's first project in South America, the design was awarded the Golden Lion at the 2002 Venice Architecture Biennale, and it currently houses the Iberê collection, exhibitions of local, national and international artists, as well as cross-disciplinary programs that encourage contact between the public and multiple artistic expressions.

PINACOTECA  
DE SÃO PAULO



### Pinacoteca de São Paulo

*Pinacoteca de São Paulo* is the city's oldest art museum, at the age of 113. It puts on a varied program of temporary exhibitions that include icons of Brazilian art and major names in international art. It is the only museum in the country which has a large part of its collection on long-term exhibition in which it presents in a didactic manner, and in chronological order, the works of art that are fundamental for the history of Brazilian art, such as works by Frans Post, Almeida Júnior, Portinari and Tarsila do Amaral, among others.



Associação para Crianças e Adolescentes com Câncer

## TUCCA - Associação para Crianças e Adolescentes com Câncer

TUCCA – the *Associação para Crianças e Adolescentes com Câncer* is a not-for-profit non-governmental organization offering multidisciplinary treatment of excellence for needy children and adolescents with, free of charge for the patients and families. In its 20 years of activity, it has assisted more than 3,000 patients, achieving cure rates close of 80%, 60% above the average Brazilian rate and only equaled by those in Europe and the United States. To maximize its resources, TUCCA has a partnership with the Santa Marcelina Hospital and uses the funds raised directly and exclusively for treatment, research, early diagnosis and professional training. It also has a multidisciplinary team that assists the patients and their families throughout the entire treatment period and until they are completely well.



MEMÓRIA HECTOR BABENCO  
Projeto de Restauração de  
Aceruo de Filmes do Diretor



HB Filmes

HB FILMES was founded in the 1970s by Hector Babenco (1946- 2016) as a means of expressing his various involvements in the audiovisual field. The filmography of *HB Filmes* and Babenco as Director, Scriptwriter and Producer are an amalgam. The films produced in a period of more than 40 years were: *O Rei da Noite* (1975); *Lúcio Flávio, O Passageiro da Agonia* (1977); *Pixote – A Lei do Mais Fraco* (1981); *O Beijo da Mulher Aranha* (1985); *Brincando nos Campos do Senhor* (1991); *Coração iluminado* (1996); *Carandiru* (2003); *O Passado* (2007); *Meu Amigo Hindu* (2015). After Hector Babenco's death, his partners and daughters Myra Arnaud Babenco and Janka Babenco took over the management of the studio.



## Hospital de Câncer de Barretos

Excellence in oncology, the hospital carries out 4,000 appointments/daily, 100% of them under the Single Health System (*Sistema Único de Saúde - SUS*). The HCB currently serves the 27 Brazilian states and welcomes all patients in a professional and humanizing manner, which is the institution's major differential. BTG's support for the project contributes to the development of plans, programs and projects intended for the elderly in the municipality and in the interior of São Paulo.



## Música no Museu

*Música no Museu*, the largest series of classical music in Brazil, salvages Brazilian musical production through the "The Immortals of Brazilian Music" project which is partially sponsored by BTG Pactual. A series of free concerts will be held in museums, cultural centers, palaces and churches.



## Fraternidade Irmã Clara (FIC)

FIC is a not-for-profit philanthropic entity founded on May 14, 1982 whose purpose is: Institutional accommodation, treatment, rehabilitation and social inclusion of those it shelters, all of them suffering from cerebral palsy and cognitive disability, providing technical / professional assistance in Physiatrics, Nursing, Physiotherapy (Hydrotherapy, Motor and Respiratory Therapy), Speech Therapy, Nutrition, Occupational Therapy, Pedagogical Workshops, Musical Therapy, Psychology and Social Service.



## Projeto Felicidade

The Project, in existence for over 17 years, includes a happiness week in São Paulo for children and adolescents with cancer being treated at public hospitals throughout Brazil and originally from the underprivileged classes. They are accompanied by their families and are accommodated in hotels, where they participate in trips to theme parks, the beach, museums and theater workshops, accompanied by volunteers.



## CIP – Lar das Crianças

With an 80-year history, the *CIP Lar das Crianças* attends to around 400 children and young people in vulnerable situations, and its mission is to shelter them and afford them a real opportunity to build their life projects, enabling them to take their place as independent, productive and ethical young people. Its assistance model is based on long-term development: from the age of 4, until professional outplacement. The average accompaniment is 14 years, which includes supporting their family members and strengthening them, which has a positive impact on the children's and adolescents' full development.



## Fazendo História

*Instituto Fazendo História*, founded over 12 years ago in São Paulo, and operating in more than 10 States, seeks to promote actions aimed at the full development of children and adolescents who have experienced shelter services. Our mission is to collaborate in the development of these children and adolescents, to strengthen them so that they take control of and transform their own history. Our work is guided by legal and technical parameters established by the Statute of Children and Adolescents, the Technical Guidelines for Shelter Services, the National Plan for Family and Community Life and the Guidelines on Alternative Child Care, an international document approved by the UNO. The hallmark of the Institute's programs is the special attention to the aspects and peculiarities of each individual and institution through encounters with their own history and building healthy and powerful paths.



## Instituto Esporte e Educação

The purpose of the *Instituto Esporte e Educação* is to implement the methodology and principles of educational sport in low-income communities, developing a sporting culture that produces active, critical-thinking citizens who are leading role players.



## Instituto Bacarelli

The history of *Instituto Baccarelli* begins in 1996 when maestro Silvio Baccarelli – moved by the fire in the Heliópolis slum which he watched on television – goes to a public school in the region to help those families and suggests teaching the children and adolescents in the community music using orchestra instruments. Instituto Baccarelli is a not-for-profit social enterprise that attends to over 1,000 socially vulnerable children and young people every year, from the age of 4, specifically in the Heliópolis community.





## Fundação do Câncer

The *Fundação do Câncer* is a not-for-profit institution, created in 1991, which raises funds and invests in the prevention, early diagnosis, assistance, programs and projects involving bone marrow transplants and umbilical cord blood transfusions, palliative care and research. It supports the National Cancer Institute (Inca) and the entire activities of the National Cancer Control Program, providing consultancy to Brazilian states and municipalities to improve cancer treatment processes (Oncology Care Plan).



## Instituto Península

*Instituto Península* is a third-sector organization whose chairman of the board is Ana Maria Diniz. Founded in 2010, its purpose is to transform and boost lives as a catalyst for the sustainable development of society. To do so, it is engaged in the fields of Education and Sport, aiming for all-round education of the individual for a full and independent life.



## Pequeno Príncipe Hospital

BTG Pactual, committed to responsibility and social development through healthcare, supported in 2017 the Pequeno Príncipe Hospital located in Curitiba. Each year, the institution dedicates 70% of its capacity to the SUS system, carrying out over 300,000 appointments for children and adolescents throughout Brazil. With the support of people and partner companies, Brazil's largest exclusively pediatric hospital fosters healthcare assistance using technical and scientific excellence and humanization, in addition to engaging in actions to encourage culture. The amounts raised for the projects contribute to countless activities and to maintaining the work of the hospital – from the acquisition of high-cost equipment and medications, to the continuity of the programs in defense of the fundamental rights of patients and humanized shelter for their family members, in addition to scientific research, promotion of cultural inclusion activities, access to art and cultural manifestations that benefit the children, adolescents and their families.



## Roda de Palhaço

The project uses the clown theater as a tool for improving the condition of children interned in public hospitals for long periods. Studies have proven the evolution of those interned who have contact with “clowning”, which has also been the subject of a report on Brazilian national television.



## Livro nas Praças

The purpose of the project is to develop reading habits in communities that have no public libraries, by taking Library Buses with quality collections, in addition to space for the reader public. The project lends out books free of charge, also promoting a range of related cultural activities. Two buses are doing the rounds: the blue one (sponsored by BTG Pactual) and the red one. All information about the project, as well as photos of the bus and the events, can be found on the “livros nas praças” Facebook page.



## Passageiro do Futuro

The project aims to train young people and adolescents from public schools in the technical areas of the performing arts: choreography, figurine, lighting, electrician and others. The project has already completed 20 editions, making young graduates ready for the job market. The project is currently running in the Caju community, which has the lowest HDI in the municipality of Rio de Janeiro. All information about the project, as well as photos of the bus and the events can be found on the “Passageiro do Futuro” page on Facebook, with extensive material about its entire history.



## MUSEU INIMÁ DE PAULA

### Museu Inimá de Paula

Inaugurated in 2008, the *Museu Inimá de Paula* in Belo Horizonte houses a permanent collection dedicated to the artist Inimá de Paula, giving a complete panorama of his life and work, initiated after registering almost two thousand works in six years and the historic publication of two volumes of work cataloged in 2008. Around 80 of the artist's works are on a constant rotation system, together with the rebuilding of his Atelier, Self-portraits Room and Virtual Gallery. In addition to the permanent collection the Museum runs presentations and exhibitions for other artists, both renowned and lesser-known. Within the field of education, since 2010, supported by the Federal Culture Incentive Law (the Rouanet Law), the Children in the Museum (*Criança no Museu*) project attends to thousands of pupils, primarily from public schools, who visit the Museum to understand how artistic manifestations can influence the day-to-day life of a society.



### Instituto Bacuri

Founded in 2011, the *Instituto Bacuri* is a not-for-profit institution that develops and supports that collaborate in building a fairer, more sustainable society from the social and environmental points of view. Covering activities in range of fields, such as education, sport, healthcare, the arts and the environment, the Institute creates mechanisms to enable and promote the participation of the private sector in actions of the Third Sector.



## IdCultural

### ID Cultural

After almost a decade of existence, we have become one of Brazil's most recognized and competent cultural marketing companies. Using a meritocratic system unparalleled in the sector, including shareholders, employees and strategic partners, we value those who deliver better-than-expected results, so that we can exceed all the expectations of our clients. The *ID Cultural* is focused on example. We call it the "Exemplary Culture".



FABIO MECHETTI | DIRETOR ARTÍSTICO | REGENTE TITULAR

## Orquestra Filarmônica

Created by the Government of the State of Minas Gerais and managed by civil society, the *Orquestra Filarmônica de Minas Gerais* was born with the commitment to be an orchestra of excellence whose planning involves serial concerts, educational programs, circulation and production of content for disseminating the Brazilian and universal symphonic repertoire. One of the most successful on-going erudite music programs in Brazil, the orchestra has been acknowledged on several occasions with awards for culture and economic development. In February 2018, the *Orquestra Filarmônica* will celebrate its 10th anniversary, and it continues to attract the participation of great musicians to celebrate music and the respect earned from the public. BTG Pactual is the Philharmonic's cultural sponsor in the Fora de Série (Unprecedented) series that seeks to introduce the public to new musical experiences, and is the only thematic series of the season. In 2017, the theme was the music from the Baroque period, which looked at the various manifestations of this historical and artistic phase around the world. In 2018, the support continues, and the sponsored series invites the public to several Musical Expeditions whose repertoire includes important works from regions like Italy, France, Eastern Europe, Russia and the United States.

