# Q4 2015 Earnings Call

## Company Participants

- Marcelo Kalim, Co-CEO, CFO, Secretary & Director

## Other Participants

- Andrew Dishington, Senior Lender
- Bruno Zicker, Adviser
- Carlos Macedo, Analyst
- Tariq Hamoodi, Trader
- Till Heimlich, Analyst
- Tito LaBarta, Analyst

## MANAGEMENT DISCUSSION SECTION

### Operator

Good morning, and welcome to the Fourth Quarter of 2015 Unaudited Results Conference Call of BTG Pactual. With us here today, we have Marcelo Kalim, João Dantas, Pedro da Rocha Lima.

We would like to inform you that this event is being recorded and all participants will be in a listen-only mode during the bank's presentation. After BTG Pactual's remarks, there will be a question-and-answer session for investors and analysts when further instructions will be given.

Today, we have a simultaneous webcast that may be accessed through the website, www.btgpactual.com/ir. There will be a replay facility for this call for a week from January 19 through January 25.

Before proceeding, let me mention that this call may contain forward-looking statements relating to the prospects of the business, estimates for operating and financial results, and those related to the growth prospects of BTG Pactual. These are merely projections and, as such, are based exclusively on the expectations of BTG Pactual's management concerning the future of the business.

Such forward-looking statements depend substantially on changes in market conditions, government regulations, competitive pressures, the performance of the Brazilian economy and the industry, among other factors and risks disclosed in BTG Pactual's file disclosure documents and are, therefore, subject to change without prior notice.

Now, I'll turn the floor to Mr. Marcelo Kalim, who will begin the presentation. Mr. Kalim, please go ahead.

## Marcelo Kalim {BIO 16142515 <GO>}

Good afternoon, good morning, everyone. Thanks for attending our fourth quarter earnings call. First, I would like to mention why we have decided to anticipate our results and made public the unaudited results for the fourth quarter. And we did that for the sake of transparency and came to the market as soon as possible with the fourth quarter results. So I think this is good for all three quarters, including our clients, our investors, and our counterparties, to see better the effect on our balance sheet and results of the events that happened during the months of November and December. We'll publish the audited results in the normal course of business, probably during the month of February. And we don't believe there will be any significant changes from the numbers we are presenting here.

So I think we can start on page 3 of the presentation. And before we go to the results themselves, I would like to comment on actions that we have taken since November 25 event involving our former CEO, André Esteves. And I would like to separate the actions that we undertook into two different categories. One, which I will call corporative measures, and the other one, which I will call business measures.

So, from the corporative measures, we undertook a series of changes. First one was a change in the controlling shareholders of the bank. That was something that was already prescribed in our partnership agreement. And now, the controlling shareholders are the seven major partners of the partnership that is still the same partnership that controls the bank. So the only change in control that happened is in the company that controls the bank, above the bank. The (04:11) in control of the bank remains the same. Plus, our partnership agreement already envisioned situations like that, so we just implemented the agreement.

The second is change in management. I became Co-CEO of the bank together with my colleague, Roberto Sallouti. Also, we undertook some changes on the Board of Directors, where Mr. Pérsio Arida was elected Chairman of the Board of Directors; and Mr. Huw Jenkins, Vice Chairman of the Board of Directors.

Also, the Board of Directors established an independent committee to review the allegations made on the November 25 case and have hired some law firms to do the due diligence and all the investigation regarding that. We expect this committee to announce the results probably by the end of the month of March. And hopefully, once this is announced, we can put all this matter behind us and continue with our business as usual since - which is exactly what we've been trying to do since the November events.

On the business measures, I think the most important thing that we tried to do was to preserve liquidity at the bank. And I think we were extremely successful on doing so. And the strategy that we undertook was a very simple one. First, to boost the level of the business and to divest both financial assets, which were mainly our loan portfolio, and also the sale or divestiture of some of our non-core assets, like we sold our stake in Rede D'or (05:56), which is our hospital chain in Brazil. We sold our stake in (06:00) Catalunya and other examples.

We are still in this, let's say, mode, or we still have this motivation, and it is public we are entertaining some offers for our insurance company, Pan Seguros, and our private bank in Switzerland, BSI. Of course, those offers are non-binding, but we are engaged with potential buyers, and we believe we can strike a transaction in, let's say, the next four months.

Also, it's important to mention that in order to be extremely conservative on liquidity, we secured the finance line with FGC. We secured, just to mention, a secured line where we put some of our loans as collateral and secured the BRL 6 billion line with FGC.

FGC is a private, self-regulated entity in the Brazilian market that is supported by the banks exactly for situations like that to provide liquidity to the financial system. We took more or less BRL 5 billion of line to-date. It's a little bit less than that, between BRL 4.7 billion and BRL 4.8 billion. But just to mention, we'll do that in a very conservative way. We always had available liquidity more than the lines that we drew, as we are going to see throughout the presentation.

So those were the main actions that we undertook since November 25. And I think you are going to see how is that reflected in our balance sheet and revenue.

If we change to page 4, we have our performance for the fourth quarter of 2015. It was a record quarter in terms of revenues. We reached BRL 3.5 billion of revenues with BRL 1.2 billion of net earnings, which is our second best quarter ever. This quarter presents annualized return on equity of 22%, with net income of BRL 1.34 per unit, the net income per share.

One remark here. Usually, this time of the year, we announce the dividends, and we (08:21) 25% of our net earnings as dividends. This year, we've decided to be more conservative on liquidity. We're going to pay a dividend just the minimal that we've stipulated in our bye-laws, which is 1% of net earnings.

We believe that once we have liquidity more stabilized, we will be able to come back to our usual policy or close to that and pay a higher dividend to shareholders. (08:49) we believe this is the better approach, a more conservative one, (08:51) liquidity.

Also, the costs and labor and compensation costs were extremely under control. The cost to income ratio for the group was 54% during the fourth quarter. BTG Pactual standalone, which excludes our BSI private bank operation, standalone ratio was 43%, which is pretty in line with the same quarter of last year. And the comp ratio is 31%, BTG Pactual standalone 26% comp ratio of as of the last quarter.

Our total assets in the balance sheet reached BRL 266 billion, which is a 12% decrease from last quarter. This shows the very significant reduction in the balance sheet that we undertook during the month of December. And as you are going to see, this reflected very well in our Basel ratio, which weighted 15.4%, above our target of 15%.

If you turn to page five, you have the number for the full year. It was a record year. Revenues BRL 10 billion, BRL 10.086 billion, and record net income as well, BRL 4.616 billion; and shareholders' equity reached BRL 22.5 billion. Just one remark here, usually our shareholders' equity is pretty easy to understand. It's the previous quarter plus the accumulated earnings.

This quarter was a little bit different than that, because although we didn't pay dividends, we had a repurchase program, which we bought more or less BRL 500 million worth of equity in the open market. So, instead of growing exactly by the accumulated earnings, it decreases by the amount of the repurchase program that we undertook during the month, basically the month of December.

On page six, we have our revenues divided by business areas. And you can see here, it's pretty much diversified with negative performance in principal investments. And we're going to talk area by area once we go to the next section.

So, turning to section one, the business areas on page eight, we have Investment Bank. Our total revenues in this area reached BRL 114 billion (sic) [million] (11:24), which is more or less a good quarter. And the highlights here were strong M&A, advisory service and debt capital markets. We had a couple of transactions announced during the fourth quarter, and also some restructuring of company that we [indiscernible] (11:46) during that month.

We are very well positioned in those markets going forward. In all the ranks, we are extremely positioned, and we believe, the next year or this year, 2016, is going to be more or less like the previous years, although economic conditions in Brazil and Latin America are not that great. However, given our strong position and the broad range of products that we are able to offer, we believe, we can sustain the same level of activity as we have been doing in the past several years.

On page nine, we have Corporate Lending. The highlights here are two (12:28), of course, the decrease in the total portfolio, going down from BRL 42.8 billion to BRL 29.2 billion. This is due to what I mentioned before, the sale of a sizeable amount of the portfolio during the month of December.

Revenues reached BRL 128 million, and this is composed mainly by four major components: one is the normal revenues that we would have in our portfolio, which was pretty much in line; the losses associated with the sale of the portfolio; losses associated with a more conservative mark-to-market of the portfolio, and gains with the sale of recovery, which is a recovery credit company that we had in Brazil for both the company and the portfolio. This is a little bit more the conservative mark-to-market that we undertook. We believe that our market was pretty good.

However, since we were in divesting mode and we still are for the part of the portfolio, we decided to mark the portfolio at the same level of prices that we sold – the portfolio that we sold in December. So although, we believe the mark-to-market we were correct to be more conservative and be able to sell this portfolio without further losses we undertook this year. So that's why you have the BRL 128 billion (sic) [million] (13:55).

On page 10, we have Sales & Trading and with revenues of BRL 2.2 billion, this was our best quarter ever, even better than last quarter. And here, the strong performance was our commodities trading desk, our FX trading desk, with good contributions from our rates desk as well. Equities is still underperforming, somewhat the other business.

We are very pleased with the good results for the year, of course, BRL 5.2 billion, a very record year, and we believe, we have all the conditions in place to continue to have a very good revenue from this area going forward.

On page 11, we have Asset Management with revenues of BRL 386 million, higher than last quarter and somewhat less than the fourth quarter of the previous year. And here, I think the big number is the negative net new money, more or less BRL 40 billion.

We still believe that the number for the first quarter of this year is going to still be a negative number. This is due for the carryover effect. Some of our clients have asset for redemption during the month of December, but this has not been implemented yet. So, we are going to see a negative number during the first quarter.

However, this trend has come to an end. What we are seeing is that, these redemptions have come to a halt, and we are not seeing negative net new money in the month of January. So, although we are going to see a negative new money – negative net new money again, this trend has stopped, and hopefully, once these stabilize, we can continue to deliver the same kind of growth we were able to achieve in the past.

Page 12, we have Wealth Management. And here, the picture is the same. We had negative net new money in the fourth quarter, BRL 14.9 billion, and the trend hasn't stopped as well. We are not seeing negative outflows at this point in time.

Revenues BRL 846 million divided in BRL 726 million from our BSI subsidiaries and BRL 119 million from our Latin American operations, pretty much in line to what we have expected.

On page 13, we have our Principal Investments units, with negative revenue of BRL 773 million. Here, basically, we have positive contribution from global markets, BRL 5 million, which shows two things. One, a relative stable market. But more than that, we are reducing significantly our position to global markets. Going forward, this is going to be an even more marginal number. Negative BRL 207 million in our Real Estate investment, which may basically, the D'or property stake that we still have; and BRL 571 million negative in Merchant Bank.

And here it's a variety of things. One, we recognized a deal in the sale of our Rede D'or stake, where we also recognized mark-to-market losses in a variety of our holdings, mainly concentrated in Oil, Gas, and in the Retail sectors. And here, the explanation is more or less the same of the credit portfolio. We are in, let's say, divestiture mode. So probably, we will have to sell these companies at a shorter timeframe than before. That's why we believe we should mark them to a lower price than before in order to avoid lawsuits when we did finalize the sales.

Turn in to section two on expenses, page 16. Total expenses reached BRL 1.898 billion, but I think the fair comparison here would be to look at the cost-income ratio and the comp ratio, as BTG Pactual standalone, which is in the bottom of the page.

On the fourth quarter of this year, the cost to income ratio was 43%, pretty much in line with the fourth quarter of last year of BTG Pactual stand-alone which was 42%. And the comp ratio, 26% compared to 28%, so normal course of business in the quarter.

If you look for the same ratios for the year, 46% and 27%, they are somewhat higher than last year's stand alone, 41% and 23%. And the reason for that is that when you have a switch to negative number in one of the areas, those numbers tend to be higher. However, we still believe that expenses are extremely under control.

On section 3, we have the balance sheet. In page 17, usually, we do show the balance sheet, but however, it seems this is an unaudited result, we don't have the picture to show. However, the shape of the balance sheet would continue to be the same. However, I could say a more stronger liquidity position. And this is due to the fact that although liquidity remained stable or dropped somewhat, we have a massive reduction on our liability. And the better explanation for that, if you look in page 18, is the unsecured funding base, which went from a BRL 162 million to BRL 137 million. That's more or less a BRL 24 billion, BRL 25 billion reduction. And our liquidity dropped just BRL 2.5 billion. Why? Because we were able to sell assets on the same magnitude.

And this comes to explain something that we have been telling you guys the last – past two years, which we manage our liquidity two ways: one, by of course, the amount of cash that we do have, but more important than that, the quality of our assets. And I think the month of December was a very good example of that.

We were able, during the month of December, to sell BRL 20 billion of mainly low-end but other assets as well at very minimal losses. So in moment of crisis, you can count not only on the cash that you have, but also your ability to make cash on the assets that you have. And we believe this has continued to be the case for the rest of our portfolio.

Of course, given that we are more than prepared to pay all the maturing liabilities that we have for the very short term or the medium term even, we have much more time to be able to sell those assets. So what I would like to say is that, we're in a very much – in a much stronger position from a liquidity viewpoint than we were on November 24.

On page 18 we have already talked about the unsecured funding base. On page 19, you have a view of the broader credit portfolio, which exactly the reduction that we mentioned before. It went from BRL 98.2 billion to BRL 80.8 billion with the results that we are showing, which is a statement to the quality of our assets.

Finally, on page 20, we have our Basel ratio and the value at risk, value at risk which is 0.77%, which goes in line with the very strong sales and trading performance that we had for the quarter. And the Basel ratio increased to 15.4%, which shows the reduction in the balance sheet that we undertook. And we are pretty much in line with our perspective of being around 15%, which we believe is the optimal level for capital.

That concludes the presentation, and we think we can now open for Q&A. Thank you.

# Q&A

## Operator

Thank you. The floor is now open for questions from investors and analysts. The first question comes from Carlos Macedo with Goldman Sachs. Please go ahead.

## Q - Carlos Macedo {BIO 15158925 <GO>}

Thank you. Hi, Kalim, Dantas, and Pedro. Thanks for taking questions. A couple of questions. First, just very specifically on liquidity. Kalim, you talked about you're in a comfortable liquidity position. Just so we can get an idea of the flows here, have you been able to roll over any of the funding that you have since November 25, or is it basically just using the sale of assets to pay down what matures? That's question one.

Second question, you talk about selling down and bringing back the bank to the businesses that you consider core. Could you give us an idea of what that would be? What businesses would you consider core? What size would they have, what geographies you would be in? And we know that, BSI, you're discussing the sale, of course. But are there other businesses, other places where you will reduce size? And what would the Bank look like once you're at a size that you would consider that you're through with adjusting the size of the bank?

## A - Marcelo Kalim {BIO 16142515 <GO>}

Hi, Macedo. Thanks for the question. The first one about liquidity. What we are working, and I think we are almost 90% there, is to be able to pay all of our maturing liabilities for the year of 2016 without rolling over or renewing any of our liabilities. Of course, in the first days, the redemption was massive, and we couldn't be able to roll over any of our maturing debt.

However, by the end of the month and this month of January, we will start to roll over some debt with clients. So even though we are prepared for the worst – which, as I said, we are 90% (24:30) there to be able to pay all of our debt for the year of 2016 – what we are seeing is that, our ability to finance in the market (24:39) is increasing through time, as expected, of course.

The second point, what is core and non-core; it's some more complicated answer to – question to answer. When we say core and non-core, first from the Merchant Bank point (25:03) is non-core for us, right? We are not in the hospital business. We are a financial institution. So everything that is non-financial, we consider to be non-core.

Then you have within the financial business, some assets that can be or not be core for our activity, recovery. Is that core? Probably not. We have a Corporate Lending business that is not dependent on the business that recovery is specializing in. The same thing can be said about insurance (25:35) for our business? No. Although it is correlated to the financial business, it's not core.

Then you have a question about private banking , which was the BSI expansion, is that core for the LatAm Wealth Management business? No. It's non-core. But given the situation that we are seeing, probably we are better off freeing up some capital with the BSI sale and deploying this capital on other parts of the business in Latin America.

So, I think, I could – I think I was clear. At least, I hope I was clear on what is core and non-core. But if you view right now the shape or the size of the business that we were going to have, I think that's a premature – would be a premature answer from my part.

## Q - Carlos Macedo {BIO 15158925 <GO>}

Okay. I understand, it's influx. I just wanted to get an understanding of how you're thinking about sizing BTG going forward. I mean, is the idea that the third quarter of 2015 was as big as this is going to get in the near term in terms of the size of the business, the diversity of the business, the geographical scope of the business? Would that be a proper way to put it?

## A - Marcelo Kalim {BIO 16142515 <GO>}

I think geographical business is very well defined, we never ventured outside Latin America except for the BSI acquisition, so the geographical scope is pretty much done. What we are going to – the size and the business that we're going to have, I think time will tell.

What is important for us is our strength and our client franchise. I think, those things we believe are intact. As you see from the revenues in the fourth quarter or the steps that we undertook, we believe we have a very strong franchise that we want not only to keep, but grow into the future, and we are doing all we can to have the resources available for that, both from liquidity and capital. And I think, we are pretty much achieving the level of both capital and liquidity that would make us comfortable that we can continue to grow those business.

## Q - Carlos Macedo {BIO 15158925 <GO>}

Okay. Thank you.

## Operator

The next question comes from Tito Labarta with Deutsche Bank. Please go ahead.

## Q - Tito LaBarta {BIO 20837559 <GO>}

Hi. Good morning and good afternoon. Thanks for the call. Couple of questions also. One, just following up on the liquidity and rolling over some of your debt. Any color you can give on the potential funding costs, what they would look like today. I assume you're seeing maybe some increase there, you can maybe give some color on that, would be very helpful.

And then, second question in terms of your Corporate Lending business. I know you had the BRL 560 million gain from the sale of recovery in the quarter. You also mentioned you had some one-off allowances that you did. Was that - did that offset the gain completely? If you can maybe provide some color on that as well.

Just trying to get a sense in terms of the - in the past, you've guided for around BRL 200 million per quarter from Lending. But given the reduction that we're seeing there, just trying to get a sense on what type of recurring revenues you get from your Lending business going forward, and if you could provide any color on that.

And then finally, in terms of Sales & Trading, strong quarter there, there were some reports in the press about a month ago, about potentially selling the commodities business or partnering up with somebody. Any color on that you can provide in terms of the commodities business and the outlook for that. Thank you.

## A - Marcelo Kalim {BIO 16142515 <GO>}

Hi, Tito. It's Kalim. So first, liquidity on the funding costs. Our decision really is here not to increase our funding cost very much. There are spreads that we are paying on the rolling over of the debt, we're pretty much in line on what they used to be in November 24. And that's a decision that we are taking. We believe that, first, we don't need to overpay for funding costs - for funding. And second, if we do overpay, that would prohibit us from doing the business that we wanted to do. So, it's a deliberate decision to maintain exactly - not exactly, we increase it somewhat, but very marginally, our funding rates.

As I said, we hope this is - the funding is going to return. And if they do return at a level that we are seeing, we are able to maintain the business that we had before. If we have to increase, we don't have the business. So that's a very deliberate decision.

Regarding the Corporate Lending, I think I understand the question. But trying to do just a simple math here, our book decreased more or less 25%. So let's suppose it decreases 30% or 35% when everything is said and done. However, since we're (30:36) down somewhat and we have a higher spread, you can assume that it's going to increase, I don't know, 20% the return on that, 15%. So you do the math. All-in probably, it would be 20% to 25% lower than, let's say, recurring revenue on the portfolio that will be less.

And the third question is the sales and trading, and the commodities division specifically, right. I think it was rumored that we were looking to divest that. But however, we believe this is really core to what we do, and one of the business that we would like to keep going forward. We might see some restructuring around here, but not a divestiture to a third party.

## Q - Tito LaBarta {BIO 20837559 <GO>}

Great. Thank you. That's very helpful. So, just one follow-up on the Corporate Lending, just in terms of the one-off provisions that you did in the quarter, any color you can provide on that? Did that just offset the gain from the sale of recovery? Or if you can provide any color on that would be helpful.

## A - Marcelo Kalim {BIO 16142515 <GO>}

Yeah, it's exactly that, Tito. So, use the, let's say, recurrent revenue that we have, whatever the level, let's suppose around 200 (32:04) or a little bit over 200, then you'll have some losses on the portfolio that we sold. You multiply that by more or less the amount of the portfolio, that is more or less the same level of losses, and then you have the recovery gain. And that's how you get the 128 (22:26).

## Q - Tito LaBarta {BIO 20837559 <GO>}

Okay. Great. Thank you very much.

## Operator

The next question comes from Tariq Hamoodi with Bybrook Capital. Please go ahead.

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

Hi there, guys. Just thanks for taking my question. I'm just curious if there's any chance, obviously, if you can deconsolidate or just give us an idea of how performance was and results were in Participations. And I guess, my other question would be, breaking down in your fixed income and that Sales & Trading revenue, how much of – obviously, given it's a strong quarter, but how much of that would you associate – I know you made a note that it was partly due to repurchasing some of your liabilities.

So if you could give me an idea on the both of those such as performance in Participations and BTG Investments and a further breakdown or color into the performance of (33:27).

## A - Operator

Hi, Tariq. I'm not sure I understood. First, you want to understand the performance of BTG Investments, is that right?

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

Yeah, exactly. So I see you've broken down or I can see principal investments here. But I guess...

## A - Operator

Yeah. The performance of BTG Investments, it was affected by the markdown that we had on the merchant bank portfolio. Since they (34:01), it was on (33:56) the BTG Investments with a markdown under other provisions. So that explains the results on BTG Investments.

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

I see. Perfect. And then...

## A - Operator

And what was the...

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

And so, in your Sales & Trading revenue, how much of a gain was simply due to repurchasing liabilities below par?

## A - Operator

Okay. The repurchase of the shares that we did doesn't flow through results, just goes directly...

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

But even – and how about your – I mean, buying back your bonds though?

## A - Operator

Yeah. No, just to be clear, the buyback of the shares flows direct through the equity, not through P&L. So the number, more or less, on Sales & Trading a little bit over BRL 500 million repurchasing our own corporate assets.

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

I see. Okay. And just going back, so the – I'm just looking quickly, sorry. So the Spanish utility that was sold, that was, I think, the entire stake was held in investments that you took...

## A - Operator

(35:11) Catalunya, yes.

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

Yeah. So it looks like there was a loss taken on that. And that completely flow through to investments? And I know you mentioned...

## A - Operator

Absolutely correct.

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

...on Rede D'Or, there was a loss. Now, do you deconsolidate that between investments and between – because obviously, there was – a lot of the Rede D'Or stake was held in...

## A - Operator

One second. The first one is right. (35:44) Catalunya is BTG Investments. I'm not sure I understood the second one...

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

You mentioned that there was also a gain, sorry, on Rede D'Or, right?

## A - Operator

Yes.

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

Now, how much of that gain flow through to investments?

## A - Operator

One second. Rede D'Or 100% flows through P&L, all the revenues. And I think when you see the balance sheet, it's going to be pretty clear how much flow through – eventually, it's going to be pretty clear.

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

Yes. That's fair.

## A - Operator

...when you see the audited results.

## Q - Tariq Hamoodi {BIO 16851768 <GO>}

Okay. Thank you, guys.

## A - Operator

Okay.

The next question comes from Andrew Dishington with Wells Fargo. Please go ahead.

## Q - Andrew Dishington

Yes. (36:46). This is just to raise some questions. As far as the divestitures that you mentioned (36:54) other ones, what is the timing of those cash inflows?

## A - Operator

I'm sorry, the timing of the?

## Q - Andrew Dishington

The cash inflows from your divestitures, when will those sales close and those cash inflows be realized?

## A - Operator

Okay. But are you talking about any specific transaction, because the sale or divestiture of financial assets is immediate. It's one or two days, we receive the money, so we have already...

## Q - Andrew Dishington

No. No. I'm referring to the non-financial such as the hospital chain.

## A - Operator

Yeah. Just (37:36), the hospital chain, we have already received more or less 40% of the transaction, the rest throughout the year; others (37:44) haven't closed it yet. We are going to receive once we close.

## Q - Andrew Dishington

Okay. And as far as the repurchases of your stock, will you suspend that in future repurchases in 2016 to preserve liquidity?

## A - Operator

No. We envision to continue to have our repurchase program. We're extremely comfortable with our liquidity. And since we have excess capital, we believe it's a very good use of not only our capital but our liquidity as well to repurchase our own debt or equity, since we are above our target of capital.

## Q - Andrew Dishington

And one last thing. You had mentioned that you didn't publish a balance sheet in this earnings release. In future earnings releases, will we see a balance sheet, even if unaudited?

## A - Operator

We hope to publish the balance sheet and announce the results just when we have audited numbers. We exceptionally decided to do that unaudited this time, exactly to come to the market as soon as possible and be transparent in all the events that happened after the November 25 event. But, of course, we're going to publish a balance sheet within the legal timeframe, probably during the month of February. And in the next call, we believe we're going to do it with audited numbers and with a balance sheet.

## Q - Andrew Dishington

Thank you very much.

## A - Operator

Thank you.

The next question comes from Bruno Zicker with Fintech Advisory. Please go ahead.

## Q - Bruno Zicker {BIO 19255358 <GO>}

Hey guys. Good afternoon. Thanks for the call. Quick question on the derivatives portfolio. I guess that the – not on the presentation, but on report itself, there's some balance sheet information. And I can see there from one date on the derivatives position, there hasn't been a big reduction on the derivatives exposure. It's clear that on the corporate book, there's been a lot of progress on the non-financial assets, a lot of progress.

Could you talk a little bit about what progress you've made in unwinding derivatives positions, and what the strategy is and potential costs related to doing that unwind? Thank you.

## A - Operator

Hi, Bruno. You're absolutely correct. As you may recall, I talked in the call saying that we took measures to preserve or increase liquidity and capital. To unwind the derivatives position would not have achieved either of those. Since the positions are matched, it doesn't call for capital and doesn't call for liquidity. So we could, of course, unwind the positions, but it would not have affected any of the two things that we wanted to get, which is more liquidity and more capital. So they are pretty well matched. The only thing that it would have achieved is less leverage on our balance sheet which, quite frankly, I'm not sure is a very good measure of risk.

## Q - Bruno Zicker {BIO 19255358 <GO>}

Okay. So, from a P&L exposure perspective, also, you don't see that much exposure there.

## A - Operator

No. Not at all.

## Q - Bruno Zicker {BIO 19255358 <GO>}

Okay. Okay. Thank you.

## Operator

The next question comes from Till Heimlich with GLG Partners. Please go ahead.

## Q - Till Heimlich {BIO 15310974 <GO>}

Yes. Hi. I was wondering if you could give us an idea about your expected size of the bank, going forward. You mentioned you continue to shrink the balance sheet. What's the target in terms of total assets? And secondly, I think there has been some speculation in the press about separation of the hedge fund business. Is there something you could comment on, please?

## A - Operator

Hi, Till. First, the size of the bank, I think we are preparing ourselves to be the size of what our clients of the markets want us to be. And it's a question that I don't know the answer yet. Hopefully, we'll be able to get back to the size that we were and grow. And we are taking all the measures to be able to do that. On the other side, if we're going to have – and then financially, we are prepared to honor the liabilities and continue to shrink our balance sheet. So, quite frankly, at this point in time, we are hopeful that we will be able to continue to grow, but things have to come into place, and they have been coming to place since November 25.

The other question is about the hedge funds business. No, we don't have any plans at this point. We believe in our core areas that we have stabilized it, re-grow it. And we are very committed to the business, and we are very confident that we will be able to continue the path of success that we had in the past.

## Q - Till Heimlich {BIO 15310974 <GO>}

Okay. Thank you.

## A - Operator

Thanks.

Thank you. That brings us to the end of the question-and-answer session. I will now return the floor to Mr. Marcelo Kalim for his closing remarks.

## A - Marcelo Kalim {BIO 16142515 <GO>}

Thank you very much. I think – I hope it was a good explanation for everything that happened in the past couple of months. And I hope to see you in more normal conditions when we announce the results for the first quarter of 2016. Thank you very much.

## Operator

Thank you. This concludes today's presentation. You may disconnect your line at this time, and have a nice day.