

BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros

*The Brazilian Securities, Commodities and Futures Exchange*

# QUARTERLY FINANCIAL REPORT

Three-month period ended  
September 30, 2016

Dear Shareholder,

We are pleased to present this discussion and analysis of the financial condition and results of operations of BM&FBOVESPA S.A. (BM&FBOVESPA or Company) for the quarter ended September 30, 2016 (3Q16).

## OPERATING PERFORMANCE

### Financial and Commodities Derivatives (BM&F segment)

The average daily volume (ADV) on the BM&F segment totaled 2.9 million contracts in 3Q16, down by 11.7% in comparison with the same period of the previous year (3Q15). This decline can be explained primarily by the 32.7% reduction in the volume of Interest rate in BRL contracts, the most traded in this segment, accounting for 41.5% of the volume in 3Q16.

On the other hand, the volume of Mini contracts grew by 66.9% in comparison with 3Q15. The Mini contracts group consists primarily of Mini contracts involving Stock indexes (ADV of 0.6 million contracts) and FX rates contracts (ADV of 0.4 million contracts), which showed growth of 51.4% and 98.5% in the period, respectively. The main driver of this growth was the greater share of individual and non-resident investors, especially those characterized as high frequency.

#### Average Daily Volume (thousands of contracts)

Contracts	3Q16	3Q15	3Q16/3Q15 (%)	2Q16	3Q16/2Q16 (%)
Interest rates in BRL	1,206.0	1,790.9	-32.7%	1,397.0	-13.7%
FX rates	386.4	473.2	-18.3%	411.3	-6.1%
Stock indices	78.7	101.1	-22.2%	97.6	-19.3%
Interest rates in USD	229.3	321.5	-28.7%	264.5	-13.3%
Commodities	8.8	9.0	-2.2%	7.6	17.0%
Mini contracts	996.9	597.3	66.9%	829.3	20.2%
<b>TOTAL</b>	<b>2,906.2</b>	<b>3,293.0</b>	<b>-11.7%</b>	<b>3,007.2</b>	<b>-3.4%</b>

Average revenue per contract (RPC) fell by 12.9% in comparison with 3Q15, influenced by: (i) the appreciation of the Brazilian Real against the US Dollar<sup>1</sup>, which negatively affected the RPC of US Dollar-denominated contracts, with a special mention for Interest rate in USD and FX rates contracts, which registered a drop of 16.7% and 6.0%, respectively; and (ii) the higher share of Mini contracts in the total volume (from 18.1% in 3Q15, to 34.3% in 3Q16), whose RPC is substantially lower than the average of the other contracts on the BM&F segment.

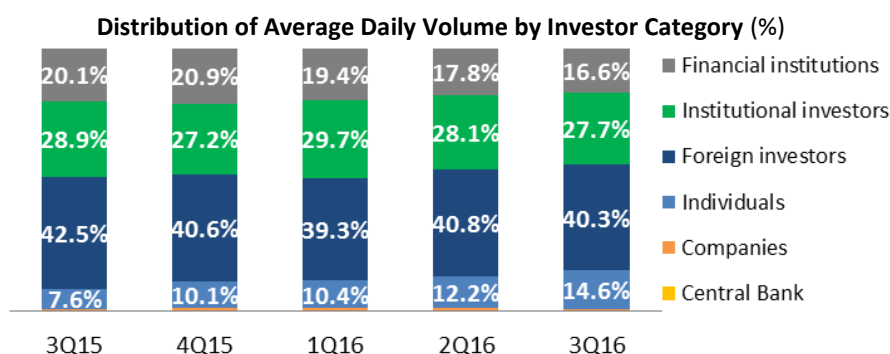
The average RPC of Interest rates in BRL contracts rose by 13.8%, reflecting an increase in the participation of long-term contracts in relation to the trading volume, since the RPC of this group of contracts rises as maturity lengthens. This higher RPC on Interest rate in BRL contracts was not enough to offset the adverse effects on the overall average RPC arising from the appreciation of the Brazilian Real and the increased share of Mini contracts as described above.

#### Revenue per Contract (R\$)

Contracts	3Q16	3Q15	3Q16/3Q15 (%)	2Q16	3Q16/2Q16 (%)
Interest rates in BRL	1.261	1.108	13.8%	1.224	3.0%
FX rates	3.500	3.725	-6.0%	3.967	-11.8%
Stock indices	1.662	2.005	-17.1%	1.937	-14.2%
Interest rates in USD	1.562	1.874	-16.7%	1.897	-17.7%
Commodities	2.295	2.431	-5.6%	2.075	10.6%
Mini contracts	0.241	0.232	4.0%	0.269	-10.4%
<b>OVERALL AVERAGE</b>	<b>1.247</b>	<b>1.431</b>	<b>-12.9%</b>	<b>1.420</b>	<b>-12.2%</b>

With regard to the participation of investors in this segment, individual investors raised the trading volume by 75.0%, increasing their share in the average daily volume from 7.6% in 3Q15 to 14.6% in 3Q16. This increase occurred primarily in Mini contracts, as already mentioned. Non-resident investors, however, showed a decline of 13.9% in the volume of contracts traded; nevertheless, they remain the most representative in the segment, with a 40.3% share in the average daily volume in 3Q16.

<sup>1</sup> 4.7% appreciation of the Real against the US Dollar. Takes into account the average variation of the closing PTAX rate for the months of Jun'15, Jul'15 and Aug'15 (base for 3Q15) and Jun'16, Jul'16 and Aug'16 (base for 3Q16).



**Equities and Equity Derivatives (Bovespa segment)**

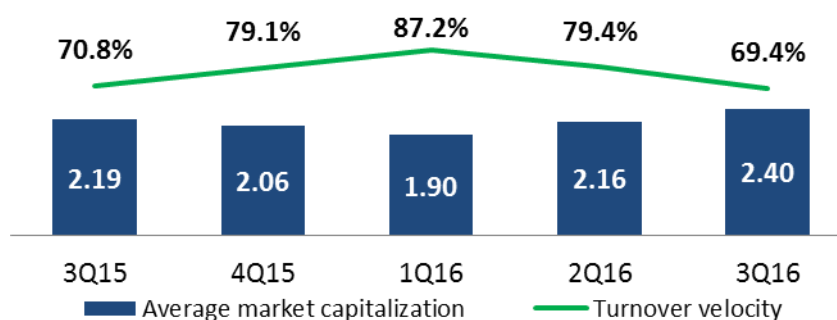
The average daily traded value (ADTV) in the Bovespa segment reached R\$6.9 billion in 3Q16, up by 5.9% over the same period of the previous year. This growth is primarily explained by the 6.2% rise in the ADTV of cash equities market, which accounted for 96.4% of the total ADTV in this segment for the quarter.

**Average Daily Traded Value (R\$ million)**

Market	3Q16	3Q15	3Q16/3Q15 (%)	2Q16	3Q16/2Q16 (%)
<b>Stocks and equity deriv.</b>	6,928.0	6,539.6	5.9%	7,141.9	-3.0%
Cash market	6,683.1	6,293.4	6.2%	6,872.4	-2.8%
Derivatives	244.9	246.2	-0.5%	269.5	-9.1%
Options market (stocks / indices)	179.6	173.3	3.6%	209.2	-14.1%
Forward market	65.3	72.8	-10.3%	60.3	8.3%
<b>Fixed income and other cash-market</b>	2.9	5.5	-46.9%	1.7	73.3%
<b>TOTAL</b>	<b>6,930.9</b>	<b>6,545.1</b>	<b>5.9%</b>	<b>7,143.6</b>	<b>-3.0%</b>

Average market capitalization<sup>2</sup> for the period stood at R\$2.40 trillion, an increase of 9.7% in comparison with 3Q15. This increase was partly offset by the drop in the level of market activity, which can be measured by the turnover velocity<sup>3</sup> that stood at 69.4% in 3Q16 versus 70.8% in 3Q15.

**Average Market Capitalization (R\$ trillions) and Turnover Velocity (%)**



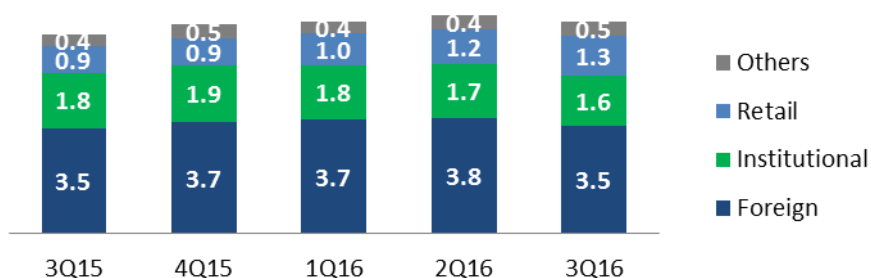
Trading margins in this segment remained practically stable in comparison with 3Q15, increasing from 5.246 basis points to 5.268 basis points in 3Q16.

With regard to the ADTV per investor group, worthy of note are the individual investors who increased the ADTV by 49.8% in comparison with 3Q15, accounting for 19.0% of the total ADTV. Foreigners continue to be the most relevant, accounting for 51.0% of the total ADTV of the segment, up by 2.0% of ADTV in relation to 3Q15. On the other hand, the ADTV of local institutional investors, the second most relevant group, with 23.4% of the total ADTV, dropped 9.9% in comparison with the same period of the previous year.

<sup>2</sup> Market capitalization is the product of multiplying the number of shares issued by listed companies by their respective market prices.

<sup>3</sup> Turnover velocity is the result of dividing the volume traded on the spot market during the period, annualized, by the average market capitalization for the same period.

Distribution of average daily trading value by investor category (R\$ billion)

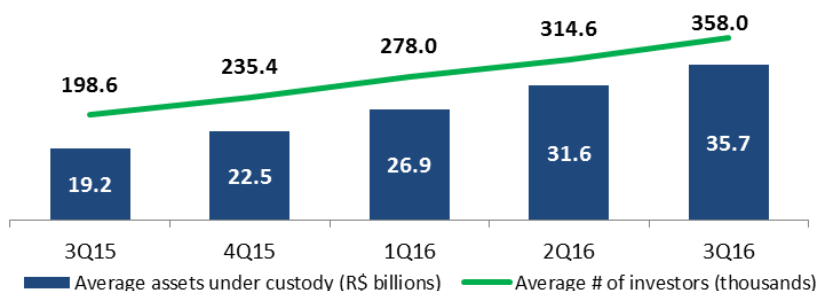


Other lines of business

Treasury Direct Platform (Tesouro Direto)

Treasury Direct, developed in partnership with the Brazilian Treasury, continues to post strong growth. The average amount in assets under custody reached R\$35.7 billion in 3Q16, a significant increase of 86.4% over 3Q15, while the average number of investors rose by 80.3% in the same period to 358.0 thousand, from 198.6 thousand.

Treasury Direct Evolution

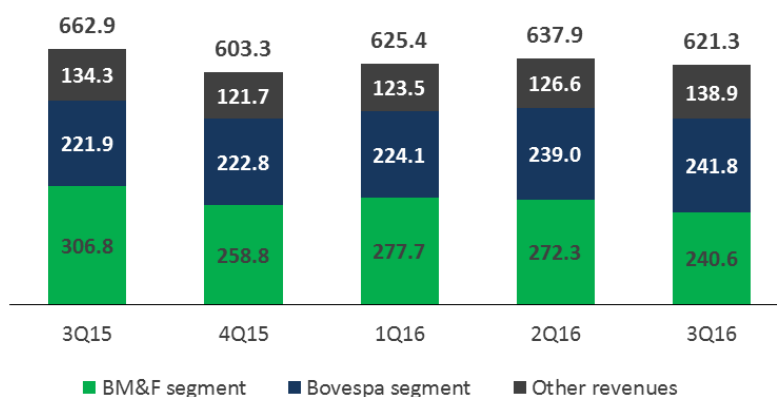


CONSOLIDATED FINANCIAL PERFORMANCE

Revenues

**Total revenues:** BM&FBOVESPA posted total revenue of R\$621.3 million, 6.3% lower than in 3Q15. This performance was a result of a decrease in BM&F segment revenue, which was partially offset by an increase of Bovespa segment revenue and revenues not tied to volumes traded.

Revenue (R\$ million)



Revenues from trading and post-trading in the derivatives and equities markets together represented 76.2% of total revenues in 3Q16, reaching R\$473.3 million, a 9.1% decrease year-over-year.

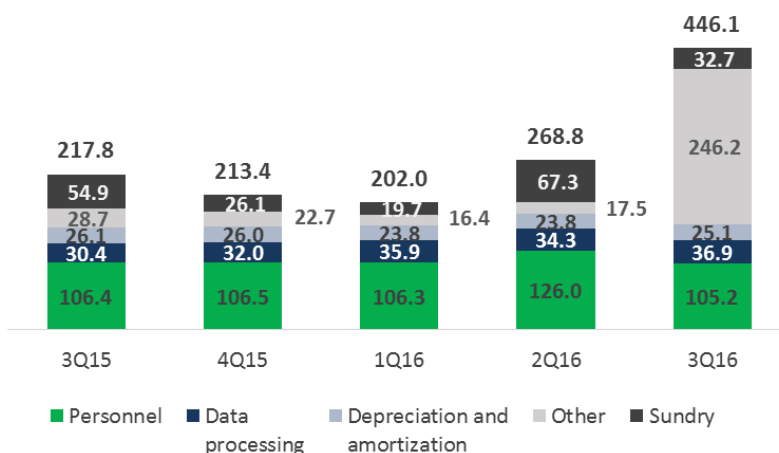
- **Revenues from trading, clearing and settlement - BM&F segment:** reached R\$240.6 million (38.7% of total revenue), down 21.6% compared to 3Q15, explained by an 11.7% reduction in the ADV coupled with a 12.9% lower average RPC.
- **Revenues from trading, clearing and settlement - Bovespa segment:** totaled R\$241.8 million (38.9% of total revenues), a 9.0% increase over 3Q15. Trading and post-trading (transactions) revenues reached R\$237.3 million in 3Q16, 8.0% higher compared to the same period of the previous year, mainly due to an increase of 5.9% in the ADTV.
- **Other revenues:** revenues not tied to volumes reached R\$138.9 million in 3Q16 (22.4% of total revenues), a 3.5% increase year-over-year. The highlights were:
  - **Securities lending:** reached R\$30.2 million (4.9% of total revenues), 6.8% higher than 3Q15, explained mainly by a 4.8% increase in the average financial value of open interest positions in the securities lending platform.
  - **Depository, custody and back-office:** totaled R\$47.4 million (7.6% of total revenues), a 31.1% increase over 3Q15, as a result of 57.7% growth in revenues from *Tesouro Direto*, which reached R\$18.7 million in 3Q16, and adjustments of certain depository service prices by inflation in place since Jan'16.
  - **Market data (vendors):** revenues from market data sales amounted to R\$24.6 million (4.0% of total revenues), down 19.2% over 3Q15, explained by: (i) a decrease in the number of users and migration of clients to lower cost market data packages; and (ii) the appreciation of the Brazilian Real against the US Dollar, since 66.0% of this revenue line was denominated in US Dollars in 3Q16.

**Net revenues:** decreased 6.5% year-over-year, reaching R\$559.1 million in 3Q16.

### Expenses

Expenses totaled R\$446.1 million in 3Q16. The 104.8% growth compared to 3Q15 is mainly explained by extraordinary expenses, with no cash impact, related to provisions for legal contingencies.

Expenses<sup>4</sup> (R\$ million)



- **Personnel:** totaled R\$105.2 million in 3Q16, a drop of 1.1% year-over-year. The annual wage adjustment of 8.6%, applied from Aug'16 over the entire payroll and the increase of 8.6%<sup>5</sup> in stock grant expenses, were offset by other items, notably, the R\$6.7 million increase in capitalized personnel expenses related to ongoing technology projects, mainly, the development of the equities phase of the BM&FBOVESPA Clearinghouse.

<sup>4</sup> Others includes expenses with contracted services, general maintenance, communications, promotion and disclosure, taxes and fees, board/committee compensation and the operations with Cetip.

<sup>5</sup> Stock grant expenses totaled R\$21.0 million and were composed of: (i) R\$11.7 million in principal and (ii) R\$9.3 million in payroll tax provision to be paid upon the delivery of shares to the beneficiaries.

- **Data processing:** totaled R\$36.9 million, 21.3% higher compared to 3Q15, mainly explained by: (i) IT maintenance contracts adjustments; and (ii) the impact of the appreciation of the US Dollar against the Brazilian Real between Jan'15 and Dec'15, given that a cash flow hedge was set up for a portion of the contracts denominated in foreign currency in those months<sup>6</sup>.
- **Transaction with Cetip:** amounted to R\$7.2 million in 3Q16, composed of extraordinary expenses connected to the proposed business combination with Cetip, R\$0.7 million in transaction costs<sup>7</sup> and R\$6.5 million in expenses related to planning of the business integration<sup>8</sup>, which will happen after regulatory approval.
- **Others:** totaled R\$246.2 million and includes: (i) extraordinary expenses of R\$183.9 million in provisions related to a lawsuit whose prospect of defeat was assessed as probable, from possible, after the decision was upheld, on second instance, against the Company<sup>9</sup>; and (ii) R\$47.4 million in provisions for success fees to legal advisors that, from 3Q16 onwards, are made for lawsuits whose prospect of defeat are assessed as possible or remote. With regard to the amount, this is an extraordinary impact and aims to better report on the Company's balance sheet cash disbursements that may occur in the future.

### Financial Result

Financial result reached R\$221.5 million in 3Q16, 157.5% above the previous year's third quarter:

- **Financial income:** totaled R\$325.1 million, 83.9% higher in 3Q16, mainly explained by a higher average financial investments balance, which includes proceeds from the sale of CME Group shares, in Sep'15 and Apr'16, amounting R\$5,487.7 million.
- **Financial expenses:** amounted to R\$103.6 million, 14.2% higher over 3Q15, mainly explained by: (i) R\$62.8 million regarding transactions with derivatives to hedge the 2020 Notes<sup>10</sup>; and (ii) maintenance of stand-by facilities, available but not drawn, in connection with the transaction with Cetip.

### Income tax and social contribution

Income and social contribution taxes totaled R\$41.9 million in 3Q16. Current taxes and social contribution totaled R\$5.9 million and includes R\$2.5 million in taxes paid by the BM&FBOVESPA Settlement Bank, with cash impact. Deferred taxes reached R\$35.9 million, with no cash impact, composed of R\$135.3 million related to temporary differences from the amortization of goodwill for tax purposes in 3Q16 and by deferred taxes amounting to R\$99.3 million (positive), mainly explained by tax credits created on account of provision expenses.

### Net Income

Net income (attributed to the shareholders) reached at R\$293.5 million in 3Q16, down by 85.4% over 3Q15. The comparison with the same period of the previous year is impacted by extraordinary items in both periods, in 3Q15, impacts related to the partial divestment in CME Group shares; and in 3Q16, extraordinary expenses related to provisions, as mentioned above.

## PRINCIPAL ITEMS OF THE CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2016

### Assets, Liabilities and Shareholders' Equity Accounts

The financial profile of BM&FBOVESPA at the end of the Sep'16 remain solid, with total assets of R\$27,152.6 million, up by 3.2% over Dec'15, and shareholders' equity of R\$18,616.8 million, an increase of 1.4% in the same period.

The main variation in assets, in comparison with the end of 2015, involved cash and cash equivalents and financial investments (current and non-current assets), which amounted to R\$10,920.4 million, up by 8.6% in comparison with Dec'15. This balance reflects the higher balance of cash deposits in guarantee given by market participants, and greater retention of the Company's cash generation due to the proposed business combination with Cetip<sup>11</sup>.

<sup>6</sup> The Company allocated part of its cash position in foreign currency to hedge firm payment commitments assumed with suppliers and service providers from changes in the BRL vs USD exchange rate. For the commitments whose payment occurred in 2015, the hedge was set up, mainly, in Jan'15 and for the commitments whose payment in 2016, the hedge was set up, mainly, in Dec'15. Therefore, the expenses related to those commitments recognized in 3Q15 were referenced on the exchange rate of Jan'15, while those commitments recognized in 3Q16 were referenced in the exchange rate of Dec'15 and were impacted by the depreciation of the BRL versus USD between Jan'15 and Dec'15. In the Financial Statements see note 4.d – Cash Flow Hedge.

<sup>7</sup> Includes expenses with legal publications, auditors, appraisers, and lawyers, among other professionals engaged as advisors for the transaction.

<sup>8</sup> Includes expenses with consulting services hired to help the integration planning of the proposed combination with Cetip, which is subject to regulatory approvals.

<sup>9</sup> Reported in the Financial Statement, note 14, and in the Reference Form, item 4.3.II.2.1.

<sup>10</sup> In Mar'16, the Company entered into swap transactions to hedge the 2020 Notes principal amount in foreign currency, switching the exchange variation risk to a short position in local interest rates. In Sep'16, The Company entered into NDFs (non-deliverable forwards) to hedge the 2020 Notes coupon from exchange variation. See Financial Statement note 4.d - Fair value hedge and Cash flow hedge.

<sup>11</sup> Pending regulatory approval by the Brazilian Securities Commission - CVM, the Central Bank of Brazil – BACEN and the Brazilian Antitrust Authority – CADE.



Current liabilities stood at R\$3,497.5 million, an increase of 66.8% over Dec'15, accounting for 12.9% of total liabilities and shareholders' equity, being the main variation: (i) the reclassification of income and social contribution taxes related to the shares of the CME Group from deferred liabilities under non-current liabilities to current liabilities, as a result of the sale of the entire equity stake in CME Group on April 7, 2016; and ii) the increase in financial derivatives used to hedge the principal of the debt at the end of Mar'16, which was affected by the appreciation of the Brazilian Real against the US Dollar. It is worth emphasizing that the higher balance of cash collateral deposited by market participants, and booked in the line collateral received in transactions, amount to R\$1,605.6 million in Sep'16 against R\$1,338.0 million in Dec'15.

Non-current liabilities, in turn, accounted for 18.6% of total liabilities and shareholders' equity, amounting to R\$5,038.3 million, a drop of 14.0% over Dec'15. The most relevant variations were: (i) lower deferred income and social contribution taxes, consisting primarily of deferred tax arising from the tax amortization of goodwill, having been affected by the reclassification of the tax on the gains generated by the sale of the investment in the CME Group, mentioned above; (ii) foreign debt decreased reflecting the Brazilian Real appreciation against the US Dollar; and (iii) increase in provisions related to a lawsuit whose prospect of defeat was assessed as probable and provisions for success fees to legal advisors for lawsuits whose prospect of defeat are assessed as possible or remote

Shareholders' equity at the end of Sep'16 stood at R\$18,616.8 million, consisting primarily of the Capital Reserve of R\$14,284.7 million and the Capital Stock of R\$2,540.2 million.

## OTHER FINANCIAL INFORMATION

### Investments

In 3Q16, investments amounted to R\$49.2 million, of which R\$43.3 million was invested in technology and infrastructure, particularly in the equities phase of the new integrated BM&FBOVESPA Clearinghouse. In the nine months of 2016, investments reached R\$157.2 million. The 2016 CAPEX budget ranges from R\$200 million to R\$230 million.

### Distribution of Earnings

On November 11, 2016, the Board of Directors approved the payment of interest on capital amounting R\$146.7 million, payable on December 2, 2016, based on the register of shareholders as of November 21, 2016.

## OTHER HIGHLIGHTS

### Central Counterparty Risk - Risk Management

Collateral for transactions carried out in the markets managed by BM&FBOVESPA consists of margin deposits in cash, government bonds, corporate debt securities, bank letters of guarantee, and stocks. At the end of Sep'16, collateral deposited amounted to R\$283.4 billion, down by 7.1% in comparison with Dec'15.

The volume of collateral deposited with the equities and corporate debt clearinghouse grew reflecting the higher financial volume of open positions in the securities lending services. On the other hand, there was a reduction in the volume of collateral deposited with the derivatives clearinghouse due to the lower volume of open-position in Interest rates in USD and stock indices contracts.

**Collateral Deposited in the Clearinghouses (R\$ million)**

Clearing houses	September 30, 2016	December 31, 2015	Variation
	In R\$ millions	In R\$ millions	(%)
Equities, corporate debt securities	90,947.3	69,484.6	30.9%
Derivatives	183,380.6	226,577.6	-19.1%
Forex	8,931.8	8,819.8	1.3%
Bonds	106.1	280.2	-62.1%
<b>Total</b>	<b>283,365.8</b>	<b>305,162.3</b>	<b>-7.1%</b>

Central counterparty operations are executed by BM&FBOVESPA's risk department and are under the responsibility of the Financial & Risk Committee of the Board of Directors.

## Updating of strategic initiatives

**Merger between BM&FBOVESPA and Cetip:** the business combination between BM&FBOVESPA and Cetip, approved by both companies' shareholders on May 20, is still awaiting regulatory approval from CVM, BACEN and CADE. This transaction, which will combine the talents and strengths of both companies, will result in the creation of a world-class infrastructure, with major systemic importance, boosting the security, soundness and efficiency of the Brazilian market. The Company has dedicated efforts to plan the business combination, respecting the ground rules set by the antitrust authorities, setting up work teams to assure that the integration steps are done in a manner to maintain the operating and technological excellence in delivering services for the market and regulators, hone the services offered to clients, as well as, capture potential synergies.

**BM&FBOVESPA Clearinghouse (post-trading integration):** in 3Q16 started the parallel production process of the second phase of the BM&FBOVESPA Clearinghouse, which will migrate the equity and corporate fixed income markets to a new infrastructure, integrating these markets with financial, commodities and OTC derivatives markets. The parallel production process replicates in the BM&FBOVESPA Clearinghouse's environment all the post-trading activities occurring in the production environment of each market. Since Jul'16, 10 parallel production cycles were conducted and BM&FBOVESPA expects that its systems and processes along with most of its market participants will reach the required readiness and stability by Dec'16. Therefore, and bearing in mind the usual technology freezing period that takes place between December and January, BM&FBOVESPA choose to extend the projects schedule, including further parallel production cycles at the beginning of 2017, and migrating in the first quarter of 2017, during the Carnival public holiday.

**IPCA (Inflation) Spread Future contract:** with the increase in liquidity of the Inflation Spread Future contract, which has been traded with the participation of Market Makers since May'16, BM&FBOVESPA has worked in partnership with market participants to change the settlement price calculation methodology for this contract, with the aim of further increase its liquidity, and since Aug'16 the contract has been traded with new trading hours and with the implementation of an electronic call. This contract reached a total of 100 thousand open interest contracts at the beginning of Aug'16, with an ADV of 2.1 thousand contracts in 3Q16 in 14 of 16 different maturities, traded by more than 40 counterparties.

**Exchange Traded Fund (ETF):** in Aug'16, a new fee policy was implemented for Market Makers that exempt them from paying exchange fees and settlement fees on hedge transactions with equities that compose the theoretical portfolio of the index tracked by the respective ETF. Additionally, it was launched a new ETF referenced in the Bovespa index (BOVV11), expanding to 15 the number of ETFs available for trade. The ADTV of this type of contract in 3Q16 reached R\$170.8 million, 20.1% higher than the same period of the previous year.

**Evolution Process of the Special Listing Segments:** another important stage in the evolution process of the Special Listing Segments was concluded in 3Q16. This process began in Mar'16 through a detailed analysis made by BM&FBOVESPA on corporate governance best practices adopted in more than 20 jurisdictions jointly with a public consultation that had a wide engagement of investors, listed companies and market entities. After the consolidation of the results, BM&FBOVESPA proposed a series of changes on the rules of Novo Mercado and Level 2 and led a public hearing with all market participants, which was concluded in Sep'16. Based on the answers received in the public hearing, BM&FBOVESPA proposed a new version of Novo Mercado and Level 2 regulations and, in Nov'16, started another round of public hearing with all stakeholders to discuss it. When this phase is completed, the Company will organize a restricted hearing only with the companies listed in special segments to deliberate on the changes.

## Sustainability and Private Social Investment

In September, BM&FBOVESPA launched the 2<sup>nd</sup> edition of the *Guia de Sustentabilidade Novo Valor – Como começar, quem envolver e o que priorizar* (the "New Value Sustainability Guide – How to begin, who to involve and what to prioritize"). The main new development was the inclusion of ESG (Environmental, Social and Corporate Governance) indicators to be reported by the listed companies. The proposed indicators are in line with the international guidelines of the Sustainable Stock Exchanges (SSE), the World Federation of Exchanges (WFE), the Global Reporting Initiative (GRI) and Corporate Knights Capital.

On the private social investment agenda, 20 athletes of the BM&FBOVESPA Athletic Club were called up for the Olympic Games in Rio de Janeiro, and participated in 5 finals, 3 semifinals and set a Brazilian record in the shot put.

## EXTERNAL AUDIT

The Company and its subsidiaries retained Ernst & Young Auditores Independentes to provide audit services for their financial statements.



The Company's policy for engaging external audit services is based on internationally accepted principles, which preserve the independence of work of this nature and include the following practices: (i) the auditor may not perform executive or management functions in the Company or its subsidiaries; (ii) the auditor may not perform operational activities in the Company or its subsidiaries that might compromise the efficacy of the audit work; and (iii) the auditor must remain impartial – avoiding any conflicts of interest or loss of independence – and must be objective in his opinions and pronouncements on the financial statements.

In 3Q16, no services were provided by the independent auditors and related parties other than those involving external auditing.