BTG Pactual – Earnings Release

First Quarter 2014

May 06, 2014

Highlights

Rio de Janeiro, Brazil, May 06, 2014 - Banco BTG Pactual S.A. ("Banco BTG Pactual") and BTG Pactual Participations Ltd. ("BTGP", and together with Banco BTG Pactual and their respective subsidiaries, "BTG Pactual") (BM&FBOVESPA: BBTG11 and Euronext: BTGP) today reported combined adjusted total revenues of R$1,706.3 million and combined net income of R$831.7 million for the quarter ended March 31, 2014.

Net income per unit and annualized return on average shareholders' equity (ROAE) of BTG Pactual were R$0.92 and 20.2%, respectively, for the quarter ended March 31, 2014.

As of March 31, 2014, total assets for BTG Pactual were R$193.9 billion, an increase of 8% from December 31, 2013, and the BIS capital ratio for Banco BTG Pactual was 17.1%.

BTG Pactual Financial Summary and Key Performance Indicators

Highlights and KPIs (unaudited) *(in R$ million, unless otherwise stated)*	**Quarter**		
	1Q 2013	**4Q 2013**	**1Q 2014**
Total revenues	1,694	1,799	1,706
Operating expenses	(663)	(880)	(647)
Of which fixed compensation	(112)	(135)	(159)
Of which variable compensation	(275)	(400)	(225)
Of which non compensation	(276)	(345)	(263)
Net income	**612**	**768**	**832**
Net income per unit (R$)	0.68	0.85	0.92
Annualized ROAE	**16.9%**	**19.3%**	**20.2%**
Cost to income ratio	39%	49%	38%
Coverage ratio	198%	195%	167%
Shareholders' equity	**14,747**	**16,091**	**16,908**
BIS Capital Ratio (Banco BTG Pactual only)	16.9%	17.8%	17.1%
Total assets (in R$ billion)	173.0	179.1	193.9
AuM and AuA (in R$ billion)	175.5	189.5	188.5
WuM (in R$ billion)	66.7	67.6	68.2

Performance

For the 1Q 2014, we achieved an annualized ROAE of 20.2% and net income of R$831.7 million. Revenues in the quarter were 5% below 4Q 2013 and net income was 8% above the same period. During the quarter, we had a solid performance on our client-facing businesses; (i) we maintained the market leadership in Investment Banking in Brazil and LatAm (ii) presented solid returns and maintained asset quality in Corporate Lending, (iii) had a particularly strong quarter in Sales and Trading as a result of good performance from most of our FICC desks, (iv) increased our Management fees as a consequence of the continuous improvement of the AuM and AuA mix, and (v) maintained a high level of revenues in Wealth Management. In Principal Investments we had negative revenues of R$114.8 million, mainly due to our Real Estate unit, where results were negatively impacted by our investment in BR Properties.

Our costs continue to be under control. In the 1Q 2014 our operating expenses reached R$647.3 million, a 26% decrease when compared to the 4Q 2013. When compared to the 1Q 2013 our operating expenses remained flat. Consequently, in the 1Q 2014, our cost to income ratio was 37.9%, our compensation ratio was 22.5%, and our coverage ratio was 167.0%.

As a result, our net income reached R$831.7 million in 1Q 2014, up 8% from the 4Q 2013, and 36% compared to the 1Q 2013. Our effective income tax rate for the quarter was 21.5%.

Our shareholder’s equity grew 5% from R$16.1 billion at the end of the 4Q 2013 to R$16.9 billion at the end of the 1Q 2014 taking into account the negative impact of R$14.6 million from other comprehensive income (OCI) in the quarter. When compared to the 1Q 2013, our shareholder’s equity grew 15%, after the distribution of dividends and JCP of R$694.6 million in the period.

BTG Pactual’s AuM and AuA ended the quarter at R$188.5 billion, stable when compared to the end of the 4Q 2013, and WuM ended the period at R$68.2 billion, also stable when compared to the end of the 4Q 2013.

“We are pleased with our returns in the quarter. Our business continues to present solid performance, with a positive impact from the successful ramp-up of our commodities desks. Also, our LatAm affiliates have presented very good results in the quarter, in consequence of several opportunities our teams have been seizing locally. These initiatives are contributing with additional revenues and returns, as well as with an increased diversification of our business platform. We have continued to post significant results in our Asset Management area, continuously improving of our RoA. Even with capital deployment and balance sheet usage still at low levels, and weak levels of activity in capital markets in LatAm we have presented adequate returns in the quarter and remain optimistic with the opportunities ahead in the year.” said André Esteves, CEO of the Group.

Relevant Events

On January 24, 2014 Banco BTG Pactual received its banking licenses from the Luxembourg Ministry of Finance, formalizing both the Bank’s new offshore branch as well as its local subsidiary. Further infrastructure and operational processes are being implemented with the objective to initiate the business activities in the second quarter of 2014.

Global Market and Economic Analysis

The first quarter started on a risk off mode, reflecting the escalation of the tensions in emerging markets currencies. In Turkey, political issues coupled with the reluctance of the Central Bank to raise interest rates resulted in a sharp depreciation of the Turkish Lira, which spilled over to the other emerging markets, especially to the other economies of the so-called fragile five group. In addition, economic indicators in the US, the labor market in particular, and in China disappointed. However, the risk aversion started to abate at the end of January when the Central Bank of Turkey finally hiked interest rates in an intermeeting decision and the economic indicators in the US started to show that the slowdown was temporary, reflecting in large part the unusually cold winter. The months of February and March were marked by a risk on mode in spite of the problems in Ukraine.

Having declined by 30bp to 2.7% in January, the yield on the 10 year US Treasury bond was range-bound in February and March, despite the gradual pick-up in the US economy towards the end of the quarter. This patern has contributed to the over performance of emerging markets assets in February-March. The US Treasury bonds dynamics affected the long-term interest rate of other economies such as Brazil.

The low volatility environment from February onwards resulted in a sharp depreciation of the USD against emerging market currencies: the Indonesia Rupiah (IDR) appreciated 7.5% against the USD in February and March, the Brazilian Real (BRL) rose 6.2%, the South African Rand (ZAR) rose 5.6%, the Turkish Lira (TRY) rose 5.4%, and the Indian Rupee (INR) appreciated 4.6%. In the Q1 as a whole, however, the appreciation was less pronounced, as emerging market currencies had suffered in January: The IDR rose 7.1%, the BRL rose 4%, the INR appreciated 3.2%, the TRY rose 0.4%, and the ZAR was roughly flat. The developed economies currencies posted smaller changes. The EUR rose 0.2% in Q1 (or 2.1% in February-March) and the Yen appreciated 2% (or -1.2% in February-March).

The S&P 500 Index posted a small increase in Q1 (1.3%), and its price dynamics within the quarter was reflected in the main emerging markets equity indices. From December 31, 2013 to February 2, 2014, the S&P 500 Index declined 5.8%, but it rose 7.5% from February 3 to March 31. The emerging market equity index (MSCI EM Index) declined 1.2% in the quarter, but rose 6.2% from February 5 (the lowest level) to the end of March. On the other hand, the DAX was flat and the Nikkey declined 9%, in large part due to the disappointment with the BOJ, which decided not to increase its asset purchase program as expected by several investors. In Brazil, the Ibovespa declined by 2.1% in the Q1, having risen 12.1% from the quarter's trough (in the beginning of March), in spite of the downgrade of the Brazilian credit rating by S&P (from BBB to BBB-, the lowest investment grade rating).

The global economic growth slowed down in Q1 led by the US economy, and inflation remained low, mainly in the developed economies. Although some part of the economic growth deceleration is likely to be structural, as in the case of China, a large part was due to temporary factors (i.e. weather effect). As a result, we expect the global economy to accelerate in Q2 (preliminary data for April point in this direction). Regarding inflation in the Eurozone and in the US, both the CPI and the core CPI have probably bottomed in Q1, and they are expected to pick up gradually in the coming quarters. In Brazil, on the other hand, inflation remained high in Q1 (12 months CPI accelerated from 5.91% in Dec 2013 to 6.15% at the end of March, and is expected to continue to rise in the coming months, breaching the ceiling of the target band, 6.5%, at the middle of the year and ending the year at 6.5%). The Central Bank raised the Selic rate by 100bp in the first 4 months of the year (50bp in January and 25bp in both February and April) to 11% p.a. and signaled that the tightening cycle is close to an end. After a positive surprise in Q4 2013, GDP growth is expected to slowdown in Q1 and to remain weak in Q2, reflecting high inventories levels, low business confidence, and higher interest rates.

The Investment Banking market developments in 1Q 2014 are mainly related to M&A and DCM, since equity markets continued to show no significant signs of recovery, mainly in Brazil. M&A activity has not repeated the abnormally strong results of 4Q 2013, but still was up 119% and 38% in Brazil and LatAm, respectively, compared to the same quarter of last year. At the same token, International DCM markets in both Brazil and LatAm have almost doubled if compared to 1Q 2013, and even more so if compared to 4Q 2013. The exception is related to domestic DCM in Brazil, where volumes fell 50% if compared to 4Q 2013. ECM has also repeated disappointing volumes, with no transactions at all happening in Brazil and lackluster levels in LatAm.

Combined Adjusted Revenues

Revenues in the 1Q 2014 decreased 5% when compared with the 4Q 2013 and remained stabled when compared to the 1Q 2013.

Combined Adjusted Revenues (unaudited) *(in R$ million, unless otherwise stated)*	Quarter			1Q 2014 % change to	
	1Q 2013	4Q 2013	1Q 2014	1Q 2013	4Q 2013
Investment Banking	104	50	70	-32%	41%
Corporate Lending	210	187	197	-6%	5%
Sales and Trading	670	339	874	30%	158%
Asset Management	253	480	350	38%	-27%
Wealth Management	102	90	93	-9%	3%
Principal Investments	167	474	(115)	n.a.	n.a.
Banco Pan	(4)	(82)	(27)	n.a.	n.a.
Interest and Other	190	261	264	39%	1%
Total revenues	**1,694**	**1,799**	**1,706**	**1%**	**-5%**

Investment Banking

The tables below present details related to announced transactions in which BTG Pactual participated:

BTG Pactual Announced Transactions (unaudited)	Number of Transactions[(1),(3)]			Value[(2),(3)] (US$ mln)		
	1Q 2013	4Q 2013	1Q 2014	1Q 2013	4Q 2013	1Q 2014
Financial Advisory (M&A)[(4)]	8	16	11	1,982	19,855	7,145
Equity Underwriting (ECM)	5	5	4	607	494	233
Debt Underwriting (DCM)	18	18	1	2,378	1,779	92

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 inclusion 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 rank, (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)

Investment Banking 1Q 2014 market share highlights

- M&A: #1 in transaction volumes, #2 in announced transactions in Brazil, #2 in announced transactions and transaction volumes in Latin America
- ECM: #1 in number of transactions in LatAm
- DCM: #4 in number of transactions and transaction volumes for Local Brazilian DCM

1Q 2014 vs. 4Q 2013

Despite the weak capital markets activity in LatAm, Investment Banking posted a good performance during the quarter, with revenues of R$70.3 million, a 41% increase compared to the 4Q 2013. The increase can be mainly attributed to higher Financial Advisory revenues, due to the higher number of transaction effectively closed in the period. In addition we continued to have sound market activity and maintaining our market share given the number of announced transactions and transaction volumes. In equity underwriting, our revenues decreased marginally, however, we continued to be the market leader in number of LatAm transactions. Our DCM revenues were stable compared to the previous quarter due to continuing slow market activity especially in local Brazilian DCM during the period.

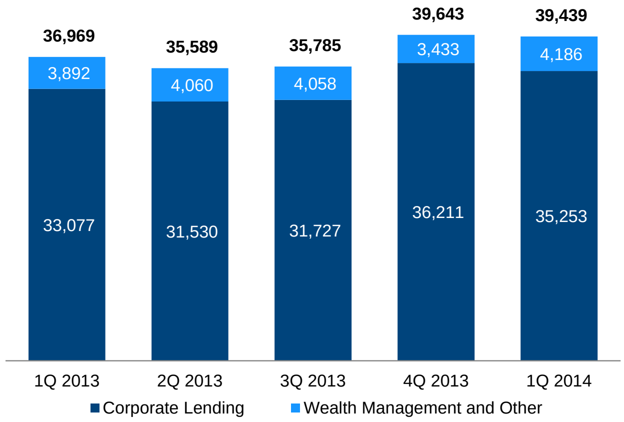
1Q 2014 vs. 1Q 2013

Revenues decreased 32% when compared with the 1Q 2013, with the decline in revenue occurring in ECM and DCM. When compared to the 1Q 2013, our ECM revenues decreased mainly due to the very weak levels of market activity in local capital markets. Our DCM revenues also reduced, as a consequence of the comparably stronger market activity and good profitability on a per transaction basis in the 1Q 2013. Revenue decrease was partially offset by our higher Financial Advisory revenues, which maintains a sustainable market share, further consolidating our market leadership in Brazil and LatAm.

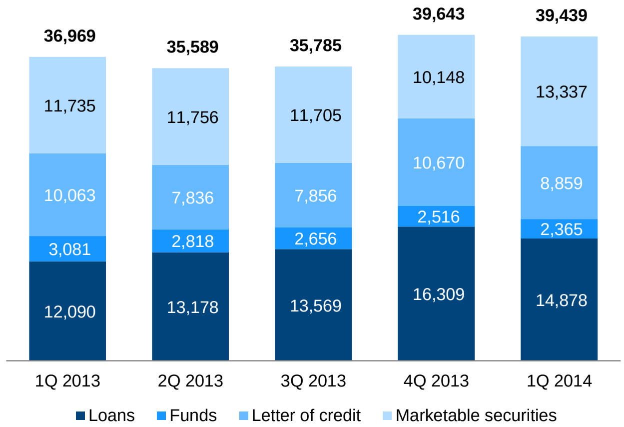
Corporate Lending

BTG Pactual Broader Credit Portfolio

Broader Credit Portfolio Breakdown By Area
(in R$ million)



Broader Credit Portfolio By Product
(in R$ million)

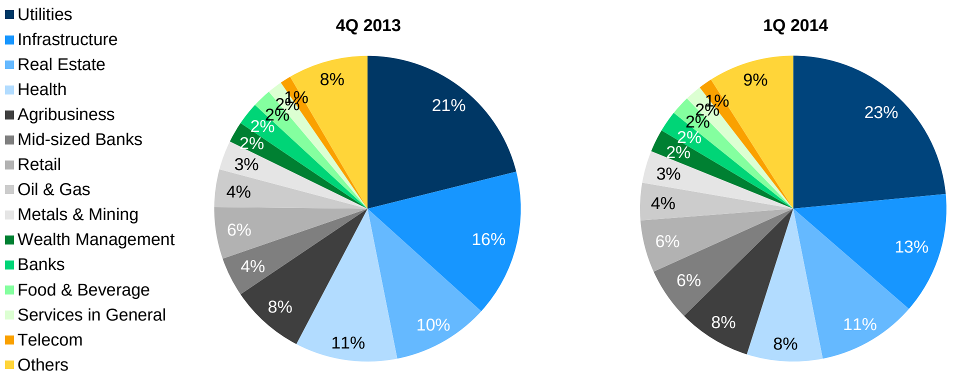


Notes:
(1) Other: includes interbank deposits, Merchant Banking structured transactions and others
(2) Wealth Management impacts WM results, other impacts Sales and Trading and Merchant Banking results

Our broader credit portfolio is composed of loans, receivables, advances in foreign exchange contracts, letters of credit and marketable securities bearing credit exposures (including debentures, promissory notes, real estate bonds, and investments in credit receivable funds – FIDCs).

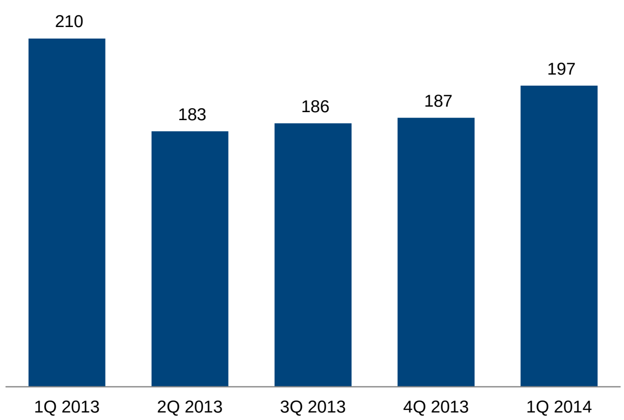
The balance of our broader credit portfolio, as of the end of the 1Q 2014, remained stable when compared to 4Q 2013. We have continued to develop our Corporate Lending business, especially in LatAm outside of Brazil, which is an important source of origination. In 2014, we continued to apply more selective standards for liquidity and credit risk.

Broader Credit Portfolio By Industry
(% of total in values)



Corporate Lending Detailed Results

Revenues
(in R$ million)



1Q 2014 vs. 4Q 2013

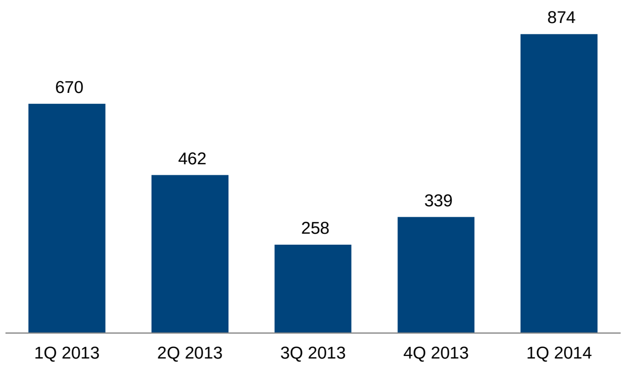
Revenues from Corporate Lending increased 5%, from R$187.4 million to R$196.6 million, in line with the 5% growth of the average balance of the Corporate Lending portfolio. Revenues were also impacted with the recognition of structuring fees from certain credit transactions, offset by an increase in total provisions in the period.

1Q 2014 vs. 1Q 2013

Revenues from Corporate Lending decreased 6%, from R$210.2 million to R$196.6 million, while we had a 12% growth of the average balance of our corporate lending portfolio, from R$35.4 billion in the 1Q 2013 to R$39.5 billion in the 1Q 2014. Revenues in the 1Q 2014 were negatively impacted by diminished structuring fees.

Sales and Trading

Revenues
(in R$ million)



1Q 2014 vs. 4Q 2013

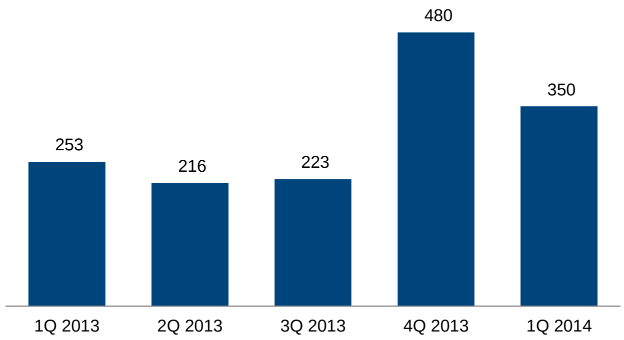
Revenues from Sales and Trading increased 158%, from R$339.1 million to R$873.9 million. Revenue growth was mainly attributable to the robust performance of our global commodities desks, which have been delivering strong results following the successful implementation of our global trading platform. Our Sales and Trading revenues were also positively impacted by the growth in revenues from our FX desk where client flows have picked up significantly. Revenues from our rates desks have presented a slight decrease in the quarter, and our equities desks have performed below expectations, due to continued risk aversion from our clients, especially in Brazilian equity markets.

1Q 2014 vs. 1Q 2013

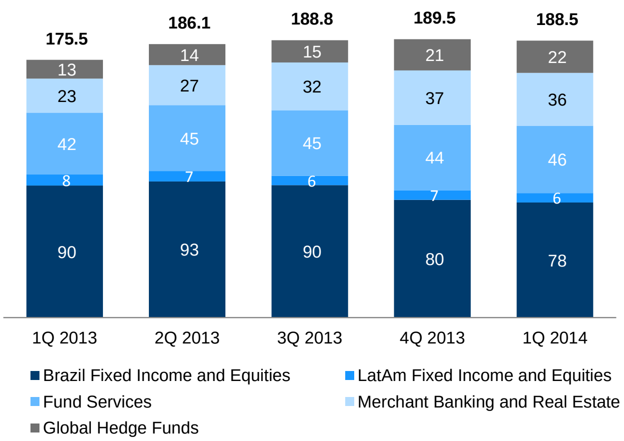
Sales and Trading revenues increased 30%, from R$670.4 million to R$873.9 million. The increase in revenue was mainly due to the robust performance of our global commodities desks. The aforementioned increase was partially offset by weaker revenues from fixed income, which had a very strong performance in the 1Q 2013, and our equities desks in the 1Q 2014.

Asset Management

Revenues
(in R$ million)



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



1Q 2014 vs. 4Q 2013

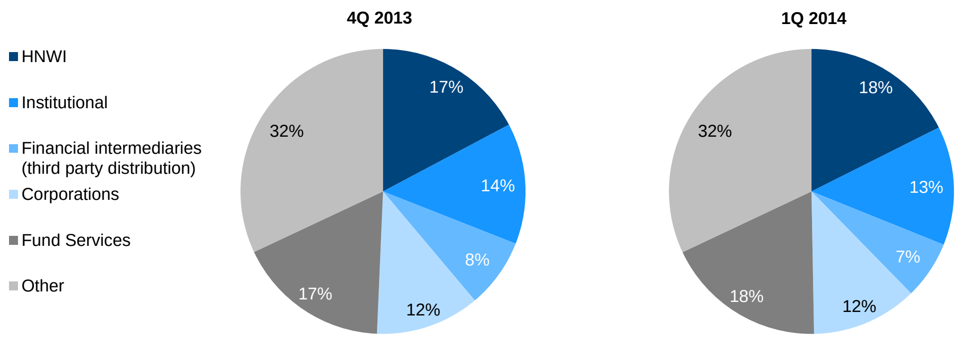
Revenues from Asset Management decreased 27%, from R$480.3 million to R$350.3 million. The decrease was mainly due to the recognition of performance fees, particularly from our global hedge funds, which is typically determined at the end of the accrual period, which takes place at the end of the year. The decrease was offset by significant increase in management fees, as a consequence of the change in the composition of our AuM and AuA.

Net new money was positive R$0.4 billion.

1Q 2014 vs. 1Q 2013

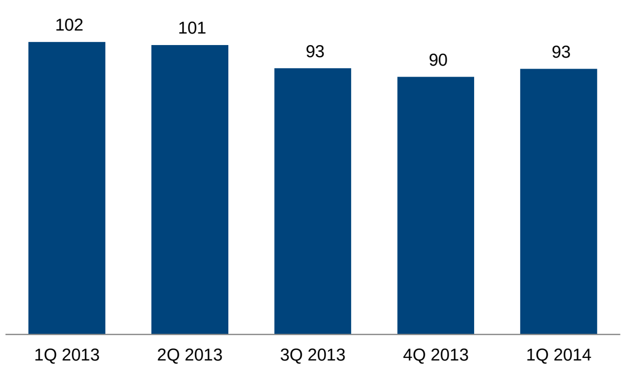
Revenues from Asset Management increased 38%, from R$253.4 million to R$350.3 million. The increase in revenues was mainly due to the 7% growth of our AuM and AuA, also impacted by the increase in RoA, due to the asset mix.

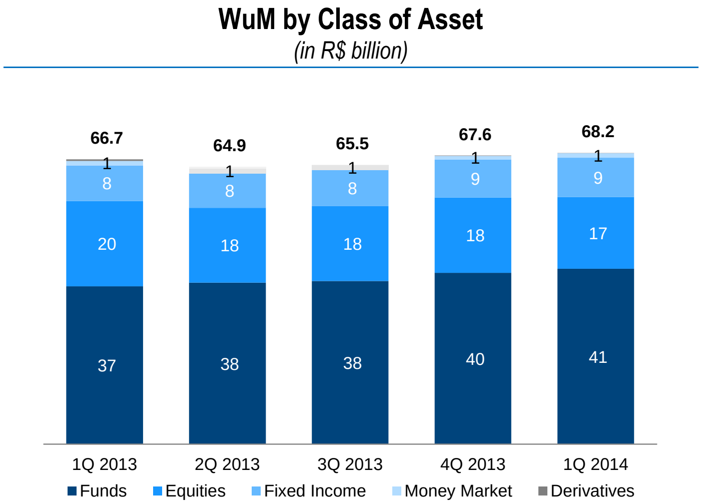
AuM and AuA by Type of Client
(%)



Wealth Management

Revenues
(in R$ million)





1Q 2014 vs. 4Q 2014

Revenues from Wealth Management increased 3%, from $89.8 million in the 4Q 2013 to R$92.5 million in the 1Q 2014. The increase is predominantly due to higher fees from clients' activities. WuM closed the period at R$68.2 billion, a 1% increase when compared to the end of the previous period.

NNM was positive R$0.6 billion.

1Q 2014 vs. 1Q 2013

Revenues from Wealth Management decreased 9%, from R$101.9 million to R$92.5 million, as a consequence of fees charged in the distribution of investment funds which occurred in the 1Q 2013.

Principal Investments

Principal Investments Revenues (unaudited)	Quarter			1Q 2014 % change to	
(in R$ million, unless otherwise stated)	1Q 2013	4Q 2013	1Q 2014	1Q 2013	4Q 2013
Global Markets	276	440	84	-70%	-81%
Merchant Banking	81	10	(35)	n.a.	n.a.
Real Estate	(190)	24	(163)	n.a.	n.a.
Total	**167**	**474**	**(115)**	**n.a.**	**n.a.**

1Q 2014 vs. 4Q 2013

Principal Investments revenues decreased from R$473.8 million in the 4Q 2013 to negative R$114.8 million in the 1Q 2014. Revenue decline was mainly due the negative contribution from Real Estate, as a result of the negative impact from our investment in BR Properties, following a 9% decrease in the average share price from R$18.54 in the 4Q 2013 to R$16.80 in the 1Q 2014 (closing price as of March 31st, 2014 was R$18.63).

In Global Markets, our Emerging Markets strategies delivered weaker results, while our global strategies, especially fixed income, credit and US Mortgages continued to present favorable results.

Finally, Merchant Banking negative revenues primarily reflect the cost of capital allocated to the division, partially offset by positive share of profit from the Merchant Banking portfolio, with no relevant events in the 1Q 2014.

1Q 2014 vs. 1Q 2013

Revenues from Principal Investments declined when compared to the 1Q 2013. The decrease in revenues was mainly due to weaker Global Markets performance, as previously described, and a decrease in Merchant Banking revenues due to the accrual of gains from the STR transaction in the 1Q 2013.

Given the nature of our assets and the structure of our business, our Merchant Banking and Real Estate investments are generally not measured at fair value, except when the companies are publicly traded. Our results from those businesses will typically reflect (i) our share of profits or losses from our invested companies, (ii) dividends received from investments not subject to the equity pick up method of accounting, (iii) allowances for valuation of properties, impairment of goodwill or for losses in investments, (iv) our internal funding costs applied to the merchant banking and real estate portfolios and (v) gains on the divestiture of our investments.

Banco Pan

1Q 2014 vs. 4Q 2013

From this quarter on, we will be reporting Banco Pan's results gross of funding cost to allow for a more straightforward comparison with the results posted by Banco Pan.

Our investment in Banco Pan presented a loss of R$26.9 million in the 1Q 2014, lower than the loss of R$82.2 million recorded in the previous quarter. This loss was composed of our R$26.9 million of share of losses from Banco Pan, compared to an R$61.9 million of share of losses in the 4Q 2013.

1Q 2014 vs. 1Q 2013

The losses recognized from our investment in Banco Pan for 1Q 2014 were higher than the 1Q 2013. Our results from Banco Pan decrease from a loss of R$3.8 million in the 1Q 2013, composed of a R$12.9 million share of profits and R$16.7 million funding costs charged to this investment, compared to a loss of R$26.9 million share of losses in the 1Q 2014.

Interest and Other

1Q 2014 vs. 4Q 2013

Interest and Other revenues remained stable in the quarter. Revenues increased in line with the growth of our Shareholders' Equity together with the hike in the average base interest rate of the Brazilian Central Bank. This was partially offset by the funding costs applied to our investment in Banco Pan.

1Q 2014 vs. 1Q 2013

Revenues from Interest and Other increased 39%, mainly due to the increase of 15% in our shareholders' equity in the period, and the increase in the average interest rate of the Central Bank of Brazil, from 7.25% in the 1Q 2013 to 11% in the 1Q 2014, partially offset by the funding costs applied to our investment in Banco Pan.

Combined Adjusted Operating Expenses

Combined Adjusted Operating Expenses (unaudited)	Quarter			1Q 2014 % change to	
(in R$ million, unless otherwise stated)	1Q 2013	4Q 2013	1Q 2014	1Q 2013	4Q 2013
Bonus	(275)	(400)	(225)	-18%	-44%
Salaries and benefits	(112)	(135)	(159)	42%	18%
Administrative and other	(158)	(204)	(178)	12%	-13%
Goodwill amortization	(45)	(53)	(46)	2%	-12%
Tax charges, other than income tax	(72)	(88)	(39)	-46%	-56%
Total operating expenses	**(663)**	**(880)**	**(647)**	**-2%**	**-26%**
Cost to income ratio	39%	49%	38%	-3%	-22%
Compensation ratio	23%	30%	23%	-1%	-24%
Coverage ratio	198%	195%	167%	-16%	-14%
Total number of employees	2.516	2.715	2.877	14%	6%
Partners and associate partners	186	181	208	12%	15%
Employees	2.202	2.403	2.539	15%	6%
Other	128	131	130	2%	-1%

Bonus

Bonus expense was R$225.3 million in the 1Q 2014. Bonus expenses were 44% lower than the previous quarter, and 18% lower when compared to the 1Q 2013. Our bonuses are determined in accordance with our profit-sharing program, and are calculated as a percentage of our adjusted revenues, excluding Interest and Other revenues, reduced by our operating expenses. The calculation methodology was consistently applied in all periods.

Salaries and benefits

Staff costs increased 18%, when compared to the 4Q 2013, in line with the growth in the total number of employees from 2,715 to 2,877. Expenses related to salaries and benefits were R$112.1 million in 1Q 2013 and R$134.7 million in the 4Q 2013, compared to R$159.1 million in the 1Q 2014.

Administrative and other

Total administrative and other expenses decreased 13%, from R$204.2 million in the 4Q 2013 to R$177.8 million in the current quarter, mainly as a result of higher professional fees and T&E expenses in the previous quarter.

Goodwill amortization

In the 1Q 2014 we recorded amortization expenses totaling R$46.3 million, in connection with our goodwill from the acquisitions of Celfin and Bolsa y Renta. Goodwill amortization was in line with the 4Q 2013 and the 1Q 2013.

Tax charges, other than income tax

Tax charges, other than income tax, were R$38.8 million, a decrease of 56% and 46% when compared to the 4Q 2013 and 1Q 2013 respectively, as a smaller part of the revenues were subject to tax charges in the period.

Combined Adjusted Income Taxes

Combined Adjusted Income Tax (unaudited) *(in R$ million, unless otherwise stated)*	Quarter		
	1Q 2013	4Q 2013	1Q 2014
Income before taxes	1,031	919	1,059
Income tax and social contribution	(419)	(151)	(227)
Effective income tax rate	**40.7%**	**16.4%**	**21.5%**

Our effective income tax rate went from 16.4% (representing an expense of R$151 million) in the 4Q 2013 to 21.5% (an expense of R$227 million) in the current quarter, mainly due to the computation of interest on equity (JCP) in the amount of R$246.9 million in the 4Q 2013.

Balance Sheet

Our total assets increased 8%, from R$179.1 billion at the end of the 4Q 2013 to R$193.9 billion at the end of the 1Q 2014, mainly due to an increase in our derivative financial instruments portfolio, mostly related to forward contracts which are booked on a gross basis. There was also an increase in our trade settlement balances accounts and foreign exchange, both included in other receivables, and an increase in our on-balance loan portfolio (offset by a decrease in our off-balance credit portfolio). Our leverage ratio was 11.5x at the end of the 1Q 2014.

The increase in our total liabilities was mainly due to an increase in derivative financial instruments portfolio (mostly forward contracts). There was also an increase in our foreign exchange portfolio (unsettled exchange sold linked to our rights on foreign exchange sales) and trade settlement balances, both included in other liabilities, and an overall increase in our unsecured funding. Our shareholders' equity increased 5%, from R$16.1 billion at the end of the 4Q 2013 to R$16.9 billion at the end of the 1Q 2014, mainly due to net income of R$831.7 million for the quarter ended March 31, 2014 and the R$14.6 million negative impact of OCI (other comprehensive income) in the quarter.

Risk and Capital Management

There were no significant changes in the risk and capital management framework in the quarter.

Market Risk – Value-at-risk

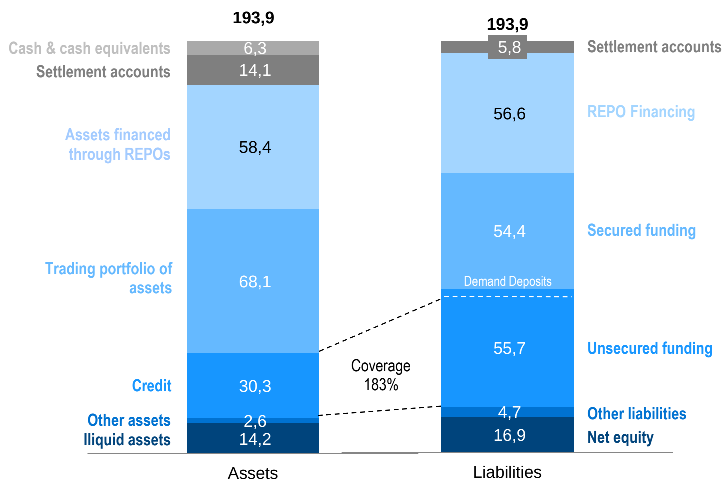
Value-at-risk (unaudited) *(in R$ million, unless otherwise stated)*	Quarter		
	1Q 2013	4Q 2013	1Q 2014
Total average daily VaR	**84.9**	**85.0**	**89.3**
Average daily VaR as a % of average equity	0.59%	0.53%	0.54%

Our total average daily VaR remained marginally stable as a percentage of our average shareholders' equity, when compared to the 4Q 2013 yet decreased when compared to the 1Q 2013. However, we increased the VaR allocated in Banco BTG Pactual S.A. as a consequence of the ramp up of our Sales and Trading global Commodities platform and overall FICC market risk exposure. As we have outlined in the past, that is a characteristic of our business model, in which our average VaR may vary, from time to time, due to our perceptions concerning capital deployment opportunities in the various markets in which we operate.

Liquidity Risk Analysis

The chart below summarizes the composition of assets and liabilities as of March 31, 2014:

Summarized Balance Sheet (unaudited)
(in R$ billion)



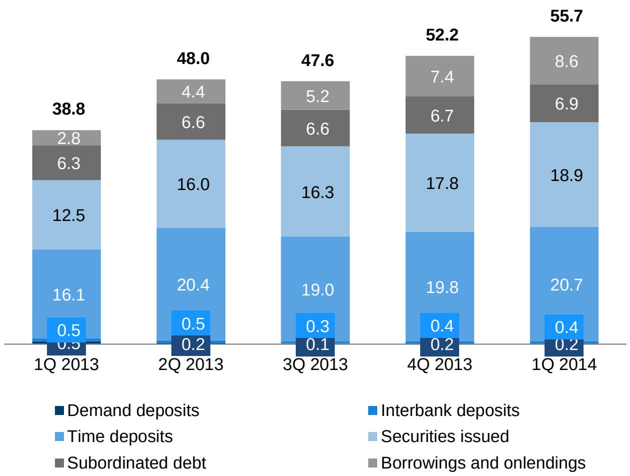
Note:
(1) From 1Q 2013 on, unsecured funding includes secured funding that uses credit or illiquid asset as collateral (1Q 2014 = R$3.2 billion)

Unsecured Funding Analysis

The chart below summarizes the composition of our unsecured funding base evolution:

Unsecured Funding Evolution (unaudited)

(in R$ billion)



Note:

(1) From 1Q 2013 on, time deposits includes secured funding that uses credit or illiquid asset as collateral (1Q 2014 = R$3.2 billion)

Our total unsecured funding increased 7% in the quarter to R$55.7 billion, concentrated in securities issued and borrowings and onlendings.

Credit Risk

The following table sets forth the distribution, by credit rating, of our credit exposures as of March 31, 2014. The rating shown below reflects our internal ratings assessment, consistently applied following the Brazilian Central Bank standard ratings scale:

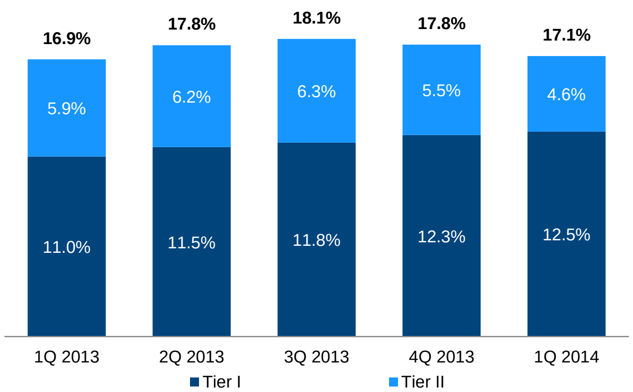
Rating (unaudited) *(in R$ million)*	**1Q 2014**
AA	15,388
A	13,949
B	6,052
C	3,320
D	294
E	245
F	40
G	122
H	29
Total	**39,439**

Capital Management

Banco BTG Pactual must comply with capital requirements standards established by the Central Bank of Brazil that are similar to those proposed by the Basel Committee on Banking Supervision, under the Basel Capital Accord. Our BIS capital ratios, calculated in accordance with the Brazilian Central Bank standards and regulations, are applicable only to Banco BTG Pactual and are set out in the table below.

The Basel ratio slightly decreased in the 1Q 2014 to 17.1%. The Basel index reflects the capital deployment across the period and was a result of an increase in risk weighted assets mainly from market risk. The decrease in our Tier II capital ratio is mainly due to the implementation of the regulatory amortization schedule for eligible debt.

Basel Ratio (unaudited)
(%)



Other Matters

This document should be read together with the interim financial information of Banco BTG Pactual S.A. and BTG Participations Ltd. for the quarter ended March 31, 2014. Both the earnings release and the interim financial information are available online in the Investor Relations section at www.btgpactual.com/ir.

Exhibits

Basis for Presentation

Except where otherwise noted, the information concerning our financial condition presented in this document is based on our Combined Balance Sheet, which is prepared in accordance with Brazilian GAAP. Except where otherwise noted, the information concerning our results of operations presented in this document is based on our Combined Adjusted Income Statement, which represents a revenue breakdown by business unit net of funding costs and financial expenses allocated to such unit, and a reclassification of certain other expenses and costs.

Our Combined Adjusted Income Statement is derived from the same accounting information used for preparing our Combined Income Statement in accordance with Brazilian GAAP. The classification of the line items in our Combined Adjusted Income Statement is unaudited and materially differs from the classification and presentation of the corresponding line items in our Combined Income Statement. As explained in the notes to the Combined Financial Statements of BTG Pactual, our combined financial statements are presented with the exclusive purpose of providing, in a single set of financial statements and in one GAAP, information related to the operations of the Group and represents the combination of transactions from (i) Banco BTG Pactual S.A. and its subsidiaries, and (ii) BTG Investments LP and its subsidiaries.

Key Performance Indicators ("KPIs") and Ratios

The key performance indicators (KPIs) and ratios are monitored by management and pursued to be achieved across financial periods. Consequently, key indicators calculated based on annual results across financial periods may be more meaningful than quarterly and of any specific date results. KPIs are calculated annually and adjusted, when necessary, as part of the strategic planning process and to reflect regulatory environment or significant adverse market conditions.

This section contains the basis for presentation and the calculation of selected KPIs and ratios presented in this report.

KPIs and Ratios	Description
AuM and AuA	Assets under management and assets under administration consist of proprietary assets, third party assets, wealth management funds and/or joint investments managed or administrated among a variety of assets classes, including fixed income, equities, money market accounts, multi-market funds and private equity funds.
Cost to income ratio	It is computed by dividing the combined adjusted total operating expenses by combined adjusted total revenues.
Coverage ratio	It is computed by dividing the combined adjusted fee revenues by the sum of combined adjusted salaries and benefits and administrative and other expenses. Combined adjusted fee revenues are computed by adding the combined adjusted total revenues from investment banking, asset management and wealth management units to brokerage fees from the sales and trading unit.
Effective income tax rate	It is computed by dividing the combined adjusted income tax and social contribution or (expense) by the combined adjusted income before taxes.
Net income per unit	Net income per unit for periods before 2Q 2012 represents the combined net income divided by total pro-forma number of units pre-offering. The total pro-forma number of units pre-offering considers the combined capital of Banco BTG Pactual and BTGP comprised solely of units. Each pro-forma unit is comprised of 3 different classes of shares of Banco BTG Pactual and BTGP, which is consistent with the units offered in the IPO of April 2012, and therefore the combined capital would be comprised of 800 million units. Net Income per unit for 2Q12 and the following periods, including 6M 2012, represents the combined net income divided by total number of units in the end of period (the combined capital is comprised of 905 million). This item is a non-GAAP measurement and may not be comparable to similar non-GAAP measures used by other companies.
ROAE	Annualized ROE for the periods are computed by dividing annualized combined net income by the combined average shareholders' equity. We determine the average shareholders' equity based on the initial and final net equity for the quarter.

KPIs and Ratios	Description
VaR	The VaR numbers reported are calculated on a one-day time horizon, a 95.0% confidence level and a one-year look-back window. A 95.0% confidence level means that there is a 1 in 20 chance that daily trading net revenues will fall below the VaR estimated. Thus, shortfalls from expected trading net revenues on a single trading day greater than the reported VaR would be anticipated to occur, on average, about once a month. Shortfalls on a single day can exceed reported VaR by significant amounts and they can also occur more frequently or accumulate over a longer time horizon, such as a number of consecutive trading days. Given its reliance on historical data, the accuracy of VaR is limited in its ability to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate predictions of future market risk. Different VaR methodologies and distributional assumptions can produce materially different VaR. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day. “Stress Test” modeling is used as a complement of VaR in the daily risk management activities.
WuM	Wealth under management consists of private wealth clients' assets that we manage across a variety of asset classes, including fixed income, money market, multi-asset funds and merchant banking funds. A portion of our WuM is also allocated to our AuM to the extent that our wealth management clients invest in our asset management products.
Leverage Ratio	Leverage Ratio is computed by dividing the total assets by the combined shareholders’ equity.

Selected Combined Financial Data

Balance Sheet (unaudited) *(in R$ million, unless otherwise stated)*	Quarter			1Q 2014 % change to	
	1Q 2013	4Q 2013	1Q 2014	1Q 2013	4Q 2013
Assets					
Cash and bank deposits	746	1,163	709	-5%	-39%
Interbank investments	44,156	29,565	37,760	-14%	28%
Marketable securities and derivatives	90,460	87,893	92,106	2%	5%
Interbank transactions	423	240	401	-5%	67%
Loans	11,392	16,083	14,561	28%	-9%
Other receivables	21,841	37,223	41,716	91%	12%
Other assets	44	98	65	47%	-34%
Permanent assets	3,914	6,883	6,621	69%	-4%
Total assets	**172,977**	**179,149**	**193,939**	**12%**	**8%**
Liabilities					
Deposits	14,364	16,937	18,058	26%	7%
Open market funding	81,835	67,538	65,950	-19%	-2%
Funds from securities issued and accepted	12,526	17,802	18,922	51%	6%
Interbank transactions	6	3	7	11%	185%
Loans and onlendings	2,772	7,350	8,619	211%	17%
Derivatives	10,759	12,307	19,465	81%	58%
Subordinated liabilities	6,314	6,749	6,858	9%	2%
Other liabilities	29,424	33,872	38,706	32%	14%
Deferred income	146	152	113	-23%	-25%
Shareholders'equity	**14,747**	**16,091**	**16,908**	**15%**	**5%**
Non-controlling interest	84	350	332	293%	-5%
Total liabilities	**172,977**	**179,149**	**193,939**	**12%**	**8%**

Combined Adjusted Income Statement (unaudited) *(in R$ million, unless otherwise stated)*	Quarter			1Q 2014 % change to	
	1Q 2013	4Q 2013	1Q 2014	1Q 2013	4Q 2013
Investment banking	104	50	70	-32%	41%
Corporate lending	210	187	197	-6%	5%
Sales and trading	670	339	874	30%	158%
Asset management	253	480	350	38%	-27%
Wealth management	102	90	93	-9%	3%
Principal investments	167	474	(115)	n.a.	n.a.
Banco Pan	(4)	(82)	(27)	n.a.	n.a.
Interest and other	190	261	264	39%	1%
Total revenues	**1.694**	**1.799**	**1.706**	**1%**	**-5%**
Bonus	(275)	(400)	(225)	-18%	-44%
Retention expenses	-	-	-	n.a.	n.a.
Salaries and benefits	(112)	(135)	(159)	42%	18%
Administrative and other	(158)	(204)	(178)	12%	-13%
Goodwill amortization	(45)	(53)	(46)	2%	-12%
Tax charges, other than income tax	(72)	(88)	(39)	-46%	-56%
Total operating expenses	**(663)**	**(880)**	**(647)**	**-2%**	**-26%**
Income before taxes	**1.031**	**919**	**1.059**	**3%**	**15%**
Income tax and social contribution	(419)	(151)	(227)	-46%	50%
Net Income	**612**	**768**	**832**	**36%**	**8%**

Selected Individual Financial Data

The information presented on the tables below is based on the consolidated financial statements of Banco BTG Pactual prepared in accordance with Brazilian GAAP ("BR GAAP") and BTG Investments LP ("BTGI"), a subsidiary of BTGP, prepared in accordance with International Financial Reporting Standards (IFRS):

Balance Sheet (unaudited)	Banco BTG Pactual S.A.		BTG Investments LP.	
(in R$ million, unless otherwise stated)	4Q 2013	1Q 2014	4Q 2013	1Q 2014
Assets				
Cash and bank deposits	1,074	623	811	849
Interbank investments	23,812	32,434	7,184	6,708
Marketable securities and derivatives	42,657	49,012	42,149	38,238
Interbank transactions	240	401	-	-
Loans	15,080	13,141	1,003	1,420
Other receivables	32,325	33,569	4,811	8,079
Other assets	98	65	-	-
Permanent asset	4,514	4,299	2,471	2,428
Total assets	**119,801**	**133,545**	**58,430**	**57,721**
Liabilities				
Deposits	17,653	18,805	-	-
Open market funding	31,293	34,559	37,675	32,772
Funds from securities issued and accepted	14,897	15,688	2,944	3,392
Interbank transactions	3	7	-	-
Loans and onlendings	5,080	6,185	2,104	2,265
Derivatives	7,493	13,352	1,687	1,100
Subordinated liabilities	6,749	6,858	-	-
Other liabilities	24,019	24,599	9,881	14,201
Deferred income	152	113	-	-
Shareholders' equity	**12,128**	**13,062**	**4,124**	**3,976**
Non-controlling interest	334	316	16	15
Total liabilities	**119,801**	**133,545**	**58,430**	**57,721**

Income Statement (unaudited) (in R$ million, unless otherwise stated)	Banco BTG Pactual S.A.		BTG Investments LP.	
	4Q 2013	1Q 2014	4Q 2013	1Q 2014
Financial income	2,161	3,351	52	355
Financial expenses	(1,564)	(1,941)	1	(112)
Gross financial income	**597**	**1,411**	**54**	**244**
Other operating income (expenses)	426	258	(35)	(318)
Operating income	**1,022**	**1,669**	**19**	**(74)**
Non-operating income/(expenses)	277	(3)	(9)	-
Income before taxes and profit sharing	**1,299**	**1,666**	**10**	**(74)**
Income and social contribution taxes	(121)	(514)	-	-
Statutory profit sharing	(353)	(222)	-	(20)
Non-controlling interest	**(21)**	**7**	**0**	**-**
Net income	**803**	**937**	**10**	**(94)**

The table below presents the consolidation adjustments, IFRS adjustments and effects of the reclassification of the net exposure to US Dollar (conversion adjustment) from the combined income statement to the shareholders' equity in order to eliminate gain and losses resulting from the conversion process of the consolidated financial statements of BTGI, as it is explained in the notes to the Combined Financial Statements of BTG Pactual.

Reconciliation (unaudited) (in R$ million, unless otherwise stated)	Balance Sheet		Income Statement	
	4Q 2013	1Q 2014	4Q 2013	1Q 2014
Banco BTG Pactual - BR GAAP	119.801	133.545	803	937
BTG Investments - IFRS	58.430	57.721	10	(94)
Total	178.231	191.266	813	843
Conversion adjustments from IFRS to BR GAAP	-	5.018	(110)	75
Consolidation and conversion adjustments	912	(2.346)	65	(86)
Combined balances	**179.144**	**193.939**	**768**	**832**

Selected Presentation Differences

The table presents a summary of certain material differences between the Combined Adjusted Income Statement and the Combined Income Statement prepared in accordance to the BR GAAP (which is derived from the Combined Financial Statements):

	Combined Adjusted Income Statement	Combined Income Statement
Revenues	• Revenues segregated by business unit, which is the functional view used by our management to monitor our performance • Each transaction allocated to a business unit, and the associated revenue, net of transaction and funding costs (when applicable), is reported as generated by such business unit	• Revenues are presented in accordance with BRGAAP and standards established by COSIF • Segregation of revenues follows the contractual nature of the transactions and is aligned with the classification of the assets and liabilities - from which such revenues are derived • Revenues are presented without deduction of corresponding financial or transaction costs
Expenses	• Revenues are net of certain expenses, such as trading losses, as well as transaction costs and funding costs • Revenues are net of cost of funding of our net equity (recorded at “interest and other”) • SG&A expenses incurred to support our operations are presented separately	• Breakdown of expenses in accordance with COSIF • Financial expenses and trading losses presented as separate line items and not deducted from the financial revenues with which they are associated • Transactions costs are capitalized as part of the acquisition cost of assets and liabilities in our inventory • SG&A expenses incurred to support our operations are presented separately in our combined income statement
Principal Investments Revenues	• Revenues net of funding costs (including cost of net equity) and of trading losses, including losses from derivatives and from foreign exchange variations • Revenues are reduced by associated transaction costs and by management and performance fees paid	• Revenues included in different revenue line items (marketable securities, derivative financial income and equity pick-up up from subsidiaries) • Losses, including trading losses and derivative expenses, presented as financial expenses
Sales and Trading Revenues	• Revenues net of funding costs (including cost of net equity) and of trading losses, including losses from derivatives and from foreign exchange variations • Revenues deducted from transaction costs	• Revenues included in numerous revenue line items (marketable securities, derivative financial income, foreign exchange and compulsory investments) • Losses, including trading losses, derivative expenses and funding and borrowings costs, presented as financial expenses
Corporate Lending Revenues	• Revenues net of funding costs (including cost of net equity)	• Revenues included in certain revenue line items (credit operations, marketable securities and derivative financial income) • Losses, including derivative expenses, presented as financial expenses
PanAmericano Revenues	• Revenues consist of the equity pick-up from our investment, presented net of funding costs (including cost of net equity)	• Revenues from equity pick-up recorded as equity pickup from subsidiaries
Salaries and Benefits	• Salaries and benefits include compensation expenses and social security contributions	• Generally recorded as personnel expenses
Bonus	• Bonus include cash profit-sharing plan expenses (% of our net revenues)	• Generally recorded as employees’ statutory profit-sharing
Retention Expenses	• Retention expenses include the pro rata accrual of employee retention program expense	• Generally recorded as personnel expenses
Administrative and Other	• Administrative and Others are consulting fees, offices, IT, travel and entertainment expenses, as well as other general expenses	• Generally recorded as other administrative expenses, and other operating expenses
Goodwill amortization	• Goodwill amortization of investments in operating subsidiaries other than merchant banking investments	• Generally recorded as other operating expenses
Tax charges, other than income tax	• Tax expenses are comprised of taxes applicable to our revenues not considered by us as transaction costs due to their nature (PIS, Cofins and ISS)	• Generally recorded as tax charges other than income taxes
Income tax and social contribution	• Income tax and other taxes applicable to net profits	• Generally recorded as income tax and social contribution

The differences discussed above are not exhaustive and should not be construed as a reconciliation of the Combined Adjusted income statement to the combined income statement or combined financial statements. The business units presented in the Combined Adjusted income statement should not be presumed to be operating segments under IFRS because our management does not solely rely on such information for decision making purposes. Accordingly, the Combined Adjusted income statement contains data about the business, operating and financial results that are not directly comparable to the combined income statement or the combined financial statements and should not be considered in isolation or as an alternative to such combined income statement or combined financial statements. In addition, although our management believes that the Combined Adjusted income statement is useful for evaluating our performance; the Combined Adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles.

Forward-looking statements

This document may contain estimates and forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements may appear throughout this document. These estimates and forward-looking statements are mainly based on the current expectations and estimates of future events and trends that affect or may affect the business, financial condition, results of operations, cash flow, liquidity, prospects and the trading price of the units. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us. Forward-looking statements speak only as of the date they were made, and we do not undertake the obligation to update publicly or to revise any forward-looking statements after we distribute this document as a result of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this document might not occur and future results may differ materially from those expressed in or suggested by these forward-looking statements. Forward-looking statements involve risks and uncertainties and are not a guaranty of future results. As a result you should not make any investment decision on the basis of the forward-looking statements contained herein.

Rounding

Certain percentages and other amounts included in this document have been rounded to facilitate their presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them and may differ from the financial statements.

Glossary

Alternext	Alternext Amsterdam
BM&FBOVESPA	The São Paulo Stock Exchange (BM&FBOVESPA S.A. – *Bolsa de Valores, Mercadorias e Futuros*).
BR Properties	BR Properties S.A.
CMN	The Brazilian National Monetary Council (Conselho Monetário Nacional).
ECB LTRO	European central Bank Long-term repo operation.
ECM	Equity Capital Markets.
Euronext	NYSE Euronext Amsterdam
HNWI	High net worth individuals
IPCA	The inflation rate is the Consumer Price Index, as calculated by the IBGE.
M&A	Mergers and Acquisitions.
NNM	Net New Money
GDP	Gross Domestic Product.
Selic	The benchmark interest rate payable to holders of some securities issued by the Brazilian government.

Earnings Release - First Quarter 2014

May 06, 2014 (after market closes)

English Conference Call
May 07, 2014 (Wednesday)
12:00 PM (New York) / 1:00 PM (Brasília)
Phone: +1 (412) 317-6776

Code: BTG Pactual

Replay until 05/14: +1 (412) 317-0088

Code: 10044908

Portuguese Conference Call
May 07, 2014 (Wednesday)
10:00 AM (New York) / 11:00 AM (Brasília)
Phone: +55 (11) 3193-8150

Code: BTG Pactual

Replay until 05/14: +55 (11) 3193-8150

Code: BTG Pactual

Webcast: The conference calls audio will be live broadcasted, through a webcast system available on our website www.btgpactual.com/ir

Participants are requested to connect 15 minutes prior to the time set for the conference calls.

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