Earnings Release – Fourth Quarter 2012

February 19, 2013

Highlights

Rio de Janeiro, Brazil, February 19th, 2013 - Banco BTG Pactual S.A. ("Banco BTG Pactual") and BTG Pactual Participations Ltd. ("BTGP", and together with Banco BTG Pactual and their respective subsidiaries, the "BTG Pactual Group" or "BTG Pactual") (BM&FBOVESPA: BBTG11 and Alternext: BTGP) today reported combined adjusted total revenues of R$1,891.4 million and combined net income of R$854.4 million for the quarter ended December 31, 2012. For the full year of 2012, combined adjusted total revenues were R$6,816.6 million and combined net income was R$3,255.6 million

Net income per unit and annualized return on average shareholders' equity (ROAE) were R$0.94 and 25.1%, respectively, for the quarter ended December 31, 2012, and R$3.60 and 28.7%, respectively, for the year ended on such date.

As of December 31, 2012, total assets for the BTG Pactual Group reached R$150.8 billion, down 6.5% from September 30, 2012, and the BIS capital ratio for Banco BTG Pactual was 17.3%.

BTG Pactual Financial Summary and Key Performance Indicators

Highlights and KPIs (unaudited) *(in R$ million, unless otherwise stated)*	Quarter			Full Year	
	4Q 2011	3Q 2012	4Q 2012	2011	2012
Total revenues	959	1,685	1,891	3,202	6,817
Operating expenses	(381)	(617)	(867)	(1,337)	(2,749)
Of which fixed compensation	(68)	(78)	(103)	(236)	(326)
Of which variable compensation	(172)	(335)	(222)	(521)	(1,169)
Of which non compensation	(140)	(204)	(542)	(580)	(1,254)
Net income	1,053	793	854	1,922	3,256
Shareholders' equity	8,540	13,125	14,145	8,540	14,145
Total assets (in R$ billion)	112.5	161.3	150.8	112.5	150.8
Annualized ROAE	24.2%	24.9%	25.1%	24.2%	28.7%
Cost to income ratio	40%	37%	46%	42%	40%
Coverage ratio	164%	220%	296%	200%	230%
AuM and AuA (in R$ billion)	120.1	150.6	170.7	120.1	170.7
WuM (in R$ billion)	38.9	43.5	62.2	38.9	62.2
BIS Capital Ratio (Banco BTG Pactual only)	17.6%	17.2%	17.3%	17.6%	17.3%
Net income per unit (R$)	1.32	0.90	0.94	2.40	3.60

Performance

For the fourth quarter of 2012 we have achieved a 25.1% ROAE, confirming our solid performance in a year where our ROAE was 28.7%. These results reflect (i) the continued growth of the investment banking and asset management industries in Brazil and Latin America (ii) economic development and political stability in the region, which provided the conditions and confidence for our clients to grow their businesses, seeking longer term investment alternatives and (iii) our ability to navigate in challenging conditions in global financial markets allowed us to capture opportunities when they arose.

In the 4Q 2012 our revenues were R$1,891.4 million, 12% above 3Q 2012, and 97% above 4Q 2011. Our operating expenses (which included one-off goodwill amortization expenses of R$253.6 million) reached R$867.3 million, representing a 41% increase from the 3Q 2012, or a 2% increase, when compared with 3Q 2012 on a normalized basis.

As a result, in the 4Q 2012 our cost to income ratio was 46%, while our coverage ratio was 296%. If adjusted for the one-off goodwill amortization mentioned above, our cost to income ratio would have been 31% for the quarter. For 2012, our operating expenses reached R$2,748.8, and our cost income ratio was 40%. When adjusted for goodwill amortization and extraordinary costs, our cost to income ratio for the year was 32%, our compensation ratio was 22% and our coverage ratio 250%, all presenting significant improvements when compared to 2011.

Net income reached R$854.4 million, up 8% from the 3Q 2012 and down 19% when compared to 4Q 2011. For the year, our net income reached R$3,255.6, representing an increase of almost 70% when compared to 2011.

The BTG Pactual Group's AuM and AuA ended the year at R$170.7 billion, 13% higher than September 30, 2012, as a result of (i) NNM of R$8.2 billion and (ii) AuM resulting from our acquisition of Celfin Capital, which managed R$8.5 billion in client funds. WuM ended the period at R$62.2 billion, representing a 43% increase from September 30, 2012, with (i) NNM of R$5.6 billion and (ii) WuM resulting from our acquisition of Celfin Capital of R$11.5 billion.

"2012 has been a year of significant achievements for us. We delivered record revenues and earnings, resulting in a 28.7% ROAE, and completed our successful IPO in April. We have expanded our unsecured funding base by 37% in the period, increasing our issuance of senior and subordinated debt in the Bank, expanded our AuM and AuA by 42%, our WuM by 60%, and our corporate lending book has grown 60%. We achieved all of this while preserving intact our meritocratic partnership model and our flat and efficient corporate structure. Also, in 2012, we completed two landmark transactions, consolidating our leadership in Latin America together with our partners in Celfin and Bolsa y Renta, setting the basis for further increasing our presence in the region. Finally, we maintained our leadership in Investment Banking in Brazil, and were awarded for the first time as #1 research house in Latin America." said Andre Esteves, CEO of the Group.

Relevant Events

On November 13, 2012 Banco BTG Pactual concluded the acquisition of 100% of the outstanding shares of Celfin Capital ("Celfin"), which operates in Chile, Peru and Colombia, for total consideration of US$451 million (approximately R$930 million) in cash, of which approximately R$493 million were used by the sellers to purchase a 2.2% equity interest in the BTG Pactual Group. The transaction generated approximately R$714 million in goodwill. The consolidation of Celfin added AuM of R$8.5 billion, WuM of R$11.5 billion and 599 employees. We expect that the transaction will result in an increase in estimated expenses of R$32.4 million per quarter (including salaries and benefits and G&A)

On December 20, 2012 Banco BTG Pactual concluded the acquisition of all of the outstanding shares of Bolsa y Renta for total considerationof US$58.4 million (approximately R$120.5 million). In connection with the former owners of Bolsa y Renta acquired an equity interest of approximately 0.25% in the BTG Pactual Group for approximately R$65.7 million. The goodwill recorded in this transaction was R$47.1 million. Bolsa y Renta's consolidation will aggregate approximately an AuM of R$1.4 billion, WuM of R$6.7 billion, 262 employees, and should aggregate estimated expenses of R$10.7 million per quarter (including salaries and benefits and G&A).

On 27 November 2012, BTGI, Acciona S.A. and a consortium of investors were awarded the management concession for Aigues Ter Llobregat, the company that manages the upstream water supply for the city of Barcelona, for a period of 50 years. BTGI and Acciona will both have a 39% equity interest in a newly established company ATLL Concessionaria de La Generalitat de Catalunya S.A. ("ATLL"). The total concession fees are EUR1,047 million, of which EUR310 million was paid on the signing of the contract and the remainder will be paid in 50 annual installments. Furthermore, Acciona has been engaged as an operator and manager of the concession during the concession period of 50 years. As of December 31, 2012 BTGI had an investment equivalent to R$157.7 million, loans equivalent to R$168.3 million and has contracted a counter-guarantee of EUR11.7 million as part of the agreement recorded in other assets.

On 28 December 2012, BTGI and Abertis Infraestructuras S.A. reached an agreement with the Catalonian Government for the operation and maintenance of Vallvidrera and Cadi tunnels. The objective of the agreement is to assume a EUR430 million concession fee through a newly established company Tunels de Barcelona i Cadi ("Tunels"), in which BTGI, via its subsidiary BTG Pactual Spanish Trading Holdings Ltd, and Abertis have equity interests of 65% and 35%, respectively. Tunels made an initial payment of EUR310 million to the Catalonian Government, 30% funded by shareholders' capital and 70% by loans. The remaining concession fee amount will be paid at the end of the concession agreement in 2037. As of December 31, 2012 BTGI had an investment equivalent to R$184.9 million which corresponds substantially to its fraction on the initial payment to the government made by Tunels. Furthermore, Abertis has been engaged as operator of the concession during the concession period of 25 years.

On December 20, 2012, our subsidiary BTG Pactual Seguradora S.A. received authorization from SUSEP to offer insurance products in Brazil. We have committed initial capital of R$50.0 million to such activity and intend to commence operations by offering surety bonds.

In addition to the effort started in the end of 2012 to establish our presence in Mexico, in January, 2013 we concluded the setup of our new office in Mexico, with approximately 20 employees and are preparing a request for a local broker dealer license to the local regulator.

Market Analysis

The last quarter of the year confirmed the positive trend in global markets initiated at the beginning of the second half of the year. The success of the second Greek bailout negotiation was accompanied by a considerable reduction in the financial stress of European southern countries as exemplified by the tightening of peripheral spreads. In the US, the political uncertainties associated the fiscal cliff where attenuated by the postponement of the decision to the first quarter of 2013. Global PMIs started to slowly recover from recent lows. Overall 2012 came to a close on a better footing with global markets on a risk on mode.

With the exception of US markets, major global stock markets rose in Q4. Brazil's IBOVESPA gained 3%, on top of a 9% increase in Q3. Along with the IBOVESPA, the DAX rose 5.5%, the FTSE increased 3% and the NIKKEI index outperformed, increasing 17% in Q4. The S&P 500 declined 1% and the Dow Jones was down 2.5% in the period but US equity markets continued to show strong results in y/y terms (S&P 500 +13% and Dow Jones +7%).

Interest rates in the main economies did not change much. In the US, the improvement of the economic indicators was offset by the uncertainty regarding the fiscal cliff, preventing large movements in the yield curve. By the end of December, however, the 10-year Treasury yield increased from 1.60%pa to 1.75%pa when markets started to reflect the possibility that the fiscal cliff impasse would be solved. In Brazil, Central Bank cut the Selic target rate by 25bps in Q4 to 7.25%pa. In the Brazilian rates market, the yield on the pre-DI 360-day swap contract declined moderately, closing the quarter at 7.13%pa. In comparison with Q4 2011, the yield on the 360-day swap contract narrowed 290bps (from 10%pa).

In the FX markets, the main highlight was the JPY which depreciated 10% against the USD. The promise by the elected prime minister to change the long period of Japan's sluggish economic growth and deflation spiral explains the movement. On the other hand, the EUR appreciated 2.6% due to reduction of the tails risks in Europe and improvement in the global growth perspective. The BRL depreciated marginally, reaching BRL2.05/US$. Compared to Dec 2011, the BRL depreciated approximately 10% against the USD (from BRL 1.86/USD).

In the commodities market, the CRB index declined 5% in Q4 2012, versus a 9% appreciation in Q3. In comparison with Q4 2011, the CRB index ended the quarter with a moderate drop of 3%. International oil prices fell 1% in Q4 2012, after a sharp 15% rise in Q3 2012.

As to global investment banking, according to Thomson Reuters Banking, fees were down only 3% in 2012 if compared to 2011. However, there was a significant change in the composition of the revenues, with a DCM gaining importance at the expense of M&A, and mainly ECM, which saw the lowest revenue levels since 2003. In Latam, ECM activity in the 4Q 2012 picked up significantly, representing 57% of the year's total volume, while full year's volume declined when compared to 2011, reflecting a more challenging environment. In M&A, volumes in 4Q 2012 were about half of the volume in the same period of 2011, however, total M&A volumes for 2012 ended the year slightly above 2011. Finally, the DCM segment rounded up the year with another strong quarter, growing 14% and 51% over 3Q 2012 and Q4 2011, respectively.

Economic Environment

The last quarter of the year confirmed the positive trend in global markets initiated at the beginning of the second half of the year due to various Central Banks interventions. The last quarter was dominated by the negotiation of the second bailout program for Greece. The negotiation took longer than initially envisaged, but after several meetings between the IMF and the European partners a debt buyback was announced with the aim to reduce Greek's government debt.

The success of the second Greek bailout negotiation also helped to confirm the more positive tone on the market. For example, after Greece's precedent, other countries that are facing similar problems were also expected to benefit from better lending terms on their own programs.

In US, the last quarter of the year was dominated by political uncertainty, first with the presidential elections and, then, with the negotiations of the fiscal cliff. At the end of tough negotiations, politicians managed to postpone a final agreement to the first quarter of 2013. Markets reacted well to the postponement of immediate cuts.

On a broader view, the year 2012 was marked by a series of political uncertainty across the globe. The largest economies experienced changes in leadership on the course of the year. Uncertainty about the French and Greek elections marked the first half of the year, which was characterized by cycles of risk on and risk off, mainly based on the dynamics of the Eurozone crisis. Stability periods were followed by renewed tensions and increased uncertainty.

2012 came to a close on a better footing with global markets on a risk on mode, particularly in Europe where peripheral spreads tightened very fast. In terms of global growth, Global PMI started to slowly recover from the recent lows, marking the early stage of a more positive growth outlook for 2013.

The Brazilian economy continued to grow at a moderate pace in 4Q 2012. Credit also grew moderately, with an improvement in consumer debt indicators. The job market continued to expand, with the unemployment rate hitting an all-time low of 4.6%. Retail sales once more proved to be Brazil's strongest economic activity, while industrial production showed near-zero or negative growth. Investments delivered the worst performance, with the November capital goods production recording its fourth consecutive drop.

Consumer inflation rose beyond expectations in 4Q, with the extended consumer price index (IPCA) standing at 2%, up on the 1.5% recorded in 4Q 2011, and once again very high when compared to historical levels. The inflation's upward trend indicates that the IPCA will not converge to the target, and inflation expectations remain unanchored for 2013 and longer.

Regarding the countercyclical tax policy, the LTM public-sector primary surplus fell to 1.9% of GDP.

The Real ended the quarter at R$2.05/US$, similar to the rate recorded at the end of 3Q 2012 (R$2.03/US$). The LTM current account deficit in the balance of payments remained slightly higher than 2% of Brazil's GDP. Even though net direct investment is still close to 3% of GDP, the balance of payments funding volume has dropped chiefly as a result of a lesser amount of private-sector debt refinancing. The level of international reserves remains high, at nearly US$400 billion.

Combined Adjusted Revenues

Revenues in the 4th quarter were up 12% when compared with the 3rd quarter of 2012, while full year performance reflects strong growth when compared to full year 2011. All of our business units presented solid revenue growth when performance is compared to the same period of 2011.

Combined Adjusted Revenues (unaudited) *(in R$ million, unless otherwise stated)*	Quarter			4Q 2012 % change to		Full Year		2012 % change to
	4Q 2011	3Q 2012	4Q 2012	4Q 2011	3Q 2012	2011	2012	2011
Investment banking	46	148	121	162%	-18%	377	448	19%
Corporate lending	119	140	182	53%	30%	366	564	54%
Sales and trading	214	407	215	0%	-47%	1,012	1,517	50%
Asset management	153	205	637	317%	211%	507	1,190	135%
Wealth management	41	55	74	80%	35%	150	202	35%
Principal investments	108	566	512	374%	-10%	181	2,338	1190%
PanAmericano	(8)	(94)	(32)	n.a.	n.a.	(52)	(244)	n.a.
Interest and other	285	258	182	-36%	-29%	661	802	21%
Total revenues	959	1,685	1,891	97%	12%	3,202	6,817	113%

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)		
	4Q 2011	3Q 2012	4Q 2012	4Q 2011	3Q 2012	4Q 2012
Financial advisory (M&A)(4)	23	10	14	7,197	2,752	2,944
Equity underwriting (ECM)	-	1	9	-	174	1,006
Debt underwriting (DCM)	11	6	13	926	1,233	1,401

BTG Pactual Announced Transactions (unaudited)	Number of Transactions(1),(3)		Value(2),(3) (US$ mln)	
	2011	2012	2011	2012
Financial advisory (M&A)(4)	51	74	25,550	26,630
Equity underwriting (ECM)	12	16	2,059	1,771
Debt underwriting (DCM)	44	48	4,217	5,732

Source: Dealogic for ECM and M&A and Anbima for 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, for potential inclusion and exclusions

(4) *M&A market data for previous quarters may vary because: (i) deal inclusions might occur with delay, in any moment of the year, (ii) canceled transactions will be withdrawn from the rank, (iii) transaction value revision 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 2012 market share highlights

- M&A: #1 in number of announced transactions and #2 in volumes in Brazil
- ECM: #1 in transaction volume and number of transactions in Brazil and Latin America
- DCM: #3 in transaction volume for Brazilian local DCM

4Q 2012 vs. 3Q 2012

Investment banking revenues decreased 18% when compared to the 3Q 2012. The reduction was due to a significant decrease in M&A revenues, reflecting a weaker market in the 4Q 2012, as well as the booking, in the 3Q 2012, of fees from the Lan/Tam transaction. The decrease was partially offset by good performance in our ECM business, as a result of the recovery in market activity during the 4Q 2012, and in our DCM business, in which we continue to maintain a leading position, capturing value from continuing market activity and profitability on a per transaction base.

4Q 2012 vs. 4Q 2011

Revenues increased 162% when compared with 4Q 2011, as a direct effect of (i) good performance of ECM in the 4Q 2012 compared to the 4Q 2011, when there was no market activity and (ii) solid performance of our DCM business, which translates into a 51% increase in transaction volume and our leading position in this market (mainly in Brazil DCM).

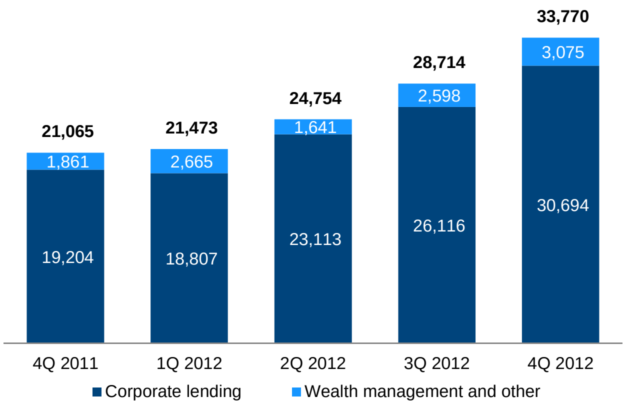
2012 vs. 2011

Investment banking revenues grew 19% in 2012 when compared to 2011. This result, as outlined above, was a result of a strong growth in the DCM business and good performance of our M&A business, while our ECM revenues remained flat, in a period when total announced volumes in Brazil ECM reduced almost 30%.

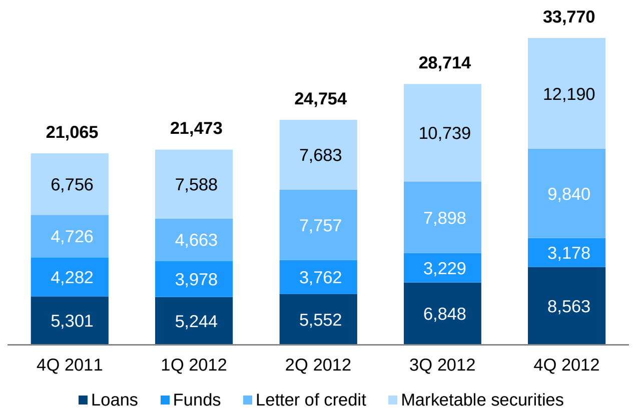
Corporate Lending

BTG Pactual Broader Credit Portfolio

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



Broader Credit Portfolio By Product
(in R$ million)



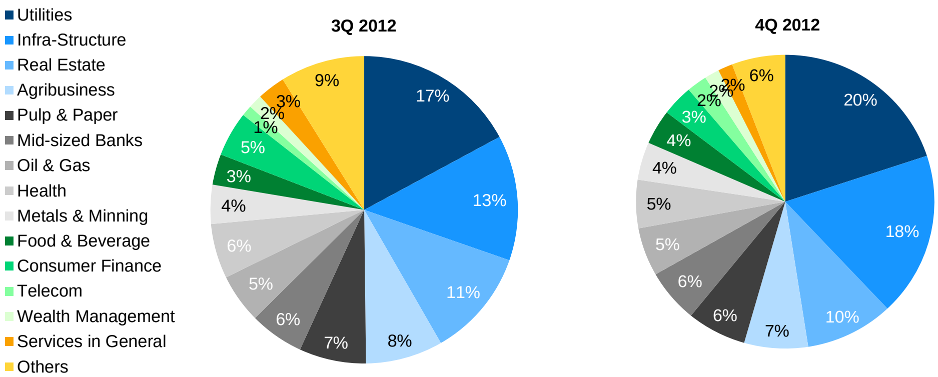
Note:
(1) Other: might include interbank deposits, merchant banking structured transactions and others
(2) Wealth management impacts WM results, other impacts Sales & Trading and Merchant Banking results

Our broader credit portfolio grew 18% in the fourth quarter of 2012, when compared with the third quarter of the same year, as a consequence of sustained demand from corporate clients in Brazil and other countries in LatAm. For the full year of 2012, we were able to grow our corporate credit portfolio by R$12.7 billion, or 60%, when compared to the full year of 2011.

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).

Broader Credit Portfolio By Industry

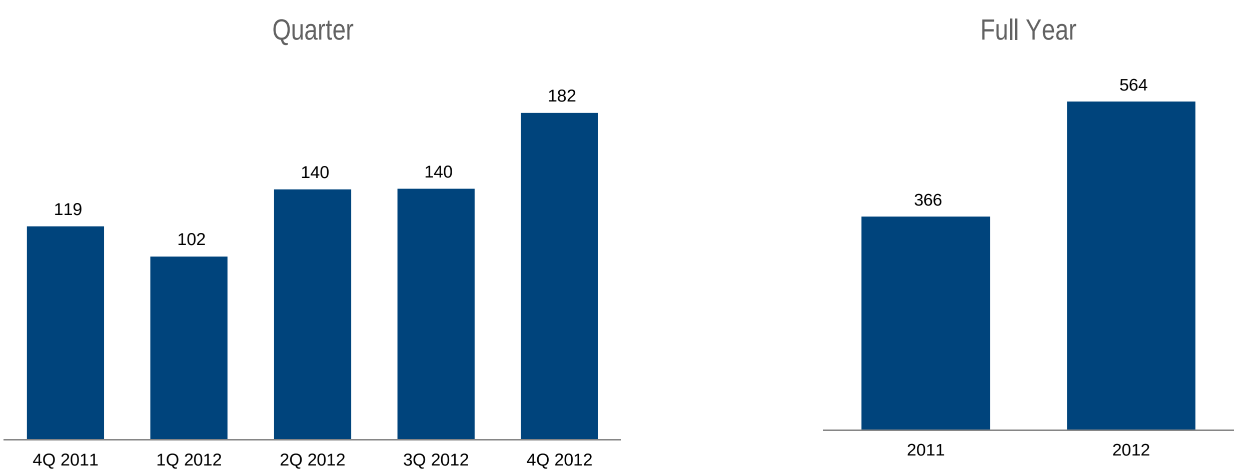
(% of total in values)



Corporate Lending Detailed Results

Revenues

(in R$ million)



4Q 2012 vs. 3Q 2012

Revenues from corporate lending increased 30%, from R$139.9 million to R$182.1 million, positively impacted by a 15% increase in the average balance of the corporate lending portfolio from R$24.6 billion in 3Q 2012 to R$28.4 billion in 4Q 2012. Also in 4Q 2012, we recognized gains related to a sale of a NPL portfolio, partially offset by an increase in our allowance for loan losses.

4Q 2012 vs. 4Q 2011

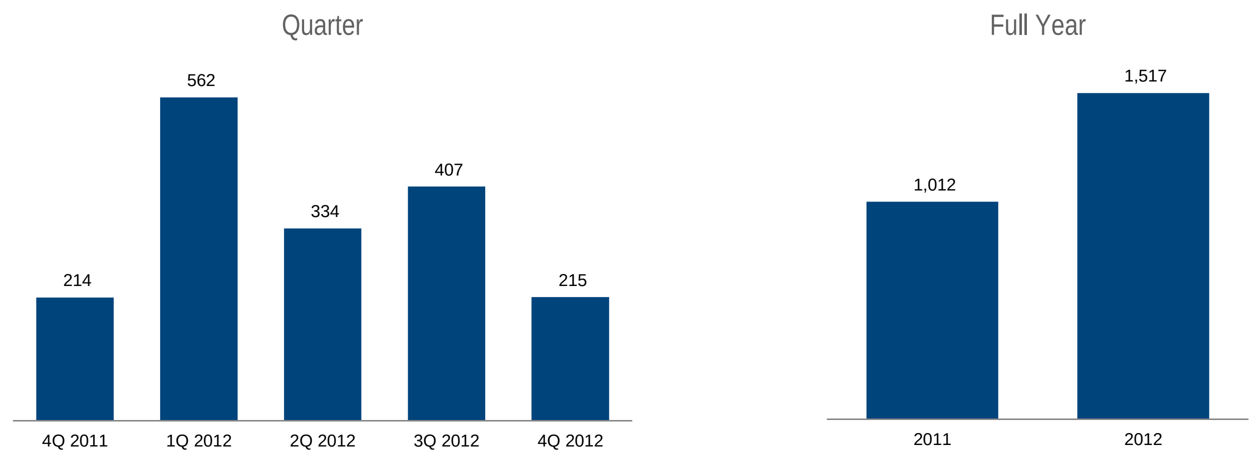
Revenues from corporate lending increased 53%, from R$118.9 million to R$182.1 million, due to the 61% growth of the average balance of our corporate lending portfolio from R$17.7 billion in 4Q 2011 R$28.4 billion in 4Q 2012. Also in 4Q 2012, the increase in our allowance for loan losses was partially offset by gains related to a sale of a NPL portfolio.

2012 vs. 2011

In 2012, we grew our corporate lending book by R$11.5 billion, or 60% when compared to 2011 (the average balance in the year grew 82%). Such growth had a direct impact in the revenues from corporate lending, that increased 54% in the period, from R$366.5 million to R$563.6 million, while we expanded our allowance from loan losses.

Sales and trading

Revenues
(in R$ million)



4Q 2012 vs. 3Q 2012

Revenues from sales and trading decreased 47%, from R$406.8 million to R$214.5 million, reflecting typically lower activities in the fourth quarter. Revenues were lower in our rates desks, while other desks, such as equities and FX, presented relatively stable revenues in the period.

4Q 2012 vs. 4Q 2011

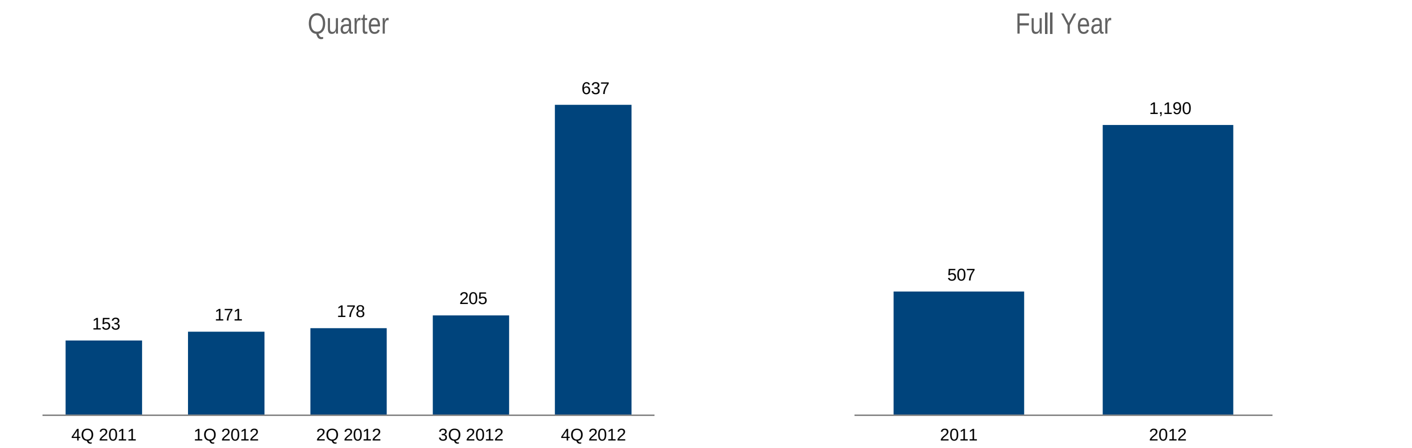
Sales and trading revenues remained stable, at approximately R$214.5 million. While revenues from equities and FX desks were slightly higher in 2012 when compared with 2011, revenues in rates and energy desks presented a slight reduction in the period.

2012 vs. 2011

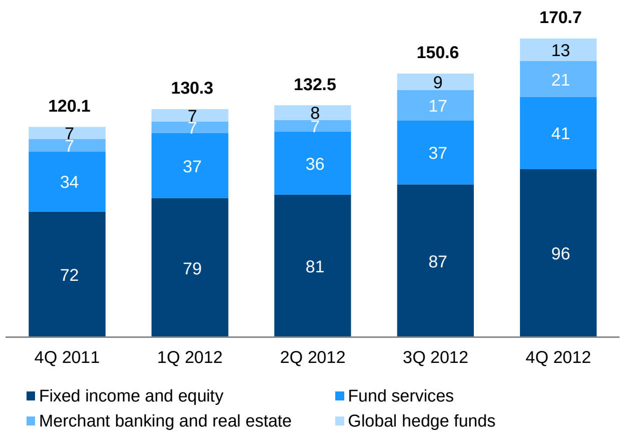
Revenues from sales and trading increased 50%, from R$1,012.3 million to R$1,517.3 million. We have recorded higher revenues in most of our desks, particularly in rates, equities and FX, reflecting significant growth in client activity in 2012.

Asset Management

Revenues
(in R$ million)



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



4Q 2012 vs. 3Q 2012

Revenues from asset management increased 211%, from R$204.6 million to R$636.5 million. The increase was a result of (i) an increase of 13% in our AuM and AuA, from R$150.6 billion to R$170.7 billion and (ii) a shift in the composition of our AuM and AuA, that migrated further in the quarter from conservative, short term products (mostly traditional fixed income), to alternative, longer term products (mostly liquid and illiquid equities), both of which resulted in an increase in management fees as compared to the previous period. Revenues from asset management also increased as a result of (i) performance fees accrued throughout the year, mainly from our global hedge funds (most of which close their performance accrual period at year end) and (ii) performance fees from one real estate investment fund, which were accrued over the life of the investment, and became due to the secondary sale of shares held by certain investors in the fund.

Net new money was R$8.2 billion, positively impacted by the Brazil fixed income & equity funds, fund services and global hedge funds, partially offset by negative NNM from our relationship funds.

4Q 2012 vs. 4Q 2011

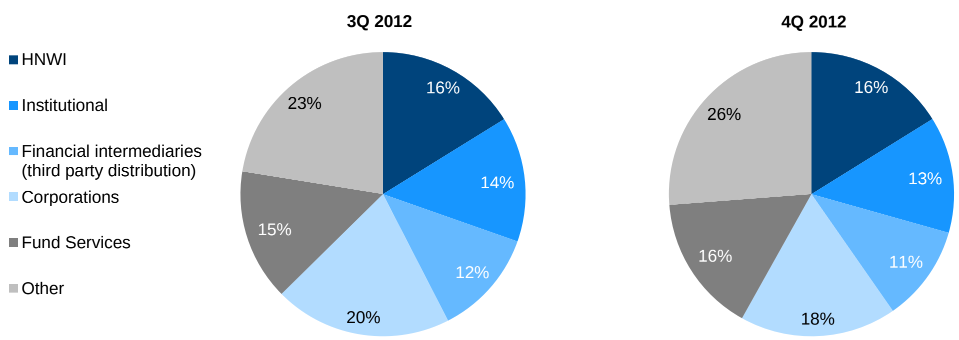
Revenues from asset management increased 316%, from R$152.9 million to R$636.5 million. The increase was a result of (i) an increase of 42% in our AuM and AuA, from R$120.1 billion to R$170.7 billion and (ii) a shift in the composition of our AuM and AuA, that migrated constantly throughout the year from conservative, short term (mostly traditional fixed income) products, to alternative, longer term (mostly liquid and illiquid equities) products, both which resulted in an increase in management fees as compared to the previous period. Revenues also increased as a result of performance fees, especially from our Global Hedge Funds and Real Estate Funds.

2012 vs. 2011

Revenues from asset management increased substantially in 2012, by 135%, when compared to 2011, due to significant growth in management and performance fees. Management fees were impacted by the increase in our AuM with (i) R$18.4 billion NNM in the year, (ii) positive mark to market of funds, (iii) the acquisition of AuM and AuA in connection with the Brazilian Securities, Celfin and Bolsa y Renta transactions, and (iv) a shift in the composition of our AuM and AuA, that migrated constantly throughout the year from conservative, short term products (mostly traditional fixed income), to alternative, longer term products (mostly liquid and illiquid equities). The increase in performance was due to an increase in performance fees, especially from our global hedge funds.

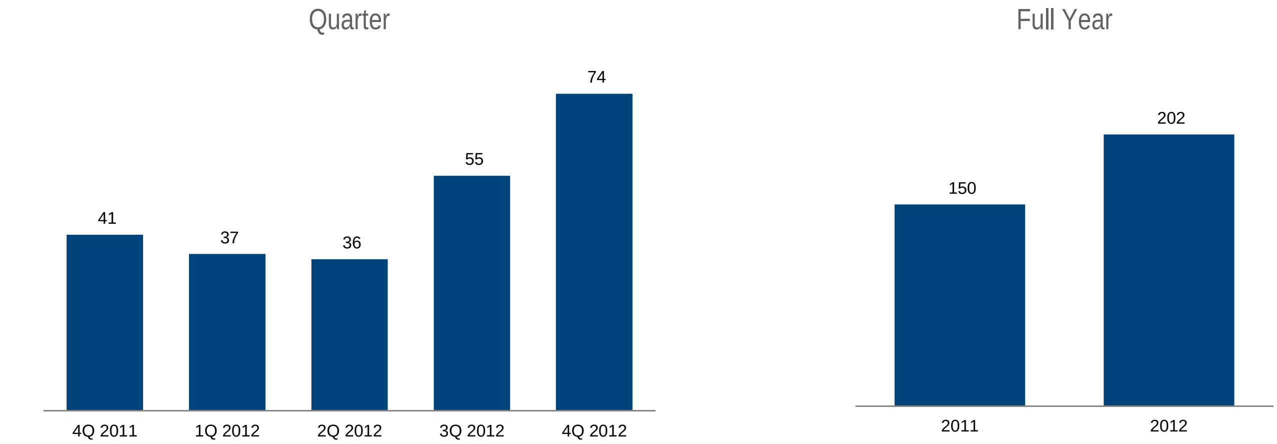
AuM and AuA by Type of Client

(%)

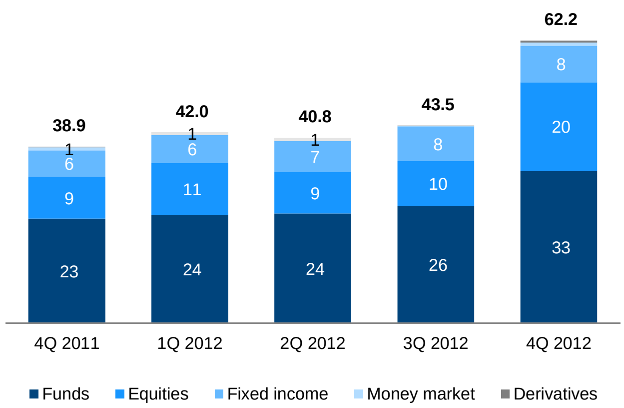


Wealth Management

Revenues
(in R$ million)



WuM by Class of Asset
(in R$ billion)



4Q 2012 vs. 3Q 2012

Revenues from wealth management increased 35%, from R$55.1 million to R$74.3 million, mainly due to an increase of 43% in WuM. The WuM increase from R$43.5 billion to R$62.2 billion that included (i) a R$11.5 billion increase resulting from the closing of Celfin in November 2012 and (ii) R$5.6 billion of NNM. The increase in revenues includes WuM of Celfin mentioned above, and higher revenues from clients trading activities.

This increase was partially offset by R$6 million in revenues in the 3Q 2012 which resulted from the reversal of a wealth management loan loss provision, with no similar revenues occurring in 4Q 2012.

4Q 2012 vs. 4Q 2011

Revenues from wealth management increased 80%, from R$41.3 million to R$74.3 million, mainly due to the increase in WuM, as well as the other items described above.

2012 vs. 2011

Revenues from wealth management increased 35% from 2011 to 2012, from R$149.7 million to R$201.7 million, in line with the increase of 60% in WuM, from R$38.9 billion to R$62.2 billion, including the R$11.5 billion from the Celfin acquisition in November and NNM of R$8.4 billion in the year. The year was also marked by an increase in revenues from clients trading activities.

Principal Investments

Principal Investments Revenues (unaudited)	Quarter			4Q 2012 % change to		Full Year		2012 % change to
(in R$ million, unless otherwise stated)	4Q 2011	3Q 2012	4Q 2012	4Q 2011	3Q 2012	2011	2012	2011
Global Markets	(12)	365	563	n.a.	54%	48	1,859	3771%
Merchant Banking	121	233	(40)	n.a.	n.a.	173	234	35%
Real Estate	(1)	(31)	(11)	n.a.	n.a.	(40)	245	n.a.
Total	108	566	512	374%	-10%	181	2,338	1190%

4Q 2012 vs. 3Q 2012

Revenues from principal investments decreased 10%, from R$566.5 million to R$512.4 million, mainly due to smaller revenues from merchant banking, from R$233.1 million to R$(39.7) million, offset by strong performance from global markets, with revenues of R$562.8 million in comparison to R$364.6 million. In 3Q 2012, revenues from merchant banking investments were impacted by gains from the sale of our investment in STR Participações, while there was no relevant event in the 4Q 2012. Higher revenues from global markets reflects good performance from most of our strategies, including certain strategic equity investments as well as emerging markets and global credit, which benefited from continued improvement in market conditions in Europe after a successful Greek bailout program

4Q 2012 vs. 4Q 2011

Revenues from principal investments increased significantly, mostly due to an increase in revenues from global markets from R$(12.0) million to R$562.8 million, partially offset by a decrease in merchant banking revenues from R$121.1 million to R$(39.7) million. Higher revenues from global markets reflects good performance of most of our strategies, especially US mortgages, as well as emerging markets and global credit strategies, which benefited by the improvement in macroeconomic conditions in developed markets. In the fourth quarter of 2011, revenues from private equity investments were impacted by (i) gains from the sale of the remaining equity interest we held in a laboratory business in Brazil, and

(ii) gains from an equity kicker held by BTG Investments in the investment in Estapar, a parking lot business owned by BTG MB, while there was no such gain in the 4Q 2012.

2012 vs. 2011

Revenues from principal investments increased significantly, from R$181.3 million to R$2,338.2 million, as a result of solid performance of our investments in global markets, merchant banking and real estate. Higher global markets revenues reflects good performance of all our strategies, especially US mortgages, as well as emerging markets and global credit strategies, which benefited by the improvement in macroeconomic conditions in developed markets in 2012, when compared to 2011. In 2012, revenues from merchant banking were impacted by the sale of our investment in STR Participações, while, in 2011, by gains in the sale of our laboratory business and the equity kicker in Estapar discussed above. Revenues from real estate in 2012 were impacted by our share of profits from Br Properties, while there was no such gain in 2011.

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 on those businesses will typically reflect (i) our share of profits or losses from our invested companies, (ii) dividends received from investments not subject to 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.

PanAmericano

4Q 2012 vs. 3Q 2012

Our investment in PanAmericano presented a loss of R$31.6 million in the quarter ended December 31, 2012, 66% lower than the loss recorded in the previous quarter. This loss was composed of our R$13.2 million share of losses from PanAmericano, compared to a R$68.0 million share of losses in the third quarter of 2012, and funding costs of R$18.3 million charged to this investment, compared with R$26.1 million in the third quarter of 2012.

4Q 2012 vs. 4Q 2011

The losses recognized from our investment in PanAmericano for 4Q 2012 were 305% higher than 4Q 2011. Our share of profits and losses from PanAmericano decreased, from a profit of R$5.0 million in the quarter ended December 31, 2011, to a loss of R$13.2 million in the quarter ended December 31, 2012, while our funding costs charged to this investment were R$18.3 million, compared to R$12.8 million in the fourth quarter of 2011. Such funding costs have increased due to our R$495 million additional capital contribution to PanAmericano in the beginning of 2012, partially offset by the decrease in cost of funding charged to the investment, in line with the reduction in prevailing interest rates in Brazil, from 12.75%, to 7.25%.

2012 vs. 2011

Our investment in PanAmericano presented a loss of R$244.5 million in 2012, 368% higher than 2011. This loss was composed mainly of our R$160.4 million share of losses from PanAmericano, compared to a share of losses of R$21.0 million in 2011, and to funding costs of R$87.8 million charged to this investment, compared to R$31.2 million in 2011 (our initial investment in Panamericano was settled in May 2011, and we made an additional capital contribution of R$495 million in the beginning of 2012).

Interest and Other

4Q 2012 vs. 3Q 2012

Revenues from interest and other decreased 29%, mainly due to the temporary effect from the negative mark-to-market of certain hedging instruments of our investments in foreign subsidiaries (mainly, our Cayman Branch). Interest on Capital remained stable.

4Q 2012 vs. 4Q 2011

Revenues from interest and other decreased 36%, mainly due to the temporary effect from the negative mark-to-market of certain hedging instruments of our investments in foreign subsidiaries (mainly, our Cayman Branch). Interest on Capital remained stable, as a result of a positive impact from the capital increase from our IPO, offset by the decrease in interest rates in Brazil.

2012 vs. 2011

Revenues from interest and other increased 22%, mainly due to the capital increase from our IPO, partially offset by the decrease in interest rates in Brazil in 2012 compared to 2011.

Combined Adjusted Operating Expenses

Combined Adjusted Operating Expenses (unaudited)	Quarter			4Q 2012 % change to		Full Year		2012 % change to
(in R$ million, unless otherwise stated)	4Q 2011	3Q 2012	4Q 2012	4Q 2011	3Q 2012	2011	2012	2011
Bonus	(172)	(335)	(222)	29%	-34%	(521)	(1,169)	124%
Retention expenses	12	-	-	-100%	n.a.	(40)	(6)	-85%
Salaries and benefits	(68)	(78)	(103)	51%	32%	(236)	(326)	38%
Administrative and other	(93)	(128)	(194)	109%	52%	(327)	(540)	65%
Goodwill amortization	(9)	(14)	(278)	3047%	1878%	(31)	(467)	1400%
Tax charges, other than income tax	(51)	(63)	(71)	39%	13%	(181)	(241)	33%
Total operating expenses	(381)	(617)	(867)	128%	41%	(1,337)	(2,749)	106%
Cost to income ratio	40%	37%	46%	15%	25%	42%	40%	-3%
Compensation ratio	25%	24%	17%	-32%	-30%	24%	22%	-7%
Coverage ratio	164%	220%	296%	81%	35%	200%	230%	15%
Total number of employees	1,311	1,539	2,195	67%	43%	1,311	2,195	67%
Partners and associate partners	163	165	165	1%	0%	163	165	1%
Employees	1,037	1,241	1,932	86%	56%	1,037	1,932	86%
Other	111	133	98	-12%	-26%	111	98	-12%

Bonus

Bonus expenses in the 4Q 2012 were R$221.6 million, decreasing 34% if compared to previous quarter. Such reduction is attributable to higher operating expenses, partially offset by higher revenues in the quarter. Bonus expenses were R$172.4 million in the 4Q 2011 and R$334.6 million in the 3Q 2012. In 2012, bonus expenses were R$1,186.6 million, 124% higher than 2011, due to significantly higher revenues in the year, partially offset by higher expenses. 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 the periods.

Retention expenses

In the 4Q 2011 there was a reversal of provision totalizing R$11.9 million and we recorded no such expenses in the quarters ended September 30 and December 31, 2012 as our retention program was terminated in February 2012. For the same reason, retention expenses decreased from R$39.9 million in 2011 to R$5.9 million in 2012.

Salaries and benefits

Staff costs increased 32% if compared to 3Q 2012. Expenses related to salaries and benefits were R$68.3 million in the 4Q 2011 and R$103.4 million in the 4Q 2012, compared to R$78.2 million in the 3Q 2012. Full year 2012 staff costs were R$326.0 million and R$236.4 million in 2011. This growth is associated with the increase in total number of employees to 2,195 (also impacted by our acquisition of Celfin in November 2012, which added 599 employees, but not yet impacted by our acquisition of Bolsa y Renta, which will add 262 employees in January of 2013), from 1,311 in the 4Q 2011 and 1,539 in the 3Q 2012. Staff costs were also impacted by the 9% and 7.5% annual base salaries increases granted in October 2011 and September 2012, respectively, to bank employees pursuant to the Union Agreement.

Administrative and other

Total administrative and other expenses increased 52%, from R$127.6 million in the 3Q 2012, to R$193.8 million in the current quarter, mostly as a result of non-recurring services related to the new SP office. If compared to 4Q 2011, total administrative and other expenses increased 109%, from R$92.8 million to R$193.8 million, due to higher investments in technology, as well as the non-recurring services related to the new SP office.

Full year administrative and other expenses increased 65% from R$ 327.2 million in 2011 to R$ 539.5 million, mostly as a result of IPO costs, the costs of the bonds we issued, investments in new offices and in technology.

Goodwill amortization

Goodwill amortization expenses were R$277.9 million in the 4Q 2012, compared to R$14.1 million in the 3Q 2012 and R$8.8 million in the 4Q 2011. Such expenses in 4Q 2012 were mostly associated with the extraordinary amortization of goodwill from the acquisition of Brazilian Capital, fully amortized in the period.

Goodwill amortization expenses were R$467.4 million in 2012, compared to R$31.2 million in 2011. The expenses in 2012 were mostly associated with the extraordinary amortization of goodwill from our investments in Brazilian Capital and Coomex. We periodically review the goodwill balances in our balance sheet and may decide to accelerate the amortization ratio for some or all the goodwill booked.

Tax charges, other than income tax

Tax charges, other than income tax, were R$70.6 million, a 13% increase when compared to the 3Q 2012, in line with the 12% increase in revenues. Expenses related to tax charges increased in comparison to 4Q 2011 as a direct effect of the increase in 97% in revenues, such increase partially offset by a change in the revenue mix, with a lower portion of the revenues being subject to tax charges in the period.

In 2012, tax charges, other than income tax, were R$241.4 million, a 33% increase when compared to the 2011, a direct effect of the increase in 113% in revenues, partially offset by change in revenue mix, with a lower portion of the revenues being subject to tax charges in the period.

Combined Adjusted Income Taxes

Combined Adjusted Income Tax (unaudited) *(in R$ million, unless otherwise stated)*	Quarter			Full Year	
	4Q 2011	3Q 2012	4Q 2012	2011	2012
Income before taxes	578	1,068	1,024	1,865	4,068
Income tax and social contribution	475	(275)	(170)	58	(812)
Effective income tax rate	-82.3%	25.8%	16.6%	-3.1%	20.0%

Our effective income tax rate went from 26% (an expense of R$275.1 million) in the quarter ended September 30, 2012, to 17% (an expense of R$169.7 million) in the quarter ended December 31, 2012 mainly due to the computation of interest on equity (JCP) in the amount of R$220.0 million in the quarter. In the quarter ended December 31, 2011, we recognized a deferred tax asset of R$481.4 million, and have recorded interest on equity (JCP) in the amount of R$319.0 million.

In the comparison of the full years of 2012 and 2011, the change in the effective income tax rate is mainly attributable to the recognition of the deferred tax asset of R$481.4 million in 2011, partially offset by higher interest on equity (R$440.0 million in 2012 compared to R$319.0 million in 2011), as well as to the change in our revenue mix, with proportionally more revenues from principal investments, which are in part not subject to corporate taxes, in 2012 when compared to 2011.

Balance Sheet

Our total assets decreased 6% from September 30, 2012 (R$161.3 billion) to December 31, 2012 (R$150.9 billion), mainly due to a decrease of our interbank investments and our trade settlement balances which are part of our other receivables, partially offset by an increase in our marketable securities and credit portfolios. This decrease mostly reflects smaller inventories of assets financed through secured funding, including repo financing, and lower pending settlement accounts (according to Brazilian GAAP, we adopt trade date accounting convention), at year end. Our leverage ratio was 10.7x in December 31, 2012, compared to 12.3x in September 30, 2012.

On the liabilities side, our secured funding decreased, mainly due to a reduction of the open market investments inventory, and of the pending settlement accounts. Our unsecured funding base remained stable. Our shareholders' equity increased 8% from September 30, 2012 to December 31, 2012, basically due to the net income of R$854.4 million for the quarter ended December 31, 2012, and to the capital increase from Celfin and Bolsa Y Renta acquisitions, in the amount of R$493.2 million and R$65.7 million, respectively, which was partially offset by the computation of interest on equity and dividends, in a total amount of R$412.3 million.

Risk and Capital Management

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

Market Risk – Value-at-risk

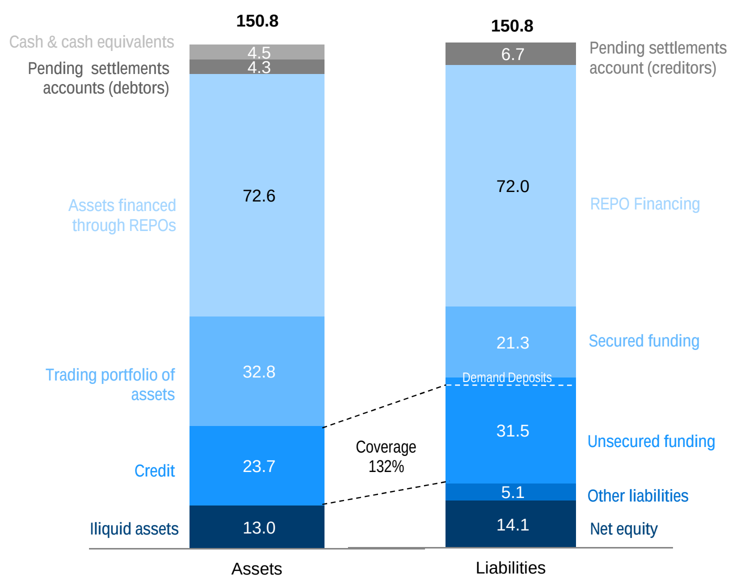
Value-at-risk (unaudited) *(in R$ million, unless otherwise stated)*	Quarter		
	4Q 2011	3Q 2012	4Q 2012
Total average daily VaR	65.6	88.0	109.2
Average daily VaR as a % of average equity	0.81%	0.69%	0.80%

Our total average daily VaR increased in the 4Q 2012, in absolute terms, when compared to the 3Q 2012 and 4Q 2011, as a result of the continuing deployment of the capital we raised in April 2012 IPO. When analyzed as percentage of BTG Pactual's average shareholders' equity, it remained stable when compared to 4Q 2011 and grew in comparison with the 3Q 2012. As we have outlined in the past, a characteristic of our business model is that our average VaR may vary, within certain levels, as part of our normal course of business, as we see more or less opportunities in the market.

Liquidity Risk Analysis

The chart below summarizes the composition of assets and liabilities as of December 31, 2012:

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



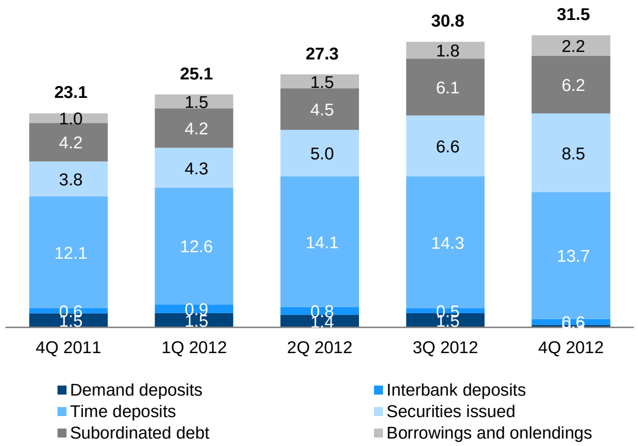
Note:
(1) *Illiquid assets includes approximately R$1.3 billion of other assets, that is mainly comprised of income receivable and other receivables*

Unsecured Funding Analysis

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

Unsecured Funding Evolution (unaudited)

(in R$ billion)



Note:

(1) *During the 4Q 2012 the Brazilian Central Bank reviewed the definition of money market account in our Cayman Branch, which was re-classified from demand deposits to time deposits. For the 4Q 2012 the total value of money market in our Cayman Brach was R$943 million.*

Our total unsecured funding increased 2%, from R$30.8 billion in the 3Q 2012 to R$31.5 billion in 4Q 2012. The growth in our unsecured funding was concentrated in securities issued, impacted by an increase in LF's in the local market and credit linked notes.

Credit Risk

The following table sets forth the distribution, by credit rating, of our credit exposures as of December 31, 2012. The rating shown below reflects our internal ratings assessment, consistently applied following the Brazilian Central Bank standard ratings scale:

Rating (unaudited) *(in R$ million)*	4Q 2012
AA	11,672
A	14,888
B	5,505
C	770
D	183
E	606
F	12
G	29
H	106
Total	33,770

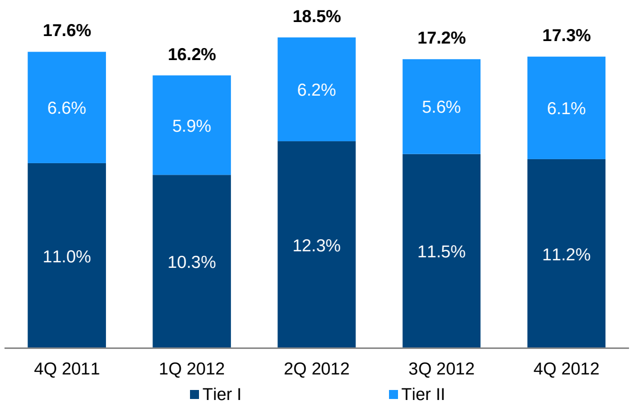
Capital Management

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 was stable in the 4Q 2012 at 17.3%. The main impacts on the ratio were (i) the approval by the Brazilian Central Bank of our 2022 bond issuance (completed in September 2012) for inclusion as Tier II capital, offset by the reduction from (ii) the last lag of implementation in the methodology for the computation of the market risk component of the Basel index (i.e. Basel 2.5) and further deployment of the capital raised in our IPO - in particular the use of such capital for corporate lending.

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 December 31, 2012. 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 Group, 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, 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 882.8 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			4Q 2012 % change to	
	4Q 2011	3Q 2012	4Q 2012	4Q 2011	3Q 2012
Assets					
Cash and bank deposits	546	742	609	12%	-18%
Interbank investments	22,579	33,160	23,980	6%	-28%
Marketable securities and derivatives	62,037	93,291	98,440	59%	6%
Interbank transactions	877	812	475	-46%	-41%
Loans	5,041	7,234	7,990	58%	10%
Other receivables	19,977	22,787	15,185	-24%	-33%
Other assets	27	22	36	33%	61%
Permanent assets	1,405	3,268	4,068	189%	24%
Total assets	112,489	161,316	150,783	34%	-7%
Liabilities					
Deposits	14,138	16,306	14,606	3%	-10%
Open market funding	48,977	76,114	74,045	51%	-3%
Funds from securities issued and accepted	3,775	6,570	8,480	125%	29%
Interbank transactions	-	30	0	n.a.	-99%
Loans and onlendings	1,027	1,811	2,191	113%	21%
Derivatives	3,182	6,827	8,629	171%	26%
Subordinated liabilities	4,158	6,148	6,246	50%	2%
Other liabilities	28,448	34,224	22,241	-22%	-35%
Deferred income	32	68	112	254%	64%
Shareholders'equity	8,540	13,125	14,145	66%	8%
Non-controlling interest	212	91	88	-58%	-4%
Total liabilities	112,489	161,316	150,783	34%	-7%

Combined Adjusted Income Statement (unaudited)	Quarter			4Q 2012 % change to		Full Year		2012 % change to
(in R$ million, unless otherwise stated)	4Q 2011	3Q 2012	4Q 2012	4Q 2011	3Q 2012	2011	2012	2011
Investment banking	46	148	121	162%	-18%	377	448	19%
Corporate lending	119	140	182	53%	30%	366	564	54%
Sales and trading	214	407	215	0%	-47%	1,012	1,517	50%
Asset management	153	205	637	317%	211%	507	1,190	135%
Wealth management	41	55	74	80%	35%	150	202	35%
Principal investments	108	566	512	374%	-10%	181	2,338	1190%
PanAmericano	(8)	(94)	(32)	n.a.	n.a.	(52)	(244)	n.a.
Interest and other	285	258	182	-36%	-29%	661	802	21%
Total revenues	959	1,685	1,891	97%	12%	3,202	6,817	113%
Bonus	(172)	(335)	(222)	29%	-34%	(521)	(1,169)	124%
Retention expenses	12	-	-	-100%	n.a.	(40)	(6)	-85%
Salaries and benefits	(68)	(78)	(103)	51%	32%	(236)	(326)	38%
Administrative and other	(93)	(128)	(194)	109%	52%	(327)	(540)	65%
Goodwill amortization	(9)	(14)	(278)	3047%	1878%	(31)	(467)	1400%
Tax charges, other than income tax	(51)	(63)	(71)	39%	13%	(181)	(241)	33%
Total operating expenses	(381)	(617)	(867)	128%	41%	(1,337)	(2,749)	106%
Income before taxes	578	1,068	1,024	77%	-4%	1,865	4,068	118%
Income tax and social contribution	475	(275)	(170)	-136%	-38%	58	(812)	-1511%
Net Income	1,053	793	854	-19%	8%	1,922	3,256	69%

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)	3Q 2012	4Q 2012	3Q 2012	4Q 2012
Assets				
Cash and bank deposits	690	552	549	79
Interbank investments	33,036	23,969	124	11
Marketable securities and derivatives	72,375	74,203	21,295	24,520
Interbank transactions	812	475	-	-
Loans	6,706	7,269	528	722
Other receivables	14,481	13,317	9,336	1,911
Other assets	22	35	2	2
Permanent asset	3,137	3,497	130	571
Total assets	131,258	123,316	31,966	27,816
Liabilities				
Deposits	16,804	14,624	-	-
Open market funding	60,040	52,651	16,073	21,394
Funds from securities issued and accepted	6,570	8,480	-	-
Interbank transactions	30	0	-	-
Loans and onlendings	1,761	1,905	51	286
Derivatives	5,977	8,064	1,130	849
Subordinated liabilities	6,148	6,246	-	-
Other liabilities	24,380	21,045	10,974	1,243
Deferred income	70	112	-	-
Shareholders' equity	9,387	10,101	3,738	4,044
Non-controlling interest	91	88	-	-
Total liabilities	131,258	123,316	31,966	27,816

Income Statement (unaudited) *(in R$ million, unless otherwise stated)*	Banco BTG Pactual S.A.		BTG Investments LP.	
	4Q 2011	4Q 2012	4Q 2011	4Q 2012
Financial income	1,569	2,071	187	247
Financial expenses	(1,093)	(1,275)	(50)	(18)
Gross financial income	476	796	136	229
Other operating income (expenses)	34	98	39	(54)
Operating income	510	892	175	175
Non-operating income/(expenses)	(1)	(14)	-	-
Income before taxes and profit sharing	509	880	175	175
Income and social contribution taxes	466	(166)	-	-
Statutory profit sharing	(95)	(12)	(10)	-
Non-controlling interest	(3)	(19)	-	-
Net income	877	682	165	175

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 Group.

Reconciliation (unaudited) *(in R$ million, unless otherwise stated)*	Shareholders' Equity		Income Statement	
	4Q 2011	4Q 2012	2011	2012
Banco BTG Pactual - BR GAAP	6,340	10,101	1,477	2,061
BTG Investments - IFRS	2,200	4,044	172	911
Total	8,540	14,145	1,649	2,972
Conversion adjustments from BR GAAP to IFRS	-	-	(26)	1
Consolidation and conversion adjustments	-	-	298	282
Combined balances	8,540	14,145	1,921	3,256

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.
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 - fourth quarter 2012

February 19, 2013 (after market closes)

English Conference Call

February 20, 2013 (Wednesday)
11:00 AM (New York) / 1:00 PM (Brasília)
Phone: +1 (412) 317-6776

Code: BTG Pactual

Replay until 02/26: +1 (412) 317-0088

Code: 10024408

Portuguese Conference Call

February 20, 2013 (Wednesday)
09:00 AM (New York) / 11:00 AM (Brasília)
Phone: +55 (11) 2188-0155

Code: BTG Pactual

Replay until 02/26: +55 (11) 2188-0155

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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