BTG Pactual – Earnings Release

Second Quarter 2014

August 05, 2014

Highlights

Rio de Janeiro, Brazil, August 05, 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$1,742 million and combined net income of R$962 million for the quarter ended June 30, 2014.

Net income per unit and annualized return on average shareholders' equity (ROAE) of BTG Pactual were R$1.06 and 22.4%, respectively, for the quarter ended June 30, 2014.

As of June 30, 2014, total assets for BTG Pactual were R$192.4 billion, stable when compared to March 31, 2014, and the BIS capital ratio for Banco BTG Pactual was 16.0%.

BTG Pactual Financial Summary and Key Performance Indicators

Highlights and KPIs (unaudited) *(in R$ million, unless otherwise stated)*	Quarter			Year to Date	
	2Q 2013	1Q 2014	2Q 2014	6M 2013	6M 2014
Total revenues	1,005	1,706	1,742	2,698	3,449
Operating expenses	(504)	(647)	(737)	(1,167)	(1,384)
Of which fixed compensation	(114)	(159)	(163)	(226)	(323)
Of which variable compensation	(151)	(225)	(233)	(426)	(458)
Of which non compensation	(239)	(263)	(341)	(515)	(604)
Net income	**650**	**832**	**962**	**1,262**	**1,794**
Net income per unit (R$)	0.72	0.92	1.06	1.39	1.98
Annualized ROAE	**17.5%**	**20.2%**	**22.4%**	**17.3%**	**21.4%**
Cost to income ratio	50%	38%	42%	43%	40%
Coverage ratio	226%	167%	158%	211%	162%
Shareholders' equity	**15,035**	**16,908**	**17,424**		
BIS Capital Ratio (Banco BTG Pactual only)	17.8%	17.1%	16.0%		
Total assets (in R$ billion)	196.0	193.9	192.4		
AuM and AuA (in R$ billion)	186.1	188.5	190.7		
WuM (in R$ billion)	64.9	68.2	70.5		

Performance

For the 2Q 2014, we achieved an annualized ROAE of 22.4% and net income of R$962.0 million. Revenues in the quarter were 2% above and net income was 16% above when compared to the 1Q 2014. When compared to the 2Q 2013, revenues and net income grew 73% and 48%, respectively. During the quarter, we had a solid performance in our franchise areas, where; (i) maintained our market leadership in Investment Banking, in Brazil and LatAm, posting significant results, (ii) continued to present solid returns and asset quality in Corporate Lending, (iii) delivered strong results in Sales and Trading in most of our desks, (iv) produced good results in Asset Management, with a stable AuM & AuA, and growing management fees, and (v) sustained a good level of revenues in Wealth Management. In Principal Investments, we had negative revenues of R$74.2 million, mainly due to our Merchant Banking unit, which were partially offset by the positive contribution from our Real Estate and Global Markets areas.

Our costs continue to be well controlled. In the 2Q 2014, our operating expenses reached R$736.8 million, a 14% increase when compared to the 1Q 2014. This increase is basically attributable to non-recurring expenses. When compared to the 2Q 2013, our operating expenses increased 46%. Consequently, in the 2Q 2014, our cost to income ratio was 42.3%, our compensation ratio was 22.7%, and our coverage ratio was 158.4%.

As a result, our net income reached R$962.0 million in 2Q 2014, up 16% from the 1Q 2014, and 48% compared to the 2Q 2013. Our effective income tax rate for the quarter was 4.3%.

Our shareholder's equity grew 3% from R$16.9 billion at the end of the 1Q 2014 to R$17.4 billion at the end of the 2Q 2014 after taking into account the announced dividends and JCP of R$448.4 million and the positive impact of R$2.6 million from other comprehensive income (OCI) in the quarter. When compared to the 2Q 2013, our shareholder's equity grew 16%.

BTG Pactual's AuM and AuA ended the quarter at R$190.7 billion, stable when compared to the end of the 1Q 2014, and WuM ended the period at R$70.5 billion, a 3% growth when compared to the end of the 1Q 2014.

"Once again we are pleased to announce another quarter of solid fundamentals and superior returns for our shareholders. While we continue to operate in a slow growth environment throughout LatAm, especially in Brazil, our businesses were able to present a solid performance in the quarter, preserving our leadership position in capital markets, and increasing the offering of products and services to our clients. Our continuous and relentless efforts to increase the diversification and reach of our platform – both in terms of geography and as of products and services – enables many of our business areas to deliver strong results and sustainable growth in challenging periods. Also, we are glad to announce that, in July 14th, BTG Pactual has signed definitive agreement to acquire BSI, a leading Swiss wealth manager, a transaction which is expected to be concluded in 1Q 2015, and will transform our Wealth Management platform in a truly global business, capable of delivering a global reach with a premier client service." said André Esteves, CEO of the Group.

Relevant Events

On July 10, 2014, the Bank agreed to acquire 100% of the shares of Ariel Re (Holdings) Limited's operations ("Ariel"), a non-life international reinsurance group, based in London and Bermuda that specializes in property catastrophe reinsurance.

On July 14, 2014 the Bank signed a binding agreement to acquire 100% of the shares of BSI SA, a Swiss private bank indirectly owned by Generali Group. BSI is the 10th largest Swiss bank by total assets. The total purchase consideration, subject to potential adjustments, is CHF1.5 billion (R$3.7 billion), expected to be settled 80% in cash and 20% to be issued in BTG Pactual units upon closing the transaction.

The conclusion of both transactions is subject to customary closing conditions, including obtaining all necessary approvals from the applicable regulators.

On June 13, 2014, Banco Panamericano S.A. ("Banco Pan") approved a capital issuance in the amount of R$3.0 billion of which (i) up to R$1.5 billion in the form of common and preferred shares at the price of R$ 3.38 per share issued, eligible as CET1; and (ii) up to R$1.5 billion in the form of redeemable preferred shares, with a maturity of 5 years, bearing fixed, cumulative and priority dividends equivalent to 104% of CDI.

Banco Pan's objective with the capital increase is to support the growth of its activities, according to the new business plan that is being implemented by the current executive board.

Shareholders Caixapar – Caixa Participações S.A. ("Caixapar") and Banco BTG Pactual, jointly holders of 71.1% of the Banco Pan's total capital stock, have subscribed their respective common and preferred capital stakes, totaling the amount of R$ 1,066.3 million of CET1. Furthermore, Caixapar and Banco BTG Pactual have agreed to guarantee the subscription of the redeemable preferred shares, including those arising from the apportionment of any unsubscribed shares.

Global Market and Economic Analysis

The second quarter was positive for asset prices because of a combination of higher growth and accommodative monetary policies.

In the US, economic activity improved in 2Q 2014, especially in the labor market, in sharp contrast with the weather-affected GDP figures of 1Q 2014. The Federal Reserve (FED), however, did not change its view that there will be a considerable period of time between the first rate hike and the end of the quantitative easing program. Monetary policy remained accommodative in Europe as well. ECB cut the deposit rate to -0.10% and announced new facilities to stimulate credit to small and medium firms in order to reduce the deflationary risks. In China, the concerns with a hard lending dissipated as the economic indicators accelerated in Q2 in response to the easing measures adopted by the government. All in all, the risks of a disappointing economic growth abated in the 2Q and the financial conditions became more accommodative.

The favorable environment for risk-taking, coupled with low volatility in major asset classes, led to a decline of long term interest rates, higher stock prices and an appreciation of the major currencies against the USD.

The 10 year US Treasury yield declined 19 basis points (bp) over the quarter from 2.72% at the end of Q1 to 2.53% at the end of Q2. One of the factors explaining the decline was the announcement that the FED had reduced its forecast of the long term interest rate from 4% to 3.75%. The downward shift of the yield curve was shared by most economies. 10yrs swaps declined 34 basis points in Germany, 43bp in Chile, 47bp in Mexico, 30bp in South Korea, 20bp in South Africa and 77 bp in Brazil as measured by DI markets expiring on January 2021.

Most of the currencies appreciated against the US dollar. The Korean Won appreciated 5.2%, the Colombian peso 5%, the Canadian Dollar 3.6%, the BRL 2.6%, the Yen 1.9%, Australian dollar 1.8% and the Mexican Peso 0.7%. Other currencies posted a small depreciation because of idiosyncratic factors: the Chilean Peso was down 0.6%, the South African Rand 1% and the Euro 0.6%.

Stock markets also reflected the risk taking environment. The S&P500 appreciated 4.7% in Q2, Mexbol 5.6%, Bovespa 5.5%, DAX 2.9% and Nikkei 2.3%.

In Brazil, the economic activity continued to disappoint. Business confidence declined 7% in Q2 while consumer confidence fell 3.2%, the 8th consecutive decline. The market consensus for GDP growth this year went down from 1.7% at the end of March to 1.1% at the end of June and 0.9% at the end of July. The slowdown in growth and the lagged effect of monetary policy on economic activity and inflation were key determinants of the Central Bank's decision to end the 375bp tightening cycle. The monetary policy committee, however, is likely to maintain the 11% interest rate on hold for some time because inflation remains high. Food inflation receded after a strong rise in Q1 but 12 months inflation accelerated from 6.15% in March to 6.52% in June. The market expects 12 months inflation to accelerate further in Q3 but ending the year slightly below the 6.5% top of the target inflation rate band.

Combined Adjusted Revenues

Revenues in the 2Q 2014 increased 2% when compared with the 1Q 2014 and 73% when compared to the 2Q 2013.

Combined Adjusted Revenues (unaudited)	**Quarter**			**2Q 2014 % change to**		**Year to Date**		**6M 2014 % change to**
(in R$ million, unless otherwise stated)	**2Q 2013**	**1Q 2014**	**2Q 2014**	**2Q 2013**	**1Q 2014**	**6M 2013**	**6M 2014**	**6M 2013**
Investment Banking	175	70	197	13%	180%	279	267	-4%
Corporate Lending	183	197	199	8%	1%	394	395	0%
Sales and Trading	462	874	647	40%	-26%	1,132	1,521	34%
Asset Management	216	350	268	24%	-23%	469	619	32%
Wealth Management	101	93	91	-10%	-1%	203	184	-9%
Principal Investments	(313)	(115)	(74)	n.a.	n.a.	(146)	(189)	n.a.
Banco Pan	(12)	(27)	(24)	n.a.	n.a.	(16)	(51)	n.a.
Interest and Other	193	264	438	127%	66%	383	703	83%
Total revenues	**1,005**	**1,706**	**1,742**	**73%**	**2%**	**2,698**	**3,449**	**28%**

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)		
	2Q 2013	**1Q 2014**	**2Q 2014**	**2Q 2013**	**1Q 2014**	**2Q 2014**
Financial Advisory (M&A)[4]	15	11	9	6,399	7,145	7,775
Equity Underwriting (ECM)	7	4	2	1,102	233	474
Debt Underwriting (DCM)	12	6	11	1,369	274	1,548

BTG Pactual Announced Transactions (unaudited)	**Number of Transactions**[1],[3]		**Value**[2],[3] (US$ mln)	
	6M 2013	**6M 2014**	**6M 2013**	**6M 2014**
Financial Advisory (M&A)[4]	23	20	8,381	14,919
Equity Underwriting (ECM)	12	6	1,709	707
Debt Underwriting (DCM)	30	17	3,747	1,823

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 2Q 2014 market share highlights

- M&A: #1 in transaction volumes, #2 in announced transactions in Brazil, #2 in announced transactions in Latin America
- ECM: #1 in number of transactions and transaction volumes in Brazil
- DCM: #5 in number of transactions and transaction volumes for Local Brazilian DCM

2Q 2014 vs. 1Q 2014

Despite the weak capital markets and economic activity in LatAm, Investment Banking posted a solid performance during the quarter, with revenues of R$196.9 million, a 180% increase compared to the 1Q 2014. Revenues increase can be mainly attributed to strong Financial Advisory activity, due to closing of significant transactions in the period. In addition we maintained our leading market share due to the number of announced transactions and respective volumes. In equity underwriting, our revenues also increased in the quarter. Our DCM revenues were stable compared to the previous quarter due to continuing slow market activity especially in local Brazilian DCM during the period.

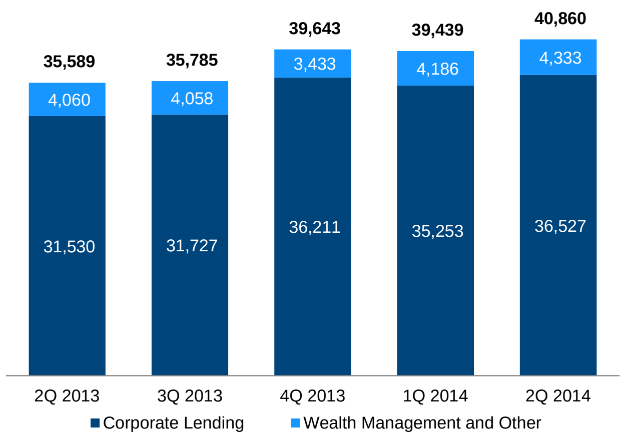
2Q 2014 vs. 2Q 2013

Revenues increased 13% when compared to the 2Q 2013, with the increase mainly coming from Financial Advisory activity. When compared to the 2Q 2013, our ECM revenues continue to follow a weak trend as a consequence of weak and challenging market conditions in Brazil and LatAm. Our DCM revenues have also reduced, as a consequence of the comparably stronger market activity in the 2Q 2013.

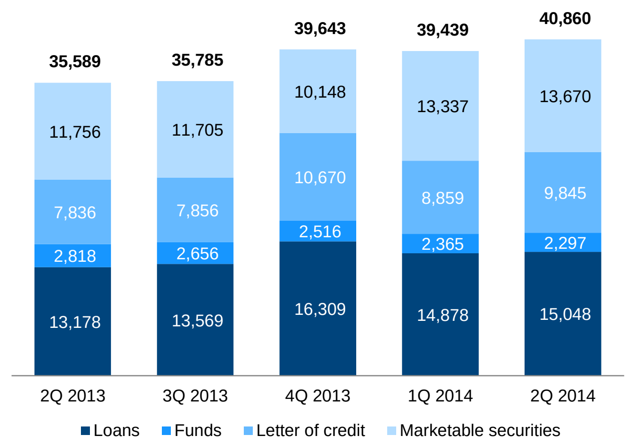
Corporate Lending

BTG Pactual Broader Credit Portfolio

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



Broader Credit Portfolio By Product
(in R$ million)



Notes:

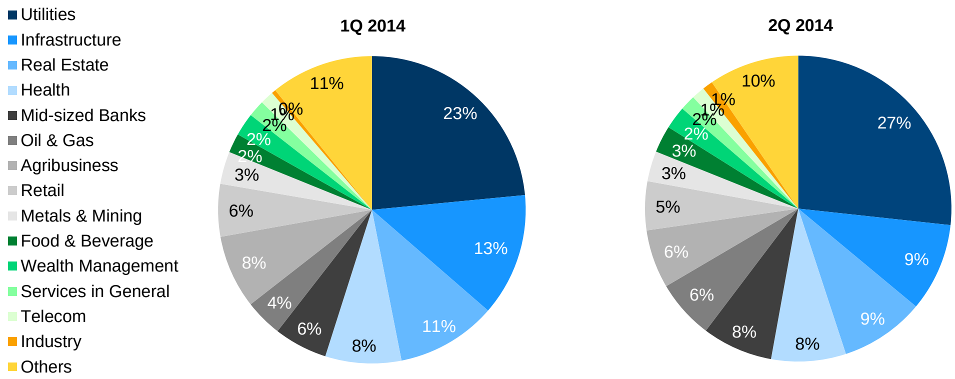
(1) Other: includes interbank deposits, Merchant Banking structured transactions and others

(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).

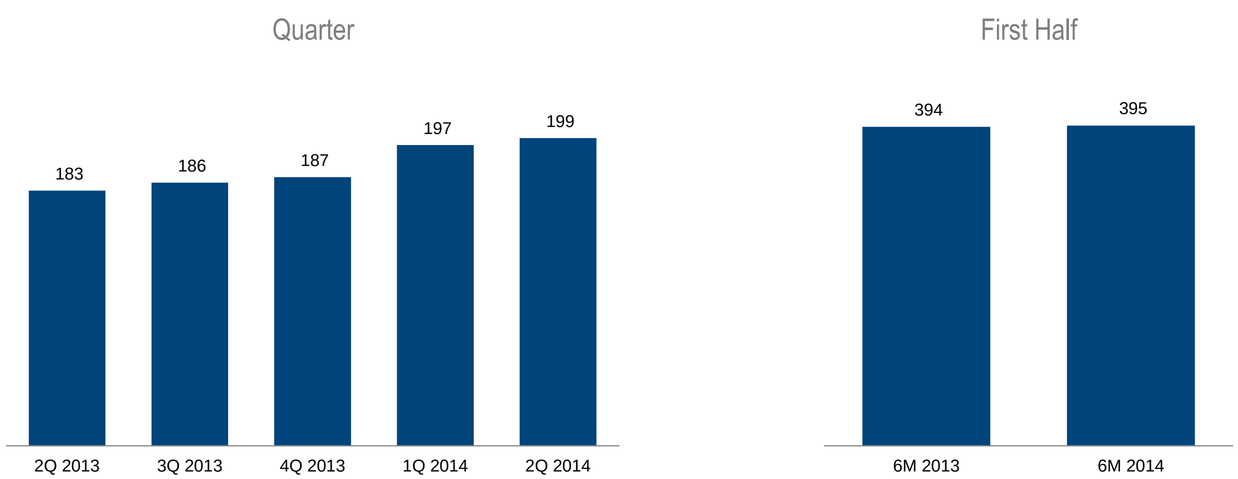
The balance of our broader credit portfolio at the end of the 2Q 2014, increased 4% when compared to 1Q 2014. We have continued to develop our Corporate Lending business, especially in LatAm outside of Brazil, which is an important source of origination. During 2014, we continued to apply more selective standards for liquidity and credit risk, which reflected in our ability to maintain the spread levels and asset quality in the portfolio.

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



Corporate Lending Detailed Results

Revenues
(in R$ million)



2Q 2014 vs. 1Q 2014

Revenues from Corporate Lending remained stable in the 2Q 2014, at R$198.6 million, in line with the average balance of the Corporate Lending portfolio at R$35.9 billion in the 2Q 2014 when compared to R$35.7 billion in the 1Q 2014.

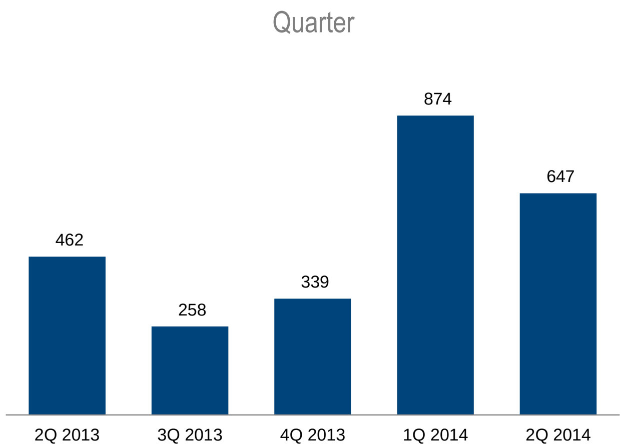
2Q 2014 vs. 2Q 2013

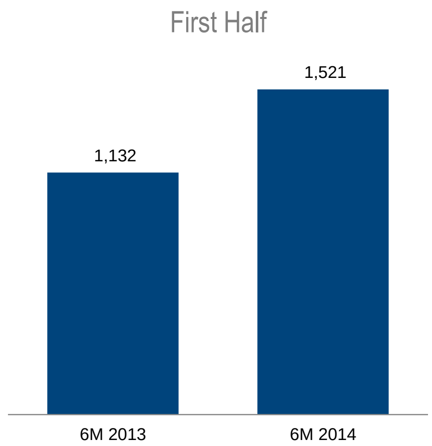
Revenues from Corporate Lending increased 8%, from R$183.5 million to R$198.6 million, while we had an 11% growth of the average balance of our corporate lending portfolio, from R$32.3 billion in the 2Q 2013 to R$35.9 billion in the 2Q 2014.

Sales and Trading

Revenues

(in R$ million)





2Q 2014 vs. 1Q 2014

Revenues from Sales and Trading decreased 26%, from R$873.9 million to R$647.0 million, which still represents a strong performance level. The revenue decrease was mainly due to the extremely strong performance in the 1Q 2014, which was mainly attributable to production from our newly established global commodities desks. We have also been able to deliver a robust performance from our fixed income and equities desks. Revenues from our global commodities desks, still at strong levels, have presented a decrease in the quarter.

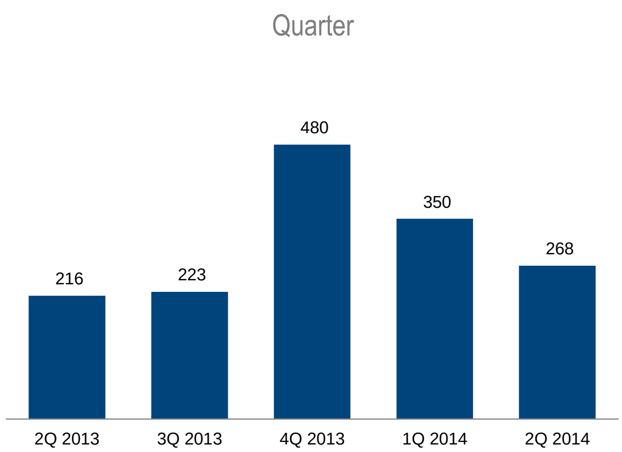
2Q 2014 vs. 2Q 2013

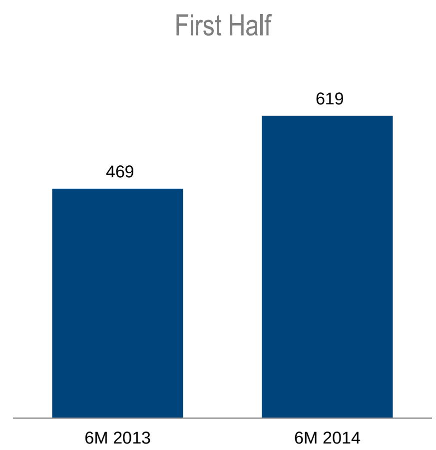
Sales and Trading revenues increased 40%, from R$461.7 million to R$647.0 million. The increase in revenue is attributable to (i) the performance of our global commodities desks, which were not operating in 2013, and (ii) our equities desks, which have presented significant stronger revenues, in line with market conditions which were tougher in 2013. The revenue increase was partially offset by weaker revenues from rates and FX desks, which have presented a very strong performance in the 2Q 2013.

Asset Management

Revenues

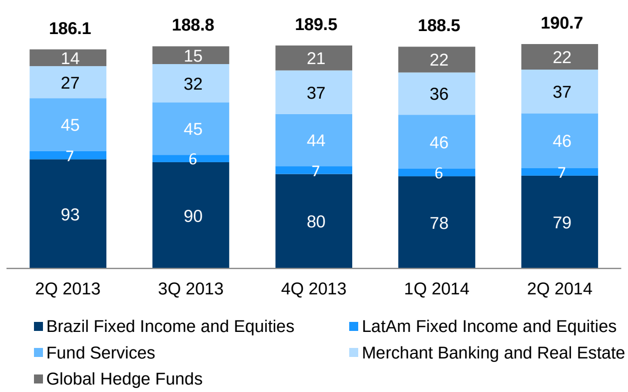
(in R$ million)





AuM & AuA by Asset Class

(in R$ billion)



2Q 2014 vs. 1Q 2014

Revenues from Asset Management decreased 23%, from R$350.3 million to R$268.3 million, in a quarter when we typically have less performance fees recognized. However, we observed an increase in management fees, as a consequence of the continuous change in the composition of our AuM and AuA.

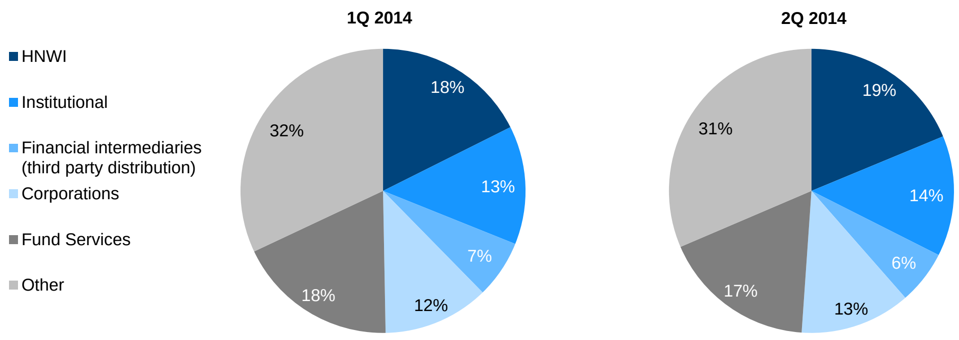
Net new money was negative R$1.5 billion in the quarter, but outflows were concentrated in low fee, non-discretionary mandates.

2Q 2014 vs. 2Q 2013

Revenues from Asset Management increased 24%, from R$215.8 million to R$268.3 million. The increase in revenues was in line with the increase in RoA and AuM.

AuM and AuA by Type of Client

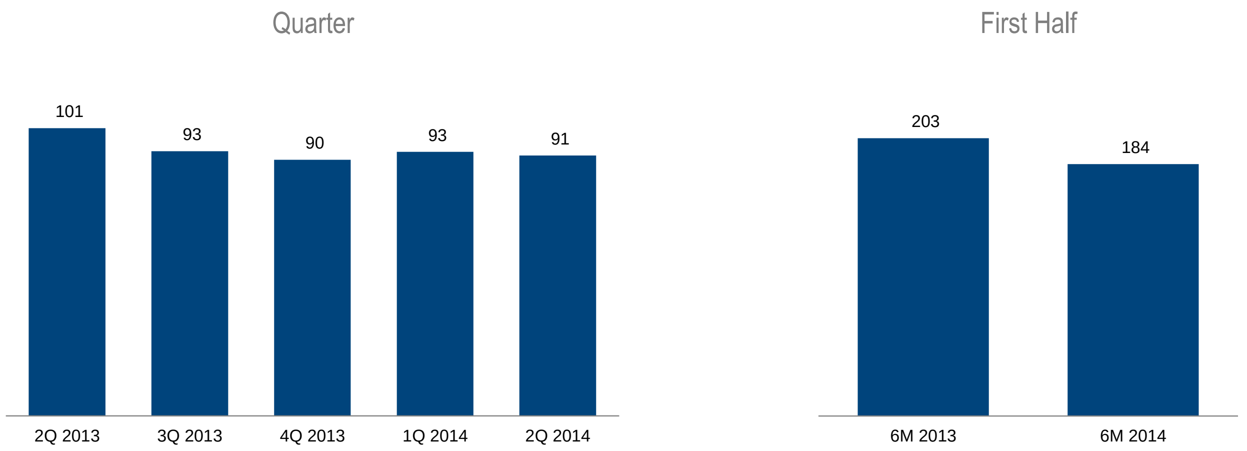
(%)



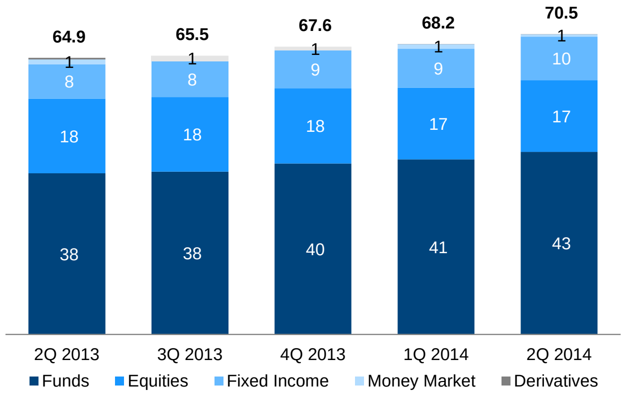
Wealth Management

Revenues

(in R$ million)



WuM by Class of Asset
(in R$ billion)



2Q 2014 vs. 1Q 2014

Revenues from Wealth Management remained stable in the 2Q 2014 at R$91.3 million, compared to R$92.5 million in the 1Q 2014. The revenue mix remained stable. Clients' trading activity has slightly picked up in the quarter, compensated by lower fees from distribution of investment funds. WuM closed the period at R$70.5 billion, a 3% increase when compared to the end of the previous period.

NNM was positive R$2.5 billion.

2Q 2014 vs. 2Q 2013

Revenues from Wealth Management decreased 10%, from R$100.9 million to R$91.3 million, as a consequence of higher fees from the distribution of investment funds which occurred in the 2Q 2013. WuM has increased 9% from R$ 64.9 billion in the 2Q 2013 to R$70.5 in the 2Q 2014.

Principal Investments

Principal Investments Revenues (unaudited)	Quarter			2Q 2014 % change to		Full Year		6M 2014 % change to
(in R$ million, unless otherwise stated)	2Q 2013	1Q 2014	2Q 2014	2Q 2013	1Q 2014	6M 2013	6M 2014	6M 2013
Global Markets	(106)	84	99	n.a.	19%	170	183	8%
Merchant Banking	(58)	(35)	(347)	n.a.	n.a.	23	(382)	n.a.
Real Estate	(149)	(163)	173	n.a.	n.a.	(339)	10	n.a.
Total	**(313)**	**(115)**	**(74)**	**n.a.**	**n.a.**	**(146)**	**(189)**	**n.a.**

2Q 2014 vs. 1Q 2014

Principal Investments revenues changed from losses of R$114.8 million in the 1Q 2014 to losses of R$74.2 million in the 2Q 2014. The difference was mainly attributable to the positive contribution from Real Estate, as a result of the appreciation of our investment in BR Properties, where the average share price went from R$16.80 in the 1Q 2014 to R$12.89 in the 2Q 2014, while the company has distributed R$6.04 dividends per share in the period.

In Global Markets, our Emerging Markets equities, credit, rates and US Mortgages desks present increased results, and market risk allocation remained in low levels in the period. On the other hand, global Rates strategies delivered weaker results.

Merchant Banking negative revenues reflect the cost of capital allocated to the division, as well as a negative share of profits from the investments in *Petro-Africa*, reflecting the upfront amortization of exploratory investments.

2Q 2014 vs. 2Q 2013

Revenues from Principal Investments presented smaller losses when compared to the 2Q 2013. The change was mainly due to positive revenues from Global Markets, especially in Global Credit, US Mortgages and Emerging Market Equities strategies, and a positive contribution from Real Estate mainly due to the positive impact from our investment in BR Properties in the period, offset by lower Merchant Banking revenues as outlined above.

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

2Q 2014 vs. 1Q 2014

From the 1Q 2014 on, we started to report 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$24.0 million in the 2Q 2014, slightly lower than the loss of R$26.9 million recorded in the previous quarter.

2Q 2014 vs. 2Q 2013

The losses recognized from our investment in Banco Pan for 2Q 2014 were higher than the 2Q 2013. Our results from Banco Pan decreased from a loss of R$11.7 million in the 2Q 2013, composed of a R$5.0 million share of profits and R$16.7 million funding costs charged to this investment, compared to a loss of R$24.0 million share of losses in the 2Q 2014.

Interest and Other

2Q 2014 vs. 1Q 2014

Interest and Other revenues were R$438.3 million in the 2Q 2014, compared to R$264.3 million in the 1Q 2014. Revenues are in line with the average base interest rate of the Brazilian Central Bank applied to the average Shareholders' Equity in the quarter. This was partially offset by the funding costs applied to our investment in Banco Pan.

2Q 2014 vs. 2Q 2013

Revenues from Interest and Other increased in the period, in line with the average interest rate of the Central Bank of Brazil, which increased from 7.25% in the 2Q 2013 to 11% in the 2Q 2014, applied to the average Shareholder' Equity.

Combined Adjusted Operating Expenses

Combined Adjusted Operating Expenses (unaudited)	Quarter			2Q 2014 % change to		Year to Date		6M 2014 % change to
(in R$ million, unless otherwise stated)	2Q 2013	1Q 2014	2Q 2014	2Q 2013	1Q 2014	6M 2013	6M 2014	6M 2013
Bonus	(151)	(225)	(233)	54%	3%	(426)	(458)	8%
Salaries and benefits	(114)	(159)	(163)	43%	3%	(226)	(323)	43%
Administrative and other	(128)	(178)	(216)	69%	22%	(286)	(394)	38%
Goodwill amortization	(45)	(46)	(40)	-12%	-14%	(90)	(86)	-5%
Tax charges, other than income tax	(66)	(39)	(85)	28%	118%	(138)	(124)	-11%
Total operating expenses	**(504)**	**(647)**	**(737)**	**46%**	**14%**	**(1,167)**	**(1,384)**	**19%**
Cost to income ratio	50%	38%	42%	-16%	11%	43%	40%	-7%
Compensation ratio	26%	23%	23%	-14%	1%	24%	23%	-6%
Coverage ratio	226%	167%	158%	-30%	-5%	211%	162%	-23%
Total number of employees	2,553	2,877	3,054	20%	6%	2,553	3,054	20%
Partners and associate partners	185	208	205	11%	-1%	185	205	11%
Employees	2,249	2,539	2,713	21%	7%	2,249	2,713	21%
Other	119	130	136	14%	5%	119	136	14%

Bonus

Bonus expense was R$232.5 million in the 2Q 2014. Bonus expenses were 3% higher than the previous quarter, and 54% higher when compared to the 2Q 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 3%, when compared to the 1Q 2014, in line with the growth in the total number of employees from 2,877 to 3,054. Expenses related to salaries and benefits were R$114.0 million in 2Q 2013 and R$159.1 million in the 1Q 2014, compared to R$163.4 million in the 2Q 2014.

Administrative and other

Total administrative and other expenses increased 22%, from R$177.8 million in the 1Q 2014 to R$216.4 million in the current quarter, mainly as a result of higher professional fees, T&E expenses and transaction related expenses.

Goodwill amortization

In the 2Q 2014 we recorded amortization expenses totaling R$39.8 million, in connection with our goodwill from the acquisitions of Celfin and Bolsa y Renta. Goodwill amortization was in line with the 1Q 2014 and the 2Q 2013.

Tax charges, other than income tax

Tax charges, other than income tax, were R$84.8 million, an increase of 118% and 28% when compared to the 1Q 2014 and 2Q 2013 respectively, as a higher part of the revenues were subject to tax charges in the period.

Combined Adjusted Income Taxes

Combined Adjusted Income Tax (unaudited)	Quarter			Year to Date	
(in R$ million, unless otherwise stated)	2Q 2013	1Q 2014	2Q 2014	6M 2013	6M 2014
Income before taxes	501	1,059	1,005	1,532	2,064
Income tax and social contribution	149	(227)	(43)	(270)	(271)
Effective income tax rate	**-29.8%**	**21.5%**	**4.3%**	**17.6%**	**13.1%**

Our effective income tax rate went from 21.5% (representing an expense of R$227 million) in the 1Q 2014 to 4.3% (an expense of R$43 million) in the current quarter, mainly due to (i) the computation of interest on equity (JCP) in the amount of R$301.8 million in the 2Q 2014, and (ii) a more favorable revenue mix, with proportionally more revenues that are not subject to corporate taxes in the period.

Balance Sheet

Our total assets remained stable at R$192.4 billion in the end of the 2Q 2014, compared to R$193.9 billion at the end of the 1Q 2014 and R$ 196.0 billion in the 2Q 2013. During the quarter, there was an increase in our derivative financial instruments portfolio, mostly related to forward contracts which are booked on a gross basis. The increase was offset by a decrease in our foreign exchange portfolio, included in other receivables. Our leverage ratio was 11.0x at the end of the 2Q 2014.

Our total liabilities also remained stable. Following the changes in our assets, there was an increase in derivative financial instruments portfolio in the liability side (mostly forward contracts), offset by a decrease in our foreign exchange portfolio (unsettled exchange sold linked to our rights on foreign exchange sales), included in other liabilities. Our shareholders' equity increased 3%, from R$16.9 billion at the end of the 1Q 2014 to R$17.4 billion at the end of the 2Q 2014, mainly due to net income of R$962.0 million for the quarter ended June 30, 2014 and the R$2.6 million positive impact of OCI (other comprehensive income) in the quarter, partially offset by a provision of dividends and interest on equity of R$448.4 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

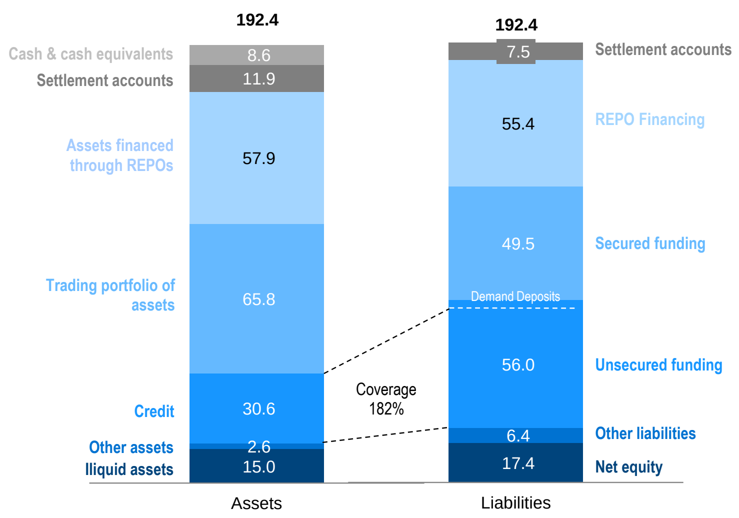
Value-at-risk (unaudited) *(in R$ million, unless otherwise stated)*	Quarter		
	2Q 2013	1Q 2014	2Q 2014
Total average daily VaR	**73.5**	**89.3**	**112.6**
Average daily VaR as a % of average equity	0.49%	0.54%	0.66%

Our total average daily VaR marginally increased as a percentage of our average shareholders' equity, when compared to the 1Q 2014 and to the 2Q 2013, 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 June 30, 2014:

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

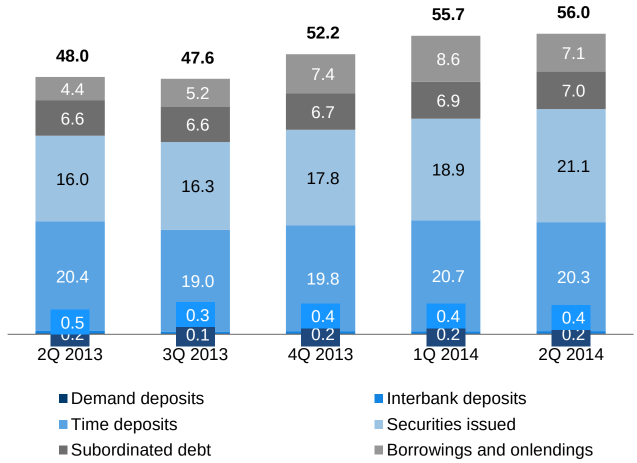


Note:
(1) From 1Q 2013 on, unsecured funding includes secured funding that uses credit or illiquid asset as collateral

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

Our total unsecured funding remained stable in the quarter at R$56.0 billion.

Credit Risk

The following table sets forth the distribution, by credit rating, of our credit exposures as of June 30, 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)*	**2Q 2014**
AA	15,769
A	15,323
B	5,621
C	2,585
D	1,131
E	302
F	38
G	43
H	49
Total	**40,860**

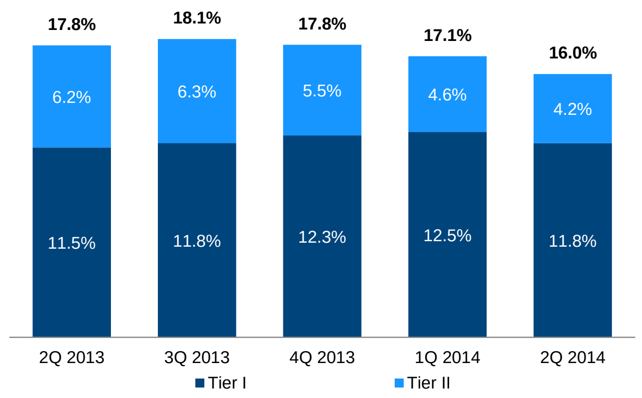
Capital Management

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 decreased in the 2Q 2014 to 16.0%. 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 June 30, 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			2Q 2014 % change to	
	2Q 2013	1Q 2014	2Q 2014	2Q 2013	1Q 2014
Assets					
Cash and bank deposits	725	709	1,461	102%	106%
Interbank investments	52,731	37,760	36,273	-31%	-4%
Marketable securities and derivatives	96,668	92,106	101,003	4%	10%
Interbank transactions	482	401	358	-26%	-11%
Loans	13,664	14,561	14,427	6%	-1%
Other receivables	25,712	41,716	33,155	29%	-21%
Other assets	56	65	40	-27%	-38%
Permanent assets	5,914	6,621	5,645	-5%	-15%
Total assets	**195,952**	**193,939**	**192,362**	**-2%**	**-1%**
Liabilities					
Deposits	18,183	18,058	17,202	-5%	-5%
Open market funding	94,126	65,950	63,488	-33%	-4%
Funds from securities issued and accepted	15,984	18,922	21,063	32%	11%
Interbank transactions	5	7	4	-8%	-40%
Loans and onlendings	4,378	8,619	7,057	61%	-18%
Derivatives	14,384	19,465	27,936	94%	44%
Subordinated liabilities	6,576	6,858	6,966	6%	2%
Other liabilities	26,850	38,706	30,272	13%	-22%
Deferred income	141	113	128	-9%	13%
Shareholders'equity	**15,035**	**16,908**	**17,424**	**16%**	**3%**
Non-controlling interest	290	332	821	183%	148%
Total liabilities	**195,952**	**193,939**	**192,362**	**-2%**	**-1%**

Combined Adjusted Income Statement (unaudited)	Quarter			2Q 2014 % change to		Year to Date		6M 2014 % change to
(in R$ million, unless otherwise stated)	2Q 2013	1Q 2014	2Q 2014	2Q 2013	1Q 2014	6M 2013	6M 2014	6M 2013
Investment banking	175	70	197	13%	180%	279	267	-4%
Corporate lending	183	197	199	8%	1%	394	395	0%
Sales and trading	462	874	647	40%	-26%	1,132	1,521	34%
Asset management	216	350	268	24%	-23%	469	619	32%
Wealth management	101	93	91	-10%	-1%	203	184	-9%
Principal investments	(313)	(115)	(74)	n.a.	n.a.	(146)	(189)	n.a.
Banco Pan	(12)	(27)	(24)	n.a.	n.a.	(16)	(51)	n.a.
Interest and other	193	264	438	127%	66%	383	703	83%
Total revenues	**1,005**	**1,706**	**1,742**	**73%**	**2%**	**2,698**	**3,449**	**28%**
Bonus	(151)	(225)	(233)	54%	3%	(426)	(458)	8%
Salaries and benefits	(114)	(159)	(163)	43%	3%	(226)	(323)	43%
Administrative and other	(128)	(178)	(216)	69%	22%	(286)	(394)	38%
Goodwill amortization	(45)	(46)	(40)	-12%	-14%	(90)	(86)	-5%
Tax charges, other than income tax	(66)	(39)	(85)	28%	118%	(138)	(124)	-11%
Total operating expenses	**(504)**	**(647)**	**(737)**	**46%**	**14%**	**(1,167)**	**(1,384)**	**19%**
Income before taxes	**501**	**1,059**	**1,005**	**101%**	**-5%**	**1,532**	**2,064**	**35%**
Income tax and social contribution	149	(227)	(43)	-129%	-81%	(270)	(271)	0%
Net Income	**650**	**832**	**962**	**48%**	**16%**	**1,262**	**1,794**	**42%**

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)	**1Q 2014**	**2Q 2014**	**1Q 2014**	**2Q 2014**
Assets				
Cash and bank deposits	623	1,265	849	934
Interbank investments	32,434	33,111	6,708	4,407
Marketable securities and derivatives	49,012	53,301	38,238	39,569
Interbank transactions	401	358	-	-
Loans	13,141	12,943	1,420	1,484
Other receivables	33,569	24,701	8,079	8,398
Other assets	65	40	-	0
Permanent asset	4,299	4,094	2,428	1,482
Total assets	**133,545**	**129,811**	**57,721**	**56,274**
Liabilities				
Deposits	18,805	17,904	-	-
Open market funding	34,559	33,607	32,772	31,127
Funds from securities issued and accepted	15,688	17,506	3,392	3,714
Interbank transactions	7	4	-	-
Loans and onlendings	6,185	5,074	2,265	1,814
Derivatives	13,352	18,176	1,100	1,341
Subordinated liabilities	6,858	6,966	-	-
Other liabilities	24,599	16,161	14,201	14,181
Deferred income	113	128	-	-
Shareholders' equity	**13,062**	**13,480**	**3,976**	**4,081**
Non-controlling interest	316	806	15	16
Total liabilities	**133,545**	**129,811**	**57,721**	**56,274**

Income Statement (unaudited) *(in R$ million, unless otherwise stated)*	Banco BTG Pactual S.A.		BTG Investments LP.	
	1Q 2014	2Q 2014	1Q 2014	2Q 2014
Financial income	3,351	3,578	355	340
Financial expenses	(1,941)	(2,185)	(112)	(138)
Gross financial income	**1,411**	**1,393**	**244**	**202**
Other operating income (expenses)	258	(208)	(318)	(94)
Operating income	**1,669**	**1,186**	**(74)**	**108**
Non-operating income/(expenses)	(3)	7	-	2
Income before taxes and profit sharing	**1,666**	**1,193**	**(74)**	**109**
Income and social contribution taxes	(514)	(99)	-	-
Statutory profit sharing	(222)	(220)	(20)	20
Non-controlling interest	**7**	**(3)**	**-**	**-**
Net income	**937**	**871**	**(94)**	**129**

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	
	1Q 2014	2Q 2014	1Q 2014	2Q 2014
Banco BTG Pactual - BR GAAP	133,545	129,811	937	871
BTG Investments - IFRS	57,721	56,274	(94)	129
Total	191,266	186,085	843	1,000
Conversion adjustments from IFRS to BR GAAP	5,018	8,432	75	52
Consolidation and conversion adjustments	(2,346)	(2,155)	(86)	(90)
Combined balances	**193,939**	**192,362**	**832**	**962**

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 - Second Quarter 2014

August 05, 2014 (after market closes)

English Conference Call
August 06, 2014 (Wednesday)
12:30 PM (New York) / 1:30 PM (Brasília)
Phone: +1 (412) 317-6776

Code: BTG Pactual

Replay until 08/12: +1 (412) 317-0088

Code: 10049880

Portuguese Conference Call
August 06, 2014 (Wednesday)
11:30 AM (New York) / 12:30 PM (Brasília)
Phone: +55 (11) 3193-8150

Code: BTG Pactual

Replay until 08/12: +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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