BTG Pactual – Earnings Release

Third Quarter 2014

November 04, 2014

Highlights

Rio de Janeiro, Brazil, November 4, 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$1,702.4 million and combined net income of R$768.9 million for the quarter ended September 30, 2014.

Net income per unit and annualized return on average shareholders’ equity (ROAE) of BTG Pactual were R$0.85 and 17.3%, respectively, for the quarter ended September 30, 2014.

As of September 30, 2014, total assets for BTG Pactual were R$204.6 billion, a 6% increase when compared to June 30, 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)	Quarter			Year to Date	
(in R$ million, unless otherwise stated)	3Q 2013	2Q 2014	3Q 2014	9M 2013	9M 2014
Total revenues	1,417	1,742	1,702	4,115	5,151
Operating expenses	(502)	(737)	(702)	(1,668)	(2,086)
Of which fixed compensation	(133)	(163)	(175)	(359)	(497)
Of which variable compensation	(121)	(233)	(145)	(547)	(603)
Of which non compensation	(247)	(341)	(382)	(762)	(986)
Net income	**746**	**962**	**769**	**2,007**	**2,563**
Net income per unit (R$)	0.82	1.06	0.85	2.22	2.83
Annualized ROAE	**19.4%**	**22.4%**	**17.3%**	**17.9%**	**19.9%**
Cost to income ratio	35%	42%	41%	41%	41%
Coverage ratio	169%	158%	135%	196%	152%
Shareholders' equity	**15,726**	**17,424**	**18,176**		
BIS Capital Ratio (Banco BTG Pactual only)	18.8%	16.0%	16.0%		
Total assets (in R$ billion)	184.6	192.4	204.6		
AuM and AuA (in R$ billion)	188.8	190.7	194.6		
WuM (in R$ billion)	65.5	70.5	76.5		

Performance

For the 3Q 2014, we achieved an annualized ROAE of 17.3% and a net income of R$768.9 million. Revenues in the quarter were down 2% and net income was down 20% when compared to the 2Q 2014, and when compared to the 3Q 2013, revenues and net income increased 20% and 3%, respectively. For the nine month period, our annualized ROAE reached 19.9%, revenues were up 25% and net income 28% when compared to the same period in 2013. During the quarter, our client facing businesses continued to present very good performance, especially Sales and Trading with consistent expansion of its revenue base and Wealth Management that presented significant NNM and revenue growth. Also in the 3Q 2014, we participated in the capital increase of Banco Pan, which continues to complete the turnaround process initiated in 2011. Our Principal Investments business continued to face a challenging scenario of uncertainties and increased volatility in global markets, especially in sovereign and corporate fixed income strategies. We posted negative revenues of R$164.4 million in Principal Investments in the quarter.

Our costs continued to be under control. In the 3Q 2014, our operating expenses reached R$702.2 million, a 5% decrease when compared to the 2Q 2014. This decrease is basically attributable to lower bonus pool provision, in line with our lower profitability, partially compensated by non-recurring expenses incurred. When compared to the 3Q 2013, our operating expenses increased 40%. Consequently, in the 3Q 2014, our cost to income ratio was 41.2%, our compensation ratio was 18.8%, and our coverage ratio was 134.6%.

As a result, our net income reached R$768.9 million in 3Q 2014. Our effective income tax rate for the quarter was 23.1%.

Our shareholder's equity grew 4% from R$17.4 billion at the end of the 2Q 2014 to R$18.2 billion at the end of the 3Q 2014 after taking into account the negative impact of R$16.8 million from other comprehensive income (OCI) in the quarter. When compared to the end of the 3Q 2013, our shareholder's equity grew 16%.

BTG Pactual's AuM and AuA ended the 3Q 2014 at R$194.6 billion, 2% growth when compared to the end of 2Q 2014, and WuM ended the period at R$76.5 billion, representing growth of 8% when compared to the end of the 2Q 2014.

"In a quarter marked by volatility and adverse conditions in credit and equity markets, during which we have reduced our risks and exposures, we continue confident that our efforts towards the consolidation and improvement of our business platform have contributed once again to a solid expansion of our revenue base. As we increase our global Asset Management capabilities, expand our commodities Sales and Trading execution capacity, and make significant progress in the integration of our LatAm businesses, we are taking our franchise businesses to a new level of maturity and diversification, while maintaining the strong business synergies, cross collaboration and efficiency levels that characterize our Partnership. The consolidating strategy of our investment banking leadership in Latin America, while operating with a truly global mindset, has led us to having already close to 50% of our revenues and people deployed outside Brasil. This, and the additional global distribution capabilities to be added with once we close our BSI acquisition, will continue to enable us to deliver strong returns, even while navigating through challenging market scenarios." said André Esteves, CEO of BTG Pactual.

Relevant Events

On August, 21, Banco Pan S.A. ("Banco Pan"), Banco BTG Pactual and Caixa Participações S.A. - CAIXAPAR ("Caixapar"), executed a purchase and sale agreement through which Banco Pan will sell (i) its 100% interest in Pan Seguros to BTG Pactual Seguradora S.A. ("BTGP Seguradora"), a subsidiary of BTG Pactual, as well as (ii) its 100% interest in Pan Corretora to BTG Pactual, for the total combined amount of R$580 million plus interest until the closing of the Transactions. The agreement also contains options whereby Caixapar can acquire a co-controlling interest on the entities combining the insurance and brokerage business acquired plus those ones of BTG Pactual. The effective closing of each transaction is subject to usual conditions, including obtaining all the necessary and applicable regulatory approvals.

In September, 11 2014, Banco BTG Pactual has completed a milestone issuance with the placement of US$1.3 billion of Perpetual Non-Cumulative Junior Subordinated Notes, through its newly Luxembourg Branch, at a fixed coupon of 8.750% p.y. The notes qualify for Tier 1 Capital and were one of the first issuances from a Brazilian bank following the new regulatory capital rules (Basel III). The interest is payable semi-annually and is unsecured and subordinated. The notes are callable on September 2019 or any following Interest payment dates.

Global Market and Economic Analysis

The 3Q 2014 was marked by the appreciation of the USD against the major currencies due to the acceleration of the US economy and economic growth disappointment in Europe, Japan and in emerging markets.

In the US, the labor market has continued to improve. The unemployment rate declined to 5.9% in September 2014, the lowest level since July 2008. The GDP growth accelerated in Q2 and Q3 (to 4% on average), confirming that the Q1 slowdown was temporary. Wage growth and inflation, however, rose less than expected, giving the Federal Reserve (Fed) time to assess whether the US recovery is sustainable. In the Euro Zone, the lower than expected inflation coupled with the decline in the market measures of inflation expectations led the European Central Bank (ECB) to cut the deposit rate from -0.1% to -0.2%. In addition, the ECB announced an asset-backed securities (ABS) and covered bond purchase program in order to ease the credit conditions and reinforced that the committee is ready to provide more accommodation if necessary. In China, the industrial production rose at the slowest pace since 2008 in August, raising concerns that the economy might be facing a hard landing. The economic data that have been released since then suggested that the slowdown, however, is likely to be moderate. In Japan, the economy failed to quickly recover from the consumption tax hike that was implemented in Q2, increasing the chances of the Japanese Central Bank providing more monetary policy accommodation.

As a consequence of the growth and monetary policy differential, the USD appreciated significantly against most of the currencies. The EUR depreciated 7.8% against the USD, the YEN 7.6%, the CLP 7.6% and the AUD 7.3%. The BRL posted a larger depreciation (9.5%) due to election dynamics. The MXN, on the other hand, posted a smaller depreciation (3.4%) as its economy is linked to the US and, as a result, it has started to recover.

The 10 year US Treasury yield went up to 2.62% during the month of September, when the market pushed forward the Fed first hike but it ended the 3Q 2014 at 2.48%, 4 basis points (bps) lower than at the end of June as the Fed did not signaled an earlier increase in the interest rate as the market was expecting. The dollar appreciation also contributed to this movement. The 10 year yield faced different dynamics across the other countries since in the US it was roughly flat. In Germany, for instance, it declined 30bps on the back of the ECB easing. In Australia, it declined 6bps. In Brazil (the DI contract expiring on January 2021) and in Chile (the 10yr swap), on the other hand, it increased 16bps on the back of the currency depreciation. In Mexico (the 10yr swap), it went up by 35bps.

The S&P 500 also marginally changed in the US. It rose only 0.6%, the Ibovespa rose 1.8%, the Mexbol rose 5.3% and the Nikkei rose 6.7%. The DAX, on the other hand, declined 3.7% due to the disappointed growth.

In Brazil, the economy entered in a technical recession in 2Q 2014 since the GDP posted two consecutive negative rates of growth. The economic indicators are pointing to a flattish growth in Q3. The consensus forecast for the 2014 GDP growth declined from 1.1% to 0.2% during the third quarter. On the inflation front, the 12 month CPI went up from 6.52% in June to 6.75% in September and is expected to end the year at the ceiling of the target band (6.5%). The balance of risks to inflation has deteriorated mainly driven by the sharp depreciation of the currency. The Brazilian Central Bank decided to hike the interest rate by 25bp to 11.25% at the end of October. Despite the inflation outlook deterioration, the decision was unexpected because of the timing. On the fiscal side, the primary surplus declined to 0.9% of GDP in August, making it more difficult for the Government to meet the 2014 target of 1.9%. In the tightest pole since the dictatorship, Dilma Rousseff was appointed as the President of Brazil with 51.6% of the valid votes. Rousseff is expected to announce her new economic team by the end of the year.

Combined Adjusted Revenues

Revenues in the 3Q 2014 decreased 2% when compared with the 2Q 2014 and increased 20% when compared to the 3Q 2013.

Combined Adjusted Revenues (unaudited)	Quarter			3Q 2014 % change to		Year to Date		9M 2014 % change to
(in R$ million, unless otherwise stated)	3Q 2013	2Q 2014	3Q 2014	3Q 2013	2Q 2014	9M 2013	9M 2014	9M 2013
Investment Banking	131	197	117	-11%	-41%	410	384	-6%
Corporate Lending	186	199	200	7%	0%	579	595	3%
Sales and Trading	258	647	784	204%	21%	1,390	2,305	66%
Asset Management	223	268	315	42%	17%	692	934	35%
Wealth Management	93	91	101	9%	11%	296	285	-4%
Principal Investments	292	(74)	(164)	n.a.	n.a.	147	(353)	n.a.
Banco Pan	(26)	(24)	(27)	n.a.	n.a.	(41)	(78)	n.a.
Interest and Other	260	438	377	45%	-14%	643	1,079	68%
Total revenues	**1,417**	**1,742**	**1,702**	**20%**	**-2%**	**4,115**	**5,151**	**25%**

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)		
	3Q 2013	2Q 2014	3Q 2014	3Q 2013	2Q 2014	3Q 2014
Financial Advisory (M&A)(4)	17	9	7	7,896	7,775	3,668
Equity Underwriting (ECM)	5	2	1	617	474	72
Debt Underwriting (DCM)	8	11	15	1,468	1,723	1,869

BTG Pactual Announced Transactions (unaudited)	Number of Transactions(1),(3)		Value(2),(3) (US$ mln)	
	9M 2013	9M 2014	9M 2013	9M 2014
Financial Advisory (M&A)(4)	40	27	16,278	18,587
Equity Underwriting (ECM)	17	7	2,326	779
Debt Underwriting (DCM)	38	32	5,215	3,867

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 rankings, (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 3Q 2014 market share highlights

- M&A: #3 in announced transactions in Brazil and in Latin America
- ECM: no significant highlights
- DCM: #1 in transaction volumes for Local Brazilian DCM and #4 in number of transactions in International Brazilian DCM Market

3Q 2014 vs. 2Q 2014

Investment banking revenues were in line with normalized expectations, 41% below a strong 2Q 2014, sustained by solid financial advisory revenues and partially offset by lower ECM revenues as a result of continuing weak capital markets in LatAm, especially in Brazil where no transactions were concluded. DCM revenues were in line with the previous quarter, at good levels, despite a market with reduced activity.

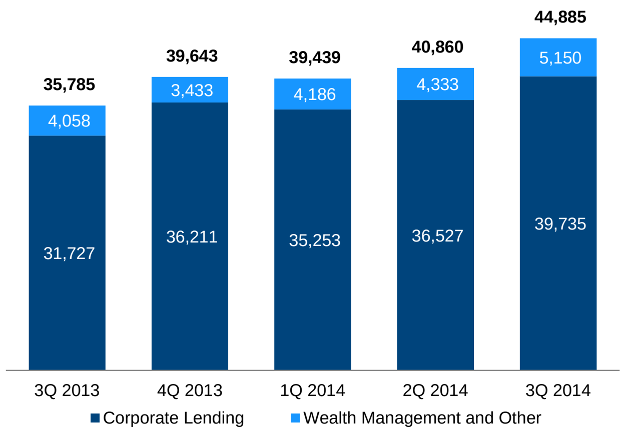
3Q 2014 vs. 3Q 2013

Revenues decreased 11% when compared to the same period of last year, especially due to lower, but still sound, DCM revenues, which were impacted by higher transaction volumes, increased average profitability on a per transaction basis and significant market share expansion on the 3Q 2013. The decrease was partially compensated by higher and continuing solid financial advisory revenues and higher ECM revenues in spite of continuing weak capital markets in LatAm, especially Brazil.

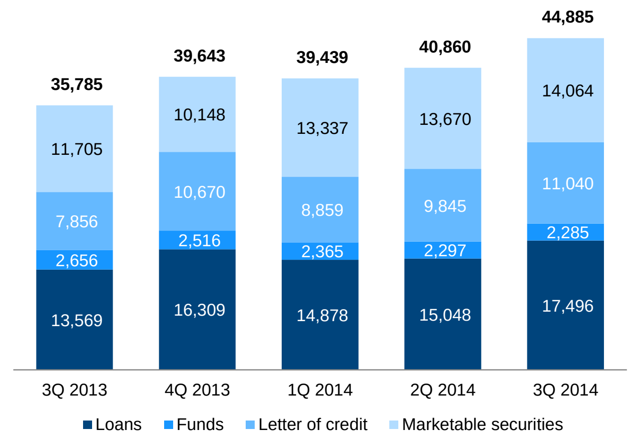
Corporate Lending

BTG Pactual Broader Credit Portfolio

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



Broader Credit Portfolio By Product
(in R$ million)

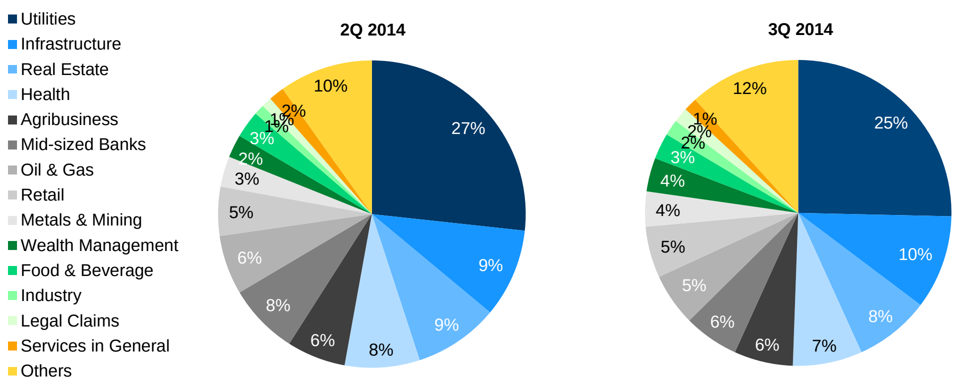


Notes:

(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

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



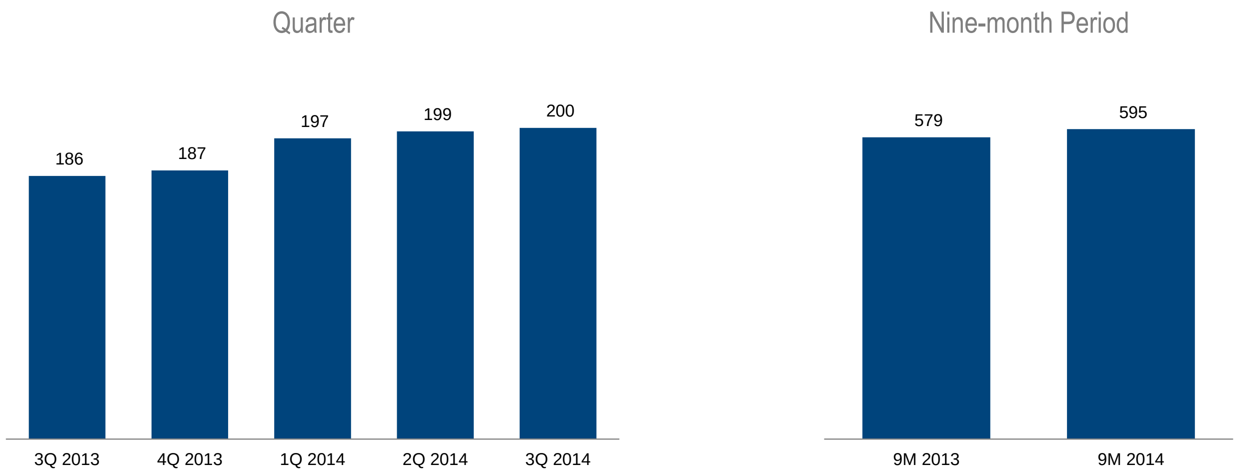
Our broader credit portfolio is composed of loans, receivables, advances in foreign exchange contracts, letters of credit and marketable securities bearing credit exposures (including debentures, promissory notes, real estate bonds, and investments in credit receivable funds – FIDCs).

The balance of our broader credit portfolio, at the end of the 3Q 2014, increased 10% when compared to 2Q 2014. We have continued to develop our Corporate Lending origination capability, especially in LatAm outside of Brazil. During 2014, we continued to apply more restrictive standards for liquidity and credit risk, which has resulted in our ability to maintain spread levels and asset quality in an increasingly well diversified portfolio.

Corporate Lending Detailed Results

Revenues

(in R$ million)



3Q 2014 vs. 2Q 2014

Revenues from Corporate Lending remained stable in the 3Q 2014, at R$199.6 million. Revenues were positively impacted by the increase of the average balance of the Corporate Lending portfolio from R$35.9 billion in the 2Q 2014 to R$38.1 billion in the 3Q 2014, compensated by the overall increase of provision for loan losses. Credit spreads remained in line with previous quarters.

3Q 2014 vs. 3Q 2013

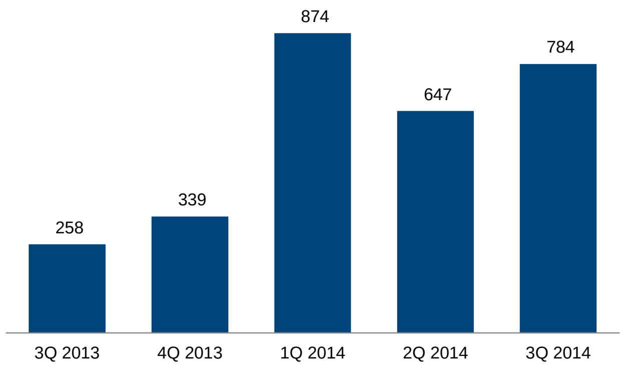
Revenues from Corporate Lending increased 7%, from R$185.8 million to R$199.6 million, positively impacted by a 21% growth of the average balance of our corporate lending portfolio, from R$31.6 billion in the 3Q 2013 to R$38.1 billion in the 3Q 2014, partially offset by an increase in provisions for loan losses.

Sales and Trading

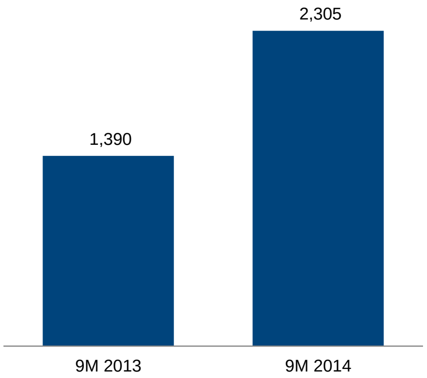
Revenues

(in R$ million)

Quarter



Nine-month Period



3Q 2014 vs. 2Q 2014

Revenues from Sales and Trading increased 21%, from R$647.0 million to R$784.4 million. The revenue increase was mainly due to the strong performance from our commodities and FX desks. On the other hand, revenues from our equities desks have performed below expectation in the 3Q 2014 due to an increased market volatility and risk aversion from our clients, especially in the Brazilian equity markets.

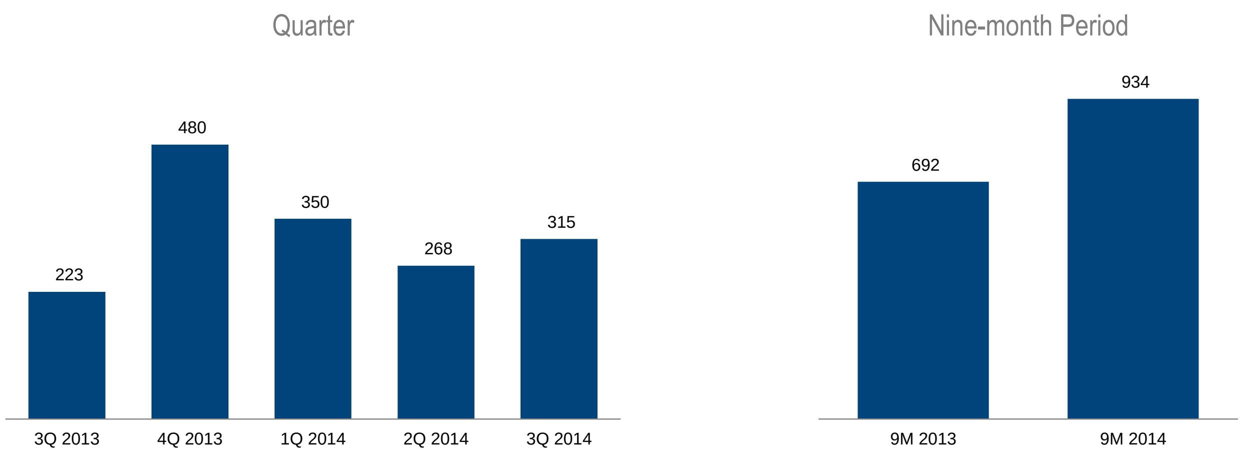
3Q 2014 vs. 3Q 2013

Sales and Trading revenues increased 204%, from R$258.0 million to R$784.4 million. The increase in revenue is attributable to (i) the performance of our commodities desks, since most were still not operating in 2013, and (ii) our FX desks, which have presented significantly stronger performance navigating well a more volatile market scenario. The revenue increase was partially offset by weaker revenues from rates desk, which had a very strong performance in the 3Q 2013, and weaker revenues from our equities desks, as explained above.

Asset Management

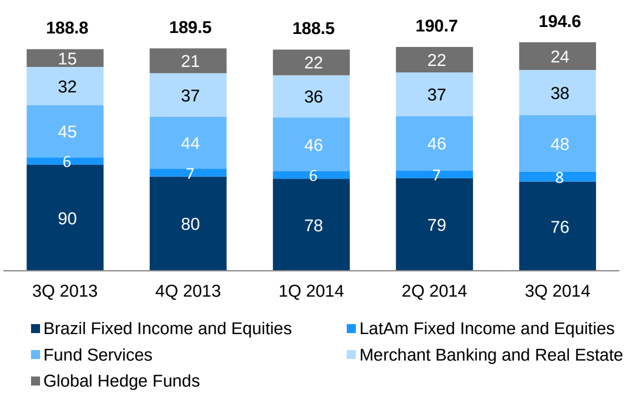
Revenues

(in R$ million)



AuM & AuA by Asset Class

(in R$ billion)



3Q 2014 vs. 2Q 2014

Revenues from Asset Management increased 17%, from R$268.3 million to R$315.1 million. Revenues were impacted by a growth in management fees in line with the 2% increase in our AuM and AuA and by the recognition of higher revenues from performance fees in the period, when compared to the 2Q 2014, when we typically have less performance fees recognized.

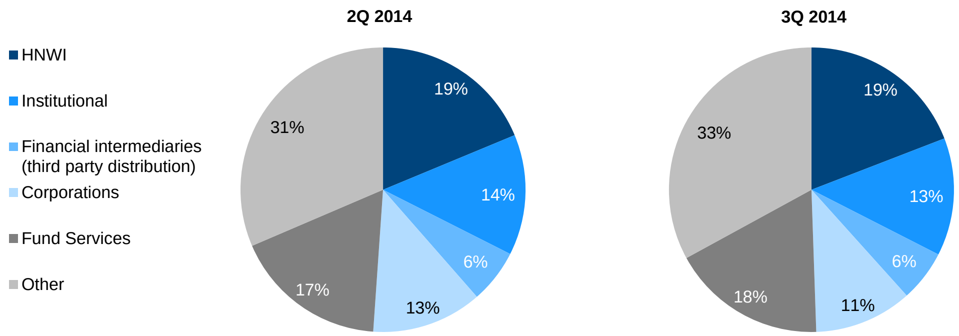
Net new money was negative R$1.8 billion in the quarter, due to corporate clients redemptions from fixed income funds.

3Q 2014 vs. 3Q 2013

Revenues from Asset Management increased 42%, from R$222.6 million to R$315.1 million. The increase in revenues was in line with (i) the increase management fees due to the increase in AuM and to the change in the asset mix, combined with (ii) higher performance fees.

AuM and AuA by Type of Client

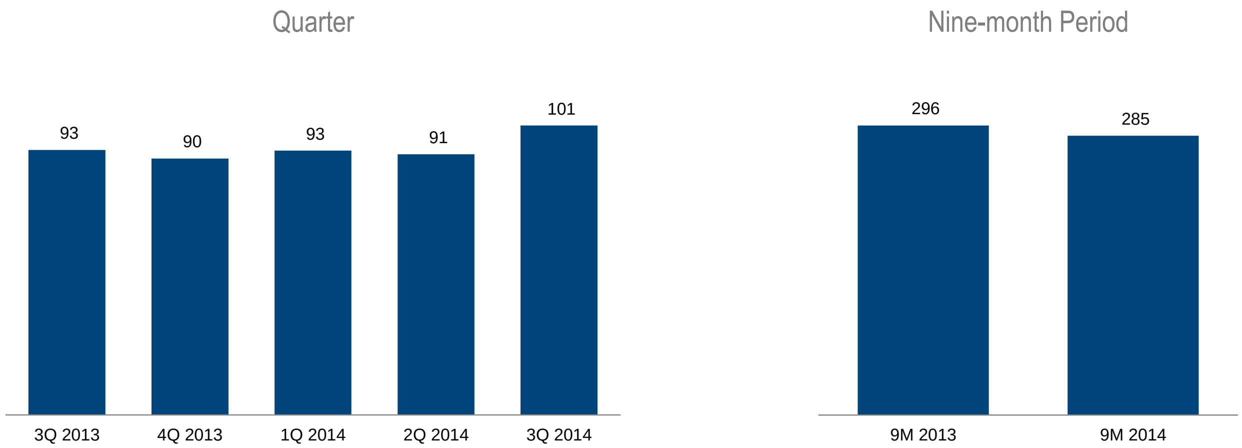
(%)



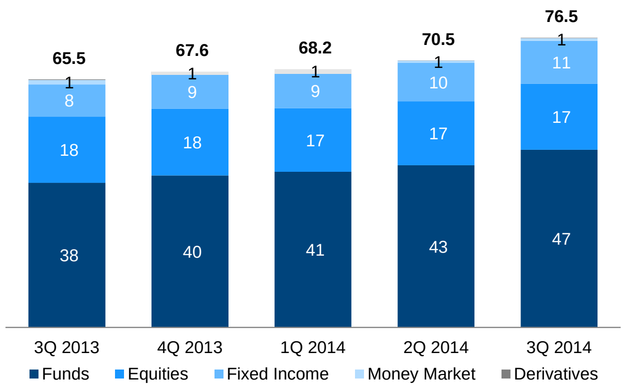
Wealth Management

Revenues

(in R$ million)



WuM by Class of Asset
(in R$ billion)



3Q 2014 vs. 2Q 2014

Revenues from Wealth Management increased 11% in the 3Q 2014 to R$101.4 million, compared to R$91.8 million in the 2Q 2014. Revenue increase was mainly due to higher client trading activity and higher fees from distribution of investment funds. WuM closed the period at R$76.5 billion, an 8% increase when compared to the end of the previous period.

NNM was positive R$3.2 billion, concentrated in Brazil and diversified amongst clients.

3Q 2014 vs. 3Q 2013

Revenues from Wealth Management increased 9%, from R$92.8 million to R$101.4 million, as a consequence of higher fees from distribution of investment funds and higher client trading activity in the 3Q 2014. WuM has increased 17% from R$65.5 billion in the 3Q 2013 to R$76.5 in the 3Q 2014.

Principal Investments

Principal Investments Revenues (unaudited)	Quarter			3Q 2014 % change to		Full Year		9M 2014 % change to
(in R$ million, unless otherwise stated)	3Q 2013	2Q 2014	3Q 2014	3Q 2013	2Q 2014	9M 2013	9M 2014	9M 2013
Global Markets	108	99	(361)	n.a.	n.a.	278	(178)	n.a.
Merchant Banking	222	(347)	155	-30%	n.a.	245	(227)	n.a.
Real Estate	(38)	173	42	n.a.	-76%	(376)	52	n.a.
Total	**292**	**(74)**	**(164)**	**n.a.**	**n.a.**	**147**	**(353)**	**n.a.**

3Q 2014 vs. 2Q 2014

Principal Investments revenues changed from losses of R$74.2 million in the 2Q 2014 to losses of R$164.4 million in the 3Q 2014.

Negative revenues in Global Markets, are mainly attributable to a scenario of strong risk aversion and volatility especially in the corporate bond markets, impacting our credit, fixed income and mortgage strategies. In spite of the negative revenues, most of the strategies continue to present positive results for the year.

Merchant Banking and Real Estate both had a non-eventful quarter. In Merchant Banking, we have presented positive revenues due to the recognition of share of profit from our investments, partially offset by internal funding cost charges, compared to negative revenues in 2Q 2014 due to a negative share of profits from the investments in Petro-Africa, reflecting the amortization of exploratory investments. In Real Estate, revenue decrease is attributable to the positive impact from the extraordinary dividend distribution of R$6.04 per share in the previous period from BR Properties, partially offset by the appreciation of its average market price from R$12.89 to R$14.28 on the 3Q 2014.

3Q 2014 vs. 3Q 2013

Revenues from Principal Investments presented losses of R$164.4 million, compared to gains of R$292.5 in the 3Q 2013. The change was mainly due to the losses in Global Markets partially offset by positive results from Real Estate, which had presented a small loss in the 3Q 2013.

Given the nature of our assets and the structure of our business, our Merchant Banking and Real Estate investments are generally not measured at fair value, except when the companies are publicly traded. Our results from those businesses will typically reflect (i) our share of profits or losses from our invested companies, (ii) dividends received from investments not subject to the equity pick up method of accounting, (iii) allowances and 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

From the 1Q 2014 on, we started to report Banco Pan’s results on a nominal basis. Previously, when reporting such results, we deducted our internal funding cost.

3Q 2014 vs. 2Q 2014

Our investment in Banco Pan presented a loss of R$27.2 million in the 3Q 2014, slightly higher than the loss of R$24.0 million recorded in the previous quarter.

3Q 2014 vs. 3Q 2013

The losses recognized from our investment in Banco Pan for 3Q 2014 were higher than the 3Q 2013. Our results from Banco Pan decreased from a loss of R$25.8 million in the 3Q 2013, comprised of a R$6.5 million share of losses and R$19.3 million funding costs charged to this investment, compared to a loss of R$27.2 million share of losses in the 3Q 2014.

Interest and Other

3Q 2014 vs. 2Q 2014

Interest and Other revenues were R$376.6 million in the 3Q 2014, compared to R$438.3 million in the 2Q 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 reclassification of the internal funding costs applied to our investment in Banco Pan.

3Q 2014 vs. 3Q 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 9.00% in the 3Q 2013 to 11.00% in the 3Q 2014, applied to the average Shareholder' Equity.

Combined Adjusted Operating Expenses

Combined Adjusted Operating Expenses (unaudited)	Quarter			3Q 2014 % change to		Year to Date		9M 2014 % change to
(in R$ million, unless otherwise stated)	3Q 2013	2Q 2014	3Q 2014	3Q 2013	2Q 2014	9M 2013	9M 2014	9M 2013
Bonus	(121)	(233)	(145)	20%	-37%	(547)	(603)	10%
Salaries and benefits	(133)	(163)	(175)	31%	7%	(359)	(497)	38%
Administrative and other	(158)	(216)	(259)	64%	20%	(444)	(653)	47%
Goodwill amortization	(49)	(40)	(41)	-16%	2%	(139)	(127)	-9%
Tax charges, other than income tax	(41)	(85)	(82)	103%	-3%	(179)	(206)	15%
Total operating expenses	**(502)**	**(737)**	**(702)**	**40%**	**-5%**	**(1,668)**	**(2,086)**	**25%**
Cost to income ratio	35%	42%	41%	17%	-2%	41%	41%	0%
Compensation ratio	18%	23%	19%	5%	-17%	22%	21%	-3%
Coverage ratio	169%	158%	135%	-20%	-15%	196%	152%	-22%
Total number of employees	2,717	3,054	3,163	16%	4%	2,717	3,163	16%
Partners and associate partners	182	205	203	12%	-1%	182	203	12%
Employees	2,393	2,713	2,811	17%	4%	2,393	2,811	17%
Other	142	136	149	5%	10%	142	149	5%

Bonus

Bonus expense was R$145.5 million in the 3Q 2014 or 37% lower than the previous quarter, and 20% higher when compared to the 3Q 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 7%, when compared to the 2Q 2014, in line with the growth in the total number of employees from 3,054 to 3,163. Expenses related to salaries and benefits were R$133.2 million in 3Q 2013 and R$163.4 million in the 2Q 2014, compared to R$174.9 million in the 3Q 2014.

Administrative and other

Total administrative and other expenses increased 20%, from R$216.4 million in the 2Q 2014 to R$259.0 million in the current quarter, mainly as a result of one-off expenses transaction related and others, and to higher professional fees associated to the implementation of our global commodities platform.

Goodwill amortization

In the 3Q 2014 we recorded amortization expenses totaling R$40.7 million, in connection with the goodwill from the acquisitions of Celfin and Bolsa y Renta. Goodwill amortization was in line with the 2Q 2014 and the 3Q 2013.

Tax charges, other than income tax

Tax charges, other than income tax, were R$82.2 million, stable when compared to the 2Q 2014 and a 40% increase when compared to the 3Q 2013, 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)	3Q 2013	2Q 2014	3Q 2014	9M 2013	9M 2014
Income before taxes	915	1,005	1,000	2,447	3,065
Income tax and social contribution	(170)	(43)	(231)	(439)	(502)
Effective income tax rate	**18.5%**	**4.3%**	**23.1%**	**18.0%**	**16.4%**

Our effective income tax rate went from 4.3% (representing an expense of R$43 million) in the 2Q 2014 to 23.1% (an expense of R$231.3 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 less favorable revenue mix, with proportionally higher pre-tax income subject to corporate taxes in current period.

Balance Sheet

Our total assets increased 6% from R$ 192.4 billion in the end of the 2Q 2014 to R$204.6 billion in the end of the 3Q 2014. 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. There was also an increase in our trade settlement balances accounts, included in other receivables, and an increase in our on-balance loan portfolio. Our leverage ratio was 11.3x at the end of the 3Q 2014.

Following the changes in our assets, there was an increase in derivative financial instruments portfolio in the liability side, mostly related to forward contracts. There was also an overall increase in our unsecured funding, especially in our securities issued, impacted by the tier 1 issuance of R$3.2 billion. Our shareholders' equity increased 4%, from R$17.4 billion at the end of the 2Q 2014 to R$18.2 billion at the end of the 3Q 2014, mainly due to the net income of R$768.9 million for the quarter ended September 30, 2014, partially offset by the R$16.8 million negative impact of OCI (other comprehensive income) in the quarter.

Risk and Capital Management

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

Market Risk – Value-at-risk

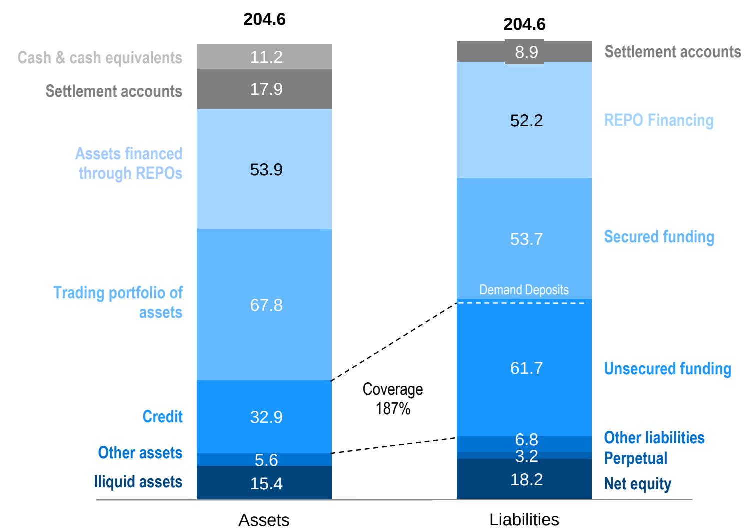
Value-at-risk (unaudited) *(in R$ million, unless otherwise stated)*	Quarter		
	3Q 2013	2Q 2014	3Q 2014
Total average daily VaR	**82.0**	**112.6**	**85.5**
Average daily VaR as a % of average equity	0.53%	0.66%	0.48%

Our total average daily VaR decreased as a percentage of our average shareholders' equity to lower historical levels, when compared to the 2Q 2014 and to the 3Q 2013, as a consequence of an overall decrease of our Global Markets units and overall 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 September 30, 2014:

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

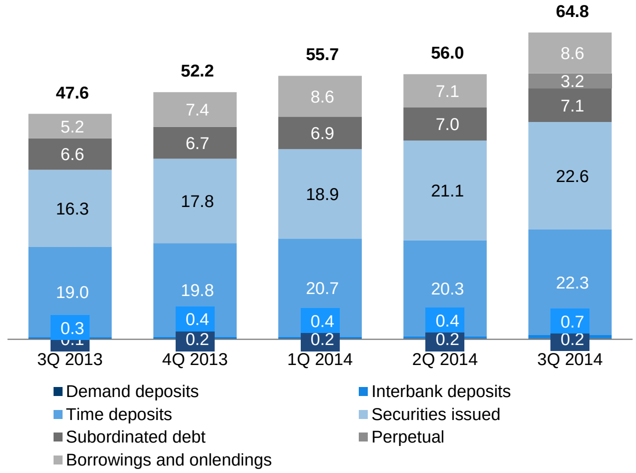


Note:
(1) From 1Q 2013 on, unsecured funding includes secured funding that uses credit or illiquid asset as collateral

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 increased 16% in the quarter, primarily due to (i) the public issuance our Tier I perpetual bond, (ii) local time deposit issuances and (iii) exchange rate variation in the period.

Credit Risk

The following table sets forth the distribution, by credit rating, of our credit exposures as of September 30, 2014. The rating shown below reflects our internal ratings assessment, consistently applied following the Brazilian Central Bank standard ratings scale:

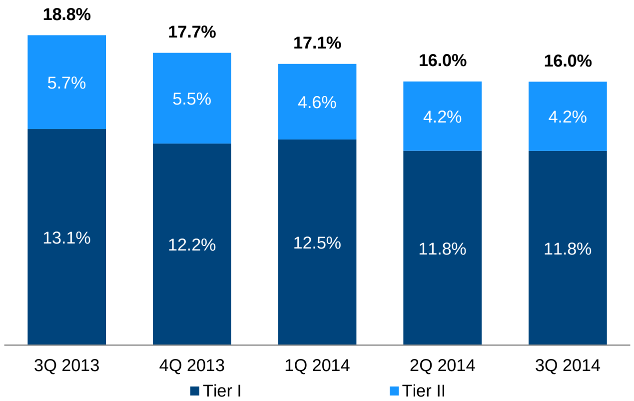
Rating (unaudited) *(in R$ million)*	**3Q 2014**
AA	18,694
A	15,145
B	7,123
C	1,711
D	1,747
E	360
F	1
G	38
H	65
Total	**44,885**

Capital Management

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

The Basel ratio remained stable in the 3Q 2014 at 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 credit risk compensated by a decrease in market risk.

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 September 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			3Q 2014 % change to	
	3Q 2013	2Q 2014	3Q 2014	3Q 2013	2Q 2014
Assets					
Cash and bank deposits	728	1,461	1,716	136%	17%
Interbank investments	42,176	36,273	37,242	-12%	3%
Marketable securities and derivatives	91,974	101,003	104,345	13%	3%
Interbank transactions	265	358	222	-16%	-38%
Loans	13,303	14,427	17,213	29%	19%
Other receivables	30,055	33,155	37,033	23%	12%
Other assets	124	40	145	17%	260%
Permanent assets	5,985	5,645	6,712	12%	19%
Total assets	**184,609**	**192,362**	**204,628**	**11%**	**6%**
Liabilities					
Deposits	16,515	17,202	19,075	16%	11%
Open market funding	83,583	63,488	62,682	-25%	-1%
Funds from securities issued and accepted	16,346	21,063	22,649	39%	8%
Interbank transactions	6	4	7	2%	53%
Loans and onlendings	5,177	7,057	8,632	67%	22%
Derivatives	11,336	27,936	32,709	189%	17%
Subordinated liabilities	6,617	6,966	10,303	56%	48%
Other liabilities	28,877	30,272	29,448	2%	-3%
Deferred income	109	128	129	18%	1%
Shareholders'equity	**15,726**	**17,424**	**18,176**	**16%**	**4%**
Non-controlling interest	317	821	820	159%	0%
Total liabilities	**184,609**	**192,362**	**204,628**	**11%**	**6%**

Combined Adjusted Income Statement (unaudited)	Quarter			3Q 2014 % change to		Year to Date		9M 2014 % change to
(in R$ million, unless otherwise stated)	3Q 2013	2Q 2014	3Q 2014	3Q 2013	2Q 2014	9M 2013	9M 2014	9M 2013
Investment banking	131	197	117	-11%	-41%	410	384	-6%
Corporate lending	186	199	200	7%	0%	579	595	3%
Sales and trading	258	647	784	204%	21%	1,390	2,305	66%
Asset management	223	268	315	42%	17%	692	934	35%
Wealth management	93	91	101	9%	11%	296	285	-4%
Principal investments	292	(74)	(164)	n.a.	n.a.	147	(353)	n.a.
Banco Pan	(26)	(24)	(27)	n.a.	n.a.	(41)	(78)	n.a.
Interest and other	260	438	377	45%	-14%	643	1,079	68%
Total revenues	**1,417**	**1,742**	**1,702**	**20%**	**-2%**	**4,115**	**5,151**	**25%**
Bonus	(121)	(233)	(145)	20%	-37%	(547)	(603)	10%
Salaries and benefits	(133)	(163)	(175)	31%	7%	(359)	(497)	38%
Administrative and other	(158)	(216)	(259)	64%	20%	(444)	(653)	47%
Goodwill amortization	(49)	(40)	(41)	-16%	2%	(139)	(127)	-9%
Tax charges, other than income tax	(41)	(85)	(82)	103%	-3%	(179)	(206)	15%
Total operating expenses	**(502)**	**(737)**	**(702)**	**40%**	**-5%**	**(1,668)**	**(2,086)**	**25%**
Income before taxes	**915**	**1,005**	**1,000**	**9%**	**-1%**	**2,447**	**3,065**	**25%**
Income tax and social contribution	(170)	(43)	(231)	36%	433%	(439)	(502)	14%
Net Income	**746**	**962**	**769**	**3%**	**-20%**	**2,007**	**2,563**	**28%**

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)	2Q 2014	3Q 2014	2Q 2014	3Q 2014
Assets				
Cash and bank deposits	1,265	1,629	934	880
Interbank investments	33,111	33,887	4,407	4,636
Marketable securities and derivatives	53,301	62,265	39,569	37,347
Interbank transactions	358	222	-	-
Loans	12,943	15,308	1,484	1,905
Other receivables	24,701	27,919	8,398	9,076
Other assets	40	145	0	0
Permanent asset	4,094	5,106	1,482	1,549
Total assets	**129,811**	**146,481**	**56,274**	**55,393**
Liabilities				
Deposits	17,904	19,863	-	-
Open market funding	33,607	32,453	31,127	31,510
Funds from securities issued and accepted	17,506	18,755	3,714	4,066
Interbank transactions	4	7	-	-
Loans and onlendings	5,074	6,051	1,814	2,412
Derivatives	18,176	26,410	1,341	1,354
Subordinated liabilities	6,966	10,293	-	-
Other liabilities	16,161	17,441	14,181	12,034
Deferred income	128	129	-	-
Shareholders' equity	**13,480**	**14,275**	**4,081**	**4,002**
Non-controlling interest	806	804	16	15
Total liabilities	**129,811**	**146,481**	**56,274**	**55,393**

Income Statement (unaudited) *(in R$ million, unless otherwise stated)*	Banco BTG Pactual S.A.		BTG Investments LP.	
	2Q 2014	3Q 2014	2Q 2014	3Q 2014
Financial income	3,578	3,378	340	(271)
Financial expenses	(2,185)	(3,210)	(138)	(209)
Gross financial income	**1,393**	**168**	**202**	**(480)**
Other operating income (expenses)	(208)	512	(94)	181
Operating income	**1,186**	**680**	**108**	**(299)**
Non-operating income/(expenses)	7	1	2	-
Income before taxes and profit sharing	**1,193**	**681**	**109**	**(299)**
Income and social contribution taxes	(99)	268	-	-
Statutory profit sharing	(220)	(165)	20	0
Non-controlling interest	**(3)**	**20**	**-**	**-**
Net income	**871**	**804**	**129**	**(299)**

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	
	2Q 2014	3Q 2014	2Q 2014	3Q 2014
Banco BTG Pactual - BR GAAP	129,811	146,481	871	804
BTG Investments - IFRS	56,274	55,393	129	(299)
Total	186,085	201,874	1,000	505
Conversion adjustments from IFRS to BR GAAP	8,432	4,931	52	(155)
Consolidation and conversion adjustments	(2,155)	(2,177)	(90)	420
Combined balances	**192,362**	**204,628**	**962**	**769**

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 - Third Quarter 2014

November 04, 2014 (after market closes)

English Conference Call
November 05, 2014 (Wednesday)
11:30 AM (New York) / 2:30 PM (Brasília)
Phone: +1 (412) 317-6776

Code: BTG Pactual

Replay until 11/12: +1 (412) 317-0088

Code: 10053606

Portuguese Conference Call
November 05, 2014 (Wednesday)
10:00 AM (New York) / 1:00 PM (Brasília)
Phone: +55 (11) 3193-8150

Code: BTG Pactual

Replay until 11/12: +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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