Consolidated Financial Statements in IFRS

Banco BTG Pactual S.A. and subsidiaries

December 31, 2014
With independent auditors' report on the consolidated financial statements

BANCO BTG PACTUAL S.A and subsidiaries

Consolidated financial statements

December 31, 2014

Contents

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A free translation from Portuguese into English of the Independent Auditors' Report on consolidated financial statements prepared in accordance with the International Financial Reporting Standards, issued by International Accounting Standards Board – IASB

INDEPENDENT AUDITORS' REPORT

To the
Board of Directors and Shareholders of
Banco BTG Pactual S.A. and its subsidiaries

We have audited the accompanying consolidated financial statements of Banco BTG Pactual S.A. and its subsidiaries ("Bank"), which comprise the consolidated balance sheet as of December 31, 2014 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for year then ended, and a summary of significant accounting practices and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, issued by International Accounting Standards Board – IASB and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the Bank's consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Banco BTG Pactual S.A. and its subsidiaries as at December 31, 2014, the consolidated performance of its operations and its respective consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards, issued by International Accounting Standards Board – IASB.

Emphasis of matter

As of December 31, 2014, the jointly controlled subsidiary Banco Pan S.A. has deferred tax assets recorded on its balance sheet amounting to R$ 2.9 billion, recognized based on long-term deferred tax realization projection. This deferred tax realization projection was reviewed by Banco Pan S.A.'s management based on current and future scenarios analysis and approved by its Board of Directors on February 9, 2015, which main assumptions used were the macroeconomics indexes for production and funding costs. The realization of these tax credits, within the estimated realization period, depends on delivery of these projections and business plan as approved by the management bodies of Banco Pan S.A. Our opinion is not modified in respect of this matter.

Other matters

Consolidated statement of value added

We also have audited the Bank's consolidated statement of value added (SVA), for the year ended December 31, 2014, prepared under the responsibility of Bank's management, the presentation of which is required by Brazilian Corporate Law for publicly-held companies, and as supplementary information under the International Financial Reporting Standards, issued by International Accounting Standards Board – IASB. This statement have been subject to the same audit procedures previously described, and in our opinion, is fairly presented, in all material respects, in relation to the overall financial statements.

Separate financial statements

The Bank has prepared a full set of separate financial statements for the year ended December 31, 2014 in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil for which we issued an unqualified separate independent audit' report dated at February 25, 2015.

Rio de Janeiro, February 25, 2015.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP 015.199/O-6

Rodrigo De Paula
Accountant CRC – 1SP 224.036/O-8

Grégory Gobetti
Accountant CRC – 1PR 039.144/O-8

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated balance sheets

As at December, 31
(In thousands of reais)

	Note	2014	2013
Assets			
Cash and balances at Central Bank	6	2,730,920	1,311,829
Financial assets at fair value through profit or loss			
Financial assets held for trading	7	15,450,503	30,794,784
Financial assets designated at fair value through profit and loss	7	23,513,940	13,219,750
Derivative financial instruments	7	35,307,143	20,535,343
Loans and receivables			
Open market investments	10	9,034,456	6,733,696
Amounts receivable from banks	11	4,623,245	3,858,881
Other loans and receivables	12	31,949,920	16,838,427
Available-for-sale financial assets	8	939,547	423,821
Held-to-maturity financial assets	13	4,634,556	4,353,685
Non-current assets held for sale		946,514	655,540
Deferred tax assets	22	1,930,452	1,290,054
Other assets	15	19,974,593	15,904,651
Investment in associates and jointly controlled entities	16	5,392,892	3,613,257
Property, plant and equipment		131,987	116,743
Intangible assets	17	1,151,425	1,237,847
Total assets		**157,712,093**	**120,888,308**
Liabilities			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	7	13,137,225	16,041,460
Derivative financial instruments	7	33,332,167	20,747,585
Financial liabilities carried at amortized cost			
Open market funding	10	26,144,864	19,900,088
Amounts payable to banks	11	769,819	388,611
Other financial liabilities carried at amortized cost	14	57,502,942	44,160,315
Tax liabilities	18	2,490,571	1,259,865
Other liabilities	19	8,839,386	5,573,708
Total liabilities		**142,216,974**	**108,071,632**
Shareholders' equity			
Capital stock	22	6,462,076	6,462,076
Income reserves		6,851,766	5,481,319
Foreign currency translation reserve		1,588,520	539,198
Total shareholders' equity of controlling shareholders		14,902,362	12,482,593
Non-controlling interest		592,757	334,083
Total shareholders' equity		**15,495,119**	**12,816,676**
Total liabilities		**157,712,093**	**120,888,308**

The accompanying notes are an integral part of the financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of income
Years ended December 31
(In thousands of reais)

	Note	2014	2013
Interest income	24	6,721,169	4,853,060
Interest expense	24	(9,417,973)	(5,992,016)
Net interest income		(2,696,804)	(1,138,956)
Net gains on financial instruments	24	3,987,479	3,862,457
Net exchange variations		917,892	110,898
Fees and commissions	25	2,938,179	2,624,248
Share of profit in associates and jointly controlled entities	16	362,558	176,716
Other operating income/(expenses)	26	219,282	490,009
Net revenues		5,728,586	6,125,372
Administrative expenses	27	(1,327,122)	(1,052,030)
Personnel expenses	28	(1,848,401)	(1,479,256)
Provisions for credit losses	12	(467,853)	(232,000)
Tax charges (other then income tax)		(299,196)	(351,186)
Income before taxes and profit sharing		1,786,014	3,010,900
Income tax and social contribution	21	115,134	(426,079)
Net income for the year		1,901,148	2,584,821
Net income attributable to controlling shareholders		2,117,086	2,477,803
Net income / (loss) attributable to non-controlling interests		(215,938)	107,018
Earnings per share –basic and diluted – In Reais	23		
Common shares		0.78	0.91
Preferred shares		0.78	0.91

The accompanying notes are an integral part of the financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of comprehensive income

Years ended December 31
(In thousands of reais, except for earnings per share)

	Note	2014	2013
Net income for the year		1,901,148	2,584,821
Other comprehensive income/(loss) to be reclassified to profit or loss:			
Changes in fair value of assets available for sale - jointly controlled	22	(4,247)	(5,547)
Changes in fair value of assets available for sale		(12,854)	63,090
Other comprehensive income/(loss) not to be reclassified to profit or loss:			
Currency translation adjustments		1,066,423	293,033
Total comprehensive income for the year		2,950,470	2,935,397
Attributable to controlling shareholders		3,166,408	2,828,379
Attributable to non-controlling interests		(215,938)	107,018

The accompanying notes are an integral part of the financial statements.

BANCO BTG PACTUAL S.A. and subsidiaries

Statements of changes in shareholders’ equity

Years ended December 31
(In thousands of reais, except for dividends per share)

					Income reserves								
	Note	Capital	Increase in capital	Additional paid-in capital	Legal	Unrealized	Statutory	Total	Other comprehensive income	Retained earnings	Controlling interests	Non-controlling interests	Total
Balances at December 31, 2011		6,302,846	52,488	106,742	326,039	1,291,350	2,086,614	3,704,003	188,622	-	10,354,701	88,068	10,442,769
Approval of capital increase	22	52,488	(52,488)	-	-	-	-	-	-	-	-	-	-
Changes in fair value of assets available for sale - jointly controlled	22	-	-	-	-	-	-	-	(5,547)	-	(5,547)	-	(5,547)
Changes in fair value of assets available for sale	22	-	-	-	-	-	-	-	63,090	-	63,090	-	63,090
Exchange differences on translation of foreign operations and non-monetary items	22	-	-	-	-	-	-	-	293,033	-	293,033	-	293,033
Prior year adjustment from jointly controlled entity		-	-	-	-	-	(5,932)	(5,932)	-	-	(5,932)	-	(5,932)
Intermediate interest on equity (R$ 0.09 per share)	22	-	-	-	-	-	-	-	-	(255,000)	(255,000)	-	(255,000)
Intermediate dividends (R$ 0.02 per share)	22	-	-	-	-	-	-	-	-	(60,465)	(60,465)	-	(60,465)
Net income for the year		-	-	-	-	-	-	-	-	2,477,803	2,477,803	107,018	2,584,821
Legal reserve		-	-	-	132,149	(212,758)	1,863,857	1,783,248	-	(1,783,248)	-	-	-
Interest on equity (R$ 0.09 per share)	22	-	-	-	-	-	-	-	-	(246,900)	(246,900)	-	(246,900)
Dividends paid (R$ 0.05 per share)	22	-	-	-	-	-	-	-	-	(132,190)	(132,190)	-	(132,190)
Addition of non-controlliing		-	-	-	-	-	-	-	-	-	-	138,997	138,997
Balances at December 31, 2012		**6,355,334**	**-**	**106,742**	**458,188**	**1,078,592**	**3,944,539**	**5,481,319**	**539,198**	**-**	**12,482,593**	**334,083**	**12,816,676**
Changes in fair value of assets available for sale - jointly controlled	22	-	-	-	-	-	-	-	(4,247)	-	(4,247)	-	(4,247)
Changes in fair value of assets available for sale	22	-	-	-	-	-	-	-	(12,854)	-	(12,854)	-	(12,854)
Exchange differences on translation of foreign operations and non-monetary items	22	-	-	-	-	-	-	-	1,066,423	-	1,066,423	-	1,066,423
Interest on equity (R$ 0.11 per share)		-	-	-	-	-	-	-	-	(301,800)	(301,800)	-	(301,800)
Intermediate dividends (R$ 0.05 per share)		-	-	-	-	-	-	-	-	(146,639)	(146,639)	-	(146,639)
Net income for the year		-	-	-	-	-	-	-	-	2,117,086	2,117,086	(215,938)	1,901,148
Legal reserve		-	-	-	105,854	715,790	548,803	1,370,447	-	(1,370,447)	-	-	-
Interest on equity (R$ 0.09 per share)	22	-	-	-	-	-	-	-	-	(298,200)	(298,200)	-	(298,200)
Addition of non-controlliing		-	-	-	-	-	-	-	-	-	-	474,612	474,612
Balances at December 31, 2013		**6,355,334**	**-**	**106,742**	**564,042**	**1,794,382**	**4,493,342**	**6,851,766**	**1,588,520**	**-**	**14,902,362**	**592,757**	**15,495,119**

The accompanying notes are an integral part of the financial statements

BANCO BTG PACTUAL S.A. and subsidiaries

Consolidated statements of cash flows
Years ended December 31
(In thousands of reais)

	Note	2014	2013
Operating activities			
Net income for the period		1,901,148	2,584,821
Adjusts to net income		163,726	148,904
Equity in the (earnings)/losses of associates	17	(362,558)	(176,716)
Non-controlling interest		215,938	(107,018)
Deferred tax		226,078	240,981
Intangible amortization		35,349	42,453
Depreciation and amortization		48,919	149,204
Adjusted net income for the period		2,064,874	2,733,725
Increase/decrease in operational assets and liabilities			
Balances at central bank		(907,863)	234,700
Financial Assets held for trading		15,344,281	33,301,608
Financial assets designated at fair value through profit and loss		(10,294,190)	(6,895,607)
Derivative financial instruments - assets		(14,771,800)	(8,222,518)
Assets held for sale		(515,726)	(423,821)
Open market investments		7,367,150	9,048,702
Amounts receivable from / (payable to) banks		1,104,852	(887,794)
Other loans and receivables		(14,267,964)	(6,494,227)
Held-to-maturity financial assets		(280,871)	(253,267)
Non-current assets held for sale		(290,974)	(655,540)
Other assets		(4,710,340)	(5,340,140)
Financial liabilities held for trading		(2,904,235)	(3,500,244)
Derivative financial instruments - liabities		12,584,582	8,086,680
Open market funding		6,244,776	(37,080,441)
Tax liabilities		1,230,706	(247,295)
Other liabilities		3,265,678	(3,333,776)
Cash provided by / (used) in operating activities		262,935	(19,929,255)
Investing activities			
Aquisition of investiment	16	(1,262,115)	(2,202,465)
Sale of investments	16	198,474	1,035,748
Dividends received	16	89,438	280,259
Acquisition of property and equipment in use		(86,804)	(42,688)
Sale of property and equipment in use		40,439	319
Acquisition of intangible assets		(93,858)	(195,379)
Sale os intangible assets		149	1,975
Sale of investments in subsidiares		-	1,575,483
Non-controlling interest		474,612	246,015
Business combination, net of cash		(471,222)	-
Cash (used in) / provided by investing activities		(1,110,887)	699,267
Financing activities			
Other liabilities		13,342,627	13,338,867
Dividends distributed	19	(278,830)	(324,475)
Interest on equity distributed	19	(548,700)	(475,000)
Cash provided by financing activities		12,515,097	12,539,392
Increase / (decrease) in cash and cash equivalents		11,667,145	(6,690,596)
Balance of cash and cash equivalents	30		
At the beginning of the year		10,755,165	17,445,761
At the end of the year		22,422,310	10,755,165
Increase / (decrease) in cash and cash equivalents		11,667,145	(6,690,596)
Noncash transactions		298,200	379,090
Interest on equity		298,200	246,900
Dividends distributed		-	132,190
Changes in fair value of assets available for sale in jointly controlled entities		(4,247)	(5,547)

The accompanying notes are an integral part of the financial statements.

1. Operations

Banco BTG Pactual S.A. (“Bank” or “BTG Pactual”) is a publicly traded corporation, organized and existing under the laws of Brazil. The Bank headquarters is located on Av. Brigadeiro Faria Lima, 3477, São Paulo city, Brazil.

The Bank is directly controlled by BTG Pactual Holding S.A., a corporation organized according to the laws of Brazil, which holds the majority of common shares of the Bank.

The Bank is incorporated as a multiple bank, operating jointly with its subsidiaries (the Group), offering financial products and services relating to commercial, including exchange, and investment portfolios, credit, financing and investment, leasing and real estate loans.

The transactions are conducted as part of a group of institutions fully participating in the financial market, and certain transactions are intermediated by other institutions of the BTG Pactual Group.

On April 30, 2012, BTG Pactual Group completed its primary public offering (IPO), issuing 82,800,000 units at a price of R$31.25 (thirty-one reais and twenty five cents) per unit. In that transaction, the Bank issued 248,400,000 shares, representing a capital increase by R$2,070 million and generating cash net of costs of commissions, fees and taxes of R$2,018 million.

On October 10, 2013, Banco BTG Pactual S.A. and BTG Pactual Participations Ltd have completed the listing of their units on NYSE Euronext in Amsterdam. The entities have not offered or issued any new shares or units on this process. Previously, the units were admitted to listing on NYSE Alternext, also in Amsterdam. All units listed and traded in Amsterdam remained wholly interchangeable with the units in Brazil on BM&FBovespa.

The consolidated financial statements were approved by the Management in February 25, 2015 and they contain a true and fair view of the development and results of the Company.

2. Corporate reorganization

Corporate events

Banco Pan S.A. ("Banco Pan"), Bank and Caixa Participações S.A. - CAIXAPAR ("Caixapar"), on August 21, 2014, executed a purchase and sale agreements through which Banco Pan sold (i) its 100% interest in Pan Seguros S.A. to BTG Pactual Seguradora S.A. ("BTGP Seguradora"), a Bank’s subsidiary, as well as (ii) its 100% interest in Pan Corretora S.A. to BTG Pactual and Caixapar, for the total combined amount of R$580,000, which will be adjusted by the 100% positive variation of DI (interbank deposit) rate until the closing of the transactions. This transaction generated a goodwill of R$ 393,668. Caixapar, within the scope of the transactions, protected its right to maintain, after the closing of the transactions, its current condition as co-controlling shareholder of Pan de Seguros S.A. The Bank concluded and liquidated the transaction on December 29, 2014. After the acquisition were made the merger of the BTGP Seguradora by Pan Seguros S.A.

On June 13, 2014, Banco Pan approved a R$3.0 billion capital increase through the issuance of: (i) up to R$1.5 billion of 443,786,982 new nominative and non-par shares, of which up to 242,566,348 are common shares and up to 201,220,634 preferred shares, at the issuance price of R$ 3.38 per common or preferred share, for private subscription by Banco Pan's shareholders; and (ii) up to R$1.5 billion of redeemable preferred shares with a term of five years, which will receive annual, fixed, cumulative priority dividends of 104% of the CDI over the issue price and which will not be traded on the BM&FBOVESPA.

The Bank and Caixapar exercised their respective preemptive rights in connection with the capital issuance described in (i) and made a total capital contribution of R$651 million and R$576 million respectively, maintaining the condition of joint holders of all voting shares and 80.7% of Banco Pan's total capital stock. The creation and issuance of the new class of shares described above were reconsidered by the shareholder's.

On April 15, 2014, SUSEP approved BTG Pactual PV Holding LTDA. (subsequently had changed its name to BTG Pactual Vida e Previdência S.A.) to operate pension plan products.

On January 24, 2014, the Bank received licenses from the Luxembourg Ministry of Finance to the Bank's new offshore branch as well as its local subsidiary. Further infrastructure and operational processes were implemented initiate the business activities in 2014.

In December 2013, the Bank sold its interests in BTG Pactual Absolute Return Fund II, L.P ("ARF II") to an independent third party for a total fair value consideration equal to the net asset value ("NAV") of such interests. On the same date, such third party entered into a separate binding agreement to sell such interests in ARF II to BTG Investment L.P. ("BTGI"), which is the primary investment vehicle for the principal investments business unit of the BTG Pactual Group.

The legal title to the interests in ARF II will be transferred from Banco BTG Pactual to the third party (and from the third party to BTGI) only upon payment of the total consideration for the transaction. However, in December 2013 the transaction was considered for all relevant purposes to represent the immediate transfer of the risk, rewards and control from Banco BTG Pactual to the third party (and from the third party to BTGI).

On April 22, 2013 the Central Bank of Brazil approved the formation of Banco BTG Pactual Chile in Santiago (Chile), with initial capital of US$50 million. This transaction was approved by Chilean authorities on December 17, 2014.

At the same date, the Central Bank of Brazil also approved the allocation of resources totaling US$300 million, with the purpose of investment in the new established companies in connection with our commodities business.

On February 26, 2013, BTG Pactual RE Holding SA, a subsidiary of Banco BTG Pactual, received authorization from SUSEP to offer reinsurance products in Brazil.

Acquisitions

BTG Pactual Group has entered into a joint venture to establish a reinsurance business operating through a number of regulated reinsurance entities. As part of the growth strategy of the joint venture, as at July 10, 2014, the Bank has 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. Subsequently to the approval of the acquisition by the Brazilian and non-Brazilian regulators, including the Brazilian Central Bank approval, Ariel will be transferred to the joint venture and as a consequence our interest on it will be equivalent to 50%.

As at July 14, 2014 the Bank signed a binding agreement to acquire all of the shares of BSI SA, a Swiss private bank indirectly owned by Assicurazioni Generali S.p.A. ("Seller"). The total purchase consideration envisaged for the transaction, subject to potential adjustments in accordance with the terms of the agreement, is CHF 1.5 billion (R$ 4.0 billion) ("Consideration"), to be paid in the proportion of 80% in cash and 20% in BBTG11 Units. In order to implement such payment structure, on the closing date (i) BSI shares representing 84% of the Consideration will be directly acquired by an international subsidiary of Banco BTGP ("International Subsidiary"); and (ii) a Brazilian vehicle owned by the Seller and holding BSI shares representing 16% of the Consideration will be merged into BTG Pactual. Upon the authorization of the Brazilian Central Bank in relation to such merger, (i) the shares issued by BTG Pactual in the context of the merger shall be used by the Seller to form BBTG11 Units; and (ii) the remaining part of BSI's shares owned by BTG Pactual as a result of the merger shall be contributed to the International Subsidiary, which will be the owner of the totality of BSI's share capital.

The conclusion and closing of the transaction are subject to the customary conditions for this type of transaction, including the obtaining of all necessary non-Brazilian regulatory approvals.

On November 21, 2013 the Bank sold to Harpia Ômega Participações S.A, controlled by BTG Investiments LP, an amount of shares equivalent to 21.42% from the total of 24.53% on BR Properties equity participation. On December 2013 Harpia Ômega Participações S.A. subscribed capital in BTG Pactual Property Co with its total shares of BR Properties. On January 23, 2014, the Bank sold the remaining 2.98% equity interest to BTG Pactual PropertyCo II LLC, a "BTG Investments LP's" subsidiary. Both trades were done in BM&F BOVESPA, based on the opening price of the day. On April 10, 2014, BTG Pactual Property Co and BTG Pactual Property Co II LLC sold 18.65% of its shares to the fund Propertyco FIM CP IE, whose shareholder is the Bank. The referred transaction was executed on the Brazilian Stock Exchange (BM&F BOVESPA) based on the closing price of April 10, 2014, for a total consideration of R$1,075 million. Such assets were classified as "Securities" in trading category.

During the year ended December 31, 2014, and 2013, the company's investments was measured by equity pickup using affiliates net worth on base dates, deducted from non-permanent devaluation provision. This action is based on IAS36 – Impairment of Assets, these results were recognized in the line of equity pick up in associates and jointly controlled entities.

On July 26, 2013 the Bank concluded the acquisition process of 94.34% of TTG Brasil Investimentos Florestais Ltda. ("TTG Brasil") for a total amount of R$20.2 million. TTG Brasil is one of the largest timberland asset management companies in Latin America and has offices in Brazil and New York City. This acquisition was approved on June 24, 2013 by the Central Bank of Brazil. For accounting purposes, the acquisition date of TTG was July 01, 2013 and the goodwill recorded in the transaction was R$0.7 million. In addition, on September 6, 2013 and through its subsidiary BTG Pactual Timberland Investments Group LLC, the Bank acquired timberland management contracts from Regions Timberland Group ("RTG"), a division of Regions Bank. This acquisition, which expands BTG Pactual's current timberland investment platform, establishes the Bank as the largest independent timberland manager in Latin America and one of the largest worldwide, with committed and invested assets of nearly US$3 billion and a portfolio of over 1.77 million acres (716,000 hectares) diversified across the USA, Latin America, Europe and South Africa.

On June 14, 2013 the Bank and Petróleo Brasileiro S.A. - Petrobras ("Petrobras"), through its subsidiary Petrobras International Braspetro B.V. ("PIBBV"), established a joint venture for oil and gas exploration and production in Africa. The joint venture was established upon the acquisition by BTG Pactual and its clients, acting through BTG Pactual E&P Empreendimentos e Participações S.A., of 50% of the shares issued by Petrobras Oil & Gas B.V. ("PO&G"). The price for such shares, which were previously fully owned by PIBBV, was US$1.525 billion. As of December 31, 2014 Banco BTG Pactual had approximately 33% indirect economic interest in PO&G after the sale of the economic interest to its clients. The joint venture involves PO&G's E&P operations located in Angola, Benin, Gabon, Namibia, and Tanzania.

On December 19, 2014, was approved by BACEN, the acquisition of certain rights and obligations held by Fundo Garantidor de Crédito ("FGC"), against Banco Bamerindus do Brasil S/A (“Bamerindus”), in Extrajudicial Liquidation (the "Institution"), and other companies in the Institution’s economic group. In connection with the transaction and approval, BTG Pactual paid R$107 million, in December 2014, and will pay R$ 87 million, index to CDI, in annual installments up to 2018, to the FGC. Also in December 19, 2014, the Institution and its subsidiaries extrajudicial liquidation process ceased, and Institution’s name changed to Banco Sistema S.A.. The Institution’s assets do not include the Bamerindus brand.

This transaction resulted in BTG Pactual acquiring the control of the Institution and its subsidiaries, with an interest greater than 98% (ninety-eight percent) of its total and voting capital.

3. Presentation of the financial statements

a. Basis for preparation

The Bank’s consolidated financial statements were prepared in accordance with International Accounting Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

b. Judgments and significant accounting estimates

In the process of preparing the Bank’s consolidated financial statements. Management exercised judgment and used estimates to calculate certain amounts recognized in the financial statements. The more material application of the exercise of judgment and use of estimates occurs in:

Going concern

Management evaluated the Bank’ and its subsidiaries’ capacity to continue operating as usual and has concluded that the Bank and its subsidiaries have funds to continue their operations in the future. Additionally, Management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

Fair value of the financial instruments

When the fair value of financial assets and liabilities accounted in the balance sheet may not be derived from an active market, it is determined by using several valuation methodologies that include the use of mathematic models. The inputs of these models are derived from observable data of the market whenever possible, but, when market data are not available, judgment is required to establish the fair value. The judgments include liquidity considerations and variable models such as volatility of long-term derivatives and discount rates, prepayment fees and assumptions on default of bonds containing assets as guarantee.

Impairment losses regarding loans and receivables

The Bank and its subsidiaries review individually significant loans and receivables on each balance sheet date to evaluate if impairment losses must be recorded in the income statement. Management’s judgment is required to estimate the value and timing of cash flows in order to determine impairment losses. To estimate these cash flows, the Bank and its subsidiaries make judgments with respect to client’s financial condition and the realizable value net of any guarantee.

These estimates are based on assumptions involving several factors and, for this reason, the actual results may vary, creating future changes in the provision.

Impairment of financial assets available for sale and held to maturity.

The Bank and its subsidiaries review any debt instruments classified as investments available for sale or held to maturity at each financial statement date to evaluate any impairment. This requires judgments similar to the individual evaluation of loans and receivables.

The Bank and its subsidiaries also record impairment in any investments classified as available for sale or held to maturity for which there was a significant or prolonged write-off of the fair value, below its cost. The determination of what is deemed "significant" or "prolonged" requires judgment. To reach this judgment, the Bank evaluates, among others factors, the historical variation of share price, as well as the duration and extent to which the investment's fair value is lower than its cost.

Deferred tax assets

Deferred tax assets are recognized on tax losses to the extent that is probable that future taxable income will be available against which the losses may be used. Judgment is required to determine the amount of future deferred tax assets that must be recognized, based on the probable flow of future taxable income and together with tax planning strategies, if any.

c. Revised IFRS pronouncements

The accounting policies adopted are consistent with those of the previous year, except for the following amendment to IFRS effective as of January 1, 2014:

• IFRS 10 – Consolidated Financial Statements

"Investment Entities" amends IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 – Separate Financial Statements to provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 – Financial Instruments or IAS 39 – Financial Instruments: Recognition and Measurement.

Also, it requires additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. In addition, the amendment requires that the investment entity accounts for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

The financial statements were not materially affected by the adoption of this standard.

• IAS 32 – Financial instruments (revised in 2012)

"Offsetting Financial Assets and Financial Liabilities", amendments to IAS 32, was published in December 2011, and permits financial assets and financial liabilities to be offset against each other for balance sheet presentation only where a currently existing, legally enforceable, unconditional right of offset applies to all counterparties of the financial instruments in all situations, including both normal operations and insolvency.

The financial statements were not materially affected by the adoption of this standard.

IAS 36 – Impairment of Assets (revised in 2013)

“Recoverable Amount Disclosures for Non-Financial Assets”, amendments to IAS 36, was published in May 2013. These amendments remove the unintended consequences of IFRS 13 - Fair Value Measurement on the disclosures required under IAS - 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

The financial statements were not materially affected by the adoption of this standard.

• IAS 39 – Financial Instruments: Recognition and Measurement (revised in 2013)

“Novation of Derivatives and Continuation of Hedge Accounting”, amendments to IAS 39, was published in June 2013. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

The financial statements were not materially affected by the adoption of this standard.

The following standards were issued but are not yet effective for 2014:

• Annual improvements

The “Annual Improvements to IFRSs” amendments for the 2010-12 and 2011-13 annual improvement cycles were issued in December 2013, and generally their adoption is required from January 1, 2015.

The “Annual Improvements to IFRSs” for the 2012-14 annual improvement cycles were issued September 25, 2014 and their adoption is required from July 1, 2016.

The Company does not believe that the amendments will have a material impact on its consolidated financial statements except for additional disclosures that will be provided.

• IFRS 9 – Financial Instruments

The IFRS 9 is being issued in chapters. In November 2009 and October 2010, chapters containing new measurement and classification rules for financial assets and financial liabilities were issued. In addition, in November 2013 the chapter containing the hedge accounting rules was issued.

The final version of IFRS 9 was issued on July 24, 2014 and contains changes in the previous chapters related to measurement and classification as well as in hedge accounting. The finalized version also introduces new rules for impairment of financial instruments and derecognition.

The adoption of the chapters containing new measurement and classification rules will have a significant effect on the classification and measurement of financial assets of the Company, but is not expect to have significant impacts on the classification and measurement of financial liabilities. The Company has not applied hedge accounting and therefore does not expect impacts from the application of the referred chapter.

The change is applicable for years beginning January 1, 2018. The Company has not adopted IFRS 9 in these consolidated financial statements and does not intend to early adopt it.

• IFRS 11 – Joint Arrangements

"Accounting for Acquisitions of Interests in Joint Operations" amendments to IFRS 11, was published in May, 2014. The amendments sets out that an acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 – Business Combinations, is required to: (i) apply all of the business combinations accounting principles, and (ii) disclose the information required by IFRS 3 and other IFRSs for business combinations.

The change is applicable for years beginning January 1, 2016. The Company has not adopted IFRS 11 amendments in these consolidated financial statements and does not intend to early adopt it.

• IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements

"Equity Method in Separate Financial Statements" amends IAS 27 – Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

The change is applicable for years beginning January 1, 2016. The Company has not adopted IAS27 amendments in these consolidated financial statements and does not intend to early adopt it.

• IFRS10 and IAS28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" amends IFRS10 and IAS28, to clarify the treatment of the sale or contribution assets from an investor to its associate or joint venture, as follows: (i) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations), (ii) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in any subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The change is applicable for years beginning January 1, 2016. The Company has not adopted IFRS10 and IAS28 amendments in these consolidated financial statements and does not intend to early adopt it.

d. Consolidated financial statements

The Bank's consolidated financial statements include the financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad, investment funds and specific purpose entities (SPE). Control exists where the

(In thousands of reais)

Company has the power to govern the financial and operating policies of the entity, is exposed to variable returns from its involvement with the investees and has the ability to use its power to affect these returns; generally conferred by holding a majority of voting rights.

The accounting policies adopted for the recording of operations and assessment of the rights and obligations of the Bank, subsidiaries, directly and indirectly and investment funds included in the consolidation were applied uniformly. All intra-group balances, transactions, income and expenses are eliminated on consolidation.

The following table lists the principal subsidiaries of the Bank, held directly and indirectly, including investment funds consolidated in the financial statements.

		Equity interest - %	
	Country	2014	2013
Direct subsidiaries			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Mercadorias Ltda.	Brazil	99.99	99.99
BTG Pactual Securitizadora S.A.	Brazil	99.99	99.99
BTG Pactual Comercializadora de Energia Ltda.	Brazil	99.90	99.90
BTG Pactual Holding International S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
Global Ltd.	Cayman	-	100.00
BW Properties S.A.	Brazil	67.86	67.49
BTG Pactual Commodities S.A.	Brazil	99.99	99.99
BTG Pactual Holding de Seguros Ltda.	Brazil	99.99	99.99
BTG Pactual S.A. Comisionista de Bolsa	Colombia	94.50	99.99
Recovery do Brasil Consultoria S.A.	Brazil	73.23	50.24
BTG Pactual Chile International Ltd.	Cayman	100.00	100.00
BTG Pactual TTG Participações S.A.	Brazil	100.00	100.00
Banco BTG Pactual Luxembourg S.A.	Luxembourg	100.00	-
BTG Pactual E&P Empreendimentos e Participações S.A. (i)	Brazil	-	100.00
BTG Pactual Corretora de Seguros Ltda.	Brazil	100.00	-
Banco Sistema S.A.	Brazil	98.84	-
Indirect subsidiaries			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Corporate Services Ltda.	Brazil	99.99	99.99
BTG Pactual Serviços Energéticos Ltda.	Brazil	100.00	100.00
BTG Pactual NY Corporation	USA	100.00	100.00
BTG Pactual Global Asset Management Limited	Bermuda	100.00	100.00
BTG Pactual Europe LLP	UK	100.00	100.00
BTG Pactual Asset Management US, LLC	USA	100.00	100.00
BTG Pactual US Capital, LLC	USA	100.00	100.00
BTG Pactual Asia Limited	Hong Kong	100.00	100.00
BTG Global Asset Management (UK) Limited	UK	100.00	100.00
BTG Pactual Seguradora S.A.	Brazil	-	99.99
BTG Pactual Resseguradora S.A.	Brazil	100.00	100.00
BTG Pactual Vida e Previdência S.A.	Brazil	100.00	-
Banco BTG Pactual Chile S.A.	Chile	100.00	-
BTG Pactual Chile SPA	Chile	100.00	100.00
BTG Pactual Chile Capital S.A.	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Corredores de Bolsa	Chile	100.00	100.00
BTG Pactual Chile Capital Administradora de Fondos de Inversion de Capital Extranjero S.A	Chile	100.00	100.00
BTG Pactual Chile Capital S.A. Administradora General de Fondos	Chile	100.00	100.00
BTG Pactual Chile Inversiones Limitada	Chile	100.00	100.00
BTG Pactual Chile Servicios Financieros S.A.	Chile	100.00	100.00
BTG Pactual Chile Proyectos y Rentas S.A.	Chile	100.00	100.00
Inmobiliaria BTG Pactual Chile Limitada	Chile	100.00	100.00
BTG Pactual Chile Finanzas y Servicios S.A.	Chile	100.00	100.00
BTG Pactual Chile Servicios Empresariales Limitada	Chile	100.00	100.00
BTG Pactual Chile S.A. Administración de Activos	Chile	100.00	100.00
BTG Pactual Chile International Corp.	Chile	100.00	100.00
BTG Pactual Holding Delaware LLC	USA	100.00	100.00

(In thousands of reais)

	Country	Equity interest - % 2014	2013
BTG Pactual Peru Capital S.A. Sociedad Agente de Bolsa	Peru	100.00	100.00
BTG Pactual Peru Capital S.A. Sociedad Administradora de Fondos Inversion	Peru	100.00	100.00
BTG Pactual Perú S.A.C.	Peru	100.00	100.00
BTG Pactual Sociedad Fiduciaria (Colômbia) S.A.	Colombia	94.50	-
BTG Pactual S.A. Sociedad Comissionista de Bolsa	Colombia	100.00	100.00
Laurel Sociedad Gestora Profissional S.A.S	Colombia	100.00	100.00
BTGP Corp SAS	Colombia	100.00	100.00
BTGP S.A.	Colombia	100.00	-
BTG Pactual E&P S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Oil & Gas S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Commodities Holding (UK) Limited	UK	100.00	100.00
BTG Pactual Commodities (UK) LLP	UK	100.00	100.00
BTG Pactual Commodities (Singapore) PLC	Singapore	100.00	100.00
BTG Pactual Commodities (Switzerland) SA	Switzerland	100.00	100.00
BTG Pactual Commodities Holding (US) LLC	USA	100.00	100.00
BTG Pactual Commodities (US) LLC	USA	100.00	100.00
BTG Pactual Commodities (South Africa) (Pty) Ltd	South Africa	100.00	100.00
BTG Pactual Commodities Argentina S.A.	Argentina	100.00	-
BTG Pactual Warehousing (SG) PTE	Singapore	100.00	-
BTG Pactual Commodities (Shanghai) Co	China	100.00	-
BTG Pactual Warehousing (US) LLC	USA	100.00	-
BTG Pactual Warehousing (UK) Ltd	UK	100.00	-
BTG Pactual Commodities Trading US LLC	USA	100.00	-
BTG Pactual Commodities Ukraine	Ukraine	100.00	-
BTG Pactual Commodities (Italy) SRL	Italy	100.00	-
BTG Pactual Commodities (Costa Rica) SRL	Costa Rica	100.00	-
BTG Pactual Commodities (Colombia) SAS	Colombia	100.00	-
BTG Pactual Commodities (Russia) LLC	Russia	100.00	-
BTG Pactual Commodities Absolute Return Ltd.	Cayman	100.00	100.00
TTG Brasil Investimentos Florestais Ltda.	Brazil	100.00	94.34
BTG Pactual Timberland Investments Group LLC	USA	100.00	100.00
BTG Pactual Casa de Bolsa, S.A. de C.V.	Mexico	100.00	100.00
Bamerindus Participações e Empreendimentos S.A.	Brazil	98.84	-
Bastec Tecnologia e Serviços Ltda.	Brazil	98.84	-
Investment funds			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados Precatórios Selecionados I	Brazil	100.00	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados NPL I	Brazil	70.75	70.75
BTG Pactual Saúde Fundo de Investimento em Participações	Brazil	95.67	95.67
Nala Fundo de Investimento em Participações	Brazil	100.00	100.00
BTG Pactual Global Fund LP	Cayman	100.00	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados Caixa BTG Pactual Multisegmentos	Brazil	100.00	100.00
BTG Pactual Gewinnstrategie Fundo de Investimento Multimercado Crédito Privado	Brazil	100.00	100.00
Fundo de Investimento em Participações Quartzo	Brazil	100.00	100.00
BTGP Latam Fund LLC	Cayman	100.00	100.00
BTG Pactual Oil & Gas FIQ FIP	Brazil	100.00	100.00
BTG Pactual E&P FIP	Brazil	100.00	100.00
BTG Pactual Mall Fundo de Investimento Imobiliário	Brazil	100.00	100.00
Fundo de Investimento Imobiliário BTG Pactual Shopping	Brazil	100.00	100.00
Fundo de Investimento Imobiliário Onix	Brazil	100.00	100.00
Propertyco FIM CP IE	Brazil	100.00	-
BTG Pactual Fundo de Investimento Imobiliário Ametista	Brazil	100.00	-
Warehouse Fundo de Investimento em Participação	Brazil	100.00	-
Caravelas Fundo de Investimento em Ações	Brazil	56.00	-
BTG Pactual Absolute Return III Master Fund LP	Cayman	100.00	100.00
CCF Ltd	Cayman	100.00	100.00
CCMF Ltd	Cayman	100.00	100.00

e. Functional currency

The items included in the Bank's financial statements are measured using the currency of the main economic environment in which the Bank operates (functional currency). The consolidated financial statements are presented in Reais (R$), which is the functional currency of the controller, the Bank. Assets and liabilities were translated into reais at the rate prevailing at the reporting date, while income and expense accounts were translated at the average rate of the month.

The financial statements of subsidiaries, whose functional currency is different from that adopted by the parent Company, are translated into the functional currency of the parent using the criteria in IAS 21.

The foreign exchange effects of the conversion of foreign subsidiaries are recorded in the statement of other comprehensive income, as well as hedge transactions, when applicable.

4. Significant accounting practices

The most significant accounting practices adopted by the Bank and by its direct and indirect controlled companies are the following:

a) Financial instruments

(i) Recognition date

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the consolidated entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standard.

(ii) Initial recognition of financial instruments

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

(iii) Derivatives financial instruments

Derivative financial instruments are recorded at the fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement in "Net results with financial instruments".

Embedded derivatives in other financial instruments, such as the convertible feature of an instrument, are treated as separate derivatives and recorded at the fair value if their economic characteristics and risks are not closely related to those in the host contract, as long as the host contract is not held for trading or designated at fair value through profit and loss. The embedded derivatives separated from principal are held at the fair value in the portfolio with fair value changes recognized in the consolidated income statement.

(iv) Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are recorded in the balance sheet at the fair value. Variations in fair value, interest revenue, expenses and dividends are recorded in expenses "Net gains on financial instruments".

Included in this classification are: debt instruments, shares, positions sold and loans to customer which have been acquired specifically for the purpose of short term sale or repurchase.

(v) Financial assets and liabilities designated at fair value through profit and loss

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit and loss on initial recognition is only possible when one the following criteria are observed and the designation of each instrument is individually determined:

• Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

• Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

• The financial instrument has one (or more) embedded derivative(s), which significantly modifies the cash flows that would be required by the agreement.

Financial assets and liability at the fair value through profit and loss are recorded in the consolidated balance sheet at the fair value. Valuation changes in the fair value and earned or incurred interests are recorded as “Net gains on financial instruments”, while dividend revenues are recognized as “Other operating income” when the right to payment is established.

(vi) Available for sale financial assets

Financial assets available for sale include shares, quotas and debt instruments. Shares and quotas classified as available for sale are those not classified as held for trading or designated at the fair value through profit and loss. Debt instruments in this category are those to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in market conditions.

After initial recognition, available for sale financial instruments are measured at fair value with unrealized gains or losses recognized directly in the statement of comprehensive income. Upon the realization of the available for sale financial instruments, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are transferred to the income statement, under the heading “Net gains on financial instruments”.

Losses on the impairment of these financial instruments are recognized in the income statement and removed, when applicable, from the statement of comprehensive income.

(vii) “Day 1” profit or loss

When the transaction value is different from the fair value of other observable current market transactions with the same instrument or based on a valuation technique, whose variables include only observable market data, the difference between the transaction value and fair value (“Day 1” profit or loss) is immediately recognized in “Net gains on financial instruments”. In cases where the fair value is determined using unobservable market data, the difference between operation price and model value is recognized in the income statement during the term of operation or when variables may be observable or, also, when the financial instrument is derecognized.

(viii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets or liabilities with fixed or determinable payments and defined maturities, for which there is positive intention and ability to hold until maturity. Held-to-maturity financial assets are initially recorded at their fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest rate method, less any reductions in the recoverable value.

(ix) Bank receivables and loans and receivables

Bank receivables and loans and receivables include financial assets with fixed or determinable payments that are not listed in an active market, except for:

- Those for which the intention is to sell immediately or in the short-term and those initially designated at the fair value through profit and loss; or
- Those initially designated as available for sale; or
- Those whose total investment will not be substantially recovered, except for reasons of credit deterioration.

After initial measurement, bank receivables and loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

(x) Financial liabilities carried at amortized cost

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

b) Derecognition of assets and financial liabilities

(i) Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognized when the right to receive the cash flow of the asset expired or the Bank transferred the right to receive cash flows of the asset or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if: (i) there is substantial transfer of all risks and benefits of the asset; or (ii) there is no substantial transfer or withholding retention of all risks and benefits of the asset, but there is transfer of control on such asset.

When the bank and its subsidiaries transfer the right to receive an asset cash flow or have entered in an on-lending agreement, and have not substantially transferred or retained all asset risks and benefits, or have not also transferred the control on such asset, an asset is recognized to the extent of the bank and its subsidiaries have continuing involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the bank and its subsidiaries.

(ii) Financial liabilities

A financial liability is derecognized when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

c) Open Market investments (repurchase and resale agreements)

Amounts sold with repurchase agreements at a future date are not derecognized from the balance sheet as the risks and rewards are substantially retained by the consolidated entity. Corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest appropriated as a liability in “open market funding” The difference between purchase and repurchase price is treated as interest expense and is appropriated pursuant to term of the agreement, using the effective interest rate method. When the counterparty has the right to sell or to re-offer the instruments as collateral, instruments are classified as held for trading in the consolidated balance sheet

Conversely, securities acquired with agreements to sell (reverse repo) at a future date are not recognized in the balance sheet. The amount paid, including appropriated interest, is recorded on the balance sheet as open market investments, reflecting the economic essence of the operation as a loan receivable. The difference between purchase and repurchase price is registered as interest income and is appropriated pursuant to term of the agreement, according to effective interest rate method. If securities acquired from reverse repo are subsequently sold to third parties, the obligation of returning the amounts is registered as a short sale, included in financial liabilities at the fair value in result and measured at the fair value with any gain or loss included in net profit with financial instruments at the fair value.

d) Securities lending and borrowings

Transactions of securities lending and borrowings are generally secured by other bonds or by cash. The transfer of the security to the counterparty is only reflected on the balance sheet if the risks and benefits of title are also transferred. Advanced cash or cash received as guarantee is registered as an asset or liability.

Securities lending transactions are not recognized on the balance sheet, except if they have been sold to third parties and, in this case, the obligation of returning the security is registered as trading financial liability with gains or losses including in the “Net results with financial instruments ".

e) Determining fair value

Financial instruments are measured according to the fair value measurement hierarchy described below:

Level 1: Price quotations observed in active markets for the same financial instrument.

Level 2: Price quotations observed in active markets for financial instruments with similar characteristics or based on pricing model in which the relevant parameters are based on observable active market data.

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation. Instruments in this category have been valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, the Bank determines a reasonable level for the input. Financial instruments primarily include certain unlisted equity shares mainly derived from our merchant banking activities, debt securities (debentures) from non-public companies and energy derivatives where valuation depends upon unobservable inputs. No gain or loss is recognized on the initial recognition of a financial instrument valued using a technique incorporating significant unobservable data.

Level 3 valuation assumptions

Asset	Valuation technique	Main assumptions
Private Equity Funds (unquoted investments)	Price of recent investments; Models based on discounted cash flows or earnings; Market and transaction (M&A) multiples.	Market and revenue growth, profitability and leverage expectations, discount rates, macro-economic assumptions such as inflation and exchange rates, risk premiums including market, size and country risk premiums.
Debt securities (debentures)	Standard models and comparable prices.	Probability of default, loss severity and yield, prepayment and recovery rates.
Energy derivatives	Models based on Decomp and Newwave systems data.	GDP, hydro reservoir levels and rain forecast.

In certain cases, data used to determine fair value may be from the different levels of the fair value measurement hierarchy. In these cases, the financial instrument is classified in the most conservative hierarchy in which the relevant data for the fair value assessment were used. This evaluation requires judgment and considers specific factors of the relevant financial instruments. Changes in the availability of the information may result in reclassification of certain financial instruments among the different levels of fair value measurement hierarchy.

f) Impairment of financial assets

Impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in the statement of income.

(ii) Financial assets available-for-sale

In case of any impairment losses related to financial assets available for sale, considering acquisition cost and the current fair value, such losses will be recognized on consolidated statements of income against other comprehensive income. However, if in a subsequent year occurs an increase in the fair value of the financial asset that can be related to any event, the loss previously considered will be reversed in profit and losses.

The main evidence of impairment for financial assets are the significant decline in the fair value of any security for a prolonged period, noncompliance with contract terms for delay of principal or interest, deterioration in ability to pay and operational performance, breach of covenants, significant change in the performance of the counterparty market, reduced liquidity of the asset due to financial difficulties the lender.

(ii) Financial assets accounted at the amortized cost

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), the Bank individually evaluates if there is objective evidence of impairment.

If there is objective evidence that a loss with impairment was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows. The asset is reduced by a provision and a corresponding loss is recognized in the income statement. Interest income is still recognized based on the net book value and is calculated based on the original discount rate with interest income recorded as 'interest income'.

Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred to the Bank and its subsidiaries. If the estimated amount of loss with impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance. If a future write-off is later recovered, the amount is credited to 'Provisions for credit Losses'.

The present value of the estimated future cash flows are discounted by the original effective interest rate, If a loan has a variable interest rate, the discount rate to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

g) Financial instruments – Offsetting

Financial assets and liabilities are presented net in the balance sheet if, and only if, there is a current and enforceable legal right to offset the amounts recognized and if there is the intention to offset, or to realize the asset and clear the liability simultaneously.

h) Recognition of income and expenses

Income is recognized to the extent that it is probable that the economic benefit is transferred to the Bank and that the income may be reliably measured. The criteria of recognition specified as follows must be complied with before the income is recognized:

(i) Interest income and expenses

For all financial instruments measured at amortized cost, financial assets that accrue interest classified as available for sale the interest income or expenses are recorded using the effective interest rate method, which is the rate that discounts the future receipts or payments estimated by the estimated life of the financial instrument, or, when appropriate, a shorter period to the net book value of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are part of the effective rate, but does not include credit losses based on future events. The measurement of the financial asset or liability is adjusted if the bank changes the payment and receipt estimates. The remeasurement adjustment is calculated based on the original interest rate and the adjustment to book value is recorded as "Other operational income (expenses)". However, for reclassified financial assets for which the bank subsequently increases its estimate of future cash receipt, the effect of the increase is recognized as an adjustment in the actual rate from the date of the change in estimate.

Interest income (expense) is recognized as incurred, using the effective interesting rate method.

Once the recorded value of a financial asset or a group of similar financial assets are written-off due to an impairment loss, the interest income continue to be recognized by using the interest rate used to discount the future cash flow used to measure the impairment loss.

(ii) Fee and commission income

The Bank and its subsidiaries recognize fees and commission income due to several types of service that it provides to its clients. Revenue from fees can be segregated into the following categories:

- Revenues with fees and commissions earned from services provided in a given period:

  Fees and commissions realized with provision of services throughout the period are recorded over the same period. These revenues include commission and management fees of assets, custody and other management fees, custody, and administration of investment funds.

  Revenues with fees of loans in which the credit is likely to be used - and other fees related to credit - are deferred (together with any incremental costs) and recognized as an adjustment to the actual interest rate of the loan. When the use of credit from a loan is not probable, revenue of fees of loans is recognized over the period of the loan using the straight-line method.

- Fees from services rendered relating to executed transactions:

  Fees resulting from trading or interest in trading with third parties, such as, for example, share purchase agreement or other bonds or purchase or sale of a business, are recognized at the end of a transaction. Fees or components of rates that are related to specific performance are recognized after meeting specific criteria.

(iii) Net gains with financial instruments

Amounts that arise from trading activity including all gains and losses from changes in the fair value and the interest and dividend income or expense of financial assets and liabilities held for trading.

i) Cash and cash equivalents

For the purposes of statements of cash flow, cash and cash equivalents include cash, bank deposits and highly-liquid short-term investments redeemable in up to 90 days, subject to an insignificant risk of change in value.

j) Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated. Into this category are classified assets that are intended for sale which must be highly probable to occur in less than a year, and Management has committed to sell such assets.

Assets are reclassified out of non-current assets held for sale due to changes to a plan of sale and when the sale is no longer considered highly probable. As a result of the reclassification, the asset will be adjusted to any depreciation or revaluation measured at the lower of its carrying amounts before the classification as held for sale, or its recoverable amount.

k) Investment property

Investment properties held by subsidiaries, which their main activity is real estate, are initially measured at cost including transactions costs. After initial recognition, investment properties are stated at fair value, reflecting the market conditions at each balance sheet date. Adjustments to fair value are determined considering the fair value of the property, minus the attributed costs of the property, and recognized in net income.

The fair value of investment properties are determined at least on an annual basis, or when the Company deems it necessary, and may involve an independent valuation.

Investment properties are derecognized when disposed of or when they cease to be used permanently and no further economics benefit are expected from their disposal.

l) Investment in associates and jointly controlled entities

Investments in associates and jointly controlled entities comprise entities over which the Group has significant influence or joint control over operating and financial policies. These investments are initially recognized at the acquisition cost and subsequently evaluated by the equity method. The investments in associates and jointly controlled entities include the identified goodwill in any purchase net of any accrued impairment.

The participation of the Bank and its subsidiaries interest in the profits or losses of its associates and jointly controlled entities is recognized in the “Share of profit in associates and jointly controlled entities”. Any movements in the equity reserves of these entities are recognized directly in other comprehensive income.

m) Property, plant and equipment

Property, plant and equipment are accounted for at cost excluding expenditures with maintenance, minus accumulated depreciation and impairment. Changes in the estimated useful life or depreciation method are treated as changes in accounting estimates.

Depreciation is calculated using the straight line method in order to write items down to a residual value over their estimated useful life.

Property, plant and equipment are written-off on disposal or when future economic benefits are no longer expected in its use. Any gain or loss generated on the asset’s disposal (calculated as the difference between the disposal proceeds and the asset's book value) is recognized as ‘other operating income’ in the statement of income when the asset is disposed.

n) Business Combination and goodwill

Business combinations are accounted for using the acquisition method. The method involves recognizing identifiable assets (including intangible assets previously unrecognized) and liabilities (including contingent liabilities but excluding future restructuring) of the business acquired at fair value. Shares issued as part of the consideration transferred are measured at fair value at the issuance date. Any excess of the consideration transferred over the fair value of the net identifiable assets acquired is recognized as goodwill. If the consideration transferred is lower than the fair value of the net identifiable assets acquired, the discount on the acquisition is recognized directly in the income statement in the year of the acquisition.

After initial recognition, goodwill is measured at the cost minus any impairment loss relating to its recoverable amount. Goodwill is reviewed for impairment on an annual basis, or more often, if events or changes in circumstances indicate that the book value may be below the recoverable value.

o) Intangible Assets

Intangible assets are recorded at cost and include acquired assets and computer software. An intangible asset is recognized only when its cost can be reliably measured and it is likely that the future economic benefits expected which are assigned to them shall be carried out.

The amortization expenses of intangible assets with definite useful lives (from 5 to 10 years) are recognized in the income statement in administrative expenses, consistent with the function of the intangible asset. The intangible assets with indefinite useful lives are not amortized but tested annually to identify possible impairment losses, which are recognized in the income statement by the caring amount of the asset that exceeds its recoverable value.

p) Impairment of nonfinancial assets

Investments in associates and jointly controlled entities and assets that have an indefinite life, such as goodwill are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are tested for impairment annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment is recognized if the asset's carrying amount exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and its recoverable value in use. For the purpose of evaluating the impairment amount, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units (CGU)).

q) Financial guarantees provided

In the ordinary course of business, the bank and its subsidiaries grant financial guarantees, through letters of credit, guarantees and sureties. Financial guarantees are initially recognized in the financial statements (in 'other liabilities') based on the premium amount and are amortized throughout the agreement term. Subsequent to initial recognition, liabilities are measured at the greater of the amount initially recognized less, when appropriate, the value of accumulated amortization recognized in the income and the best estimate of the costs required to settle any financial obligation created by this guarantee.

r) Contingent assets and liabilities

Provisions are recognized when the bank has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

The recognition, measurement and the disclosure of the assets and contingent liabilities and of the legal, tax and social security obligations are made pursuant to the criteria described below.

Contingent assets – not recognized in the financial statements, except when there is evidence that realization is virtually certain

Provisions - are recognized in the financial statements when, based on the opinion of legal advisors and the administration, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for nor disclosed.

s) Taxes

Allowances for income tax and social contribution are recognized based on accounting profit, adjusted for additions and deductions provided for by tax law. Deferred income tax and social contribution are calculated on the value of temporary differences and tax loss carry forwards, and are recognized when the realization of those amounts are deemed probable. For income tax the rate used is 15% plus a 10% allowance on annual taxable income exceeding R$240 and 15% for social contribution.

Deferred tax assets and liabilities are measured at the tax rate which is expected to be applicable tin the year in which the asset is realized or the liability is settled, based on the tax rates (and tax law) that were enacted on the balance sheet date.

Current tax and deferred tax related to items recognized directly in the shareholders' equity are also recognized in the shareholders' equity and not in the income statement.

Deferred tax assets and liabilities are presented net if there is a legal or contractual right to offset current tax assets against current tax liabilities and the deferred taxes are related to the same taxable entity and subject to the same tax authority.

t) Dividends and interest on shareholders' equity (ISE) of shares

Dividends and interest on shareholders' equity are recognized as a liability and deducted from the net equity when approved by the Bank's shareholders. Dividends on the interim dates are deducted from the net equity when declared and are not subject to further decision of the Bank.

u) Earnings per share

Earnings per share is calculated by dividing net income attributable to common and preferred shareholders by the weighted average of common and preferred shares outstanding in each financial year. The weighted average number of common and preferred shares is calculated based on the periods in which the shares were in circulation.

v) Segment Information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the company's chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of investment banking and so no segment information is disclosed.

(In thousands of reais)

5. Risk management

The Bank's committee structure allows for the inputs from the entire organization and ensures that the decisions are implemented easily and effectively. The main committees involved in risk management activities are: (i) Management Committee, which approves policies, defines overall limits and is ultimately responsible for managing risks, (ii) New Business Committee, which assesses the feasibility and supervises the implementation of proposals for new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new loans according to the guidelines set forth by the Bank's Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including the use of our risk limits (Value at Risk - VaR), and approving exceptions, (v) Operational Risk Committee, which assesses the main operational risks for the internal policies and regulatory risks established, (vi) AML (Anti Money Laundering) Compliance Committee, which is responsible for establishing policy rules and reporting potential problems related to money laundering, (vii) CFO Committee, which is responsible for monitoring liquidity risk, including cash and cash equivalents and capital structure, (viii) Audit Committee, which is responsible for independent verification of compliance with internal controls and assessment of maintenance of the accounting records.

The Bank monitors and controls risk exposure through several and different supplemental internal systems, including credit, financial, operational, compliance, tax and legal systems. We believe that the involvement of the Committees (including their subcommittees) with management and continuous risk control promotes a strict risk control culture in the organization as a whole. The Bank's commissions comprise senior members of the business units and senior members of the control departments, which do not depend on the business areas.

a. Operating limits

	2014	2013
Reference Shareholders' Equity	14,733,327	10,966,010
Tier I	16,736,911	11,375,535
Common Equity	13,239,075	11,375,535
Complementary Equity	3,497,836	-
Tier II	4,545,445	5,113,625
Reference Shareholders' Equity (PR) - (a)	21,282,355	16,489,160
Required Reference Shareholders' Equity (PRE)	13,402,263	10,201,774
Total exposure risk-weighted - (b)	13,402,263	10,202,073
Credit risk	7,657,999	6,309,435
Operational risk	644,830	398,908
Market risk	5,099,434	3,493,730
Basel ratio - (a/b*11%)	17.5%	17.8%
Tier I capital	13.7%	12.3%
Tier II capital	3.7%	5.5%
Fixed assets ratio	78.5%	73.6%
Fixed assets to equity capital ratio	10,634,053	8,237,556
Status for fixed assets to equity capital ratio	8,352,612	6,062,576
Amount of margin or insufficient	2,281,441	2,174,979

The resolutions 4.192/13 and 4.278/13 issued by the CMN regulates the requirements on Minimum Required Capital for Tier I and Additional Capital and Resolution 4.193/13 institute the Additional for the Main Capital. Credit risk was calculated based on the Circular BACEN 3.644/13, 3.652/13, 3.679/13 and 3.696/14, market risk based on Circulars 3.634, 3.635, 3.636, 3.637, 3.638, 3.639, 3.641 e 3.645, 2013 and Circulars-Letters 3.310/08 and 3.498/11, and operational risk based on Circulars 3.640/13 and 3.675/13 and Circular-Letter 3.625/13.

The minimum requirements for Reference Shareholders' Equity (PR), Level I and Main Capital, Additional for the Main Capital, Fixed assets to equity capital ratio, Market, Credit and Operational risk were calculated based on resolutions and circulars issued by CMN and BACEN. In addition, the Bank has chosen the basic indicator approach to measure operating risk.

The Bank has chosen the basic indicator approach to measure operating risk.

As at December 31, 2014 and 2013 the Bank was in compliance with all operating limits.

b. Market risk

VaR is the potential loss of value of the trading positions due to adverse movements in the market during a defined period within a specific level of confidence. Together with the Stress Test, VaR is used to measure the exposure of the Bank's positions at market risk. The Bank uses a historical simulation for calculation of VaR, applying real distributions and correlation amongst assets, not using Greek approximations and standard distributions. VaR may be measured in accordance with different periods, historical data and reliable levels. The accuracy of the market risk methodology is tested through daily back testing that compares the compliance between VaR estimates and gains and losses realized.

The VaR presented below was calculated for a one-day period, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 chances that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trade in a single day of trading exceeding the reported VaR would be expected to occur, on average, around once a month. Insufficiencies in a single day may exceed the VaR reported in material amounts. Insufficiencies may also occur more frequently or accrue during a longer period, such as the number of consecutive trading days. As it is backed up by historical data, VaR's accuracy is limited to its capacity to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate prognostics of future market risk. VaR methodologies and assumptions on different distributions may produce a materially different VaR. In addition, VaR calculated for a one-day period does not consider the market risk of positions that may not be settled or offset with hedges within the term of one day. As previously mentioned, the Bank uses a stress test models as a complement to VaR method for its daily risk activities.

The table below contains the Bank's and its subsidiaries' daily average VaR for the years ended:

In millions of R$	**2014**	**2013**	**2012**
Daily average VaR	73.0	52.5	60.5

c. Credit risk

All of the Bank's and its subsidiaries' counterparties are subject to credit risk analyses focusing mainly on an assessment of their paying ability, based on simulations of cash flows, debt leverage and schedule, asset quality, interest coverage and working capital. Qualitative aspects, such as strategic guidance, business sector, expert areas, efficiency, regulatory environment and market share, are regularly assessed and used to supplement the credit analysis process. The Bank's counterparties credit limits and its subsidiaries are established by the Credit Committee and are regularly reviewed. The measurement and monitoring of the total risk to which the Bank and its subsidiaries are exposed cover all the financial instruments that may generate counterparty risks, such as private equity, derivatives, guarantees given and possible settlement risks.

(In thousands of reais)

The maximum exposures of the financial assets divided by geographic region are as follows:

	2014				
	Brazil	United States	Europe	Others (i)	Total
Asset					
Cash and balances at Central Bank	1,145,666	468,390	267,211	849,653	2,730,920
Financial assets at fair value through profit or loss					
Financial Assets held for trading (i)	9,519,825	3,612,742	490,682	1,827,254	15,450,503
Financial assets designated at fair value through profit and loss	23,513,940	-	-	-	23,513,940
Derivative financial instruments	17,559,217	17,099,893	379,183	268,850	35,307,143
Loans and Receivables					
Open market investments	6,964,535	1,794,345	-	275,576	9,034,456
Other loans and receivables	26,373,522	9,380	578,277	4,988,741	31,949,920
Amounts receivable from banks	2,660,845	1,962,400	-	-	4,623,245
Available-for-sale financial assets	939,547	-	-	-	939,547
Held-to-maturity financial assets	4,634,556	-	-	-	4,634,556
Non-current assets held for sale	946,514	-	-	-	946,514
Total	**94,258,167**	**24,947,150**	**1,715,353**	**8,210,074**	**129,130,744**

	2013				
	Brazil	United States	Europe	Others (i)	Total
Asset					
Cash and balances at Central Bank	237,802	656,537	170,299	247,191	1,311,829
Financial assets at fair value through profit or loss					
Financial Assets held for trading (i)	26,194,841	1,178,987	1,905,032	1,515,924	30,794,784
Financial assets designated at fair value through profit and loss	13,219,750	-	-	-	13,219,750
Derivative financial instruments	15,791,277	90,363	838	4,652,865	20,535,343
Loans and Receivables					
Open market investments	6,252,904	480,792	-	-	6,733,696
Other loans and receivables	11,488,708	5,349,719	-	-	16,838,427
Amounts receivable from banks	2,071,788	1,787,093	-	-	3,858,881
Available-for-sale financial assets	423,821	-	-	-	423,821
Held-to-maturity financial assets	4,353,685	-	-	-	4,353,685
Non-current assets held for sale	655,540	-	-	-	655,540
Total	**80,690,116**	**9,543,491**	**2,076,169**	**6,415,980**	**98,725,756**

(i) See note 8(a).

(In thousands of reais)

The table below provides the main exposures to credit risk based on accounting values and classified by economic activity of the counterparties:

	2014											
	Governments	**Financial institutions**	**Services**	**Investment funds**	**Individuals**	**Industry**	**Energy**	**Rural**	**Clearing**	**Real State**	**Other (i)**	**Total**
Asset												
Cash and balances at Central Bank	1,145,666	1,585,254	-	-	-	-	-	-	-	-	-	2,730,920
Financial assets at fair value through profit or loss												
Financial Assets held for trading	4,601,079	1,516,668	5,010,385	2,864,238	-	632,382	253,597	3,472	-	12,697	555,985	15,450,503
Financial assets designated at fair value through profit and loss	-	23,513,940	-	-	-	-	-	-	-	-	-	23,513,940
Derivative financial instruments	-	26,403,192	136,976	2,610,847	27,268	5,756,815	125,523	162,598	5,586	-	78,338	35,307,143
Loans and Receivables												
Open market investments	-	1,575,321	8,628	7,444,220	-	-	-	-	-	-	6,287	9,034,456
Other loans and receivables	433,353	-	23,298,612	-	1,330,290	1,599,391	2,849,927	500,723	-	1,558,163	379,461	31,949,920
Amounts receivable from banks	-	4,623,245	-	-	-	-	-	-	-	-	-	4,623,245
Available-for-sale financial assets	-	-	-	939,547	-	-	-	-	-	-	-	939,547
Held-to-maturity financial assets	-	4,634,556	-	-	-	-	-	-	-	-	-	4,634,556
Non-current assets held for sale	-	-	321,501	-	-	-	625,013	-	-	-	-	946,514
Total	**6,180,098**	**63,852,176**	**28,776,102**	**13,858,852**	**1,357,558**	**7,988,588**	**3,854,060**	**666,793**	**5,586**	**1,570,860**	**1,020,071**	**129,130,744**

	2013											
	Governments	**Financial institutions**	**Services**	**Investment funds**	**Individuals**	**Industry**	**Energy**	**Rural**	**Clearing**	**Real State**	**Other (i)**	**Total**
Asset												
Cash and balances at Central Bank	237,802	1,074,027	-	-	-	-	-	-	-	-	-	1,311,829
Financial assets at fair value through profit or loss												
Financial Assets held for trading	12,454,098	2,647,761	5,644,118	2,984,902	134,773	4,073,734	642,833	-	7,624	640,051	1,564,890	30,794,784
Financial assets designated at fair value through profit and loss	13,219,750	-	-	-	-	-	-	-	-	-	-	13,219,750
Derivative financial instruments	10,654,312	6,296,362	399,794	655,490	52,127	2,349,691	-	-	98,509	-	29,058	20,535,343
Loans and Receivables												
Open market investments	-	815,353	-	5,912,805	-	4,324	-	-	-	-	1,214	6,733,696
Other loans and receivables	-	-	10,656,216	-	3,210,616	2,537,349	-	434,246	-	-	-	16,838,427
Amounts receivable from banks	-	3,858,881	-	-	-	-	-	-	-	-	-	3,858,881
Financial assets available for sale	-	-	-	423,821	-	-	-	-	-	-	-	423,821
Held-to-maturity financial assets	4,353,685	-	-	-	-	-	-	-	-	-	-	4,353,685
Non-current assets held for sale	-	-	-	-	-	-	655,540	-	-	-	-	655,540
Total	**40,919,647**	**14,692,384**	**16,700,128**	**9,977,018**	**3,397,516**	**8,965,098**	**1,298,373**	**434,246**	**106,133**	**640,051**	**1,595,162**	**98,725,756**

(i) Represents primarily exposure at tradable shares and investment funds quotes.

(In thousands of reais)

Financial assets that are due without event of loss or individually due with event of loss are covered partially or in whole by guarantees. The disclosure of main guarantees is described on Note 12.

In 2014 and 2013 the Bank does not have any overdue or impaired financial instruments, whose terms have been renegotiated considered material.

d. Liquidity analysis of assets

In volatile markets or when trading in a security is hindered in the market, the liquidity position of the Company's portfolio can be reduced. In such cases, the Company may not be able to sell certain assets, which could adversely affect its ability to balancing its portfolio or to meet redemption requests. In addition, such circumstances may force the Company to sell assets at low prices, adversely affecting its performance. If there is no other market participants to sell them at the same time, the Company may not be able to sell these assets or avoid losses related to them. If the Company establishes substantial losses in trading, the need for liquidity could increase considerably while its access to liquidity could be hindered. Together with a recession in the market, the counterparties of the Company could incur in losses, weakening their financial condition and increasing the credit risk of the Company to them.

According to its policy, the Company regularly monitors its liquidity position. The table below summarizes the expected discounted cash flows for financial assets held for trading and contractual discounted cash flows for the other assets, to the Company and its subsidiaries for the years ended on December 31:

	2014		
	Under 12 months	**Over 12 months**	**Total**
Asset			
Cash and balances at Central Bank	2,730,920	-	2,730,920
Financial assets at fair value through profit or loss			
Financial Assets held for trading	15,450,503	-	15,450,503
Financial assets designated at fair value through profit and loss	23,513,940	-	23,513,940
Derivative financial instruments	30,054,517	5,252,626	35,307,143
Loans and Receivables			
Open market investments	9,034,456	-	9,034,456
Other loans and receivables	11,949,693	20,000,227	31,949,920
Amounts receivable from banks	4,610,048	13,197	4,623,245
Financial assets available for sale	-	939,547	939,547
Held-to-maturity financial assets	-	4,634,556	4,634,556
Non-current assets held for sale	946,514	-	946,514
Deferred tax assets	705,072	1,225,380	1,930,452
Other assets	14,302,052	5,672,541	19,974,593
Investment in associates and jointly controlled entities	-	5,392,892	5,392,892
Property, plant and equipment	-	131,987	131,987
Intangible assets	-	1,151,425	1,151,425
Total Assets	**113,297,715**	**44,414,378**	**157,712,093**

(In thousands of reais)

	2013		
	Under 12 months	Over 12 months	Total
Asset			
Cash and balances at Central Bank	1,311,829	-	1,311,829
Financial assets at fair value through profit or loss			
Financial Assets held for trading	30,794,784	-	30,794,784
Financial assets designated at fair value through profit and loss	13,219,750	-	13,219,750
Derivative financial instruments	17,474,157	3,061,186	20,535,343
Loans and Receivables			
Open market investments	6,733,696	-	6,733,696
Other loans and receivables	5,549,571	11,288,856	16,838,427
Amounts receivable from banks	3,807,564	51,317	3,858,881
Financial assets available for sale	-	423,821	423,821
Held-to-maturity financial assets	-	4,353,685	4,353,685
Deferred tax assets	655,540	-	655,540
Other assets	556,221	733,833	1,290,054
Investment in associates and jointly controlled entities	11,973,804	3,930,847	15,904,651
Property, plant and equipment	-	3,613,257	3,613,257
Intangible assets	-	116,743	116,743
	-	1,237,847	1,237,847
Total Assets	**92,076,916**	**28,811,392**	**120,888,308**

e. Liquidity risk

The table below summarizes the contractual discounted cash flows for the liabilities and the shareholders' equity, to the Company and its subsidiaries, for the years ended on December 31:

	2014		
	Under 12 months	Over 12 months	Total
Liabilities			
Financial Liabilities at fair value through profit or loss			
Financial liabilities held for trading	13,137,225	-	13,137,225
Derivative financial instruments	28,962,947	4,369,220	33,332,167
Financial Liabilities carried at amortized cost			
Amounts payable to banks	665,026	104,793	769,819
Open market funding	25,158,413	986,451	26,144,864
Other financial liabilities carried at amortized cost	30,067,026	27,435,916	57,502,942
Tax liabilities	943,566	1,547,005	2,490,571
Other liabilities	-	8,839,386	8,839,386
Total liabilities	**98,934,203**	**43,282,771**	**142,216,974**

	2013		
	Under 12 months	Over 12 months	Total
Liabilities			
Financial Liabilities at fair value through profit or loss			
Financial liabilities held for trading	16,041,460	-	16,041,460
Derivative financial instruments	17,966,843	2,780,742	20,747,585
Financial Liabilities carried at amortized cost			
Amounts payable to banks	320,313	68,298	388,611
Open market funding	18,080,993	1,819,095	19,900,088
Other financial liabilities carried at amortized cost	26,075,600	18,084,715	44,160,315
Tax liabilities	484,090	775,775	1,259,865
Other liabilities	-	5,573,708	5,573,708
Total liabilities	**78,969,299**	**29,102,333**	**108,071,632**

The table below presents the undiscounted cash flows for "Financial liabilities carried at amortized cost". We are not presenting undiscounted cash flows for "Financial Liabilities at fair value through profit or loss". Management does not consider this information when analyzing liquidity, other than for short term maturity, and therefore it is not deemed to be relevant.

(In thousands of reais)

	2014		
	Under 12 months	**Over 12 months**	**Total**
Financial liabilities carried at amortized cost			
Amounts payable to banks	699,718	150,133	849,851
Open market funding	25,379,324	3,285,355	28,664,679
Other financial liabilities carried at amortized cost	23,391,053	42,211,350	65,602,403

	2013		
	Under 12 months	**Over 12 months**	**Total**
Financial liabilities carried at amortized cost			
Amounts payable to banks	331,303	331,303	662,606
Open market funding	18,080,994	2,968,409	21,049,403
Other financial liabilities carried at amortized cost	25,682,053	25,682,053	51,364,106

f. Operating risk

In line with the BACEN guidelines and the Basel Committee concepts, an operating risk management policy applicable to the Bank and to its local and foreign subsidiaries was defined.

The policy establishes a set of principles, procedures and tools that enable risk management to be permanently adjusted to the nature and complexity of products, services, activities, processes and systems.

The Bank and its subsidiaries have a culture in managing operational risk, which takes into account the assessment, monitoring, simulation and validation of risks, based on consistent internal controls. The mechanisms for managing and controlling operational risks are continually improved with a view to comply with the requirements of regulatory agencies, rapidly adjusting to changes and anticipating future trends, among which the New Basel Capital Accord propositions are to be highlighted.

6. Cash and balance at Central Bank

The composition of this account is presented below:

	2014	2013
Cash at banks	1,585,254	1,074,027
Balance at Central Bank	1,145,666	237,802
Total	**2,730,920**	**1,311,829**

(In thousands of reais)

7. Assets and liabilities at fair value through profit and loss

a. Financial assets held for trading

	2014		2013	
	Cost	Market	Cost	Market
Own portfolio	11,468,782	11,660,323	15,464,995	15,383,368
Federal government bonds	1,212,310	1,209,240	1,156,283	1,149,740
Brazilian foreign debt securities	19,682	19,682	30,469	29,085
Debentures/Eurobonds (i)	1,580,375	1,573,944	4,236,865	4,259,708
Bank certificates of deposit	104	104	10,509	10,509
Bank credit certificate	37,825	37,042	76,596	76,912
Investment fund quotes				
Shares	136,961	136,961	148,695	148,695
Multimarket	1,926,714	1,917,129	2,066,482	2,088,489
FIDC - Credit Rights	5,796	5,796	43,385	43,385
Real Estate	382,326	382,326	318,193	318,193
Equity Investment fund	424,326	424,233	355,306	355,306
Shares	3,612,757	3,830,057	3,564,665	3,470,332
Promissory notes	-	-	65,152	65,638
Certificate of real estate receivables	989,327	989,327	1,219,506	1,200,863
Foreign government bonds				
Denmark	-	-	932,817	929,521
Other	126,383	125,143	585,269	585,157
Foreign private securities			244,247	252,346
Corporate bonds	182,866	183,835	250,518	248,618
Other	831,030	825,504	160,038	150,871
Unrestricted portfolio	532,456	529,059	970,257	964,890
Federal government bonds	532,456	529,059	970,257	964,890
Subject to repurchase agreements	1,787,015	1,780,774	9,901,010	9,806,523
Federal government bonds	622,949	616,024	5,966,284	5,874,156
Brazilian foreign debt securities	-	-	14,635	13,833
Shares	-	-	4,551	4,551
Foreign government bonds				
Other	762,017	762,341	157,395	157,395
US Agencies	-	-	-	-
Debentures / Eurobonds (i)	402,049	402,409	3,749,407	3,748,026
Foreign private securities	-	-	8,738	8,562
Subject to guarantees	1,545,615	1,480,347	3,990,959	3,930,277
Federal government bonds	1,236,802	1,217,031	3,352,596	3,309,289
Investment fund quotes				
Multimarket	-	-	31,276	31,276
Shares	158,361	112,832	130,453	117,122
Foreign private securities	-	-	625	625
Foreign government bonds				
Other	15,396	15,438	13,351	13,351
Debentures/Eurobonds (i)	-	-	431,514	427,470
Other	135,056	135,046	31,144	31,144
Foreign government bonds				
Shares	-	-	958,344	958,344
	15,333,868	15,450,503	31,035,047	30,794,784

(i) Substantially securities issued by Brazilian companies.

(In thousands of reais)

b. Financial liabilities held for trading

	2014	2013
Short position in securities	12,775,647	13,310,820
Loan of securities		
Shares	361,578	2,730,640
	13,137,225	**16,041,460**

c. Financial assets designated at fair value through profit and loss

Financial assets designated at fair value through profit or loss is basically represented by short-term repurchase agreements are measured at fair value once it significantly reduces the inconsistent treatment that would occur in the measurement of these assets in the recognition of gains and losses.

The amortized cost of such transactions is represented by the amount of R$23,525,941 and R$13,221,460 as of 2014 and 2013, respectively.

d. Derivatives financial instruments

The Bank actively engages in risk intermediation transactions involving derivative financial instruments, providing necessary hedge for their own needs and its clients aiming to reduce market, currency and interest rate risk exposures. Certain derivatives may be associated with operations involving securities or rights and obligations.

The risk underlying these operations is managed by strict control policies, the establishment of strategies, definitions of limits, among other monitoring techniques. The limits of risk exposure are determined by the Risk Committee and by type of instrument and counterparty concentration, among others.

Transactions conducted in Brazil are traded, registered or held in custody by BM&F BOVESPA and CETIP S.A. – OTC Clearing House; transactions conducted abroad are traded and registered with prime brokers. The Bank uses different financial instruments to achieve economical hedge such as options, forwards, futures and swaps with periodic adjustment. The use of these instruments is to hedge positions in the cash markets, aiming to improve the risk level in the portfolio, where the risk monitoring committees deemed necessary.

As at December 31, 2014 and 2013, the Bank does not have derivative financial instruments classified as hedge accounting.

(In thousands of reais)

The composition of this account is presented below:

	2014		2013	
	Cost (i)	Market	Cost (i)	Market
Futures				
Long position	18,430	18,430	2,889	3,037
Short position	(7,340)	(7,340)	(2,703)	(5,241)
Swaps				
Long position	853,100	1,704,205	333,939	626,312
Short position	(1,477,274)	(2,180,104)	(798,636)	(844,526)
Credit derivatives				
Long position	17,401	20,671	13,692	20,615
Short position	(24,912)	(29,001)	(12,559)	(31,494)
Non-deliverable forward - NDF				
Long position	737,683	572,553	1,633,575	1,419,833
Short position	(543,958)	(313,106)	(1,473,352)	(1,248,078)
Deliverable forward - DF				
Long position	19,334,826	20,366,846	4,172,276	4,166,848
Short position	(18,587,468)	(18,975,048)	(4,157,709)	(4,150,952)
Security forwards				
Long position	1,863,795	1,863,795	542,604	542,604
Short position	(1,864,206)	(1,864,427)	(542,423)	(542,423)
Options market				
Long position	995,900	1,370,664	335,289	456,677
Short position	(488,835)	(650,115)	(415,740)	(670,732)
Exchange portfolio				
Long position	9,389,979	9,389,979	13,299,417	13,299,417
Short position	(9,309,826)	(9,313,026)	(13,254,139)	(13,254,139)
Long position	**33,211,114**	**35,307,143**	**20,333,681**	**20,535,343**
Short position	**(32,303,819)**	**(33,332,167)**	**(20,657,261)**	**(20,747,585)**

(i) Refers to book value receivable (received) / payable (paid).

We show below the notional value of derivative operations. The receivable leg and payable leg are presented separately for Swap, NDF and DF derivatives in the table below:

	2014	2013
	Total	Total
Futures market		
Long position	92,904,844	140,851,076
Currency	13,261,343	10,257,178
Interest rate	7,239,587	122,523,978
Commodities	19,108,318	6,966,296
Index	53,295,596	1,095,455
Equities	-	8,169
Short position	132,143,874	43,642,065
Currency	4,413,078	24,629,699
Interest rate	35,695,532	12,348,165
Commodities	23,204,657	6,554,604
Index	68,830,607	108,043
Equities	-	1,554
Swap		
Long position	144,487,244	100,199,007

(In thousands of reais)

	2014	2013
Currency	6,174,223	3,451,504
Interest rate	120,673,644	91,430,656
Index	8,632,919	1,237,851
Equities	324,709	3,588,576
Commodities	4,112,719	24,961
Other	4,569,030	465,459
Short position	144,487,244	100,199,007
Currency	10,733,082	5,204,604
Interest rate	120,705,059	89,183,591
Index	4,471,139	3,409,703
Equities	263,885	673,938
Commodities	4,103,873	29,800
Other	4,210,206	1,697,371
Credit Derivatives		
Long position	432,164	228,872
Sovereign	185,934	23,426
Corporate	246,230	205,446
Short position	325,916	346,002
Sovereign	-	58,565
Corporate	325,916	287,437
Non-deliverable forward - NDF		
Long position	12,006,059	48,276,984
Currency	2,170,813	26,020,387
Commodities	-	6,003,469
Index	9,777,632	13,058,391
Interest rate	57,614	3,194,737
Short position	12,006,059	48,276,984
Currency	11,488,632	30,014,039
Commodities	-	8,819,461
Index	511,165	7,719,190
Interest rate	-	1,724,294
Deliverable forward - DF		
Long position	72,714,522	6,990,691
Currency	39,595,462	2,911,602
Commodities	33,119,060	4,079,089
Short position	72,714,522	6,990,691
Currency	39,185,365	4,079,088
Commodities	-	2,372,320
Interest rate	33,529,157	539,283
Security forwards		
Long position	991,234	542,904
Interest rate	-	242,021
Government bonds	991,234	300,883
Short position	991,234	542,904
Interest rate	-	300,883
Government bonds	991,234	242,021
Options market		
Call option	22,610,124	10,923,262
Equities	265,137	1,078,817
Commodities	1,265,298	787,458
Index	17,488,638	3,593,450
Currency	3,589,551	4,739,809
Interest rate	-	721,728
Other	1,500	2,000
Put option	21,940,288	6,600,925
Equities	227,191	929,739
Commodities	3,742,256	1,289,194
Index	14,983,766	3,662,769

(In thousands of reais)

	2014	2013
Currency	2,987,075	332,223
Other	-	387,000
Call option	7,314,179	11,876,156
Equities	196,514	2,310,047
Commodities	1,391,569	862,621
Index	2,129,081	3,756,568
Currency	3,597,015	4,685,120
Interest rate	-	261,800
Put option	36,024,628	6,539,208
Equities	151,285	908,776
Commodities	1,054,792	1,710,413
Index	31,660,845	3,631,000
Currency	3,157,706	289,019
Exchange Portfolio		
Long position	9,389,979	13,299,417
Currency	9,389,979	13,299,417
Short position	(9,086,028)	13,254,139
Currency	(9,086,028)	13,254,139

Guarantee margins in transactions traded on BM&FBovespa and other stock exchanges with derivatives comprises federal government and sovereign bonds totaling R$2,644,645 (December 31, 2013 – R$3,493,570) and shares in the amount of R$112,832 (December 31, 2013 – R$115,214).

e. Reclassification of securities

Management classifies securities according to its trading intention. No reclassifications or changes in intention were made by Management during the period.

8. Available-for-sale financial assets

	2014		2013	
	Cost	Market	Cost	Market
Investment fund quotes				
Equity Investment fund	939,547	939,547	360,731	423,821
	939,547	939,547	360,731	423,821

9. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- Swaps – cash flows are discounted to present value based on yield curves that reflect the appropriate risk factors. These yield curves can be drawn mainly based on observed prices in negotiations on the BM&F, the Brazilian government bonds traded in the secondary market or derivatives and securities traded abroad. These yield curves can be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock indices, etc.).

- Futures and forwards – Prices obtained in exchanges or using the same criteria as described above for swaps.

(In thousands of reais)

- Options – the fair values of such instruments are determined based on mathematical models (like Black & Scholes) that are fed with data implied volatility, yield curve of interest rates and the fair value of the underlying asset. All these data are obtained using different sources (usually prices of brokers and brokerage firms, Bloomberg, Reuters).

- Credit derivatives – the fair values of such instruments are determined based on mathematical models embodied in the market that are fed with data from the issuer's credit spread and yield curve of interest rates. Such data are obtained using different sources (usually at market prices, Bloomberg, Reuters).

- Financial instruments held for trading – the fair values of bonds are calculated based on prices published by ANDIMA. Fair values of corporate debt securities are calculated based on secondary market prices, the price of similar assets and market visibility areas that have commercial bank. The shares are calculated based on prices provided by BOVESPA. The investment funds are valued considering prices of shares issued by the custodian.

- Financial assets measured at fair value through profit and loss – fair values of financial instruments is estimated based on the cash flows discounted to present value based on yield curves that reflect the appropriate risk factors.

The table below summarizes the fair value hierarchy of the financial instruments, classified based on the measurement methods adopted by the Bank:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset				
Financial Assets held for trading	8,765,831	5,656,110	1,028,562	15,450,503
Financial assets designated at fair value through profit and loss	-	23,513,940	-	23,513,940
Available-for-sale financial assets	-	-	939,547	939,547
Derivative financial instruments	22,031,483	10,620,075	2,655,585	35,307,143
Liability				
Financial liabilities held for trading	13,137,225	-	-	13,137,225
Derivative financial instruments	20,562,768	10,592,063	2,177,336	33,332,167

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset				
Financial Assets held for trading	15,886,095	12,541,206	2,367,483	30,794,784
Financial assets designated at fair value through profit and loss	-	13,219,750	-	13,219,750
Available-for-sale financial assets	-	-	423,821	423,821
Derivative financial instruments	14,440,412	5,019,298	1,075,633	20,535,343
Liability				
Financial liabilities held for trading	16,041,460	-	-	16,041,460
Derivative financial instruments	14,629,960	5,194,509	923,116	20,747,585

There were no reclassifications between Level 1 and 2 for the year ended December 31, 2014.

(In thousands of reais)

The movement on financial instruments classified as Level 3 in 2014 and 2013 is presented below:

	Derivative financial instruments	Financial assets held for trading	Financial assets available for sale	Total
At December 31, 2012	112,486	2,327,358	-	2,439,844
Transfers from level 2	-	458,201	-	458,201
Acquisition	1,974,837	743,479	360,731	2,718,316
Gain/losses	271,073	25,613	63,090	296,686
Sales	(2,205,879)	(1,187,168)	-	(3,393,047)
At December 31, 2013	152,517	2,367,483	423,821	2,520,000
Acquisition	754,338	1,024,937	-	1,779,275
Gain/losses	(271,089)	(13,627)	515,726	(284,716)
Sales	(157,517)	(2,350,231)	-	(2,507,748)
At December 31, 2014	478,249	1,028,562	939,547	1,506,811

Transfers from Level 2 during the year of 2014 basically refer to liquidity reduction in securities classified into this category.

10. Open market investments and funding

The amounts presented below are basically overnight, and indexed to local and foreign benchmark interest rate.

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Own funds	2,438,154	9,579,320	1,059,024	13,035,328
Third-party funds	6,557,167	16,565,544	5,674,672	6,864,760
Short position	39,135	-	-	-
	9,034,456	26,144,864	6,733,696	19,900,088

The collateral received in repurchase agreements above and on financial assets designated at fair value through profit and loss (Note 7c) amounts to R$33,524,609 (December 31, 2013 - R$24,020,329), whereas the collateral granted amounts to R$38,485,377 (December 31, 2013 - R$31,450,133). The collaterals for these operations that would be sold totaled R$1,526,456 (December 31, 2013 – R$1,162,739) and those which could be granted for other repurchase agreements totaled R$1,278,985 (December 31, 2013 – R$1,441,973).

(In thousands of reais)

11. Amounts receivable from/payable to banks

The composition of this account is presented below:

	2014		2013	
	Ativo	Passivo	Ativo	Passivo
Interbank deposits	2,660,846	769,819	2,071,787	388,611
Investments in foreign currency – Overnight	1,962,399	-	1,787,094	-
	4,623,245	769,819	3,858,881	388,611

12. Other loans and receivables

a. Composition

The composition of this account is presented below:

	2014		
	Balance	Allowance	Total
Loans	12,692,663	(806,818)	11,885,845
Debentures	10,520,140	(26,535)	10,493,605
Promissory notes	2,282,620	(597)	2,282,023
Financing	2,389,861	(66,064)	2,323,797
FINAME/BNDES	1,664,423	(12,507)	1,651,916
Foreign currency advances	657,563	-	657,563
Fund for Compensation of Salary Variations (FCVS)	155,035	-	155,035
Securities and credits receivable (i)	1,725,012	(956,839)	768,173
Other loans without loan characteristics	1,763,875	(31,912)	1,731,963
	33,851,192	(1,901,272)	31,949,920

	2013		
	Balance	Allowance	Total
Loans	10,929,692	(120,413)	10,809,279
Financing	2,364,577	(35,782)	2,328,795
FINAME/BNDES	993,635	(10,046)	983,589
Foreign currency advances	490,102	(36,212)	453,890
Fund for Compensation of Salary Variations (FCVS)	136,190	-	136,190
Securities and credits receivable (i)	51,188	(40,996)	10,192
Without loan characteristics (ii)	1,131,881	(20,382)	1,111,499
Other loans without loan characteristics	2,021,747	(1,016,754)	1,004,993
	18,119,012	(1,280,585)	16,838,427

(i) Refers to the acquisition of credit rights.
(ii) Refers to the acquisition of credit portfolios and financing of vehicles through Investment Funds in Credit Rights (FIDC). The evaluation of these portfolios is performed based on the internal return rate (IRR).

(In thousands of reais)

The amount of guarantees received for credit operations at December 31, 2014 and 2013, was R$14,458,693 and R$7,976,968, respectively.

b. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics in the fiscal years were as follows:

	2014	2013
Opening balances	(1,280,585)	(1,141,389)
Reversal/(recording) of allowance (i)	(770,951)	(206,512)
Exchange rate variation	18,053	(12,443)
Credits written off as loss	132,211	79,759
Closing balances	(1,901,272)	(1,280,585)

(i) As at December 31, 2014, included R$236,139 (2013 - R$80,871) relating to provision for stand-by letters and guarantees granted, which was recorded as other liabilities (note 19).

c. Renegotiation/recovery of credits written off as loss

In 2014, the Bank renegotiated credit loans in the amount of R$268,794 (2013 – R$113,643) and recovered amounts relating to credit written off in previous periods in the amount of R$11,185 (2013 – R$4,553).

d. Credit risk

The credit risk of these transactions is presented below.

Risk Level	2014	2013
Low	30,701,361	12,352,548
Medium	2,978,675	4,293,160
High	171,156	1,473,304
Total	33,851,192	18,119,012

The Bank follows an internal loan ratings system that complies with requirements of the Central Bank of Brazil; based on such ratings, for purposes of this footnote, the bank has further grouped the loans into low, medium and higher risk. Low risk included ratings AA and A, medium B and C and high from D to H.

13. Held-to-maturity financial assets

	2014	2013
Own portfolio		
Federal government bonds	1,364,178	329,435
Subject to repurchase		
Federal government bonds	1,712,579	3,372,236
Subject to guarantees		
Federal government bonds	1,557,799	652,014
	4,634,556	4,353,685

(In thousands of reais)

The Bank has the financial capacity to maintain these assets to maturity. If measured at fair value, held-to-maturity securities would be reported with a positive adjustment of R$1,832 (2013 – negative of R$23,447).

14. Other financial liabilities carried at amortized cost

a. Summary

	2014	2013
Deposits	18,522,477	17,264,093
Funds from securities issued and accepted	20,971,298	15,067,040
Loans and onlending	6,896,509	5,080,466
Obligations related to transferred loans	196,266	-
Subordinated debts	10,916,392	6,748,716
	57,502,942	44,160,315

b. Deposits

	2014	2013
Demand deposits	168,293	156,495
Time deposits	18,354,184	17,107,598
	18,522,477	17,264,093

c. Funds from securities issued and accepted

	2014	2013
Securities – Brazil	13,520,758	9,272,189
Real estate financial bills	187,528	170,072
Financial bills	10,195,821	6,568,706
Mortgage bonds/letters of credit for agribusiness	3,105,583	2,533,411
Certificates of structured transactions	31,826	-
Securities – abroad	7,450,540	5,794,851
Medium term notes	7,297,626	3,701,800
Fixed rate notes	152,914	2,093,051
	20,971,298	15,067,040

As at December 31, 2014 securities issued in Brazil are basically indexed to interbank deposit rates (CDI) between 50% and 113% or inflation indexes (IPCA e IGPM) plus 1.2% p.a. to 7.8% p.a. (December 31, 2013 - indexed to interbank deposit rates (CDI) between 40% e 116.55% or inflation indexes (IPCA e IGPM) plus 1.2% p.a. to 7.9% p.a.).

On December 31, 2014 securities abroad have rates between 0.75% p.a. and 7% p.a. (December 21, 2013 – between 0.15% p.a. and 7% p.a.).

(In thousands of reais)

d. Loans and onlending

	2014	2013
Loans abroad	4,439,446	3,628,675
Foreign currency	-	515,035
Loans abroad	4,439,446	3,113,640
Loans - Brazil	799,240	469,305
Loans	799,240	469,305
Onlending in Brazil – official institution	1,657,823	982,486
FINAME/BNDES	1,657,823	982,486
	6,896,509	5,080,466

On December 31, 2014 borrowing and transfers have rates between 1.78% p.a. and 11.25% p.a. (December 31, 2013 - between 0.21% p.a. to 3.58% p.a.).

e. Subordinated debt

	2014					2013
Nome do papel - moeda	Valor Principal (moeda original)	Emissão	Vencimento	Remuneração a.a.	Saldo contábil	Saldo contábil
Letras financeiras - R$ (i)	4,161,000	15/04/2011	15/04/2021	inflação + taxa pré	5,403,116	4,993,634
Notas subordinadas - US$	800,000	28/09/2012	15/09/2022	5.75%	2,015,440	1,755,082
Notas subordinadas elegíveis a capital - US$	1,300,000	12/09/2014	Perpétuo (opção de liquidação em 2019)	8.75%	3,497,836	-
Total					10,916,392	6,748,716

(i) Repayment every six months.

15. Other assets

The composition of this account is presented below:

	2014	2013
Court deposits	1,508,902	807,294
Taxes recoverable to offset	926,938	298,980
Debtors/creditors – pending settlement (i)	7,029,507	7,697,033
Investment properties	1,420,675	1,017,664
Sundry debtors – local	2,011,253	499,994
Services provided receivable	732,103	420,548
Management fee and performance fees receivable for funds and investment portfolios	684,382	577,334
Cash from records and settlement	1,417,845	167,866
Temporary investments	41,859	507,688
Other amounts and assets	-	19,464
Prepaid expenses	22,319	63,058
Other investments	44,989	108,712
Provision for losses	(4,236)	(2,922)
Securities trading and brokerage	2,765,673	3,665,276
Miscellaneous	1,372,384	56,662
	19,974,593	15,904,651

(i) Line item “Debtors/creditors – pending settlement” basically represents the amounts pending settlement within the respective terms related to the purchase and sale of securities and agreements of financial assets performed at BMF&BOVESPA, and, if abroad, with first-class brokers, for own account or third parties and values pending settlement within financial assets sale.

(In thousands of reais)

16. Investments in associates and jointly-controlled entities

	Relationship	Associates and jointly-controlled entities					
		Shareholders Equity		Income		Interest	
		2014	2013	2014	2013	2014	2013
In Brazil							
Banco Pan S.A. (iii)	Jointly-controlled entity	3,643,506	2,239,188	82,515	(94,043)	40.35%	34.06%
Warehouse 1 Empreendimentos Imobs S.A.	Associate	110,328	68,205	20,156	4	35.00%	35.00%
Max Casa XIX Empreendimentos Imobs S.A.	Associate	37,733	23,872	-	7,083	50.00%	50.00%
ACS Omicron Empreendimentos Imobs S.A.	Associate	17,375	38,488	-	7,226	44.74%	44.74%
BR Properties S.A. (i) (iv)	Associate	6,005,116	7,650,441	264,408	81,162	0.12%	3.10%
Vivere Soluções e Serviços S.A.	Associate	(16,008)	10,875	(19,531)	(20,133)	20.32%	20.32%
Pan Seguros S.A.	Jointly-controlled entity	669,000	181,257	54,436	43,560	51.00%	0.00%
Pan Corretora S.A	Jointly-controlled entity	49,931	40,792	9,189	3,591	51.00%	0.00%
Abroad							
BTG Pactual Holding S.A.R.L. (ii)	Jointly-controlled entity	4,223,990	3,837,971	316,863	483,300	80.00%	80.00%

	Changes in relevant investments					
	2013	Aquisition / Increase/ (Sales)	Dividends paid	Equity in earnings of subsidiaries	Fair value adjustments	2014
In Brazil						
Banco Panamericano S.A. (iii) (v)	917,453	651,073	-	(246,479)	(6,090)	1,315,957
Warehouse 1 Empreendimentos Imobs S.A.	15,121	(1,750)	-	25,243	-	38,614
Max Casa XIX Empreendimentos Imobs S.A.	11,460	5,857	-	1,549	-	18,866
ACS Omicron Empreendimentos Imobs S.A.	8,638	(3,272)	-	2,408	-	7,774
BR Properties S.A. (i) (iv)	179,660	(171,881)	(2,358)	(683)	-	4,738
Vivere Soluções e Serviços S.A.	2,215	6,727	-	(8,937)	-	5
Pan Corretora S.A.	-	26,482	-	-	-	26,482
Pan Seguros S.A.	-	335,448	-	12,324	-	347,772
Abroad						
BTG Pactual Holding S.A.R.L. (ii)	2,478,710	663,921	(87,080)	577,133	-	3,632,684
	3,613,257	1,512,605	(89,438)	362,558	(6,090)	5,392,892

(In thousands of reais)

		Changes in relevant investments					
	2012	Aquisition / Increase/ (Sales)	Prior year adjustments	Dividends paid	Equity in earnings of subsidiaries	Fair value adjustments	2013
In Brazil							
Banco Panamericano S.A. (iii)	938,495	-	(5,932)	-	(9,563)	(5,547)	917,453
Warehouse 1 Empreendimentos Imobs S.A.	24,607	(8,750)	432	-	(1,168)	-	15,121
Max Casa XIX Empreendimentos Imobs S.A.	8,808	-	-	-	2,652	-	11,460
ACS Omicron Empreendimentos Imobs S.A.	8,964	-	-	(2,237)	1,911	-	8,638
BR Properties S.A. (i)	1,576,467	(1,025,261)	-	(39,264)	(332,282)	-	179,660
Vivere Soluções e Serviços S.A.	3,790	(1,737)	-	-	162	-	2,215
BTG Pactual Holding S.A.R.L. (ii)	-	2,202,464	-	(238,758)	515,004	-	2,478,710
	2,561,131	1,166,716	(5,500)	(280,259)	176,716	(5,547)	3,613,257

(i) See corporate restructuring described in Note 2;
(ii) In 2014, as a result of changes in contractual agreements with its clients relating to dividends and any other proceeds, the Bank no longer presents only its economic interest in BTG Pactual Holding S.A.R.L. in its consolidated balance sheet and income statement. As a result, the Bank recognized an additional 7% indirect economic interest in PO&G, equivalent to R$ 663 million, and a similar non-controlling interest.
(iii) As of December 31, 2014 the Company's interest in Banco Panamericano equals to 376.896.904 shares at a market price, on that date, of R$ 2.35.
(iv) As of December 31, 2014 the Company's interest equals to 390.706 shares at a market price on that date of R$ 10.25.
(v) The total equity pick up recognized in 2014, was R$246 million, which R$124 million refers to the remeasurament of the Bank interest, due to capital increase.

(In thousands of reais)

17. Intangible assets and goodwill

	Changes in Intangible assets				
	2013	**Acquisitions (net)**	**Amortization expenses / derecognition**	**Exchange variation**	**2014**
Goodwill	**624,760**	**-**	**(137,230)**	**(3,706)**	**483,824**
Cost (i)	721,675	-	-	(59,227)	662,448
Impairment	(96,915)	-	(137,230)	55,521	(178,624)
Other intangible assets	**613,087**	**93,858**	**(35,349)**	**(3,995)**	**667,601**
Cost	451,890	93,858	(149)	(6,453)	539,146
Celfin	245,698	-	-	-	245,698
Amortization	(84,501)	-	(35,200)	2,458	(117,243)
	1,237,847	93,858	(172,579)	(7,701)	1,151,425

	Changes in Intangible assets				
	2012	**Acquisitions (net)**	**Amortization expenses / derecognition**	**Exchange variation**	**2013**
Goodwill	**589,592**	**53,321**	**(48,876)**	**30,723**	**624,760**
Cost (i)	636,519	53,321	-	31,835	721,675
Impairment	(46,927)	-	(48,876)	(1,112)	(96,915)
Other intangible assets	**625,594**	**109,595**	**(123,841)**	**1,740**	**613,087**
Cost	346,197	109,595	(6,484)	2,582	451,890
Celfin	320,602	-	(74,904)	-	245,698
Amortization	(41,206)	-	(42,453)	(842)	(84,501)
	1,215,186	162,916	(172,717)	32,463	1,237,847

(i) See note 2.

The amortization periods for intangible assets not originated in business combinations are 5 years.

18. Tax Liabilities

The composition of this account is presented below:

	2014	**2013**
Deferred:		
Deferred social contribution and income tax	503,195	102,698
Deferred PIS and COFINS	96,783	42,062
Current:		
Tax and contributions to be collected	144,765	115,149
Tax and contribution payable	346,845	232,759
Suspended-payment taxes and others tax liabilities (note 20)	1,398,983	767,197
	2,490,571	1,259,865

(In thousands of reais)

19. Other Liabilities

The composition of this account is presented below:

	2014	2013
Cash from records and settlement	990,364	368,723
Debtors/creditors – pending settlement (i)	3,952,074	2,148,839
Liabilities for guarantees provided and other fees	362	453
Employees' profit sharing	448,710	151,134
Bonus payable	432,324	866,526
Provision for payables	450,214	356,985
Payable for acquisition of assets and rights (ii)	1,034,142	611,798
Provision for contingent liabilities (Note 21)	742,250	25,290
Allowance for guarantees	236,139	80,871
Dividends and interest on equity	327,294	379,090
Others	225,513	583,999
	8,839,386	5,573,708

(i) Line item "Debtors/creditors – pending settlement" basically represents the amounts pending settlement within the respective terms related to the purchase and sale of securities and agreements of financial assets performed at BMF&BOVESPA, and, if abroad, with first-class brokers, for own account or third parties.
(ii) Refers to amounts payable for the acquisition of investments (substantially Banco Pan S.A. and Banco Sistema S.A.)

20. Contingent assets and liabilities and legal obligations

The Bank's and its subsidiaries' Management evaluate existing contingencies in relation to legal proceedings filed against these entities and recognizes a provision to cover probable losses on such proceedings, whenever necessary. Management's judgment is based on the opinion of its external legal counsel regarding the expected outcome for each proceeding.

a. Contingent assets

As at December 31, 2014 and 2013, the Bank did not record contingent assets.

b. Contingent liabilities classified as probable losses and legal obligations

i. Labor provisions

Comprise lawsuits filed by former employees, mostly claiming overtime and salary parity. The contingencies are accrued based on an analysis of the potential loss amounts, considering the current stage of the lawsuit and the opinion of external and internal legal counsel.

ii. Civil provisions

For civil lawsuits with chances of unfavorable outcome (pain and suffering and pecuniary injury, among others requesting condemning judgments), contingency amounts are accrued based on the opinion of internal and external legal counsel.

(In thousands of reais)

iii. Tax and social security provisions

Tax and social security provisions are represented by legal and administrative proceedings of federal, state and municipal taxes, regarding legal obligations and contingent liabilities. The provisions are recognized based on the opinion of internal and external legal counsel and the court level to which each proceeding was submitted.

c. Breakdown and changes in provisions in the year

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being a party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recognized for such proceedings at December 31, 2014 are appropriate to cover any losses arising therefrom. The provisions recognized and their changes in the period are as follows:

	2014				2013
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the period	767,197	16,432	8,858	792,487	673,826
Recognition	249,211	12,566	4,134	265,911	213,174
Alowances from companies acquired (i)	807,040	694,615	31,147	1,532,802	-
Write-off	(424,465)	(21,241)	(4,261)	(449,967)	(94,513)
Balance at the end of the period	1,398,983	702,372	39,878	2,141,233	792,487
Suspended-payment taxes and other taxes contingencies				1,398,983	767,197
Provision for contingent liabilities				742,250	25,290

(i) Allowance generated from the acquisition of Banco Sistema S.A.

The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 18)

The Bank's and its subsidiaries have been challenging in court the legal nature of some taxes and contributions. The amounts relating to legal obligations and contingencies assessed a possible loss by the internal and external counsel is fully recorded in provision. The main legal disputes are the following:

COFINS ("Social security financing tax") - Challenge of the legal grounds for the levy of COFINS under rules established by Law 9718/98.

PIS ("Social integration program tax") - Challenge of the levy of PIS established by Constitutional Amendments 10 of 1996 and 17 of 1997.

CSL ("Social contribution tax") - Challenge of CSL payment required from financial institutions in the period from 1996 to 1998 at rates higher than those applied to legal entities in general, opposing the constitutional principle of equality.

As at December 31, 2014, Banco BTG Pactual and its subsidiaries were parties to taxes lawsuits with a possible outcome, which were not recorded in provision. The descriptions of the main lawsuits are as follows:

- Lawsuits relating to the payment of profit sharing, challenging the payment of social security contribution on the amounts and non-deductibility of income tax and social contribution tax base. The amount claimed is R$666 million.

(In thousands of reais)

Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

- Judicial action filed to discuss demands by the São Paulo Local Government, relative of ISS on services provided in Rio de Janeiro, as the tax authority from the city of São Paulo understands that such services were effectively rendered in São Paulo. The amount claimed is R$128 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

- Lawsuits relating to the demutualization and IPO of Bovespa and BM&F BOVESPA, challenging the taxation of PIS, Cofins, income tax and social contribution on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R$17 million. Part of this amount is security by indemnity clause, as it refers to the period before the acquisition of the Bank by the current controllers.

- In October 2012, we received a tax assessment, which in December 31, 2014 totaled R$2,281 million alleging that our use of the amortization of certain goodwill to reduce the amount of the IRPJ and CSLL taxes payable by us was inappropriate. Such goodwill was originated in connection with the acquisition of us by UBS in 2006. The amortization of such goodwill occurred from February 2007 to January 2012, although the tax assessment solely relates to the IRPJ and CSLL tax returns for the calendar years 2007, 2008 and 2009. We have filed an appeal of this tax assessment. In February 2013 a preliminary administrative decision was issued, providing for a partial reduction of the tax assessment. Based on our analysis of applicable case law, including in recent similar cases, we believe that the tax assessment is without merit and that we will ultimately prevail in its appeal. As a result, we do not expect to incur any losses (other than the costs of the appeal) in connection with this matter, and have not established (and do not expect to establish) any related reserves on our financial statements. In addition to our assessment as to the validity of this tax assessment, in the event that we incur losses in connection with this matter, we believe we are entitled to be indemnified by third parties for part of these losses. Accordingly, in no event do we do not to incur any material losses in connection with this matter.

21. Income tax and social contribution

The reconciliation of income tax and social contribution expenses with the figure obtained by applying the tax rate on income before these taxes is as follows:

Income tax and social contribution	**2014**	**2013**
Tax base	1,186,014	2,509,000
Income before taxes	1,786,014	3,010,900
Interest on equity	(600,000)	(501,900)
Total charge of income tax and social contribution at the current rates	(474,406)	(1,003,600)
Permanent (additions) / deductions in taxation calculation	39,295	(16,316)
Equity in the earnings of subsidiaries and associated companies in Brazil	42,844	25,040
Foreign earnings	439,751	45,119
Gains on foreign gains	(284,218)	(216,480)
Other Permanent (additions) / deductions	(159,082)	130,005
Temporary (additions) / deductions on the taxation calculation	(279,949)	225,023
Reversal of provision for goodwill on the acquisition of investments	189,000	141,523
Interest on equity	(119,280)	-
Marked-to-market evaluation of securities and derivatives	(40,151)	(97,320)
Allowance for loan losses	(208,580)	(25,969)
Tax contingencies and provision for suspended-payment taxes	(14,585)	(28,914)
Losses on branch abroad	-	-

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the consolidated financial statements
December 31
(In thousands of reais)

Income tax and social contribution	**2014**	**2013**
Reversal of provision on investment	26,120	134,828
Other provisions	(112,473)	100,875
Offset of tax loss carry forwards - current and deferred liability - Brazil	(226,078)	62,632
Current tax expense and social contribution	(941,138)	(732,261)
Temporary differences		
Recognition / (reversal) of the period	301,471	(55,605)
Recognition of loss on investment abroad	528,085	8,876
Recognition of tax loss carry forward	219,136	(62,632)
Offset of tax loss carry forwards - Abroad	7,580	415,543
(Expenses) / revenues from deferred taxes	1,056,272	306,182
Total revenues / (expenses)	115,134	(426,079)

Income tax and social contributions are calculated and recorded in accordance with the criteria established by BACEN Circular Letter 3059/02, taking into account the period of realization.

Changes in deferred tax assets presented in “Other credits – Sundry" (Note 12(b)), are as follows:

Income tax and social contribution	**2013**	**Recognition**	**Realization**	**2014**
Tax loss carryforwards	13,878	255,758	(29,680)	239,956
Interest on equity	-	240,000	(120,720)	119,280
Provision for impairment on investments (ii)	26,120	-	(26,120)	-
Allowance for loan losses	173,095	241,205	(32,625)	381,675
Marked-to-market evaluation of securities and derivatives	261,489	1,783,559	(1,743,408)	301,640
Interest on equity	409,028	-	(141,523)	267,505
Goodwill on the acquisition of investment	64,291	3,722	-	68,013
Tax contingencies and provision for suspended-payment taxes	199,328	14,585	-	213,913
Other temporary differences	89,405	157,303	(73,870)	172,838
	1,236,634	2,696,132	(2,167,946)	1,764,820

Income tax and social contribution	**2012**	**Recognition**	**Realization**	**2013**
Tax loss carryforwards	59,526	11,134	(56,782)	13,878
Provision for impairment on investments (ii)	-	327,978	(301,858)	26,120
Allowance for loan losses	145,680	79,075	(51,660)	173,095
Marked-to-market evaluation of securities and derivatives	164,472	1,083,761	(986,744)	261,489
Interest on equity	550,551	-	(141,523)	409,028
Goodwill on the acquisition of investment	68,325	-	(4,034)	64,291
Tax contingencies and provision for suspended-payment taxes	170,414	30,370	(1,456)	199,328
Taxes on foreign gains (i)	198,049	-	(198,049)	-
Other temporary differences	193,087	60,080	(163,762)	89,405
	1,550,104	1,592,398	(1,905,868)	1,236,634

(i) On December 31, 2012, the foreign income tax paid was recorded on deferred tax asset, and the amount of R$198,049 compensated in 2013 with tax on foreign gains available in Brazil, and R$415,543 refers to compensation of taxes paid abroad, in the current year.
(ii) Refers to the tax credit provision for loss on investment in the company BR Properties S.A (note 13).
(iii) Refers exclusively to the deferred tax asset on income tax and social contribution.

(In thousands of reais)

The present value of tax credits, based on the expected realization of deferred tax assets, is as follows:

Description	Tax credits on temporary differences	Tax loss carry forwards	Total
2015	909,334	239,956	1,149,290
2016	241,327	-	241,327
2017	135,967	-	135,967
2018	119,118	-	119,118
2018 onwards	119,118	-	119,118
Total	1,524,864	239,956	1,764,820
Present value	1,250,902	216,818	1,467,720

As at December 31, 2014 tax credits in the amount of R$5,220,603 (December 31, 2013 – zero), from tax losses calculated between the period of 1993 and 2010, were not registered on the parent company, Banco Sistema S.A. (formely named Banco Bamerindus S.A.). These tax credits will be registered, when they attend regulatory aspects and demonstrate realization perspective, in accordance with the management studies and analysis and BACEN standards.

22. Shareholders' equity

a. Capital

As at December 31, 2014, fully subscribed and paid in capital consists of 2,714,902,212 shares (December 31, 2013 – 2,714,902,212), of which 1,390,671,404 common shares (December 31, 2013 – 1,390,671,404), 508,380,404 class A preferred shares (December 31, 2013 – 508,380,404) and 815,850,404 class B preferred shares (December 31, 2013 – 815,850,404), all no-par, registered shares.

The common shares have right to one vote each in the deliberations of the General Assembly and participate on equal terms with the Class A Preferred Shares and Class B preferred shares in the distribution of profits.

Preferred shares Class A and B have no right to vote and have priority in capital reimbursement, without premium, and participate on equal terms with the common shares in the profits distribution.

The Class A Preferred Shares shall have the right to be included in acquisition public offer due to transfer of control of the Company, provided their holders to receive a minimum amount per share equal to 80% (eighty percent) of the amount paid by common share of the control block.

The Class B preferred shares are convertible into common shares, upon request by writing to the holder or the Company without deliberation and board or shareholders meeting, provided that (i) such conversion occurs at the time of issuance of new shares by the Company whether or not within the limit of authorized capital (unless the shareholder converting the shares is BTG Pactual Holding S.A.) (ii) upon conversion, BTG Pactual Holding S.A. (or its successor in any capacity, including by virtue of merger, division or other corporate reorganization) continues to hold directly or indirectly, more than 50% of common shares issued by the Company and (iii) conversion is in accordance with the Company's shareholders' agreement. Class B preferred shares can be convertible into Class A preferred shares at the request of its holder, and provided that (i) the Company is a public company with shares listed on stock exchanges and (ii) conversion is in accordance with the Company's shareholders' agreement.

(In thousands of reais)

The share movements on the years are presented below:

Banco BTG Pactual	Quantity			
		Preferred		
	Commom	Class A	Class B	Total
Outstanding at December 31, 2012	1,390,671,404	508,380,404	815,850,404	2,714,902,212
Outstanding at December 31, 2014 and 2013	1,390,671,404	508,380,404	815,850,404	2,714,902,212

b. Legal reserve

This reserve is established at the rate of 5% of net income for the exercise, before any other allocation, limited to 20% of the capital.

c. Statutory reserve

In outstanding with the bylaws, the purpose of this reserve is to maintain working capital and is limited to the balance of the capital.

d. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

e. Profit distribution

The shareholders are entitled to minimum dividends of 1% on net income in accordance with Article 202 of Law 6404/76.

As at June 30, 2014 the Bank has accrued R$301,800 (June 30, 2013 – R$255,000), relating to interest on equity, equivalent to R$ 0.11 per share (June 30, 2013 - R$0.09 per share) wich generated R$120,720 (June 30, 2013 – R$102,000) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on August 5, 2014 (June 30, 2013 – August 06, 2013).

As at June 30, 2014 the Bank has accrued R$146,639 (June 30, 2013 – R$60,466), relating to intermediate dividends, equivalent to R$0.05 per share (June 30, 2013 – R$0.02 per share). These amounts were approved in the Special Shareholders' Meeting held on August 5, 2014 (June 30, 2013 – August 06, 2013).

As at December 30, 2014 the Bank has accrued R$298,200 (December 31, 2013 – R$246,900), relating to interest on equity, equivalent to R$0.11 per share (December 31, 2013 – R$0.09 per share),wich generated R$ R$119,280 (December 31, 2013 – R$98,760) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on December 2014 (December 31, 2013 – December 17, 2013).

As at December 31, 2014, the Bank did not accrued dividends. As at December 31, 2013 the Bank has accrued R$132,190 relating to dividends, equivalent to R$0.05 per share. These amounts were approved in the Special Shareholders' Meeting held on March 11, 2014.

(In thousands of reais)

f. Other comprehensive income

During the year ended December 31, 2014 comprises: (i) the fair value changes in the financial assets available for sale from jointly controlled entities totaling R$4,247 (December 31, 2013 – R$(5,547)); (ii) the fair value changes in the financial assets available for sale totaling R$12,854 (December 31, 2013 – R63,090) and; (iii) the translations differences between assets and liabilities of foreign subsidiaries whose functional currency is other than the Reais totaling R$1,066,423 (December 31, 2013 – R$293,033).

23. Earnings per share

Income per share basic and diluted is calculated dividing the net income by weighted average shares outstanding during the year. In December 31, 2014 and 2013 there were no events that case dilution.

	2014	2013
Net income	2,117,086	2,477,803
Weighted average per thousand ordinary shares outstanding for the year	1,390,671,404	1,390,671,404
Weighted average per thousand preferred shares outstanding for the year	1,324,230,808	1,324,230,808
Earnings per share – básic and diluted - R$		
Common shares	0.78	0.91
Preferred shares	0.78	0.91

24. Net interest income and net gains on financial instruments

a. Net interest income

Interest revenues recorded in the consolidated income statement comprise interest accrued over the year on all assets with implicit or explicit return calculated based on the effective interest method regardless of the respective fair values. Interest is recognized at gross value without deduction of withholding taxes.

Interest expenses recorded in the consolidated income statement comprise interest accrued over the year on all financial liabilities with implicit or explicit return, including compensation in cash calculated based on the effective interest method regardless of the respective fair values.

Interest revenues	2014	2013
Other loans and receivables	2,282,836	1,717,388
Open market funding and held-to-maturity financial assets	4,412,282	2,895,959
Income from compulsory investments in Brazilian Central Bank	26,051	239,713
	6,721,169	4,853,060

Interest expense	2014	2013
Open market funding	(4,640,003)	(2,963,269)
Time deposits	(841,256)	(580,714)
Interbank deposit	(358,844)	(42,778)
Notes issued	(1,699,101)	(1,329,671)
Borrowings and loans	(1,878,769)	(1,075,584)
	(9,417,973)	(5,992,016)

(In thousands of reais)

b. Net gains on financial instruments

	2014	2013
Derivatives	2,182,237	(325,225)
Financial assets at fair value through profit and loss	1,805,242	4,187,682
	3,987,479	3,862,457

25. Fees and commissions

	2014	2013
Management and performance fee from investment funds and portfolios	1,562,961	1,341,074
Brokerage	197,122	226,743
Technical services	707,478	572,964
Commission on the placement of securities	214,554	294,878
Guarantees	165,925	171,771
Other services	90,139	16,818
	2,938,179	2,624,248

26. Other operating income / (expenses)

	2014	2013
Adjustment to inflation of court deposits	154,244	88,893
Reversal of allowances - other (iii)	169,096	15,918
Income from sale of investment (ii)	-	304,337
Credit recovery	6,324	4,820
Expenses with taxes adjusted for inflation	(46,820)	(28,915)
Reimbursement of clients	(2,874)	(2,171)
Adjustment of amounts payable for acquisition of investments(i)	(68,843)	(50,705)
Foreign exchange	60,721	(10,233)
Fair value of investment properties	42,753	305,186
Certificates of potential additional construction ("CEPAC")	-	3,709
Other provision	(82,087)	(81,111)
Other income	(13,232)	(59,719)
	219,282	490,009

(i) Refers of amounts payable for acquisition of investments (mainly Banco Pan S.A. and Banco Sistema S.A.).
(ii) From the total, R$271 million refers to the sale of BR Properties S.A..
(iii) Refers mainly to the reversal of contingencies as described on footnote 20.

27. Other administrative expenses

	2014	2013
Outsourced services and consulting	(547,380)	(391,173)
Telecommunications and data processing	(264,847)	(194,991)
Leases and condominiums	(106,337)	(90,516)
Travel and lodging	(88,271)	(66,086)
Expenses of the financial system	(77,047)	(59,045)
Advertising and Public Relations	(52,019)	(37,909)
Depreciation and amortization	(48,919)	(149,204)
Other	(142,302)	(63,106)
	(1,327,122)	(1,052,030)

(In thousands of reais)

28. Personnel Expenses

	2014	2013
Direct compensation	(1,629,203)	(1,362,779)
Benefits	(97,240)	(44,578)
Charges	(96,056)	(109,512)
Other personnel expenses	(25,902)	37,613
	(1,848,401)	(1,479,256)

29. Related parties

Institutions comprising the BTG Pactual Group invest their cash and cash equivalents mainly in funding products offered by the Bank. Related-party balances, carried at arm's length, are reflected in the following accounts:

			Assets/Liabilities		Revenues/Expenses	
	Relationship	Maturity	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Assets						
Short-term interbank investments						
Open market investments						
- FIM B-2 (i)	Related	02/01/2015	1,323,968	1,436,052	170,190	77,628
Interbank investments deposits						
- Banco Panamericano S.A.	Jointly controlled	19/02/2015	2,518,106	1,308,963	241,269	49,247
Securities						
- BTG Investments LP (i)	Related	17/04/2018	177,301	38,958	-	680
- Banco Panamericano S.A.	Jointly controlled	23/04/2020	55,135	40,824	-	13
Derivative financial instruments						
- BTG Absolute Return Master Fund (i)	Related	02/01/2015	10,636	3,916	-	-
- Banco Panamericano S.A.	Jointly controlled	25/07/2016	2,204	2,459	-	-
Income receivable						
- BTG Absolute Return Master Fund (i)	Related	No maturity	4,274	4,603	26,577	48,738
- BTG Absolute Return Master Fund II (i)	Related	No maturity	8,391	-	56,237	45,811
- BTG Pactual Brazil Investment Fund I LP (i)	Related	No maturity	65,037	11,547	37,253	-
- BTG Alpha Investments LLC (ii)	Related	21/05/2015	241,239	-	241,239	-
Securities trading and brokerage						
- BTG Absolute Return Master Fund (i)	Related	No maturity	-	9,573	-	-
- BTG Pactual Holding S.A	Parent Company	No maturity	-	4,106	-	-
Sundry						
- ACS Omicron Empreendimentos imobiliários S.A.	Associate	No maturity	894	1,187	-	-
Liabilities						
Deposits						
Time deposits						
- BTG Pactual Proprietary Feeder (1) Limited (i) (iii)	Related	01/10/2014	-	(370,171)	-	-
- BTG Pactual Capital Participações S.A. (i)	Related	24/12/2014	-	(2,138)	-	(980)
- Harpia Ômega Participações S.A. (i)	Related	24/12/2014	-	(1,815)	-	-
- BTG Investments LP (i) (iii)	Related	02/01/2015	(1,082,884)	(323,828)	-	-
- BTG MB Investments LP (ii) (iii)	Related	02/01/2015	(49,813)	(251)	-	-
- BTG Pactual Absolute Return Master Fund (i)	Related	02/01/2015	(25,644)	(4,413)	-	-
- BTG Pactual Absolute Return Master Fund II (i)	Related	02/01/2015	(17,654)	(12,137)	-	-
- BTG Equity Investments LLC (i)	Related	02/01/2015	-	(23,243)	-	-
- BTG Alpha Investments LLC (ii)	Related	01/10/2014	-	(6,306)	-	-
- Aigues de Catalunya Ltd (i)	Related	01/10/2014	-	(1,331)	-	-
- BTG Pactual Stigma LLC (i)	Related	01/10/2014	-	(2,330)	-	-
- BTG Pact Commodities Trading US LLC	Related	02/01/2015	(96,477)	(2,330)	-	-
Open market funding						
Own portfolio						

	Relationship	Maturity	Assets/Liabilities 12/31/2014	Assets/Liabilities 12/31/2013	Revenues/Expenses 12/31/2014	Revenues/Expenses 12/31/2013
- BTG Pactual Holding S.A	Parent Company	09/06/2015	(1,473)	(2,764)	-	-
Third-party portfolio						
- Banco Panamericano S.A.	Jointly controlled	-	-	(49,999)	-	(6,950)
- FIM B-2 (i)	Related	02/01/2015	(147,013)	(96,769)	-	(341)
Funds from securities issued and accepted						
Real Estate Bills						
- Partners	Key personnel	19/02/2015	(41,636)	(14,670)	-	-
Derivative financial instruments						
- Leblon Investment Fund Ltd.	Related	02/01/2015	-	(20,978)	-	-
- Banco Panamericano S.A.	Jointly controlled	22/04/2020	(129,983)	(91,537)	-	(8,837)
Other obligations						
Securities trading and brokerage						
- BTG Absolute Return Master Fund (i)	Related	No maturity	-	(45,779)	-	-
- Leblon Investment Fund Ltd.	Related	No maturity	-	(40,028)	-	-

(i) Subsidiaries of BTG Pactual Participations Ltd.
(ii) Subsidiaries of BTG MB Investments, LP.
(iii) Classified as Demand deposits until December 31, 2011.

As of December 31, 2014, transactions with related parties have no guarantees given and received. Additionally, the Bank did not record any allowance or provision for doubtful debts for the years ended December 31, 2014 and 2013.

Total compensation paid to key management personnel totaling this period R$46,316 (2013 – R$170,030) which is considered short term benefit.

30. Other information

a. Deposits

The interbank deposits and time deposits issued at market rates had the following weighted average maturities:

	2014	2013
Interbank deposits	315	281
Time deposits	423	398

b. Cash and cash equivalents

	2014	2013
Cash and balances at Central Bank	1,585,254	1,074,027
Amounts receivable from banks		
Interbank deposits	2,518,500	1,205,797
Overnight investments	1,962,399	1,787,094
Open market investments	16,356,157	6,688,247
Balances at the end of	22,422,310	10,755,165

(In thousands of reais)

c. Commitments and responsibilities

The Bank's and its subsidiaries' main commitments and responsibilities are as follows:

	2014	2013
Co-obligation and risks for guarantees granted	11,834,916	6,729,464
Responsibility for the management of futures and investment portfolio (i)	213,884,308	194,724,990
Securities under custody	222,719,863	262,612,455
Securities trading and brokerage	1,938,364,154	1,257,459,213
Loans contract to release	2,541,953	3,854,812
Commitments to be released	1,113,960	1,197,069

(i) Recognized by the sum of the equity values of funds and investment portfolios

The item "Co-obligations and risks for guarantees granted" mainly comprises guarantees granted or assets allocated to exchange trading securities.

The item "Securities under custody" reflects third-party public and private security positions under custody with SELIC, CETIP S.A. and BM&FBovespa S.A.

The item "Securities trading and brokerage" represents amounts from derivatives purchase and sale agreements related to third-party transactions.

The item "Loans contracted to release" register amounts related to loans contracted with clients to release.

The item "Commitments to be released" register amounts related to the financial commitments of the Bank with its investees.

d. Statement of value added

Although not required by IFRS, the Statement of value added below is complementary information to meet the rules from CVM.

	2014	2013
Income	14,815,598	11,761,181
Financial brokerage	3,987,479	3,836,773
Services rendered	6,721,169	4,853,060
Allowance for loan losses and other receivables	(467,853)	(236,299)
Other	4,574,803	3,307,647
Expenses	(9,417,973)	(5,992,016)
Financial brokerage	(9,417,973)	(5,992,016)
Inputs acquired from third parties	(1,186,481)	(827,741)
Materials, energy and other	(13,039)	(8,940)
Outsourced services	(1,173,442)	(818,801)
Gross value added	4,211,144	4,941,424
Depreciation	(48,919)	(13,933)
Amortization	(35,349)	(131,979)
Net value added produced by the entity	4,126,876	4,795,512

(In thousands of reais)

	2014	2013
Value added received through transfer	362,558	157,372
Equity in the earnings of associated companies	362,558	157,372
Value added to be distributed	4,489,434	4,952,884
Distribution of value added	4,489,434	4,952,884
Personnel	1,848,401	1,522,835
Direct compensation	1,655,105	1,368,751
Benefits	192,206	138,884
FGTS – government severance pay fund	1,090	15,200
Taxes, fees and contributions	211,935	786,220
Federal	125,484	686,870
Municipal	86,451	99,350
Remuneration of third party capital	96,074	78,353
Rent expenses	96,074	78,353
Remuneration of shareholders	2,333,024	2,565,476
Interest on equity	600,000	246,900
Dividends	146,639	132,190
Retained earnings	1,370,447	2,079,368
Non-controlling interest	215,938	107,018

31. Subsequent events

On January 12, 2015, the acquisition of Ariel Re (Holdings) Limited described in Note 2, was approved by the Brazilian Central Bank and on February 3, 2015 it was concluded.

On January 22, 2015, the acquisition of BSI S.A., described in Note 2, was aproved by the Brazilian Central Bank. However, the conclusion of the acquisition depends on the approval fo some non-Brazilian regulatory agencies.

As at February 25, 2015, the Bank has approved the distribution of dividends in the amount of R$106,130. The payment of such dividends and interest on equity, approved on December 30, 2014, will occur on March 10, 2015.

Consolidated Financial Statements

BTG Pactual Participations Ltd.

December 31, 2014
With Independent Auditors' report

BTG Pactual Participations Ltd.

Consolidated financial statements

As of December 31, 2014

Content

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A free translation from Portuguese into English of the Independent Auditors' Report on consolidated financial statements prepared in accordance with the International Financial Reporting Standards, issued by International Accounting Standards Board – IASB

INDEPENDENT AUDITORS' REPORT

To
The Board of Directors and Shareholders of
BTG Pactual Participations Ltd.

We have audited the accompanying consolidated financial statements of BTG Pactual Participations Ltd. and its subsidiaries ("Company"), which comprise the consolidated balance sheet as of December 31, 2014 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statement in accordance with the International Financial Reporting Standards, issued by International Accounting Standards Board – IASB and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Company's consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BTG Pactual Participations Ltd. and its subsidiaries ("Company") as at December 31, 2014, the consolidated performance of its operations and its respective consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards, issued by International Accounting Standards Board – IASB.

Rio de Janeiro, February 25, 2015.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP 015.199/O-6

Rodrigo De Paula
Accountant CRC – 1SP 224.036/O-8

Grégory Gobetti
Accountant CRC – 1PR 039.144/O-8

BTG Pactual Participations Ltd.

Consolidated balance sheets

As of December 31

(In thousands of reais)

Assets	**Note**	**2014**	**2013**
Cash at banks	6	1,299,095	811,392
Open market investments	7	8,795,779	7,184,406
Derivative financial instruments	8a	1,581,724	1,432,158
Financial assets held for trading	8b	33,047,812	39,593,774
Financial assets available for sale	8d	1,474,124	1,123,454
Loans and receivables	8e	2,193,872	1,003,364
Due from brokers	9	3,960,172	4,451,625
Non-current assets held for sale	10	-	192,588
Investment in associates and joint ventures	11	1,380,774	2,467,167
Investment properties	12	770,862	-
Other assets		789,421	170,212
Total assets		**55,293,635**	**58,430,140**
Liabilities			
Open market funding	7	33,862,842	37,675,000
Derivative financial instruments	8a	1,597,524	1,686,939
Financial liabilities held for trading	8c	3,572,602	5,055,311
Financial liabilities at amortized cost	8f	7,076,835	5,047,378
Due to brokers	9	2,039,768	1,132,038
Other liabilities		2,995,897	3,693,793
Total liabilities		**51,145,468**	**54,290,459**
Shareholders' equity			
Capital stock and share premium	13	1,125,180	1,099,084
Other comprehensive income		192,890	88,948
Accumulated losses		(283,693)	(184,573)
Total shareholders' owners equity		**1,034,377**	**1,003,459**
Non-controlling interest		3,113,790	3,136,222
Total shareholders' equity and non-controlling interest		**4,148,167**	**4,139,681**
Total liabilities and shareholders' equity		**55,293,635**	**58,430,140**

The accompanying notes are an integral part of these consolidated financial statements.

BTG Pactual Participations Ltd.

Consolidated statements of income

Years ended December 31
(In thousands of reais, except for earnings per share)

	Note	2014	2013
Interest income	15a	129,573	58,045
Interest expenses	15b	(677,913)	(296,706)
Interest expense, net		**(548,340)**	**(238,661)**
Gains on financial instruments held for trading	16	237,576	269,589
Losses on financial assets available for sale			
Impairment losses	17	(28,958)	-
Loss on sale		-	(3,241)
Gains on fair value of investment properties	12	364,388	-
Equity pickup in associates and joint ventures	11	(274,296)	(80,054)
Other operating income/(expenses), net		293,055	46,014
Total income		**43,425**	**(6,353)**
Administrative expenses	18	(271,972)	(70,439)
Other expenses		(176,214)	(50,131)
Loss for the year		**(404,761)**	**(126,923)**
Loss attributed to:			
Controlling shareholders		(99,120)	(32,415)
Non-controlling shareholders		(305,641)	(94,508)
Loss per share (basic and diluted - R$)	14	(0.15)	(0.06)

The accompanying notes are an integral part of these consolidated financial statements.

BTG Pactual Participations Ltd.

Consolidated statements of other comprehensive income
Years ended December 31
(In thousands of reais)

	Note	2014	2013
Loss for the year		(404,761)	(126,923)
Other comprehensive income/(loss) to be reclassified to profit or loss:		(251,550)	(375,321)
Share of other comprehensive income of non-controlled entities:			
Realized losses due to impairment		58,318	-
Unrealized		(10,172)	(62,521)
Foreign exchange	11	(140,753)	50,157
Movements in financial assets available for sale:			
Realized losses due to impairment	17	28,958	(1,281)
Unrealized		(229,881)	(244,819)
Exchange differences on translation of controlled entities		41,980	(116,857)
Other comprehensive income not to be reclassified to profit or loss:			
Currency translation adjustments		664,797	582,645
Total comprehensive income for the year		**8,486**	**80,401**
Total comprehensive income attributed to:			
Controlling shareholders		4,822	22,075
Non-controlling shareholders		3,664	58,326

The accompanying notes are an integral part of these consolidated financial statements.

BTG Pactual Participations Ltd.

Statement of changes in shareholders' equity
Years ended December 31
(In thousands of reais)

	Note	Capital stock and share premium	Other comprehensive income: From Company	Other comprehensive income: From non-controlled entities	Retained earnings / (losses)	Total shareholders' equity	Non-controlling interest	Total shareholders' equity and non-controlling interest
Balance as at December 31, 2012		**717,408**	**36,546**	**(2,088)**	**(152,158)**	**599,708**	**3,443,857**	**4,043,565**
Transactions with shareholders	13	381,676	-	-	-	381,676	(381,676)	-
Net loss of the year		-	-	-	(32,415)	(32,415)	(94,508)	(126,923)
Share of other comprehensive income of non-controlled entities:								
Unrealized		-	-	(62,521)	-	(62,521)	-	(62,521)
Foreign exchange	11	-	-	50,157	-	50,157	-	50,157
Movements in financial assets available for sale:								
Realized		-	(1,281)	-	-	(1,281)	-	(1,281)
Unrealized		-	(45,370)	-	-	(45,370)	(199,449)	(244,819)
Exchange differences on translation of controlled entities		-	(19,445)	-	-	(19,445)	(97,412)	(116,857)
Additions of non-controlling due to selling of equity interest		-	-	-	-	-	15,715	15,715
Currency translation adjustments		-	132,950	-	-	132,950	449,695	582,645
Balance as at December 31, 2013		**1,099,084**	**103,400**	**(14,452)**	**(184,573)**	**1,003,459**	**3,136,222**	**4,139,681**
Balance as at December 31, 2013		**1,099,084**	**103,400**	**(14,452)**	**(184,573)**	**1,003,459**	**3,136,222**	**4,139,681**
Transactions with shareholders	13	26,096	-	-	-	26,096	(26,096)	-
Net loss of the year		-	-	-	(99,120)	(99,120)	(305,641)	(404,761)
Share of other comprehensive income of non-controlled entities:								
Realized losses due to impairment		-	-	14,180	-	14,180	44,138	58,318
Unrealized		-	-	(2,465)	-	(2,465)	(7,707)	(10,172)
Foreign exchange	11	-	-	(35,262)	-	(35,262)	(105,491)	(140,753)
Movements in financial assets available for sale:								
Realized losses due to impairment	17		7,054	-	-	7,054	21,904	28,958
Unrealized		-	(56,698)	-	-	(56,698)	(173,183)	(229,881)
Exchange differences on translation of controlled entities		-	10,517	-	-	10,517	31,463	41,980
Currency translation adjustments		-	166,616	-	-	166,616	498,181	664,797
Balance as at December 31, 2014		**1,125,180**	**230,889**	**(37,999)**	**(283,693)**	**1,034,377**	**3,113,790**	**4,148,167**

The accompanying notes are an integral part of these consolidated financial statements.

BTG Pactual Participations Ltd.

Consolidated statements of cash flows
Years ended December 31
(In thousands of reais)

	Note	2014	2013
Operating activities			
Loss for the year		(404,761)	(126,923)
Adjusted loss			
Equity pickup in associates and joint ventures	11	274,296	80,054
Impairment losses on available for sale financial instruments	17	28,958	-
Gains on fair value of investment properties	12	(364,388)	-
Adjusted loss		(465,896)	(46,869)
(Increase) decrease in operating assets, net			
Derivative financial instruments		(149,566)	2,574,694
Financial assets held for trading		6,237,724	16,185,664
Financial assets available for sale		(120,789)	(117,348)
Loans and receivables		(1,190,508)	(281,545)
Due from brokers		477,034	4,891,831
Other assets		(619,209)	179,184
Increase (decrease) in operating liabilities, net			
Open market funding		(3,812,158)	(19,883,019)
Derivative financial instruments		(89,415)	(2,809,139)
Financial liabilities held for trading		(1,482,709)	(1,529,844)
Due to brokers		893,186	(2,801,736)
Other liabilities		(698,564)	43,980
Cash used in operating activities		(1,020,870)	(3,594,148)
Investment activities			
Capitalization/acquisition of associates and joint ventures entities	11	27,490	(1,636,620)
Sale of associates and joint ventures	11	1,065,956	170,694
Acquisition of subsidiaries, net of cash acquired		-	8,459,596
Dividends received	11	91,270	-
Cash provided by investing activities		1,184,716	6,993,670
Financing activities			
Financial liabilities at amortized cost		2,005,230	4,709,591
Cash provided by financing activities		2,005,230	4,709,591
Increase in cash and cash equivalents	20	**2,169,076**	**8,109,113**
Balance of cash and cash equivalents			
At the beginning of the year		7,995,798	89,976
Foreign exchange gains on cash and cash equivalents		70,000	203,291
At the end of the year		10,094,874	7,995,798
Increase in cash and cash equivalents		**2,169,076**	**8,109,113**
Non-cash transactions			
Transactions with shareholders		(26,096)	(381,676)

The accompanying notes are an integral part of these consolidated financial statements.

1. Operations

BTG Pactual Participations Ltd ("BTGP" or "Company") was incorporated as a tax exempted Limited Liability Company under the laws of Bermuda on March 26, 2010. On December 29, 2010, the Bermuda monetary authority approved the incorporation of the Company. The Company headquarters is located on Clarendon House, 2 Church Street, HM 11, Hamilton, Bermudas.

The Company has applied for and has been granted exemption from all forms of taxation in Bermuda until March 31, 2016, including income, capital gains and withholding taxes. In jurisdictions other than Bermuda, some foreign taxes will be withheld at source on dividends and certain interest received by the Company.

The Company is the sole owner of BTG Bermuda LP Holdco Ltd ("BTG Holdco") which, on December 29, 2010, received a Class C common share from BTG Pactual Management Ltd and thus became general partner of BTG Investments LP ("BTGI"). As a consequence of this transaction, the Company obtained the right to control the financial and operating policies of BTGI.

BTGI was formed in 2008 and makes proprietary capital investments in a wide range of financial instruments, including merchant banking investments in Brazil and overseas, and a variety of financial investments in global markets.

Banco BTG Pactual's asset management area manages BTGI's assets, which do not have their own management, and receives fees at arm's length.

The consolidated financial statements were approved by Management on February 25, 2015 and they contain a true and fair view of the financial position and results of the Company.

2. Presentation of financial statements

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as published by International Accounting Standards Board (IASB).

Going concern

Management evaluated the Company's capacity to continue operating as usual and has concluded that the Company have funds to continue their operations in the future. Additionally, Management is not aware of any material uncertainty that may create significant doubts on its ability to continue operating. Therefore, the financial statements were prepared based on this principle.

a. Revised IFRS pronouncements

The accounting policies adopted are consistent with those of the previous year, except for the following amendments to IFRS effective as of January 1, 2014:

• IFRS 10 – Consolidated Financial Statements

“Investment Entities” amends IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 – Separate Financial Statements to provide 'investment entities' an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 – Financial Instruments or IAS 39 – Financial Instruments: Recognition and Measurement.

Also, it requires additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries. In addition, the amendment requires that the investment entity accounts for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

The financial statements were not materially affected by the adoption of this standard.

• IAS 32 – Financial instruments (revised in 2012)

“Offsetting Financial Assets and Financial Liabilities”, amendments to IAS 32, was published in December 2011, and permits financial assets and financial liabilities to be offset against each other for balance sheet presentation only where a currently existing, legally enforceable, unconditional right of offset applies to all counterparties of the financial instruments in all situations, including both normal operations and insolvency.

The financial statements were not materially affected by the adoption of this standard.

IAS 36 – Impairment of Assets (revised in 2013)

“Recoverable Amount Disclosures for Non-Financial Assets”, amendments to IAS 36, was published in May 2013. These amendments remove the unintended consequences of IFRS 13 - Fair Value Measurement on the disclosures required under IAS - 36 Impairment of Assets. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period.

The financial statements were not materially affected by the adoption of this standard.

• IAS 39 – Financial Instruments: Recognition and Measurement (revised in 2013)

“Novation of Derivatives and Continuation of Hedge Accounting”, amendments to IAS 39, was published in June 2013. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria.

The financial statements were not materially affected by the adoption of this standard.

The following standards were issued but are not yet effective for 2014:

• Annual improvements

The “Annual Improvements to IFRSs” amendments for the 2010-12 and 2011-13 annual improvement cycles were issued in December 2013, and generally their adoption is required from January 1, 2015.

The “Annual Improvements to IFRSs” for the 2012-14 annual improvement cycles were issued September 25, 2014 and their adoption is required from July 1, 2016.

The Company does not believe that the amendments will have a material impact on its consolidated financial statements except for additional disclosures that will be provided.

• IFRS 9 – Financial Instruments

The IFRS 9 is being issued in chapters. In November 2009 and October 2010, chapters containing new measurement and classification rules for financial assets and financial liabilities were issued. In addition, in November 2013 the chapter containing the hedge accounting rules was issued.

The finalized version of IFRS 9 was issued on July 24, 2014 and contains changes in the previous chapters related to measurement and classification as well as in hedge accounting. The finalized version also introduces new rules for impairment of financial instruments and derecognition.

The adoption of the chapters containing new measurement and classification rules will have a significant effect on the classification and measurement of financial assets of the Company, but is not expected to have significant impacts on the classification and measurement of financial liabilities. The Company has not applied hedge accounting and therefore does not expect impacts from the application of the referred chapter.

The change is applicable for years beginning January 1, 2018. The Company has not adopted IFRS 9 in these consolidated financial statements and does not intend to early adopt it.

• IFRS 11 – Joint Arrangements

“Accounting for Acquisitions of Interests in Joint Operations” amendments to IFRS 11, was published in May, 2014. The amendments sets out that an acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 – Business Combinations, is required to: (i) apply all of the business combinations accounting principles, and (ii) disclose the information required by IFRS 3 and other IFRSs for business combinations.

The change is applicable for years beginning January 1, 2016. The Company has not adopted IFRS 11 amendments in these consolidated financial statements and does not intend to early adopt it.

• IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements

“Equity Method in Separate Financial Statements” amends IAS 27 – Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

The change is applicable for years beginning January 1, 2016. The Company has not adopted IAS27 amendments in these consolidated financial statements and does not intend to early adopt it.

• IFRS10 and IAS28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" amends IFRS10 and IAS28, to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: (i) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations), (ii) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in any subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The change is applicable for years beginning January 1, 2016. The Company has not adopted IFRS10 and IAS28 amendments in these consolidated financial statements and does not intend to early adopt it.

3. Main accounting practices

a. Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported balances of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the year. These estimates are based on historical experience and various other factors that Management believes are reasonable under the circumstances, the results form the basis for judgments about carrying values of assets and liabilities, which are not determined through other sources. The actual results could differ from those estimates.

b. Functional currency and presentation

Functional currency

The items included in the financial statements of each of the businesses of the Company are measured using the currency of the primary economic environment in which the company operates ("functional currency").

The Company's functional currency is the U.S. Dollar, since the majority of the Company's business transactions are in the mentioned currency.

Foreign currency translation

The financial statements of subsidiaries whose functional currency is different from that adopted by the parent Company, are translated into the functional currency of the parent using the criteria in IAS 21.

Monetary assets and liabilities denominated in currencies other than U.S. Dollars are converted into U.S. Dollar using exchange rates closing at the end of each period. The non-monetary assets and liabilities are translated using the historical date. Transactions during the end of the financial year, including purchases and sales of securities, income and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses on foreign currency transactions are included in “translation adjustments” in the statement of comprehensive income.

Presentation currency

These consolidated financial statements are presented using the Brazilian Real (“Real” or “reais” or “R$”) , the presentation currency, as its reporting currency exclusively to meet the specific requirements of the Brazilian Federal Securities Commission (“CVM”), the Brazilian regulatory body.

The conversion of U.S. Dollar functional currency into reais (presentation currency) was recorded pursuant to the methodology described in IAS 21 – (“The effects of changes in exchange rates”), and is summarized below:

- The assets and liabilities for each balance sheet date were translated at the closing exchange rate at the balance sheet date. Income and expenses were translated using monthly average exchange rate.

- For assets and liabilities for each balance which IAS 21 does not estabilish a methodology for translation, the Company elected to translate balances using the closing rate of each balance sheet, and other movements in shareholders’ equity were converted using monthly average rate, except those that correspond to a specific transaction with shareholders that were converted at the exchange rate at the transaction date.

- For the preparation of the statement of cash flows, the Company used the average annual rate for the conversion of balances of changes in assets and liabilities items of operational cash flows. For the remaining transactions, the Company used the historical rate.

All resulting translation differences are recognized directly in “translation adjustments” in the statement of other comprehensive income.

c. Cash and cash equivalents

For the purposes of statements of cash flow, cash and cash equivalents includes cash, bank deposits and highly-liquid short-term investments redeemable in up to 90 days, subject to an insignificant risk of change in value.

d. Revenue and expense recognition

Net gains with financial instruments

Amounts that arise from trading activity including all gains and losses from changes in the fair value and the interest and dividend income or expense of financial assets and liabilities held for trading.

Interest income (expense)

Interest income (expense) is recognized as incurred, using the effective interesting rate method.

The interest on financial instruments held for trading are recorded in “Gain (losses) on financial instruments held for trading”.

Dividend income

For investments classified as fair value through profit and loss and available for sale, dividend income is recognized when the right to receive payment is established.

Dividends on financial instruments held for trading are recorded as “Gain (losses) on financial instruments held for trading”, and dividends received on financial assets as available for sale are classified as “Gain (losses) on financial assets available for sale”.

e. Financial instruments

Recognition date

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the consolidated entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets that require delivery of the asset at a specified time established by regulation or market standard.

Initial recognition of financial instruments

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. All financial instruments are initially measured at fair value plus transaction costs, except in cases where assets and liabilities are recorded at fair value through profit or loss.

Derivatives

Derivative financial instruments are recorded at fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement “Net gains (losses) with financial instruments held for trading”.

Embedded derivatives in other financial instruments, such as the convertible feature of an instrument, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those in the host contract, as long as the host contract is not held for trading or designated at fair value through profit and loss. The embedded derivatives separated from principal are held at fair value in the portfolio with fair value changes recognized in the consolidated income statement.

Financial assets and liabilities held for trading

Financial assets or liabilities held for trading are recorded in the balance sheet at fair value. Variations in fair value, interest revenue, expenses and dividends are recorded in “Gains (losses) on financial instruments held for trading”.

Included in this classification are: debt instruments, equities and short sale which have been acquired specifically for the purpose of short term trading or repurchase.

Financial assets and liabilities designated at fair value through profit and loss

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit and loss on initial recognition is only possible when one the following criteria is observed and the designation of each instrument is individually determined:

- Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

- Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

- The financial instrument contains one (or more) embedded derivative(s), which significantly modifies the cash flows that would otherwise be required by the agreement.

Financial assets and liabilities at fair value through profit and loss are recorded in the consolidated balance sheet at fair value. Changes in the fair value and earned or incurred interest are recorded in “Net gain on financial assets or liabilities designated at fair value through profit and loss”.

Financial assets available for sale

Financial assets available for sale include equities and debt instruments. Equities classified as available for sale are those not classified as held for trading or designated at the fair value through profit and loss. Debt instruments in this category are those to be held for an indefinite period of time and may be sold in response to need for liquidity or in response to changes in market conditions.

After initial recognition, available for sale financial assets are measured at fair value, except when the fair value is not reliably measured, when assets are kept at cost. When fair value is applicable, the unrealized gains or losses are recognized directly in equity as other comprehensive income. Upon the realization of the available for sale financial instruments, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are reclassified to the income statement, as “Gain (losses) on financial assets available for sale”.

Losses on the impairment of these financial instruments are recognized in the income statement and reclassified, if and when applicable, from the statement of comprehensive income.

“Day 1” profit or loss

When the transaction value is different from the fair value of other observable current market transactions with the same instrument or based on a valuation technique, whose variables include only observable market data, the difference between the transaction value and fair value (“Day 1” profit or loss) is immediately recognized in “Gain (losses) on financial instruments held for trading”. In cases where the fair value is determined using unobservable market data, the difference between operation price and model value is recognized in the income statement during the term of the transaction or when variables may be observable or, also, when the financial instrument is derecognised.

Held-to-maturity financial instruments

Held-to-maturity financial assets are non-derivative financial assets or liabilities with fixed or determinable payments and defined maturities, for which there is positive intention and ability to hold until maturity. Held-to-maturity financial assets are initially recorded at their fair value plus directly attributable costs, and are subsequently measured at amortized cost using the effective interest rate method, less any reductions in the recoverable value.

Loans and receivables

Loans and receivables include financial assets with fixed or determinable payments that are not listed in an active market, except for:

- Those for which the intention is to sell immediately or in the short-term and those initially designated at fair value through profit and loss; or
- Those initially designated as available for sale; or
- Those whose total investment will not be substantially recovered, other than because of credit deterioration.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

Derecognition of financial assets and financial liabilities

Financial assets

A financial asset (or applicable part of a financial asset or a group of assets similar) is derecognised when:

- The right to receive the cash flow of the asset expired; or
- The Company transferred the right to receive cash flows of the asset or has assumed the obligation to pay any cash flow received, at total amount, without material delay, to a third party due to a transfer agreement, and if:
    - There is substantial transfer of all risks and benefits of the asset; or
    - There is no substantial transfer or retention of all risks and benefits of the asset, but there is transfer of control on such asset.

When the Company transfers the rights to receive an asset cash flow or has entered into an on-lending agreement, and has not substantially transferred or retained all asset risks and benefits, or has not also transferred the control on such asset, an asset is recognized to the extent of the Company has continued involvement in the assets. As a result, the assets transferred and referred liabilities are measured based on the retained rights and obligations of the Company and its subsidiaires.

Financial liabilities

A financial liability is derecognised when the obligation with respect to the liability is removed, cancelled or expired. When an existing financial liability is replaced by another from the same creditor on substantially different terms, or terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the book value is recognized in profit or loss.

Open market funding (repurchase and reverse repurchase agreements)

Amounts sold with repurchase agreements at a future date are not derecognised from the balance sheet as risks and rewards are substantially retained by the consolidated entity. Corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest appropriated as a liability in "Open market funding" The difference between purchase and repurchase price is treated as interest expense and is appropriated pursuant to the term of the agreement, using the effective interest rate method. When the counterparty has the right to sell or to re-offer the instruments as collateral, instruments are classified as "Held for trading" in the consolidated balance sheet .

Conversely, securities acquired with agreements to sell (reverse repo) at a future date are not recognized in the balance sheet. The amount paid, including appropriated interest, is recorded in the balance sheet as open market investments, reflecting the economic essence of the operation as a loan receivable. The difference between purchase and repurchase price is recorded as interest income and is appropriated pursuant to term of the agreement, according to the effective interest rate method. If securities acquired from reverse repo are subsequently sold to third parties, the obligation of returning the amounts are recorded as a short sale, included in "Financial liabilities held for trading" in result and measured at the fair value with any gain or loss included in "Gain (losses) on financial instruments held for trading".

Determining fair value

Financial instruments are measured according to the fair value measurement hierarchy described below:

Level 1: Price quotations observed in active markets for the same financial instrument;

Level 2: Price quotations observed in active markets for financial instruments with similar characteristics or based on pricing model in which the relevant parameters are based on observable active market data;

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation. Instruments in this category have been valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, the Company determines a reasonable level for the input. Financial instruments primarily include certain limited partnership interests primarily in private equity funds mainly derived from our merchant banking activities and OTC derivatives which valuation depends upon unobservable inputs. No gain or loss is recognized on the initial recognition of a financial instrument valued using a technique incorporating significant unobservable data.

Level 3 valuation assumptions

Asset	Valuation technique	Main assumptions
Private Equity Funds (unquoted investments)	Price of recent investments; Models based on discounted cash flows or earnings; Market and transaction (M&A) multiples.	Market and revenue growth, profitability and leverage expectations, discount rates, macro-economic assumptions such as inflation and exchange rates, risk premiums including market, size and country risk premiums.
Derivatives	Standard models and non-bidding quoted prices	Probability of default and recovery rates

In certain cases, data used to determine fair value may be from the different levels of the fair value measurement hierarchy. In these cases, the financial instrument is classified in the most conservative hierarchy in which the relevant data for the fair value assessment were used. This evaluation requires judgment and considers specific factors of the relevant financial instruments. Changes in the availability of the information may result in reclassification of certain financial instruments among the different levels of fair value measurement hierarchy.

Financial instruments – Offsetting

Financial assets and liabilities are presented net in the balance sheet if, and only if, there is a current and enforceable legal right to offset the amounts recognized and if there is the intention to offset, or to realize the asset and clear the liability simultaneously.

Impairment of financial assets

Impairment losses on financial assets not recorded at fair value are immediately recognized when there is objective evidence of loss. The book value of these assets is reduced with the use of provisions and expected losses from future events are not recognized. Provisions for impairment of financial assets not recorded at fair value are valued and calculated individually and collectively and are recognized in the statement of income.

In case of any impairment losses related to financial assets available for sale, considering acquisition cost and the current fair value, such losses will be recognized on consolidated statements of income against other comprehensive income. However, if in a subsequent year occur an increase in the fair value of the financial asset that can be related to any event, the loss previously considered will be reversed in profit and losses.

The main evidence of impairment for financial assets are the significant decline in the fair value of any security for a prolonged period, noncompliance with contract terms for delay of principal or interest, deterioration in ability to pay and operational performance, breach of covenats, significant change in the performance of the counterparty market, reduced liquidity of the asset due to financial difficulties the lender.

For financial assets accounted at amortized cost (as amounts receivable from banks, loans and advances to clients), the Company individually evaluates if there is an objective evidence of impairment.

If there is an objective evidence that an impairment loss was incurred, the amount of the loss is measured by the difference between the book value of the asset and the present value of estimated future cash flows. The asset is reduced by a provision and a corresponding loss is recognized in the income statement. Loans and related provisions are written-off when there is no likelihood of recovery and guarantees were sold or transferred to the

Company and its subsidiaries. If the estimated amount of loss with impairment increases or decreases due to an event that occurred after the impairment was recognized, the impairment previously recognized is increased or reduced by adjusting the provision balance. If a future write-off is later recovered, the amount is credited to 'Provisions for credit losses'.

The present value of the estimated future cash flows are discounted by the original effective interest rate. If a loan has a variable interest rate, the discount rate to measure any loss with impairment to the recoverable value is the current effective interest rate. The calculation of the present value of the estimated future cash flows of financial assets provided as guarantee reflects the cash flow that may result from the settlement less costs to purchase and sell the collateral, even if the settlement is not likely.

f. Due from / to brokers

Amounts receivable from / payable to brokers include unsettled trades and cash maintained at (or payable to) brokers and other counterparties of the Company.

After initial measurement, due from/to brokers are measured at amortized cost using the effective interest rate method, net of the provision for losses with impairment.

g. Non-current assets held for sale

Non-current assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated. Into this category are classified assets that are intended for sale which must be highly probable to occur in less than a year, and Management has committed to sell such assets.

Assets are reclassified out of non-current assets held for sale due to changes to a plan of sale and when the sale is no longer considered highly probable. As a result of the reclassification, the asset will be adjusted to any depreciation or revaluation measured at the lower of its carrying amounts before the classification as held for sale, or its recoverable amount.

h. Investment in associates and joint ventures

Investments in associates and joint ventures comprise entities over which the Company has significant influence or joint control over operating and financial policies. These investments are initially recognized at the acquisition cost and subsequently evaluated by the equity method. The investments in associates and joint ventures include the identified goodwill in any purchase net of any accrued impairment.

The participation of the Company interest in the profits or losses of its associates and joint ventures is recognized in the "Equity pick up in associates and joint ventures". Any movements in the equity reserves of these entities is recognized directly in the investment balance.

i. Impairment of nonfinancial assets

Investments in associates and joint ventures and assets that have an indefinite life, such as goodwill are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are tested for impairment annually or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment is recognized if the asset's carrying amount exceeds its recoverable amount, which is the higher of the fair value of an asset less costs to sell and its recoverable value in use. For the purpose of evaluating the impairment amount, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units (CGU)).

j. Other assets / liabilities

Accounts receivable / payable to others are stated at cost less allowance for doubtful accounts, which approximates fair value given their short term nature. The allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect all amounts due under the original terms of the receivables.

k. Contingent assets and liabilities

Provisions are recognized when the Company has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

The recognition, measurement and the disclosure of the assets and contingent liabilities and of the legal and tax are made pursuant to the criteria described below.

Contingent assets – not recognized in the financial statements, except when there is evidence that realization is virtually certain.

Contingent liabilities - are recognized in the financial statements when, based on the opinion of legal advisors and Management, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for or disclosed.

l. Profit allocation

The dividends are classified as liabilities when declared by the board and approved by the Extraordinary / Ordinary General Meeting.

m. Segment information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the Company's chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of an investment entity and so no segment information is disclosed.

n. Investment Properties

Investment properties are initially measured at cost, including transactions costs. After initial recognition, investment properties are stated at fair value, reflecting the market conditions at each balance sheet date. Adjustments to fair value are determined considering the fair value of the property, minus the attributed costs of the property, and recognized in net income.

(In thousands of reais)

The fair value of investment properties are determined at least on an annual basis, or when the Company deems it necessary, and may involve an independent valuation. During the fourth quarter of 2014, the Company valued its investment properties, using an independent valuation service, considering certain assumptions such as the average price of lands and the level of productivitiy.

Investment properties are derecognized when disposed of or when they cease to be used permanently and no further economics benefit are expected from their disposal.

4. Basis of consolidation

a. Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities (including certain special purpose entities) that are controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of the entity, is exposed to variable returns from its involvement with the investees and has the ability to use its power to affect these returns; generally conferred by holding a majority of voting rights.

The accounting policies adopted for the recording of operations and assessment of the rights and obligations of the Company, subsidiaries, directly and indirectly and investment funds included in the consolidation were applied uniformly. All intra-group balances, transactions, income and expenses are eliminated on consolidation.

The consolidated financial statements comprise the financial statements of the Company and the following controlled entities and funds:

		Equity interest - %	
	Country	12/31/2014	12/31/2013
Direct			
BTG Bermuda LP Holdco Ltd.	Bermuda	100.00	100.00
Indirect			
BTG Investments LP (BTGI)	Bermuda	25.05	24.24

Below is the ownership interest held by BTGI in its subsidiaries and investment funds:

		Equity interest - %	
	Country	12/31/2014	12/31/2013
BTG Loanco LLC	USA	100.00	100.00
BTG Pactual Stigma LLC	USA	100.00	100.00
BTG Pactual Reinsurance Holdings LP	Bermuda	100.00	100.00
BTG Equity Investments LLC	USA	100.00	100.00
Preserve Insurance Co. Ltd	UK	100.00	100.00
BTG Pactual Mining S.A.	Brazil	100.00	100.00
Hárpia Omega Participações S.A.	Brazil	100.00	100.00
BTG Pactual Capital Participações S.A.	Brazil	100.00	100.00
BTG Pactual Servicios S.A. de C.V.	Mexico	100.00	100.00
BTG Pactual Swiss Services S.A.	Switzerland	100.00	100.00
Aigues de Catalunya Ltd	UK	98.00	98.00
BTG Pactual Iberian Concessions Ltd.	UK	100.00	100.00
BTG Pactual PropertyCo LLC	USA	100.00	100.00
BTG Pactual PropertyCo II LLC	USA	100.00	100.00
BTG Pactual Prop Feeder (1) S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Investimentos Florestais S.A.	Brazil	93.96	93.96

(In thousands of reais)

		Equity interest - %	
	Country	12/31/2014	12/31/2013
BRPEC Agro Pecuária S.A.	Brazil	100.00	-
Turquesa Fundo de Investimento em Participação	Brazil	100.00	100.00
B2 - Fundo de Investimento Multimercado	Brazil	100.00	100.00
Beira Rio Fundo de Investimento em Participações	Brazil	100.00	100.00
Airbone FIC Fundo de Investimento em Participação	Brazil	-	100.00
Bravo Fundo de Investimento em Participação	Brazil	100.00	100.00
BTG Pactual Brazil Investment Fund I LP	Cayman	100.00	100.00
BTG Pactual Absolute Return Master Fund LP	Cayman	100.00	100.00
BTG Pactual Absolute Return II Master Fund LP	Cayman	100.00	100.00
BTG Pactual Proprietary Feeder (1) Limited	Cayman	100.00	100.00
A.Z.A.S.P.E Empreendimentos e Participações S.A.	Brazil	100.00	-
A.Z.P.S.P.E Empreendimentos e Participações S.A.	Brazil	86.56	-
BTG Pactual SCFlor & São Lourenço Holding S.A.	Brazil	71.66	-
São Lourenço Empreendimentos Florestais Ltda.	Brazil	71.66	-
Fazenda Corisco Participações S.A.	Brazil	71.66	-
BTG Pactual Santa Terezinha Holding S.A. (i)	Brazil	37.75	-
SCFlor Empreendimentos Agrícolas Ltda. (i)	Brazil	37.75	-
Fazenda Santa Terezinha Participações S.A. (i)	Brazil	37.75	-

(i) The investee equity is divided into ordinary and preferred shares. The Company has the majority of the voting rights.

As described in Note 1, as from December 29, 2010, the Company became the general partner of BTGI with powers to control BTGI's financial and operating policies through the interest held in that Company.

As of December 31, 2014 the Company holds 25.05% of economic interest in BTGI (December 31, 2013 – 24.24%). As a result, the economic interests representing 74.95%, in the net assets of BTGI, are held by other shareholders and presented as non-controlling interests in the consolidated financial statements of the Company.

The financial information of the subsidiaries are prepared using accounting policies consistent with those adopted in the preparation of the parent Company's financial statements. Intra-group balances were eliminated during consolidation.

5. Risk management

The Company's risk management involves several levels of our management team and various policies and strategies. The structure of the Company's committees allows engaging the whole organization and ensuring decisions are readily implemented.

The main committees involved in risk management activities are (i) Management Committee, which approves policies, sets overall limits and is the ultimate responsible for the management of the our risks, (ii) New Business Committee, which assesses the viability and oversees the implementation of proposed new businesses and products, (iii) Credit Risk Committee, which is responsible for approving new credit transactions according to the guidelines set by our Risk Committee, (iv) Market Risk Committee, which is responsible for monitoring market risk, including utilization of our risk limits, and for approving exceptions to such limits, (v) Operational Risk Committee, which assesses main operational risks in light of the established policies and regulatory framework, (vi) AML Compliance Committee, which is responsible for establishing AML rules, and for reporting potential issues involving money laundering, (vii) CFO Committee, which is responsible for monitoring our liquidity risk, including our cash position and balance sheet usage, and for managing our capital structure, (viii) Audit Committee, which is responsible for the independent verification of the adequacy of our controls, and for assessing whether our books are records are kept appropriately.

The Company seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational, compliance, tax and legal reporting systems. In addition, a number of committees are responsible for monitoring risk exposures and for general oversight of our risk management process, as described further below. The close involvement of various committees (including their subcommittees) with the ongoing management and monitoring of our risks helps the Company foster its culture of risk control throughout the organization. The committees consist of senior members of business units and senior members of control departments that are independent of businesses.

a. Market risk

VaR is the potential loss of value of the trading positions due to adverse movements in the market during a defined period within a specific level of confidence. Together with the Stress Test, VaR is used to measure the exposure of the Company's positions at market risk. The Company uses a historical simulation for calculation of VaR, applying real distributions and correlation amongst assets, not using Greek approximations and standard distributions. VaR may be measured in accordance with different periods, historical data and reliable levels. The accuracy of the market risk methodology is tested through daily back testing that compares the compliance between VaR estimates and gains and losses realized.

The VaR presented below was calculated for a one-day period, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 chances that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trade in a single day of trading exceeding the reported VaR would be expected to occur, on average, around once a month. Insufficiencies in a single day may exceed the VaR reported in material amounts. Insufficiencies may also occur more frequently or accrue during a longer period, such as the number of consecutive trading days. As it is backed up by historical data, VaR's accuracy is limited to its capacity to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate prognostics of future market risk. VaR methodologies and assumptions on different distributions may produce a materially different VaR. In addition, VaR calculated for a one-day period does not consider the market risk of positions that may not be settled or offset with hedges within the term of one day. As previously mentioned, the Company uses a stress test models as a complement to VaR method for its daily risk activities.

The table below contains daily average VaR for the years ended:

In millions of R$	**2014**	**2013**	**2012**
Daily average VaR	42.1	43.8	47.6

b. Credit risk

All of the Company's counterparties are subject to credit risk analyses focusing mainly on an assessment of their paying ability, based on simulations of cash flows, debt leverage and schedule, asset quality, interest coverage and working capital. Qualitative aspects, such as strategic guidance, business sector, expert areas, efficiency, regulatory environment and market share, are regularly assessed and used to supplement the credit analysis process. The Company's counterparties credit limits are established by the Credit Committee and are regularly reviewed.

(In thousands of reais)

The total Company's exposure to credit risk is measured and evaluated considering all financial instruments involving any counterparty risk, which considers the total value of the collaterals and derivative transactions. For derivatives, all risk factors are applied to the financial value of the contracts in order to monitor the exposure to the credit risk in derivatives.

The credit risk exposure is calculated based on items of the balance sheet. The following table shows the maximum financial asset exposure by geographic region is as follows:

	12/31/2014				
	Brazil	**United States**	**Europe**	**Others (i)**	**Total**
Assets					
Cash at banks	1,211,104	452	87,539	-	1,299,095
Open market investments	208,011	3,594,500	4,338,615	654,653	8,795,779
Derivative financial instruments	415,832	747,935	337,483	80,474	1,581,724
Financial assets held for trading	3,192,933	14,135,822	12,448,984	3,270,073	33,047,812
Financial assets available for sale	957,638	442,419	-	74,067	1,474,124
Loans and receivables	250,054	1,053,928	198,213	691,677	2,193,872
Due from brokers	32,753	2,134,918	1,775,519	16,982	3,960,172
Investments in associates and joint ventures	1,012,131	-	368,120	523	1,380,774
Investment properties	770,862	-	-	-	770,862
Other assets	396,572	308,365	71,447	13,037	789,421
Total assets	8,447,889	22,418,340	19,625,920	4,801,486	55,293,635

	12/31/2013				
	Brazil	**United States**	**Europe**	**Others (i)**	**Total**
Assets					
Cash at banks	811,178	-	214	-	811,392
Open market investments	96,769	1,555,718	5,277,264	254,655	7,184,406
Derivative financial instruments	300,341	601,204	250,257	280,356	1,432,158
Financial assets held for trading	2,747,906	23,960,789	9,404,220	3,480,859	39,593,774
Financial assets available for sale	660,346	409,049	-	54,059	1,123,454
Loans and receivables	58,549	538,686	203,618	202,511	1,003,364
Due from brokers	45,781	3,536,645	837,018	32,181	4,451,625
Non-current assets held for sale	192,588	-	-	-	192,588
Investments in associates and joint ventures	2,054,601	-	412,566	-	2,467,167
Other assets	-	-	54,307	115,905	170,212
Total assets	6,968,059	30,602,091	16,439,464	4,420,526	58,430,140

(In thousands of reais)

The table below states the maximum exposures to credit risk based on the carrying amounts, classified by economic activity of the counterparties:

	12/31/2014						
	Governments (i)	Financial Institutions	US Agencies	Companies	Individuals	Others	Total
Assets							
Cash at banks	-	1,299,095	-	-	-	-	1,299,095
Open market investments	-	8,795,779	-	-	-	-	8,795,779
Derivative financial instruments	-	1,581,724	-	-	-	-	1,581,724
Financial assets held for trading	21,974,238	837,892	2,487,711	7,747,971	-	-	33,047,812
Financial assets available for sale	-	-	-	1,474,124	-	-	1,474,124
Loans and receivables	-	-	-	198,213	1,412,258	583,401	2,193,872
Due from brokers	-	3,960,172	-	-	-	-	3,960,172
Investment in associates and joint ventures	-	-	-	1,380,774	-	-	1,380,774
Investment properties	-	-	-	770,862	-	-	770,862
Other assets	-	-	-	-	-	789,421	789,421
Total assets	21,974,238	16,474,662	2,487,711	11,571,944	1,412,258	1,372,822	55,293,635

	12/31/2013						
	Governments (i)	Financial Institutions	US Agencies	Companies	Individuals	Others	Total
Assets							
Cash at banks	-	811,392	-	-	-	-	811,392
Open market investments	-	7,184,406	-	-	-	-	7,184,406
Derivative financial instruments	-	1,432,158	-	-	-	-	1,432,158
Financial assets held for trading	25,817,642	2,931,030	4,514,903	6,330,199	-	-	39,593,774
Financial assets available for sale	-	-	-	1,123,454	-	-	1,123,454
Loans and receivables	-	-	-	262,167	741,197	-	1,003,364
Due from brokers	-	4,451,625	-	-	-	-	4,451,625
Non-current assets held for sale	-	-	-	192,588	-	-	192,588
Investment in associates and joint ventures	-	-	-	2,467,167	-	-	2,467,167
Other assets	-	-	-	-	-	170,212	170,212
Total assets	25,817,642	16,810,611	4,514,903	10,375,575	741,197	170,212	58,430,140

(i) See note 8(b)

Financial assets overdue without loss event or individually overdue with loss event are partially or fully covered by guarantees.

(In thousands of reais)

c. Liquidity analysis of assets

In volatile markets or when trading in a security is hindered in the market, the liquidity position of the Company's portfolio can be reduced. In such cases, the Company may not be able to sell certain assets, which could adversely affect its ability to balancing its portfolio or to meet redemption requests. In addition, such circumstances may force the Company to sell assets at low prices, adversely affecting its performance. If there are no other market participants to sell them at the same time, the Company may not be able to sell these assets or avoid losses related to them. If the Company establishes substantial losses in trading, the need for liquidity could increase considerably while its access to liquidity could be hindered. Together with a recession in the market, the counterparties of the Company could incur in losses, weakening their financial condition and increasing the credit risk of the Company to them.

According to its policy, the Company regularly monitors its liquidity position. The table below summarizes the expected discounted cash flows for financial assets held for trading and contractual discounted cash flows for the other assets, of the Company and its subsidiaries:

	12/31/2014				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Cash at banks	1,299,095	-	-	-	1,299,095
Open market investments	8,795,779	-	-	-	8,795,779
Derivative financial instruments	1,049,104	168,383	114,692	249,545	1,581,724
Financial assets held for trading	33,047,812	-	-	-	33,047,812
Financial assets available for sale (i)	-	-	-	1,474,124	1,474,124
Loans and receivables	219,736	30,193	531,560	1,412,383	2,193,872
Due from brokers	3,960,172	-	-	-	3,960,172
Investment in associates and joint ventures	-	-	-	1,380,774	1,380,774
Investment properties	-	-	-	770,862	770,862
Other assets	10,097	5,559	-	773,765	789,421
Total assets	48,381,795	204,135	646,252	6,061,453	55,293,635

	12/31/2013				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Cash at banks	811,392	-	-	-	811,392
Open market investments	7,184,406	-	-	-	7,184,406
Derivative financial instruments	742,214	381,086	137,768	171,090	1,432,158
Financial assets held for trading	39,593,774	-	-	-	39,593,774
Financial assets available for sale (i)	-	-	-	1,123,454	1,123,454
Loans and receivables	-	-	203,617	799,747	1,003,364
Due from brokers	4,451,625	-	-	-	4,451,625
Non-current assets held for sale	-	192,588	-	-	192,588
Investment in associates and joint ventures	-	-	-	2,467,167	2,467,167
Other assets	170,212	-	-	-	170,212
Total assets	52,953,623	573,674	341,385	4,561,458	58,430,140

(i) The financial assets available for sale correspond basically to our investments in equity securities and quotas of the private equity funds and its portfolio companies (Note 8(d)) and are classified based on our current expectation of the exit strategies and liquidation of the fund.

(In thousands of reais)

e. Liquidity risk

The table below summarizes the contractual discounted cash flows for the liabilities, of the Company and its subsidiaries:

	12/31/2014				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Liabilities					
Open market funding	33,862,842	-	-	-	33,862,842
Derivative financial instruments	1,172,721	133,017	93,197	198,589	1,597,524
Financial liabilities held for trading	3,572,602	-	-	-	3,572,602
Financial liabilities at amortized cost	535,536	3,138,018	1,133,173	2,270,108	7,076,835
Due to brokers	2,039,768	-	-	-	2,039,768
Other liabilities	2,759	60,493	2,925,565	7,080	2,995,897
Total liabilities	41,186,228	3,331,528	4,151,935	2,475,777	51,145,468

	12/31/2013				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Liabilities					
Open market funding	37,675,000	-	-	-	37,675,000
Derivative financial instruments	791,769	425,605	133,855	335,710	1,686,939
Financial liabilities held for trading	5,055,311	-	-	-	5,055,311
Financial liabilities at amortized cost	909,774	1,387,646	1,103,025	1,646,933	5,047,378
Due to brokers	1,132,038	-	-	-	1,132,038
Other liabilities	442,704	886,661	2,364,428	-	3,693,793
Total liabilities	46,006,596	2,699,912	3,601,308	1,982,643	54,290,459

The table below presents the undiscounted cash flows for “Loans and receivable” and “Financial liabilities at amortized cost”. Undiscounted cash flows for derivative financial instruments and financial liabilities at fair value through profit and loss are not being presented. Management does not consider this information when analyzing liquidity, other than for short term maturity, and therefore it is not deemed to be relevant.

	12/31/2014				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Assets					
Loans and receivables	124	-	554,067	2,814,664	3,368,855
Liabilities					
Financial liabilities at amortized cost	2,238,910	1,486,541	1,178,524	2,670,753	7,574,728

	12/31/2013				
	Up to 90 days	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Assets					
Loans and receivables	-	-	278,014	1,296,972	1,574,986
Liabilities					
Financial liabilities at amortized cost	911,835	4,550,407	-	-	5,462,242

(In thousands of reais)

7. Cash at banks

Cash on banks comprise exclusively highly-liquid bank deposits, totaling R$1,299,095 and R$811,392, as of December 31, 2014 and December 31, 2013.

8. Open market investments and funding

	12/31/2014	12/31/2013
Open market investments	23,934,154	21,503,971
Offset (netting) (i)	(15,138,375)	(14,319,565)
Net	8,795,779	7,184,406
Open market funding	49,001,217	51,994,565
Offset (netting) (i)	(15,138,375)	(14,319,565)
Net	33,862,842	37,675,000

(i) The total amount that meets the criteria for netting was netted on December 31, 2014.

As of December 31, 2014 the collateral received in repurchase agreements amounts to R$22,939,311 (December 31, 2013 – R$21,302,525), whereas the collateral granted amounts to R$50,676,286 (December 31, 2013 - R$53,745,180). The collaterals for these operations that would be sold or could be granted for other repurchase agreements totaled R$705,347 (December 31, 2013 – R$321,083).

9. Classification and measurement of financial instruments

a. Derivative financial instruments

The Company does not have derivative financial instruments designated as hedge accounting. Derivatives, at fair value, held are as follows:

	12/31/2014	12/31/2013
Futures		
Long position	68,284	140,412
Short position	167,439	86,272
Swaps		
Long position	500,296	415,562
Short position	471,483	333,956
Credit derivatives		
Long position	199,562	127,050
Short position	154,847	318,606
Currency forward transactions - NDF		
Long position	28,503	9,356
Short position	11,327	2,837
Forward transactions - DF		
Long position	48,998	90,334
Short position	8,276	127,579
Options		
Long position	736,081	649,444
Short position	784,152	817,689
Long position	1,581,724	1,432,158
Short position	1,597,524	1,686,939

BTG Pactual Participations Ltd.

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The nominal amounts of transactions with derivatives are as follows. The receivable leg and payable leg are presented separately for Swap, NDF and DF derivatives in the table below:

	12/31/2014	12/31/2013
Futures market		
Long position	41,953,289	71,409,466
Currency	2,002,963	2,202,779
Equities	48	18,814
Index	454,700	2,259,624
Interest rate	39,318,883	66,883,100
Commodities	176,695	45,149
Short position	66,269,417	27,489,789
Currency	22,391	2,457,431
Interest rate	64,723,328	24,046,682
Commodities	276,227	12,077
Equities	4,111	396
Indexes	1,243,360	973,203
Swap		
Long position	77,642,956	146,231,705
Interest rate	68,056,665	133,342,323
Currency	-	1,765,417
Index	7,491,586	6,067,374
Equities	2,052,659	4,720,920
Other	42,046	335,671
Short position	77,642,956	146,231,705
Interest rate	68,016,347	133,031,267
Currency	-	2,795,503
Index	7,841,256	6,988,048
Equities	1,744,501	3,416,887
Other	40,852	-
Credit derivatives		
Long position	4,632,871	3,339,247
Sovereign	754,358	462,984
Coporate	3,878,513	2,876,263
Short position	6,814,814	8,970,011
Coporate	5,161,994	8,437,092
Sovereign	1,652,820	532,919
Currency forward transactions - NDF		
Long position	3,003,402	1,334,611
Currency	3,003,402	482,729
Interest rate	-	851,882
Short position	3,003,402	1,334,611
Currency	3,003,402	482,729
Interest rate	-	851,882
Forward transactions - DF		
Long position	3,142,462	3,251,603
Currency	3,142,462	3,165,982
Equities	-	85,621
Commodities	35,692	-
Short position	3,178,153	3,251,603
Currency	3,167,612	3,230,480
Commodities	10,541	21,123
Options market		
Purchase of call options	16,275,479	20,470,670
Index	13,326,551	3,964,437
Equities	640,287	1,946,815
Commodities	516,365	-
Interest rate	1,443,957	14,223,883
Currency	338,856	335,535
Others	9,463	-
Purchase of put options	98,540,157	39,685,862
Index	77,055,992	36,088,545

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	12/31/2014	12/31/2013
Equities	1,008,310	1,479,360
Commodities	259,019	48,215
Interest rate	20,054,786	1,938,932
Currency	128,005	130,810
Others	34,045	-
Sale of call options	17,139,585	30,446,407
Equities	269,317	232,221
Index	12,659,665	16,215,272
Currency	151,202	86,705
Commodities	415,861	-
Interest rate	3,629,026	13,903,059
Other	14,514	9,150
Sale of put options	120,086,927	70,440,556
Equities	245,338	246,747
Index	77,831,646	65,714,754
Commodities	412,975	-
Interest rate	15,693,401	4,349,082
Currency	71,424	125,329
Others	25,832,143	4,644

b. Financial assets held for trading

	12/31/2014		12/31/2013
	Amortized cost	Fair value	Fair value
Own portfolio			
Equities	2,836,676	2,454,755	2,082,892
Corporate bonds issued by non brazilian entities	968,268	903,599	1,263,320
Certificate of bank deposits	1,200	1,277	4,104
US Agencies	160,352	163,496	731,810
Brazilian government bonds	1,972,806	1,972,704	1,114,447
Foreign government bonds			
United States	1,287,104	1,287,589	1,648,840
Others	129,280	105,900	370,714
Investment fund quotas	331,138	330,276	480,896
Related to repurchase agreement			
Corporate bonds issued by non brazilian entities	5,164,569	4,895,956	5,430,016
US Agencies	2,300,468	2,324,215	3,783,094
Brazilian government bonds	-	-	849,175
Foreign government bonds			
United States	7,530,108	7,593,370	14,806,932
UK	5,899,877	5,866,728	3,000,934
Germany	25,682	27,290	576,389
Others	5,364,467	5,120,657	3,450,211
	33,971,995	33,047,812	39,593,774

c. Financial liabilities held for trading

As of December 31, 2014 and December 31, 2013, financial liabilities held for trading comprised of short-selling transactions, primarily global fixed income and equities securities. The amortized cost and fair value were R$3,621,062 and R$3,572,602 respectively, as of December 31, 2014 (December 31, 2013 - R$5,053,013 and R$5,055,311 respectively).

(In thousands of reais)

e. Financial assets available for sale

	12/31/2014	12/31/2013
BTG Pactual Principal Investments FIP (FIP Principal)	804,643	816,282
BTG Pactual Brazil Infrastructure Fund II LP (Infrastructure fund)	115,248	86,687
Brasil Pharma S.A.	123,681	-
ADS - Advanced Disposal Service	247,811	218,545
CDR Pedreira Ltda.	180,011	-
Other investments	2,730	1,940
	1,474,124	1,123,454

BTGI's investments in FIP Principal are made via three different feeder entities, and investments in Infrastructure Fund are made via a single entity. BTGI does not have significant influence over these investments and therefore they are classified as available for sale financial instruments. The investments in these feeder entities are considered the unit of account for fair value measurement by the Company. Investment management of the funds is performed by BTG Pactual Gestora de Recursos S.A., a subsidiary of Banco BTG Pactual S.A.

Company's management considers different valuation techniques when estimating the fair value measurement of its available-for-sale financial assets. These valuation techniques uses a wide range of unobservable inputs and also consider different sale strategies, among them the sale of the assets held by FIP Principal and Infrastructure Fund on an individual basis or the sale of the quotes of the feeders.

As of December 31, 2014, the Company's management concluded that cost (fair value at acquisition) plus specific adjustment was considered the best estimate of fair value for unquoted investments due to the wide range of possible fair value measurements of the available-for-sale financial assets. The fair value measurement is adjusted whenever there is an occurrence of a liquidity event, significant changes to the unobservable inputs considered on the initial valuation, or the valuation methodologies do not provide wide range of possible fair value measurements. An example of the specific adjustment to the fair value measurement is the change in fair value of an asset held by FIP Principal which can be associated to the fair value measurement of the investments in the feeders i.e. changes in fair value of public companies such as Brasil Pharma S.A. and Brasil Broker Participações S.A.

FIP Principal

The table below shows the investments within the FIP Principal and the Company's indirect interest:

Investment	Description / Segment activity	Equity interest in 12/31/2014 (%)	12/31/2014	12/31/2013
LTN	Financial bills	-	1,050	-
Debentures				
A!Bodytech	Fitness segment	-	-	141,570
Equity interest				
A!Bodytech	Fitness segment	30.0%	173,632	
Brasil Brokers Participações S.A.	Investment in real estate companies	12.7%	61,980	143,314
Bravante Participações S.A.	Maritime transport, logistics services and environmental protection for the oil and gas sector	40.5%	339,074	358,427

(In thousands of reais)

Investment	Description / Segment activity	Equity interest in 12/31/2014 (%)	12/31/2014	12/31/2013
Deep Sea Group	Maritime transport and logistics services for the oil and gas sector	42.9%	568,698	436,067
Brasil Pharma S.A.	Pharmaceutical retail company	11.7%	71,859	170,152
Leader Participações S.A.	Retail company	22.9%	325,215	325,215
Auto Adesivos Paraná S.A.	Adhesives, labels and special paper company	85.3%	142,384	142,420
Estre Participações S.A.	Waste collection, treatment and disposal	27.4%	611,622	534,850
UOL Universo on Line S.A.	Internet and server provider	6.5%	144,804	144,804
Other	Other assets or liabilities, net	-	(88,937)	(11,424)
			2,351,381	2,385,395
Company's direct and indirect interest in FIP Principal			34.22%	34.22%
Total estimated interest in FIP Principal			804,643	816,282

Infrastructure Fund

The table below shows the investments within the Infrastructure Fund and the Company's indirect interest:

Investment	Description / Segment activity	Direct and indirect interest in 12/31/2014	12/31/2014	12/31/2013
Latin America Power Holding B.V.	Energy sector	10.6%	73,990	51,074
SETE Participações S.A.	Oil and gas	0.5%	41,181	30,608
Contrail S.A.	Logistics services	-	-	3,960
Other	-	-	77	1,045
Total of investments in Infrastructure fund			115,248	86,687

ADS

On December 23, 2013, BTGI acquired a 10.9% stake in Star Atlantic Waste Holdings II, L.P. ("Star Atlantic") from Estre Ambiental S.A. ("Estre"), an investee of FIP Principal, for USD93.2 million. Star Atlantic is the indirect owner of Advanced Disposal, Interstate Waste and Veolia SW ("ADS"). The transaction represent an indirect interest of 10.26% in ADS. ADS is considered to be the largest privately-owned solid waste services company in the U.S. and the fourth largest overall by revenue.

CDR Pedreira Ltda.

On December 2014, the Company acquired from Estre, for R$ 180 million, a 65% stake in CDR Pedreira – Centro de Disposição de Resíduos Ltda, whose main operation is solid waste management. On the same transaction, the Company and FIP Principal entered into a sell and put option over the interest in CDR Pedreira and Estre.

Brasil Pharma S.A.

On June 2014, in a transaction executed on the Brazilian Stock Exchange (BM&F BOVESPA), the Company`s subsidiary, BTG Pactual Stigma LLC, acquired 51,749,320 common stocks, equivalent to 14.3% of the equity interest of Brasil Pharma S.A., based on the share price of R$3.75.

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As a result of the acquisition, BTG Pactual Stigma LLC has received 4,258,084 warrants, equivalent to 1.17% of the equity interest of Brasil Pharma S.A. The total amount of the acquisition was R$194,060. As of December 31, 2014 the market value was R$123,681.

Simultaneously with the acquisition above, BTG Pactual Stigma LLC sold a 180 day call option, to FIP Principal, on 12,490,384 shares and 4,258,084 warrants, at a strike price equivalent to the purchase price adjusted by the CDI rate, from the effective subscription date to one business day prior to the exercise date of the options. As of December 31, 2014 the call option was not exercised and it was extended until June 30, 2015.

f. Loans and receivables

	12/31/2014	12/31/2013
Partners (i)	1,412,258	741,197
BTG Pactual Holding S.A.	-	1,496
ATLL Concessionaria de La Generalitat de Catalunya S.A. (ii)	198,213	203,617
Promissory notes (iii)	249,930	-
BTG MB Investments LP. (iv)	333,347	-
Other	124	57,054
	2,193,872	1,003,364

(i) These loans are indexed to CDI or Libor and have maturities generally above one year.
(ii) Interest of 4.25% p.a. with maturity on August 3, 2016.
(iii) Interest of 100% CDI with an additional of 2.75% p.a., with maturity up to 180 days.
(iv) Interest of 2.4% p.a. with an additional of 6 month libor, with maturity on March 2, 2016.

g. Financial liabilities at amortized cost

	12/31/2014				12/31/2013
	Maturity	Index	US$	R$	R$
Loans with financial institutions	February-14 to March-17	Libor and 2.0% to 2.64% p.a.	959,391	2,548,335	2,071,372
Senior notes	April-18	4.5% p.a.	703,682	1,869,120	1,646,934
Medium term notes	January-15 to June-19	0.25% to 3.65% p.a.	818,674	2,174,563	1,296,794
Others	June-24	100% CDI and 3% to 6% p.a.	182,523	484,817	32,278
			2,664,270	7,076,835	5,047,378

In addition to covenants related to indebtedness and cross-default provisions, the loans, senior notes and medium term notes are guarantee by BTG Pactual Holding S.A., the parent company of Banco BTG Pactual.

h. Reclassifications

There were no reclassifications among categories during the year ended December 31, 2014 and 2013, other than those disclosed in these financial statements.

(In thousands of reais)

j. Fair value of financial instruments

The summary of assets and liabilities classified in accordance with the fair value hierarchy is as follows:

	12/31/2014			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	270,589	1,310,960	175	1,581,724
Financial assets held for trading	21,141,085	11,236,735	669,992	33,047,812
Financial assets available for sale	-	123,681	1,350,443	1,474,124
	21,411,674	12,671,376	2,020,610	36,103,660
Liabilities				
Derivative financial instruments	267,876	1,329,648	-	1,597,524
Financial liabilities held for trading	3,538,374	34,228	-	3,572,602
	3,806,250	1,363,876	-	5,170,126

	12/31/2013			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	670,289	761,727	142	1,432,158
Financial assets held for trading	27,017,878	12,468,685	107,211	39,593,774
Financial assets available for sale	-	-	1,123,454	1,123,454
	27,688,167	13,230,412	1,230,807	42,149,386
Liabilities				
Derivative financial instruments	645,154	1,041,785	-	1,686,939
Financial liabilities held for trading	5,055,311	-	-	5,055,311
	5,700,465	1,041,785	-	6,742,250

No significant reclassification between levels 1 and 2 was carried during theyear ended December 31, 2014 and the year ended December 31, 2013. Changes in level 3 for the year ended are as follows:

	Derivative financial instruments (liability)	Derivative financial instruments (asset)	Financial assets held for trading	Financial assets available for sale
Balances at December 31, 2012	(276,686)	-	-	1,044,941
Acquisitions	42,386	142	107,211	510,168
Sales / settlement	(62,095)	-	-	(48,232)
Other (i)	-	-	-	(342,927)
Gains (losses) recognized in:				
Gains on financial instruments held for trading	298,764	-	-	-
Gains on financial assets available for sale	-	-	-	(3,241)
Other Comprehensive Income - Financial assets available for sale:				
Foreign exchange	(2,369)	-	-	194,060
Fair value measurament	-	-	-	(231,315)
Balances at December 31, 2013	-	142	107,211	1,123,454
Balances at December 31, 2013	-	142	107,211	1,123,454
Acquisitions	-	-	485,230	206,203
Sales / reclassifications	-	-	299,963	-
Gains (losses) recognized in:				
Losses on financial instruments held for trading	-	33	(222,412)	
Other Comprehensive Income - Financial assets available for sale:				
Foreign exchange	-	-	-	97,214
Fair value measurament - unrealized	-	-	-	(105,386)
Impairment losses	-	-	-	28,958
Balances at December 31, 2014	-	175	669,992	1,350,443

(i) Refers to the reclassification of Leader from financial assets available for sale to investment in associates and joint ventures entities.

(In thousands of reais)

10. Amounts due from/ to brokers

Assets and liabilities included in this item are shown in the table below:

	12/31/2014	12/31/2013
Due from brokers		
Custodian bank		
Banco BTG Pactual S.A.	32,753	45,779
Main brokers		
UBS AG	1,775,519	836,982
Citigroup	2,084,262	4,924,388
Bank of America	2,838	47,086
BTG Pactual Chile	3,114	6,183
Morgan Stanley	112,703	114,225
Others	97,923	29,088
	4,109,112	6,003,731
Netting (i)	(148,940)	(1,552,106)
	3,960,172	4,451,625

	12/31/2014	12/31/2013
Due to brokers		
Custodian bank		
Banco BTG Pactual S.A.	12,631	9,573
Main brokers		
UBS AG	1,964,791	985,718
Citigroup	167,242	1,561,516
Morgan Stanley	6,758	124,821
Others	37,286	2,516
	2,188,708	2,684,144
Netting (i)	(148,940)	(1,552,106)
	2,039,768	1,132,038

(i) The total amount that meets the criteria for netting was netted on December 31, 2014.

11. Non-current assets held for sale

On December 31, 2013 the Company held 100% and 55% interest in BTG Pactual SCFlor & São Lourenço Holding S.A. (“SCFlor”) and BTG Pactual Santa Terezinha Holding S.A. (“StaTerezinha”), respectively. These investments correspond to land and timber assets which were expected to be transferred during 2014 to the Timber Fund, which the Company would be a co-investor.

In 2014, as a result of changes in the transfer structure, the Company sold 23.73% and 14.82% of its shares in SCFlor and StaTererezinha, respectively, and consolidated their results and operations. The main assets identified in the business combination correspond to land and biological assets. The impacts to comparative information were not material.

(In thousands of reais)

12. Investment in associates and joint ventures

		12/31/2014						
		Assets		Liabilities				
	Relationship	Current	Non-current	Current	Non-current	Shareholders' equity	Net income -Year ended December 31, 2014 (i)	Interest - %
B&A Mineração S.A.	Joint venture	25,051	446,836	19,896	82,721	369,270	(112,451)	87.83%
União de Lojas Leader S.A .	Associate	329,622	1,950,454	989,668	388,569	901,839	(144,239)	44.02%
ATLL Concessionaria de La Generalitat de Catalunya S.A.	Joint venture	427,068	3,241,317	285,018	2,915,353	468,014	15,545	39.00%
SPE Holding Beira-Rio S.A.	Joint venture	37,120	382,253	53,104	346,413	19,856	(17,270)	50.00%
BR Properties S.A.	Associate	565,062	8,308,704	286,274	2,582,376	6,005,116	264,408	2.88%
SIFR Holdings Ltd.	Joint venture	-	397,793	28,477	-	369,315	(29,115)	50.00%

		12/31/2013						
		Assets		Liabilities				
	Relationship	Current	Non-current	Current	Non-current	Shareholders' equity	Net income -Year ended December 31, 2013 (i)	Interest - %
B&A Mineração S.A.	Joint venture	35,201	336,875	4,717	101	367,257	(55,633)	87.76%
Túnel de Barcelona i Cadí Concessionaria de La Generalitat de Catalunya S.A.	Joint venture	105,579	1,195,190	46,765	916,750	337,255	(1,829)	65.00%
União de Lojas Leader S.A .	Associate	739,109	2,283,365	985,635	616,349	1,420,491	537	44.02%
ATLL Concessionaria de La Generalitat de Catalunya S.A.	Joint venture	3,287,704	256,486	712,162	2,336,259	495,770	12,761	39.00%
SPE Holding Beira-Rio S.A.	Joint venture	24,356	350,708	3,831	334,111	37,122	(526)	50.00%
BR Properties S.A.	Associate	827,280	10,365,660	720,498	2,822,001	7,650,441	81,162	18.55%

(In thousands of reais)

	12/31/2013	Aquisition/Increase/Transfer	Sales	Dividends	Foreign Exchange	Equity pick up	Other Comprehensive income	12/31/2014
B&A Mineração S.A. (ii)	322,291	12,067	-	-	114,902	(176,078)	48,146	321,327
Túnel de Barcelona i Cadí Concessionaria de La Generalitat de Catalunya S.A.	219,216	(183,720)	-	(20,727)	(7,141)	(7,629)	-	-
ATLL Concessionaria de La Generalitat de Catalunya S.A.	193,350	-	-	(16,461)	1,538	5,035	-	183,462
União de Lojas Leader S.A .	643,439	-	-	-	-	(65,211)	-	578,228
SPE Holding Beira-Rio S.A.	20,358	116	-	-	-	(9,069)	-	11,404
BR Properties S.A. (iii)	1,060,214	167,361	(1,065,956)	(54,082)	-	(6,366)	-	101,171
SIFR Holdings Ltd.	-	166,440	-	-	32,475	(14,257)	-	184,658
Others	8,299	(6,034)	-	-	(1,021)	(721)	-	523
	2,467,167	156,230	(1,065,956)	(91,270)	140,753	(274,296)	48,146	1,380,774

	12/31/2012	Aquisition/Increase/Transfer	Sales	Foreign Exchange	Equity pick up	Other Comprehensive income	12/31/2013
B&A Mineração S.A.	229,699	153,305	-	64,093	(62,285)	(62,521)	322,291
Túnel de Barcelona i Cadí Concessionaria de La Generalitat de Catalunya S.A.	184,015	-	-	33,860	1,341	-	219,216
ATLL Concessionaria de La Generalitat de Catalunya S.A.	157,726	-	-	31,428	4,196	-	193,350
União de Lojas Leader S.A .	338,451	297,299	-	-	7,689	-	643,439
SPE Holding Beira-Rio S.A.	-	20,358	-	-	-	-	20,358
BR Properties S.A.	-	1,261,439	(170,694)	-	(30,531)	-	1,060,214
Others	-	8,930	-	(167)	(464)	-	8,299
	909,891	1,741,331	(170,694)	129,214	(80,054)	(62,521)	2,467,167

(i) Converted at closing rates only for presentation purpose.
(ii) The total equity pick up recognized in 2014 was R$176 million (2013 – R$62 million) , which R$58 million refers to the realized share of other comprehensive income from non-controlled entities (2013 – zero).
(iii) As of December 31, 2014 the Company's interest equals to 76,297,469 shares (2013 – 57,997,469) at a market price on that date of R$10.25 (2013 – R$18.60).

B&A Mineração S.A.

On July 12, 2012 BTGI entered into a partnership agreement with AGN Agroindustrial, Projetos e Participações Ltda. ("AGN"), to jointly explore by means of a new company referred to as B&A Mineração, investment opportunities in the mining sector, focused on Brazil, Latin America and Africa. As of December 31, 2014, the Companys interest in B&A is 87.83%, however the Company concluded that B&A Mineração is a joint venture because AGN has veto rights to certain significant matters and is able to indicate half of the board of the directors.

Túnel de Barcelona i Cadí Concessionaria de La Generalitat de Catalunya S.A.

On November 20, 2014 the Company signed a binding agreement for the sale of its 65.0% share in Túnel de Barcelona i Cadí Concessionaria de La Generalitat de Catalunya S.A. The agreement established that the closing of the transaction is subject to standard precedent conditions, including regulatory approval, which are expected to be obtained based on our judgment and from our legal counsel. The agreement also established certain pre-closure governance practices that resulted in the loss of our significant influence over the retained interest and therefore the jointly controlled status. Upon the loss of significant influence, IAS 28 mandates the reclassification from permanent asset to financial assets (IAS 39) and the recognition in profit or loss of any difference between (i) the fair value of any retained interest and (ii) the carrying amount at the date the equity method was discontinued. As a result, the Company recognized an estimated fair value gain of R$287 million based on the purchase price of the binding agreement.

BR Properties S.A.

On December 31, 2013 the Company held 18.55% of BR Properties. On January 23, 2014 Banco BTG Pactual sold 2.98% of BR Properties total shares to BTG Pactual PropertyCo II LLC, a subsidiary of BTGI.

On April 10, 2014, BTG Pactual Property Co and BTG Pactual Property Co II LLC sold 18.65% of its shares to the fund Propertyco FIM CP IE, whose shareholder is Banco BTG Pactual. The referred transaction was executed on the Brazilian Stock Exchange (BM&F BOVESPA) based on the closing price of April 10, 2014.

BR Properties S.A. is one of the most important market participants in the Brazilian real estate properties segment, with a focus on the development, acquisition, leasing and sale of commercial and industrial/logistics real estate properties in Brazil.

13. Investment properties

During the fourth quarter of 2014, the Company reevaluated its investment properties, recognizing a gain of R$389,282, before deferred income taxes in the amount of R$24,894.

Due to the changes described in note 10, the Company consolidated two new investment properties which totaled R$127,393.

As of December 31, 2014, the total amount of the Company's investment property was R$770,681.

(In thousands of reais)

15. Shareholders' equity

a. Capital

BTGP's Shareholders Meeting held on November 20, 2014 approved the conversion of 6,278,466 class D shares into 6,278,466 class A and 12,556,932 class B shares. Due to the conversions, the interest of the Company in BTGI is 25.05% on December 31, 2014 (December 31, 2013 – 24.24%).

BTGP's Shareholders Meeting held on June 6, 2014 approved the conversion of 1,033,707 class D shares into 1,033,707 class A and 2,067,414 class B shares.

As of December 31, 2014 and December 31, 2013, the Company's capital was comprised by the following class of shares:

	12/31/2014				
	Authorized	**Issued**	**Par value (R$)**	**Voting rights**	**Vote per share**
Class A	5,000,000,000	226,714,759	-	Yes	1
Class B	10,000,000,000	453,429,518	-	No	-
Class C	1	1	10	Yes	(*)
Class D	1,000,000,000	27,475,443	0,0000000001	Yes	1
Total	16,000,000,001	707,619,721			

	12/31/2013				
	Authorized	**Issued**	**Par value (R$)**	**Voting rights**	**Vote per share**
Class A	5,000,000,000	219,402,586	-	Yes	1
Class B	10,000,000,000	438,805,172	-	No	-
Class C	1	1	10	Yes	(*)
Class D	1,000,000,000	34,787,616	0,0000000001	Yes	1
Total	16,000,000,001	692,995,375			

(*) Class C shareholders have voting rights equivalent to ten times the total number of issued and subscribed A and D Class shares at any moment.

b. Dividends

The Company did not pay dividends for the year ended on December 31, 2014 and year ended on December 31, 2013.

16. Earnings per share

	2014	**2013**
(Loss) attributed to controlling shareholders	(99,120)	(32,415)
Weighted average per thousand shares outstanding during the period (i)	661,583	521,375
Loss per share - Basic (in Reais)	(0.15)	(0.06)
Loss per share - Diluted (in Reais)	(0.15)	(0.06)

(i) Class A and class B shares

(In thousands of reais)

17. Interest income (expenses)

Interest (expenses) income recognized in the consolidated statement of income consists primarily of: (i) interest accumulated in the year from loans and financing, open market transactions and (ii) foreign exchange results. The breakdown of this item for the years ended December 31 is as follows:

a. Interest income

	2014	2013
Loans and receivables	115,195	53,477
Interest on open market investments	14,378	4,568
	129,573	58,045

b. Interest expenses

	2014	2013
Interest on funding	(418,034)	(160,238)
Foreign exchange	(188,444)	(104,047)
Interest on loans and financing	(71,435)	(32,421)
	(677,913)	(296,706)

18. Gain (losses) on financial instruments held for trading

	2014	2013
Derivatives financial instruments	(652,419)	248,017
Financial assets and liabilities held for trading	889,995	21,572
	237,576	269,589

19. Gain (losses) on financial assets available for sale

In 2014, the Company recognized losses totaling R$28,958 associated with its investments in FIP Principal fund, which had previously been recognized in Other comprehensive income. The recognition of losses was driven by the significant decrease in the stock market price of one of FIP Principal fund's portfolio companies.

20. Administrative expenses

	2014	2013
Professional fees (i)	(249,522)	(57,766)
Expenses related to financial market	(21,010)	(8,372)
Other administrative expenses	(1,440)	(4,301)
	(271,972)	(70,439)

(i) Mainly related to management and performance fees of ARF II.

(In thousands of reais)

21. Related parties

The balances of related-party transactions, which are carried out at arm's lenght, are reflected in the following items:

a. Subsidiaries, related parties and shareholders

			Assets (Liabilities)		Revenues (Expenses)	
	Relationship	Maturity	12/31/2014	12/31/2013	2014	2013
Assets						
Cash on banks						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	1,126,182	738,497	-	-
Open market investments						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	207,998	96,769	660	341
Financial assets held for trading						
- Banco BTG Pactual S.A. (ii)	Related	12/24/2014	1,908	3,953	6,154	107
Loans and receivables						
- BTG Pactual E&P B.V. (ii)	Related	No maturity	-	-	-	2,944
- Partners (i)	Partners	11/27/2033	1,412,258	741,197	11,980	3,893
- ATLL Concessionaria de La Generalitat de Catalunya S.A.	Joint venture	8/3/2016	198,212	203,617	4,063	4,645
- BTG Pactual Holding S.A.	Related	No maturity	-	1,496	-	22
- BTG MB Investments L.P.	Related	3/2/2016	333,347	-	1,060	-
- DSB Serviços de Óleo e Gás II S.A.	Related	2/23/2015	219,737	-	9,459	-
Due from brokers						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	32,753	45,779	-	-
- BTG Pactual Chile S.A. (ii)	Related	No maturity	3,114	6,183	-	-
Other assets						
- BTG Pactual Commodities Switzerland S.A. (ii)	Related	No maturity	-	-	-	1,490
- BTG MB Investments L.P.	Related	5/21/2015	254,773	40,466	208,890	5,923
Liabilities						
Open market funding						
- Banco BTG Pactual S.A. (ii)	Related	4/1/2014	(1,323,968)	(1,436,052)	(170,189)	(77,628)
Financial liabilities held for trading						
- Banco BTG Pactual S.A. (ii)	Related	4/17/2018	(188,425)	(38,958)	(9,889)	(680)
Derivative financial instruments						
- Banco BTG Pactual S.A. (ii)	Related	6/25/2014	(10,636)	(3,916)	6,154	64,094
Due to brokers						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	(12,631)	(9,573)	-	-
Other liabilities						
- BTG PactuaL Global Asset Management Limited (ii)	Related	No maturity	(12,665)	(4,603)	(269,817)	(48,738)

(i) Considered as related parties only partners acting as Executive Directors.
(ii) Banco BTG Pactual S.A. and subsidiaries, ultimately controlled by BTG Pactual Holding S.A.

b. Management compensation

No management compensation was recognized in the year ended December 31, 2014 and the year ended on December 31, 2013.

(In thousands of reais)

22. Other information

a. Cash and cash equivalents

Balances at beginning of the year	12/31/2014	12/31/2013
Cash at banks	811,392	78,813
Open market investments	7,184,406	11,163
	7,995,798	89,976

Balances at end of the year	12/31/2014	12/31/2013
Cash at banks	1,299,095	811,392
Open market investments	8,795,779	7,184,406
	10,094,874	7,995,798

b. Equity kicker

BTGI granted to BTG MB Investments L.P. (BTGMB), a merchant banking entity owned by partners of BTG Pactual Group, a series of loans totaling R$ 92.4 million to finance the acquisition of BTG Alpha Investments LLC., which were repaid in November 2010. Moreover, according to the loan agreements, BTGMB has to pay BTGI an equity kicker over the performance of certain of BTGMB's investments held at the date of the loan, which were acquired using funds from these loans (underlying entities). The equity kicker was considered an embedded derivative to the loans, and it is only due on the net gains captured by BTG MB on the specific assets financed by the loans.

The payment of the equity kicker is due in case of a liquidity event on the underlying entities or, not later than May 2015, based on the estimated fair value of the underlying assets at that date. As of December 31, 2012 and 2013 BTGMB had recognized a liability, and BTGI a receivable correspondent to the equity kicker, in the amount of R$40,466. Such amount was measured substantially based on indicative liquidity events occurred until that dates. As of December 31, 2014, the equity kicker amount was estimated at R$254,773 and it was determined based on a significant liquidity event occurred in December 2014 on one of the underlying assets, plus the estimate fair value of the remaining assets. Management does not expect significant differences in the estimated equity kicker from the amount recognized in December 2014 to the amount expected to be received by BTGI in May 2015.

c. Relevant subsidiary

The Company is the sole owner of BTG Bermuda LP Holdco Ltd ("BTG Holdco") which, on December 29, 2010, received a Class C common share in BTG Pactual Management Ltd and thus became general partner of BTGI. As a consequence of this transaction, the Company directly controls BTGI. Accordingly, the Company consolidated BTGI for the financial statements as of December 31, 2014 and December 31, 2013. The subsidiary's main figures are as follow:

(In thousands of reais)

	12/31/2014	12/31/2013
Assets	**55,293,635**	**58,430,140**
Securities and derivatives financial instruments	44,899,439	49,333,792
Due from brokers	3,960,172	4,451,625
Loans and receivables	2,193,872	1,003,364
Others	4,240,152	3,641,359
Liabilities	**51,145,468**	**54,290,459**
Open market funding and financial instruments	39,032,968	44,417,250
Due to brokers	2,039,768	1,132,038
Other	10,072,732	8,741,171
Shareholders' equity	**4,148,167**	**4,139,681**
Controlling interest	3,934,479	4,124,142
Non-controlling interest	213,688	15,539
Total liabilities and shareholders' equity	**55,293,635**	**58,430,140**

Statements of income for the period	**12/31/2014**	**12/31/2013**
Interest income/expenses, net	(548,340)	(238,661)
Gains on financial instruments, net	208,618	266,348
Other revenue/(expenses)	383,147	(34,040)
Gross income	**43,425**	**(6,353)**
Total expenses	(448,186)	(120,570)
(Loss) / net income for the period	**(404,761)**	**(126,923)**
Controlling interest	(518,422)	(126,989)
Non-controlling interest	113,661	66
Earnings / (Loss) per share (Basic and diluted in Reais)	(0.19)	(0.05)

Cash flow statements	**12/31/2014**	**12/31/2013**
Cash (used in) / provided by operating activities	(1,020,870)	(3,594,148)
Cash provided by / (used in) investing activities	1,184,716	6,993,670
Cash provided by financing activities	2,005,230	4,709,591
Increase / (Decrease) in cash and cash equivalents	**2,169,076**	**8,109,113**

d. Off balance commitments

	12/31/2014	12/31/2013
Off balance sheet commitmments		
Commitments to be released	1,349,875	1,321,689
Total	**1,349,875**	**1,321,689**

The item “Commitments to be released” denotes amounts related to the financial commitments of the Company with its investees.

e. Contingencies

ATLL Concessionaria de La Generalitat de Catalunya S.A.

On 6 November 2012, BTGI, Acciona S.A. and a consortium of investors (together “the Consortium”) were awarded the management concession for Aigues Ter Llobregat, the company that manages the upstream water supply for the city of Barcelona, for a period of 50 years. The concession contract was entered into by a newly established company called ATLL Concessionaria de La Generalitat de Catalunya S.A. ("ATLL") on 27 November 2012. BTGI and Acciona each hold a 39% equity interest in ATLL and have rights of veto over certain significant matters.

The result of the bidding process of the concession above is being challenged in court by a third party which has also participated in the bidding process. Since the award of the concession, several actions have been brought by both parties (including BTGI and Acciona) and the Generalitat to the regional court of Catalonia and Madrid, Spain. The last decisions from the courts of Catalunya , dated July 19, 2013, rejected reposition appeals filed by the Consortium-Acciona, BTGI and the Generalitat in the context of the precautionary measures and recently the Supreme Court in Madrid rejected the cassation appeal filed by BTGI and the Generalitat in this context. The main proceedings regarding the validity of the results of the bidding process is still ongoing at the courts of Catalunya.

Management has evaluated the lawsuit and and believe that there are reasonable chances that the final decision in the Supreme Court in Madrid will be favorable and therefore considers that the Consortium will continue managing the concession. Furthermore, the Consortium and its legal advisers consider that the Consortium has legal and contractual rights to obtain compensation for any direct losses incurred as well as to obtain reimbursement of the amount paid to the concession in the scenario of a loss of the lawsuit and consequently the concession. This understanding was confirmed by a letter from the Government of Catalonia, dated July 5, 2013, indicating that, in case the results of the bidding process were canceled, the Consortium should be compensated for damages, according to the concession agreement, which includes among other items, the unamortized part of the investment (concession fee plus capex). The Consortium is only obliged to return the concession after reimbursement.

As a result, the Company has not made any provisions in respect of this matter and continues to recognize its investment in ATLL based on the assumption of continuity of its operations.