

**Consolidated Financial Statements**  
**Banco BTG Pactual S.A. and subsidiaries**

September 30, 2014

With independent auditors' review report

## **BANCO BTG PACTUAL S.A and subsidiaries**

### Consolidated financial statements

September 30, 2014

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Centro Empresarial PB 370  
Praia de Botafogo, 370  
5º ao 8º Andares - Botafogo  
22250-040 - Rio de Janeiro - RJ - Brasil  
Tel.: (5521) 3263-7000  
ey.com.br

**A free translation from Portuguese into English of the independent auditors' review report on interim consolidated financial statement prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.**

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## **Independent auditors' review report**

To the Shareholders and Management of  
**Banco BTG Pactual S.A. and subsidiaries**

We have reviewed the interim consolidated financial statements of Banco BTG Pactual and its subsidiaries ("Bank") for the quarter ended September 30, 2014, which comprise the consolidated balance sheet as of September 30, 2014 and the related consolidated statements of income for the three and nine-month periods then ended, and changes in shareholders' equity and cash flows for the nine-month period then ended, and a summary of significant accounting practices and other explanatory notes.

Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil. Our responsibility is to express a conclusion on these interim consolidated financial statement based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - *Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial statement referred above have not been prepared, in all material respects, in accordance with the accounting practices adopted in Brazil applicable to institutions accredited by the Central Bank of Brazil.

### **Emphasis of matter**

As of September 30, 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 on June 2014 and approved by its Board of Directors on June 30, 2014, which main assumptions used were the macroeconomics indexes for production, funding costs, a capital injection and disposal of assets. 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 conclusion is not qualified in respect to this matter.

### **Other matters**

#### **Statement of value added**

We have also reviewed the consolidated statement of value added (SVA), for the nine-month period ended September 30, 2014, prepared under the responsibility of Bank's management, the presentation of which is considered as supplementary information. This statement has been subject to the same review procedures previously described, and based on our review nothing has come to our attention that causes us to believe that the consolidated statement of value added is not fairly presented, in all material respects, in relation to the overall interim consolidated financial statements.

Rio de Janeiro, November 4, 2014.

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



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 September 30, 2014 and December 31, 2013

(In thousands of reais)

	Note	30/09/2014	31/12/2013
Assets			
Current assets		109,755,434	93,363,249
Cash at banks	6	1,628,741	1,074,026
Short-term interbank investments	7	33,867,430	23,761,010
Open market investments		28,171,535	19,953,446
Interbank deposits		5,695,895	3,807,564
Securities and derivative financial instruments		42,095,023	34,802,461
Own portfolio	8	16,842,193	15,938,183
Subject to repurchase agreements	8	2,562,112	9,806,523
Subject to unrestricted repurchase agreements	8	473,125	964,890
Derivative financial instruments	9	21,020,837	4,162,587
Subject to guarantees	8	1,196,756	3,930,278
Interbank transactions		220,326	238,046
Payments and receipts		101	-
Deposits in the Central Bank of Brazil		218,838	237,802
Correspondent banks		1,387	244
Loans	10	7,233,201	5,732,340
Loans		7,318,362	5,794,178
Assigned loans		156,210	-
Allowance for loan losses		(241,371)	(61,838)
Other receivables		24,591,470	27,673,754
Credits for guarantees honored		53,355	51,188
Foreign exchange portfolio	11	6,559,611	13,315,152
Income receivable	12	1,059,533	1,505,570
Securities trading and brokerage	11	11,405,318	8,489,329
Sundry	12	6,592,215	5,425,772
Allowance for losses on other receivables	10	(1,078,562)	(1,113,257)
Other assets		119,243	81,612
Temporary investments		52,149	-
Other assets		21,442	35,124
Prepaid expenses		56,836	55,341
Provision for losses		(11,184)	(8,853)
Long-term-assets		31,618,783	21,923,654
Long-term interbank investments	7	19,257	51,317
Interbank deposits		19,257	51,317
Securities and derivative financial instruments		20,169,697	7,854,751
Own portfolio	8	5,855,475	753,256
Derivative financial instruments	9	6,695,827	3,077,245
Subject to repurchase agreements	8	6,212,113	3,372,236
Subject to guarantees	8	1,406,282	652,014
Interbank transactions		1,853	1,853
Restricted credits – National Housing System		1,853	1,853
Loans	10	8,074,386	9,347,667
Loans		8,164,486	9,452,070
Assigned loans		37,639	-
Allowance for loan losses		(127,739)	(104,403)
Other receivables		3,327,666	4,651,496
Securities trading and brokerage	11	1,591,004	3,042,224
Sundry	12	1,740,956	1,622,455
Allowance for losses on other receivables	10	(4,294)	(13,183)
Other assets		25,924	16,570
Prepaid expenses		25,924	16,570
Permanent assets		5,106,487	4,514,424
Investments		4,262,146	3,551,319
Investments in associates and jointly controlled entities - in Brazil	13	1,393,025	966,819
Investments in associates and jointly controlled entities - abroad	13	2,744,596	2,478,710
Other investments		128,183	108,712
Allowance for losses		(3,658)	(2,922)
Property and equipment in use		133,728	116,741
Property in use		9,791	11,105
Other property and equipment in use		225,151	193,424
Accumulated depreciation		(101,214)	(87,788)
Deferred charges		23,270	25,149
Amortization and expansion costs		65,722	58,188
Accumulated amortization		(42,452)	(33,039)
Intangible assets	14	687,343	821,215
Other intangible assets		1,007,733	1,150,676
Accumulated amortization		(320,390)	(329,461)
Total assets		146,480,704	119,801,327

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated balance sheets

As at September, 30, 2014 and December 31, 2013

(In thousands of reais)

	Note	30/09/2014	31/12/2013
Liabilities			
Current liabilities		93,820,471	82,746,090
Deposits	15	17,978,765	15,875,602
Demand deposits		222,506	156,495
Interbank deposits		598,381	320,313
Time deposits		17,157,878	15,398,794
Open market funding	15	28,432,856	29,474,212
Own portfolio		7,994,583	11,216,234
Third-party portfolio		13,941,196	6,864,760
Free trading portfolio		6,497,077	11,393,218
Funds from securities issued and accepted	15	7,293,909	6,984,926
Real estate, mortgage, credit and similar notes		5,440,721	4,858,251
Securities issued abroad		1,817,133	2,126,675
Certificates of structured transactions		36,055	-
Interbank transactions		6,573	2,513
Unsettled receipts and payments		6,573	2,513
Loans and onlending	15	4,144,743	3,365,313
Loans abroad		3,423,193	2,889,466
Loans in Brazil		713,120	469,305
Onlending in Brazil		8,430	6,542
Derivative financial instruments	9	20,220,601	4,695,603
Derivative financial instruments		20,220,601	4,695,603
Other liabilities		15,743,024	22,347,921
Collection and payments of tax and similar charges		2,289	2,852
Foreign exchange portfolio	11	5,891,269	12,783,692
Social and statutory	16	668,504	1,670,578
Tax and social security	16	1,003,664	427,564
Securities trading and brokerage	11	6,063,958	6,405,322
Sundry	16	2,113,340	1,057,913
Long-term liabilities		37,451,737	24,441,479
Deposits	15	1,884,671	1,777,101
Interbank deposits		92,448	68,297
Time deposits		1,792,223	1,708,804
Open market funding	15	4,019,913	1,819,095
Own portfolio		1,004,075	1,819,095
Third-party portfolio		30,109	-
Free trading portfolio		2,985,729	-
Funds from securities issued and accepted	15	11,460,923	7,912,042
Real estate, mortgage, credit and similar notes		7,724,988	4,243,866
Securities issued abroad		3,735,935	3,668,176
Loans and onlending	15	1,905,868	1,715,153
Loans in Brazil		427,246	-
Loans abroad		-	739,209
Onlending in Brazil		1,478,622	975,944
Derivative financial instruments	9	6,189,285	2,797,828
Derivative financial instruments		6,189,285	2,797,828
Other liabilities		11,991,077	8,420,260
Social and statutory	16	206	1,544
Tax and social security	16	853,975	775,775
Securities trading and brokerage	11	-	128,329
Subordinated debt	15	7,134,039	6,748,716
Debt instrument eligible to capital	15	3,158,721	-
Sundry	16	844,136	765,896
Deferred income		128,770	151,851
Non-controlling interest		804,397	334,083
Shareholders' equity	19	14,275,329	12,127,824
Capital - domiciled in Brazil		4,687,250	4,687,289
Capital - domiciled Abroad		1,719,574	1,719,574
Fair value of assets available for sale		41,848	57,544
Income reserves		5,753,756	5,663,417
Retained earnings		2,072,901	-
Total Liabilities and Shareholders' equity		146,480,704	119,801,327

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated statements of income

Nine-month period and quarters ended September 30

(In thousands of reais, except net income per share)

	Note	Quarter ended:		Nine-month period ended:	
		30/09/2014	30/09/2013	30/09/2014	30/09/2013
Financial income		3,248,071	2,882,123	10,177,531	6,924,962
Loans		630,777	483,650	1,536,209	1,323,840
Securities		2,282,105	2,218,755	5,919,262	5,244,474
Derivative financial instruments		388,853	-	1,761,683	-
Foreign Exchange		(59,169)	172,669	939,645	338,998
Mandatory investments		5,505	7,049	20,732	17,650
Financial expenses		(3,080,150)	(2,300,446)	(7,205,225)	(4,624,376)
Funding operations		(1,921,446)	(1,590,537)	(5,812,179)	(3,486,278)
Borrowing and onlending		(1,064,019)	(263,646)	(1,182,922)	(625,462)
Derivative financial instruments		-	(418,954)	-	(325,885)
Allowance for loan losses and other receivables		(94,685)	(27,309)	(210,124)	(186,751)
Net financial income		167,921	581,677	2,972,306	2,300,586
Other operating income (expenses)		512,485	320,978	562,936	455,879
Income from services rendered	20	721,109	636,174	2,020,378	1,865,893
Personnel expenses		(204,271)	(140,128)	(543,824)	(389,026)
Other administrative expenses	23	(359,564)	(242,480)	(906,872)	(676,092)
Tax charges		(35,841)	(78,705)	(232,633)	(234,645)
Equity in the earnings of associates and jointly controlled entities	13	352,004	141,888	236,815	(143,282)
Other operating income	21	106,526	152,258	265,864	333,398
Other operating expenses	22	(67,478)	(148,029)	(276,792)	(300,367)
Operating income		680,406	902,655	3,535,242	2,756,465
Non-operating income		534	26,830	4,499	27,834
Income before taxation and profit sharing		680,940	929,485	3,539,741	2,784,299
Income tax and social contribution	18	268,434	(171,080)	(344,285)	(308,521)
Provision for income tax		(100,695)	(145,429)	(567,956)	(453,144)
Provision for social contribution		37,987	(59,466)	(180,406)	(232,007)
Deferred income tax and social contribution		331,142	33,815	404,077	376,630
Statutory profit sharing		(165,412)	(102,634)	(607,238)	(523,797)
Non-controlling interest		19,811	(38,856)	23,423	(85,751)
Net income for the quarter/period		803,773	616,915	2,611,641	1,866,230
Interest on equity	19	-	-	(301,800)	(255,000)
Weighted average numbers of share outstanding		2,714,902,212	2,648,400,000	2,714,902,212	2,648,400,000
Net income per share - R\$		0.30	0.23	0.96	0.70

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Statements of changes in shareholders' equity – Parent company

Nine-month period ended September 30

(In thousands of reais)

	Note	Capital	Increase in capital	Income reserves			Fair value adjustments	Retained earnings	Total	
				Legal	Unrealized	Statutory				Total
Balances as at December 31, 2012		6,354,375	52,488	326,039	1,291,350	2,044,244	3,661,633	-	-	10,068,496
Capital increase	19	52,488	(52,488)	-	-	-	-	-	-	-
Changes in fair value of assets available for sale in jointly controlled entities		-	-	-	-	-	-	3,656	-	3,656
Net income for the period		-	-	-	-	-	-	-	1,839,586	1,839,586
Net income allocation		-	-	-	-	-	-	-	-	-
Legal reserve		-	-	61,240	-	-	61,240	-	(61,240)	-
Intermediate interest on equity (R\$ 0.09 per share)		-	-	-	-	-	-	-	(255,000)	(255,000)
Intermediate dividends (R\$ 0.02 per share)		-	-	-	-	-	-	-	(60,465)	(60,465)
Balances as at September 30, 2013		<u>6,406,863</u>	<u>-</u>	<u>387,279</u>	<u>1,291,350</u>	<u>2,044,244</u>	<u>3,722,873</u>	<u>3,656</u>	<u>1,462,881</u>	<u>11,596,273</u>
Balances as at December 31, 2013		6,406,863	-	458,187	1,078,592	4,073,264	5,610,043	57,543	-	12,074,449
Changes in fair value of assets available for sale	13	-	-	-	-	-	-	(11,724)	-	(11,724)
Changes in fair value of assets available for sale - jointly controlled		-	-	-	-	-	-	(3,971)	-	(3,971)
Net income for the period		-	-	-	-	-	-	-	2,610,515	2,610,515
Net income allocation	19	-	-	-	-	-	-	-	-	-
Legal reserve	19	-	-	90,339	-	-	90,339	-	(90,339)	-
Intermediate interest on equity (R\$0.11 per share)	19	-	-	-	-	-	-	-	(301,800)	(301,800)
Intermediate dividends (R\$0.05 per share)	19	-	-	-	-	-	-	-	(146,639)	(146,639)
Balances as at September 30, 2014		<u>6,406,863</u>	<u>-</u>	<u>548,526</u>	<u>1,078,592</u>	<u>4,073,264</u>	<u>5,700,382</u>	<u>41,848</u>	<u>2,071,737</u>	<u>14,220,830</u>

Reconciliation of net income (loss) and shareholders' equity of Banco BTG Pactual S.A. and subsidiaries is presented in Note 19(f).

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



## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated statements of cash flows

Nine-month period ended September 30

(In thousands of reais)

	Note	30/09/2014	30/09/2013
Operating activities			
Net income for the period		2,611,641	1,866,230
Adjusts to net income		(39,203)	286,640
Equity pick up from associates and jointly controlled entities	13	(236,815)	143,282
Goodwill amortization	22	120,127	122,725
Goodwill exchange variation	14	22,465	(32,037)
Depreciation and amortization	23	55,020	52,670
Adjusted net income for the period		2,572,438	2,152,870
Increase/decrease in operational activities			
Short-term interbank investments		1,193,083	(17,837,023)
Securities and derivative financial instruments		(702,777)	(3,695,939)
Loans		(227,580)	(4,803,737)
Other receivables and other assets		4,359,129	(15,538,009)
Interbank transactions		21,780	216,420
Other liabilities		(6,199,034)	7,787,139
Deferred income		(23,081)	(2,715)
Deposits		2,210,733	3,799,112
Open market funding		1,159,462	23,700,566
Loans and onlending		970,145	2,322,093
Cash provided by / (used in) operating activities		5,334,298	(1,899,223)
Investing activities			
Aquisition of other investment		(19,471)	(3,666)
Sale of investments	13	198,483	39,823
Acquisition of equity interests	13	(692,739)	(2,064,923)
Dividends	13	35,007	39,264
Acquisition of property and deferred charges		(87,689)	(36,551)
Sale of property and deferred charges		47,468	22
Acquisition of intangible assets	14	(37,964)	(32,878)
Sale of intangible assets	14	73	1,909
Cash (used in) investing activities		(556,832)	(2,057,000)
Financing activities			
Funds from securities issued and accepted		3,857,864	5,497,225
Subordinated debt		385,323	370,428
Debt instrument eligible to equity		3,158,721	-
Non-controlling interest		470,314	225,161
Interest on equity	19	(548,700)	(475,000)
Dividends distributed	19	(278,830)	(252,551)
Cash provided by financing activities		7,044,692	5,365,263
Increase in cash and cash equivalents		11,822,158	1,409,040
Balance of cash and cash equivalents	25		
At the beginning of the period		10,755,165	17,445,761
At the end of the period		22,577,323	18,854,801
Increase in cash and cash equivalents		11,822,158	1,409,040
Non-cash transaction			
Changes in fair value of assets available for sale in jointly controlled entities		(3,971)	3,656

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

## BANCO BTG PACTUAL S.A. and subsidiaries

### Consolidated statements of value added

Nine-month period ended September 30

(In thousands of reais)

	<u>30/09/2014</u>	<u>30/09/2013</u>
Income	11,981,355	8,664,969
Financial brokerage	10,306,993	6,924,962
Services rendered	2,020,378	1,865,893
Allowance for loan losses and other receivables	(339,587)	(186,751)
Other	(6,429)	60,865
Expenses	(6,995,101)	(4,437,625)
Financial brokerage	(6,995,101)	(4,437,625)
Inputs acquired from third parties	(782,513)	(569,362)
Materials, energy and other	(9,003)	(6,200)
Outsourced services	(773,510)	(563,162)
Gross value added	4,203,741	3,657,982
Depreciation and amortization	(55,020)	(52,670)
Net value added produced by the entity	4,148,721	3,605,312
Value added received through transfer	236,815	(143,282)
Equity in the earnings of associates and jointly controlled entities	236,815	(143,282)
Value added to be distributed	4,385,536	3,462,030
Distribution of value added	4,385,536	3,462,030
Personnel	1,150,962	860,977
Direct compensation	1,031,726	820,183
Benefits	59,625	29,033
FGTS – government severance pay fund	59,611	11,761
Taxes, fees and contributions	576,919	595,012
Federal	514,887	523,777
Municipal	62,032	71,235
Remuneration of third party capital	69,437	54,060
Rent expenses	69,437	54,060
Remuneration of shareholders	2,588,218	1,951,981
Interest on equity	301,800	255,000
Dividends	146,639	60,465
Retained earnings	2,163,202	1,550,765
Non-controlling interest	(23,423)	85,751

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

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements  
September 30, 2014  
(In thousands of reais)

### **1. Operations**

Banco BTG Pactual S.A. (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 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 Bank's Management in November 4, 2014, and they contain a true and fair view of the development and results of the Bank and subsidiaries.

### **2. Corporate reorganization and acquisitions**

#### **Corporate events**

Banco Pan S.A. ("Banco Pan"), Banco BTG Pactual 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 to BTG Pactual Seguradora S.A. ("BTGP Seguradora"), a subsidiary of BTG Pactual, as well as (ii) its 100% interest in Pan Corretora to BTG Pactual 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. 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 Seguros.

The effective closing of each transaction will be subject (i) also to the closing of the other transaction, since these refer to mutually dependent businesses and purchase and sale agreements and (ii) to usual conditions for transactions of this nature, including all the necessary and applicable regulatory approvals by the appropriate Brazilian authorities.

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 are 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.

Banco BTG Pactual and Caixapar exercised their respective preemptive rights in connection with the capital issuance described in (i) and made a total capital contribution of R\$1,331.6 million, becoming the joint holders of all voting shares and 80.7% of Banco Pan's total capital stock. CaixaPar and Banco BTG Pactual have also guaranteed, in the aggregate, 100% of the subscription of the redeemable preferred shares described in (ii) above.

## **BANCO BTG PACTUAL S.A. and subsidiaries**

Notes to the consolidated financial statements  
September 30, 2014  
(In thousands of reais)

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

On January 24, 2014 Banco BTG Pactual 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, Banco BTG Pactual sold its interests in BTG Pactual Absolute Return Fund II, L.P ("ARF II") to an independent third party for a total 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 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 remains subject to the approval of the Chilean authorities.

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 and disposals**

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\$ 3.7 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.

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

On November 21, 2013 the Bank sold to Harpia Ômega Participações S.A, controlled by BTG Investments 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 15% and 3.65%, respectively, 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 period ended September 30, 2014, and year ended December 31, 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 BACEN Resolution No. 3566 (CPC01 – 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 TTT Brasil Investimentos Florestais Ltda. ("TTT Brasil") for a total amount of R\$20.2 million. TTT 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 TTT 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 June 30, 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 January 30, 2013, the Bank signed definitive agreements related to its acquisition of certain credits and rights held by Fundo Garantidor de Créditos ("FGC") against Banco Bamerindus do Brasil S/A ("Bamerindus"), in Extrajudicial Liquidation (the "Institution"), and other companies in the Institution's economic group ("Transaction"). In connection with the Transaction, BTG Pactual will pay approximately R\$418 million to the FGC in five installments, the first of which will be paid at the closing of the Transaction and the other four on the first through fourth anniversary of the closing. The four installments will be adjusted. Consummation of the Transaction is subject the termination of the process, completion of the extrajudicial liquidation of the Institution and its subsidiaries, and the settlement of certain of their financial obligations, resulting in positive shareholders' equity. The Institution's assets do not include the Bamerindus brand.

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The transaction remains subject to the satisfaction of several typical closing conditions, including the receipt of all required regulatory approvals, the completion of the extrajudicial liquidation of Bamerindus and its subsidiaries, and the settlement of certain of their financial obligations in order for Bamerindus to have positive shareholders' equity. In October 2013, we signed an amendment to the agreement extending the period that the parties had to satisfy the typical closing conditions. We expect the transaction to be concluded in 2014, although there can be no assurance that the transaction will be concluded.

This transaction will result in BTG Pactual acquiring (i) control of the Institution and its subsidiaries, (ii) an interest in the Institution greater than ninety-eight percent 98% of its total and voting capital, and (iii) the receivables and assets held by the Institution, which will be used in BTG Pactual credit operations context. The consummation of the transaction is subject to certain conditions, including obtaining all required regulatory approvals.

### **3. Presentation of the financial statements**

The Bank's and its subsidiaries' financial statements were prepared in accordance with accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Central Bank of Brazil (BACEN), in accordance with the standards and instructions of the National Monetary Council (CMN), BACEN and Securities and Exchange Commission (CVM), when applicable.

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).

The preparation of the financial statements in accordance with the accounting practices adopted in Brazil requires Management to use its judgment to determine and record accounting estimates. Assets and liabilities subject to these estimates and assumptions primarily relate to deferred income tax assets and liabilities, to the allowance for loan losses and other receivables, the provision for taxes and contributions with suspended eligibility, the provision for contingent liabilities and the fair value measurement of financial instruments. The settlement of transactions involving these estimates may result in amounts that differ from those estimated due to inaccuracies inherent to its determination. The Bank and its subsidiaries periodically review these estimates and assumptions.

#### **a. Consolidated financial statements**

In the consolidated financial statements all intercompany balances of assets and liabilities, revenues, expenses and unrealized profit were eliminated, and were included the portions of net income (loss) and shareholders' equity relating to non-controlling interest.

Goodwill calculated on the acquisition of investment in subsidiaries is recognized in intangible assets, whereas negative goodwill of investments in subsidiaries is recognized as deferred income. Goodwill and negative goodwill calculated on the acquisition of jointly controlled entities is recognized in investments.

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The subsidiaries and investment funds consolidated on the Bank's financial statements, are as follows:

	Country	Equity interest - %	
		30/09/2014	31/12/2013
<b>Direct subsidiaries</b>			
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	100.00
BW Properties S.A.	Brazil	67.49	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 Chile SPA	Chile	100.00	100.00
BTG Pactual S.A. Comisionista de Bolsa	Colombia	99.99	99.99
Recovery do Brasil Consultoria S.A.	Brazil	50.24	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 Timberland Investments Group LLC	USA	100.00	100.00
<b>Indirect subsidiaries</b>			
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	99.99
BTG Pactual Resseguradora S.A.	Brazil	100.00	100.00
BTG Pactual Vida e Previdência S.A.	Brazil	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
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 S.A. Sociedad Comisionista 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
BTG Pactual E&P Empreendimentos e Participações S.A.	Brazil	100.00	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

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	Country	Equity interest - %	
		30/09/2014	31/12/2013
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	94.34	94.34
BTG Pactual Casa de Bolsa, S.A. de C.V.	Mexico	100.00	100.00
<b>Investment funds</b>			
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 Seleccionados 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 (i)	Brazil	100.00	100.00
BTG Pactual E&P FIP (i)	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	-
Covalis Capital Fund Ltd	Cayman	100.00	100.00
Covalis Capital Master Fund Ltd	Cayman	100.00	100.00

### b. 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 using the closing rate at the reporting period, while income and expense accounts were translated at the monthly average rate.

The financial statements of the companies abroad, originally stated in their functional currencies generally US dollar, were translated into reais at the foreign exchange rates on the reporting dates.



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The effects of foreign exchange variations on investments abroad are distributed in the income statement accounts according to their respective nature.

### **4. Significant accounting practices**

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

#### **a. Cash and cash equivalents**

For the purposes of statements of cash flows, cash and cash equivalents include, pursuant to CMN Resolution 3604/08, cash, bank deposits and highly-liquid short-term investments with original maturities up to 90 days, subject to an insignificant risk of change in value.

#### **b. Short-term interbank investments, remunerated deposits at the Central Bank of Brazil, time and interbank deposits, open market funding, funds from securities issued and accepted, loans and onlending, subordinated debts and other asset and liability transactions**

The transactions with clauses of adjustment for inflation/exchange rate adjustment and transactions with fixed interest rates are recorded at present value, net of transaction costs, calculated on a “*pro rata die* basis”, based on the effective rate of the transactions.

#### **c. Securities**

Measured and classified in accordance with the criteria established by BACEN Circular Letter 3068/01 of November 8, 2001, under the following categories:

##### **i. Trading securities**

Acquired with the purpose of being actively and frequently traded. Trading securities are initially recognized at cost plus income earned, and adjusted to fair value.

##### **ii. Available for sale securities**

These are securities that are neither classified as trading securities nor as held-to-maturity securities. They are stated at cost, with interest recorded on profit or loss, and subsequently adjusted to fair value, with that amount recorded in a separate account under shareholders' equity, net of tax effects, which will only be recognized in income (loss) after the effective realization.

##### **iii. Held-to-maturity securities**

These are securities that the Bank has intention and ability to hold to maturity. They are stated at cost, plus income earned, with a corresponding entry to income (loss). Decreases in the fair value of available-for-sale and held-to-maturity securities below their respective restated costs, related to non-temporary reasons, will be recorded in income (loss) as realized losses.

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According to BACEN Circular Letter 3068/01, trading securities are recorded in the balance sheet, in current assets, regardless of their maturity.

### **d. Derivative financial instruments**

These are classified according to Management's intention, on the transaction date, considering whether such transactions are for hedge or not.

The transactions using financial instruments of own portfolio, or that does not comply with hedge criteria (mainly derivatives used to manage the overall risk exposure), are accounted for at fair value, with gains and losses, realized or unrealized, recorded directly in income (loss).

Derivative financial instruments used to mitigate the risks arising from exposures to changes in the fair value of financial assets and financial liabilities and that are highly correlated in relation to changes in their fair value in relation to the fair value of the hedged item, both in the beginning and throughout the agreement, and deemed as effective in the reduction of risk associated to the exposure to be hedged, are deemed as hedge and are classified according to their nature:

Fair value hedge: financial instruments included in this category, as well as their related hedged financial assets and liabilities, are measured at fair value, and their realized or unrealized related gains or losses are recorded in income (loss); and

Cash flow hedge: the instruments classified in this category are measured at fair value, and the effective portion of the appreciation or depreciation is recorded in a separate account under shareholders' equity, net of tax effects. The non-effective portion of the respective hedge is directly recorded in income (loss).

### **e. Fair value of securities, derivative financial instruments and other rights and obligations**

The fair value of securities, derivative financial instruments and other rights and obligations, whenever applicable, are calculated based on market price, price evaluation models, or based on the price determined for other financial instruments with similar characteristics. The daily adjustments of transactions performed in the futures market are recorded as effective income and expense when generated or incurred. The premium paid or received upon performance of transactions in the stock option market, other financial assets and commodities are recorded in the respective assets accounts for amounts paid or received, adjusted at market price against their results.

The transactions performed in the forward market of financial assets and commodities are registered by the final retained value, adjusted for the difference between this amount and the price of the good or right adjusted at market prices, at the appropriate assets or liabilities account. The income and expenses are recorded according to the maturity of their agreements.

Assets and liabilities resulting from swap and currency forward transactions of non-delivery forward agreements (NDF) are recognized in assets and liabilities at their carrying amount, with adjustments to fair value, recorded in income (loss).

The notional amount of the agreements recorded in memorandum accounts.

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### **f. Financial instruments – net presentation**

Financial assets and liabilities are stated at their net amounts in the balance sheet if, and only if, there is a current legally enforceable right to offset the amounts recognized and if there is an intention to simultaneously realize the asset and settle the liability.

### **g. Sale or transfer of financial assets with substantial retention of risks and benefits**

Financial assets remain on the transferor's balance sheet when the transferor sells or transfers a financial asset and retains all or substantially all of the risks and benefits of the asset. In such case, a financial liability is recognized for the consideration received for such asset.

### **h. Loans and other receivables (operations with credit characteristics)**

Recorded at present value, calculated on a "*pro rata die*" basis on the index variation and on the agreed interest rate, updated up to 59<sup>th</sup> day of default, provided the expected receipt. As from the 60<sup>th</sup> day, the recognition in income (loss) occurs at the time of the effective receipts of installments. Renegotiated transactions are maintained at least in the same level in which they were classified before the renegotiation and, if they had already been written off, they are fully provisioned and gains are recorded in the results when actually received.

### **i. Allowance for loan losses**

Recognized based on an analysis of loan risk losses at an amount deemed as sufficient to cover probable losses, pursuant to CMN Resolution 2682, of December 21, 1999, among which:

Allowances are recorded for loans, based on the classification of the client's risk, based on the periodical analysis of client quality and of activity industries and not only upon default.

Considering exclusively the default, written of loans against losses are carried after 360 days from the credit due date or after 540 days, for transactions with maturity over 36 months.

The allowance for loan losses and other receivables is estimated based on the analysis of transactions and specific risks presented in each portfolio, in accordance with the criteria established by CMN Resolution 2682/99.

### **j. Investment property**

Investment properties held by subsidiaries which their main activity is real estate are measured initially at cost and subsequently using the fair value model. Subsequent changes in fair value are recognized on other operating income.

### **k. Investments**

Jointly controlled and associates are accounted for under the equity method. Other investments in permanent assets are stated at cost, less allowance for losses, when applicable.

## **BANCO BTG PACTUAL S.A. and subsidiaries**

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### **I. Goodwill and negative goodwill**

Goodwill and negative goodwill are calculated based on the difference between the acquisition amount paid and the net carrying amount of the net assets acquired.

Goodwill and negative goodwill, recorded according to the basis of expected future results of the acquired subsidiaries, are amortized according to cashflow projections underlying the transaction or, when the investment is written off, by disposal or impairment, before projections are achieved.

Negative goodwill is recognized in investments for jointly controlled entities, and in deferred income to subsidiaries, until the investment is realized.

### **m. Property and equipment in use and deferred charges**

These are stated at cost. Depreciation is calculated on a straight-line basis based on the economic useful lives of the assets. Deferred charges correspond mainly to leasehold improvements. Amortization is calculated using the straight-line basis over the estimated period of usage and/or disposal.

### **n. Intangible assets**

Corresponds to acquired rights that have as their subject intangible assets destined to the entities' maintenance or used for such purpose, in accordance with CMN Resolution 3642, of November 26, 2008. Comprised by (i) goodwill paid in acquisition transferred to intangible asset due to incorporation of acquirer's equity by the acquired, or consolidation of the company, (ii) for acquired rights of assets management contracts, and (iii) softwares and improvements in third part property. Amortization is calculated using the straight-line basis over the period in which the rights generate benefits.

### **o. Impairment on non-financial assets**

Whenever there is clear evidence that the assets are measured at an unrecoverable amount, it is recorded as loss in the income or loss. This procedure is performed at least at the end of each fiscal year.

Assets subject to impairment are deducted, when applicable, of provision for losses that is calculated according to the lower of value in use and fair value less costs to sell the assets. The main estimates used in determining the provision are: expectation of future cash flows, discount rates, illiquidity, among others.

### **p. Income tax and social contribution**

The provisions for income tax and social contribution are recorded based on book income adjusted by additions and deductions provided by the tax legislation. Deferred income tax and social contribution are calculated on temporary differences, whenever the realization of these amounts is considered as probable, at the rate of 15% for income tax, plus a 10% surtax on the annual taxable income exceeding R\$240, and 15% for social contribution of financial institutions and 9% for non-financial institutions.

### **q. Contingent assets and liabilities, and legal, tax and social security obligations**

Recognized according to the criteria described below:

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### **i. Contingent assets**

Contingent assets are not recognized in the financial statements, except when there is evidence ensuring their realization and when they are no longer subject to appeals.

### **ii. Contingent liabilities**

Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and management, the risk of loss in legal or administrative proceeding is considered probable, and whenever the amounts involved can be measured reliably. Contingent liabilities assessed by the legal advisors as possible losses are only disclosed in the notes to the financial statements, while those classified as remote losses do not require the recording of provisions or disclosure.

### **iii. Legal obligation – tax and social security**

Legal liabilities refer to lawsuits challenging the legality or constitutionality of certain taxes and contributions. The amount under dispute is measured and recorded.

### **r. Earnings per share**

Calculated based on weighted average shares outstanding for the period.

### **s. Revenue recognition**

Revenues and expenses are recorded under the accrual method.

## **5. Risk management**

The Bank's committee structure allows for the inputs from the entire organization and ensures that the decisions are implemented 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. The Bank believes that the involvement of the Committees (including their subcommittees) with management and continuous risk control promotes a strict risk control

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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

	30/09/2014	31/12/2013
Reference Shareholders' Equity	14,220,829	10,966,010
Tier I	12,807,960	11,375,535
Common Equity	12,807,960	11,375,535
Tier II	4,545,445	5,113,625
Reference Shareholders' Equity (PR) - (a)	17,353,404	16,489,160
Required Reference Shareholders' Equity (PRE)	11,910,026	10,201,774
Total exposure risk-weighted - (b)	11,910,026	10,202,073
Credit risk	6,869,498	6,309,435
Operational risk	644,830	398,908
Market risk	4,395,698	3,493,730
Basel ratio - (a/b*11%)	16.0%	17.8%
Tier I capital	11.8%	12.3%
Tier II capital	4.2%	5.5%
Fixed assets ratio	99.8%	73.6%
Fixed assets to equity capital ratio	8,669,800	8,237,556
Status for fixed assets to equity capital ratio	8,655,396	6,062,576
Amount of margin (insufficiency)	14,404	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 Bank has chosen the basic indicator approach to measure operating risk.

As at the period ended September 30, 2014 and year ended December 31, 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, with level of confidence of 95.0% and one year historical data. Reliable level of 95.0% means that there is one within twenty 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

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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 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 period ended:

In millions of R\$	September 2014	December 2013	September 2013
Daily average VaR	65.8	57.5	53.7

### 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.

### d. Liquidity risk

The Bank and its subsidiaries manage liquidity risk by concentrating their portfolio in high-level credit and highly-liquid assets, using funds obtained from prime counterparties at extremely competitive rates. The Bank and its subsidiaries maintain a solid capital structure and a low level of leverage. Additionally, any mismatching between assets and liabilities is carefully monitored, considering the impact of extreme market conditions in order to assess their ability to realize assets or to reduce leverage.

### e. 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.

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### 6. Cash at banks

Cash at banks refer basically to deposits abroad in prime banks.

### 7. Interbank investments

	30/09/2014					31/12/2013
	Total	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Open market investments	28,171,535	27,750,707	420,828	-	-	19,953,446
Own portfolio	4,955,733	4,836,666	119,067	-	-	2,243,260
Federal government bonds	4,500,227	4,381,160	119,067	-	-	1,803,487
Corporate bonds	446,725	446,725	-	-	-	186,695
Foreign government bonds	8,781	8,781	-	-	-	253,078
Third-party portfolio	19,673,891	19,438,529	235,362	-	-	13,882,393
Federal government bonds	19,005,544	18,770,182	235,362	-	-	13,882,393
Corporate bonds	188,251	188,251	-	-	-	-
Foreign government bonds	480,096	480,096	-	-	-	-
Short position	3,541,911	3,475,512	66,399	-	-	3,827,793
Federal government bonds	3,541,911	3,475,512	66,399	-	-	3,827,793
Interbank investments (*)	5,715,152	5,576,173	119,722	19,257	-	3,858,881
Interbank deposit certificates	2,670,043	2,531,064	119,722	19,257	-	2,071,787
Investments in foreign currency - overnight	3,045,109	3,045,109	-	-	-	1,787,094
	33,886,687	33,326,880	540,550	19,257	-	23,812,327

(\*) Refers basically to interbank deposits in prime banks.

The collateral received in repurchase agreements amounts to R\$28,366,335 (December 31, 2013 - R\$24,020,329), whereas the collateral granted amounts to R\$32,501,277 (December 31, 2013 - R\$31,450,133).



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### 8. Securities

#### a. By type of portfolio

The breakdown by type of instrument, contractual maturity and type of portfolio are as follows:

	30/09/2014						31/12/2013	
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	22,614,923	22,697,668	10,329,795	2,480,534	3,968,160	1,792,580	4,126,599	16,691,439
Federal government bonds	2,133,021	2,087,264	610,278	90,609	419,748	90,886	875,743	1,479,175
Brazilian foreign debt securities	27,586	27,585	-	807	368	1,588	24,822	29,084
Debentures/Eurobonds (i)	7,226,481	7,225,802	563,066	719,153	2,460,765	1,627,401	1,855,417	4,259,708
Bank certificates of deposit	31,194	31,193	31,188	5	-	-	-	10,510
Bank credit certificate	-	-	-	-	-	-	-	76,912
Investment fund quotes								
Shares	55,611	55,611	55,611	-	-	-	-	148,695
Multimarket	1,887,562	1,908,171	1,908,171	-	-	-	-	2,099,942
FIDC - Credit Rights	11,956	11,956	6,894	-	5,062	-	-	43,385
Real Estate	367,044	367,044	176,845	-	190,199	-	-	318,193
Equity Investment fund	1,158,492	1,146,768	749,192	-	397,576	-	-	779,126
Shares	4,340,861	4,443,171	4,443,171	-	-	-	-	4,114,471
Promissory notes	1,312,001	1,312,001	83,599	1,228,402	-	-	-	65,638
Certificate of real estate receivables	1,152,083	1,152,083	63,697	-	5,070	331	1,082,985	1,348,704
Other	206,271	206,271	917	105	140	455	204,654	154,600
Foreign government bonds								
Denmark	921,420	917,893	465,491	-	452,402	-	-	929,521
Other	1,035,127	1,045,578	553,707	369,738	26,395	53,877	41,861	585,157
Foreign private securities								
Corporate Bond	748,213	759,277	617,968	71,715	10,435	18,042	41,117	248,618
Unrestricted portfolio	485,437	473,125	-	-	-	-	473,125	964,890
Federal government bonds	485,437	473,125	-	-	-	-	473,125	964,890
Subject to repurchase agreements	8,819,958	8,774,225	299	602,280	1,805,672	1,536,343	4,829,631	13,178,759
Federal government bonds	4,194,652	4,148,918	-	2,090	462,358	1,092,596	2,591,874	9,246,394
Brazilian foreign debt securities	5,090	5,090	-	-	-	-	5,090	13,833
Foreign government bonds	687,846	687,846	299	8,499	569,068	68,788	41,192	157,394
Foreign private securities								
US Agencies	-	-	-	-	-	-	-	4,551
Other	4,879	4,879	-	-	4,879	-	-	8,561
Debentures / Eurobonds (i)	3,927,491	3,927,492	-	591,691	769,367	374,959	2,191,475	3,748,026
Subject to guarantees	2,642,998	2,603,038	194,752	342,084	328,540	126,325	1,611,337	4,582,292
Federal government bonds	1,963,060	1,943,994	-	101,473	104,859	126,325	1,611,337	3,961,304
Investment fund quotes								
Multimarket	-	-	-	-	-	-	-	31,276
Debentures / Eurobonds (i)	402,442	402,442	-	201,031	201,411	-	-	427,470
Shares	227,792	182,368	182,368	-	-	-	-	117,122
Foreign government bonds	43,012	55,063	-	37,056	18,007	-	-	13,351
Other	6,692	19,171	12,384	2,524	4,263	-	-	31,769
Trading securities	17,765,356	17,761,820	9,771,334	866,044	2,205,606	2,146,252	2,772,584	29,984,334
Available for sale securities	12,309,573	12,297,849	753,512	2,558,854	3,140,368	1,133,256	4,711,859	1,079,361
Held-to-maturity securities	4,488,387	4,488,387	-	-	756,398	175,740	3,556,249	4,353,685
	34,563,316	34,548,056	10,524,846	3,424,898	6,102,372	3,455,248	11,040,692	35,417,380

(i) Substantially securities issued by Brazilian companies.

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### b. Trading securities

	30/09/2014							31/12/2013
	Cost	Market	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market
Own portfolio	14,358,856	14,453,325	9,576,283	845,178	1,568,505	1,010,444	1,452,915	15,282,643
Federal government bonds	1,492,933	1,447,176	610,278	90,609	109,657	56,102	580,530	1,149,740
Brazilian foreign debt securities	27,586	27,585	-	807	368	1,588	24,822	29,084
Debentures/Eurobonds (i)	3,652,591	3,651,912	561,100	312,242	1,147,670	880,835	750,065	4,259,708
Bank certificates of deposit	31,194	31,193	31,188	5	-	-	-	10,510
Bank credit certificate	-	-	-	-	-	-	-	76,912
Investment fund quotes								
Shares	55,611	55,611	55,611	-	-	-	-	148,695
Multimarket	1,887,562	1,908,171	1,908,171	-	-	-	-	2,099,942
FIDC - Credit Rights	11,956	11,956	6,894	-	5,062	-	-	43,385
Real Estate	367,044	367,044	176,845	-	190,199	-	-	318,193
Equity Investment fund	375,509	375,509	749,192	-	(373,683)	-	-	355,305
Shares	3,715,848	3,818,158	3,818,158	-	-	-	-	3,458,931
Promissory notes	20,763	20,763	20,763	-	-	-	-	65,638
Certificate of real estate receivables	-	-	-	-	-	-	-	1,348,704
Other	15,499	15,499	917	62	-	-	14,520	154,600
Foreign government bonds								
Denmark	921,420	917,893	465,491	-	452,402	-	-	929,521
Other	1,035,127	1,045,578	553,707	369,738	26,395	53,877	41,861	585,157
Foreign private securities								
Corporate Bond	748,213	759,277	617,968	71,715	10,435	18,042	41,117	248,618
Unrestricted portfolio	485,437	473,125	-	-	-	-	473,125	964,890
Federal government bonds	485,437	473,125	-	-	-	-	473,125	964,890
Subject to repurchase agreements	1,885,378	1,839,645	299	(120,187)	527,979	1,017,124	414,430	9,806,523
Federal government bonds	1,533,217	1,487,483	-	2,090	16,051	959,281	510,061	5,874,158
Brazilian foreign debt securities	5,090	5,090	-	-	-	-	5,090	13,833
Foreign government bonds	687,846	687,846	299	8,499	569,068	68,788	41,192	157,394
Foreign private securities								
US Agencies	-	-	-	-	-	-	-	4,551
Other	4,879	4,879	-	-	4,879	-	-	8,561
Debentures / Eurobonds (i)	(345,654)	(345,653)	-	(130,776)	(62,019)	(10,945)	(141,913)	3,748,026
Subject to guarantees	1,035,685	995,725	194,752	141,053	109,122	118,684	432,114	3,930,278
Federal government bonds	776,196	757,130	-	101,473	104,859	118,684	432,114	3,309,290
Investment fund quotes								
Multimarket	-	-	-	-	-	-	-	31,276
Debentures / Eurobonds	-	-	-	-	-	-	-	427,470
Shares	227,792	182,368	182,368	-	-	-	-	117,122
Foreign government bonds	25,005	37,056	-	37,056	-	-	-	13,351
Other	6,692	19,171	12,384	2,524	4,263	-	-	31,769
Total	17,765,356	17,761,820	9,771,334	866,044	2,205,606	2,146,252	2,772,584	29,984,334

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### c. Available-for-sale securities

	30/09/2014						31/12/2013	
	Cost	Market value	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Market value
Own portfolio	7,615,979	7,604,255	753,512	1,635,356	2,089,564	747,352	2,378,471	1,079,361
Shares	625,013	625,013	625,013	-	-	-	-	655,540
Investment fund quotes								
Equity investment fund	782,983	771,259	-	-	771,259	-	-	423,821
Debtentures	3,573,890	3,573,890	1,966	406,911	1,313,095	746,566	1,105,352	-
Certificate of real estate receivables	1,152,083	1,152,083	63,697	-	5,070	331	1,082,985	-
Promissory notes	1,291,238	1,291,238	62,836	1,228,402	-	-	-	-
Other	190,772	190,772	-	43	140	455	190,134	-
Subject to repurchase agreements	4,273,145	4,273,145	-	722,467	831,386	385,904	2,333,388	-
Debtentures	4,273,145	4,273,145	-	722,467	831,386	385,904	2,333,388	-
Subject to guarantees	420,449	420,449	-	201,031	219,418	-	-	-
Debtentures	402,442	402,442	-	201,031	201,411	-	-	-
Outros	18,007	18,007	-	-	18,007	-	-	-
Total	12,309,573	12,297,849	753,512	2,558,854	3,140,368	1,133,256	4,711,859	1,079,361

### d. Held-to-maturity securities

	30/09/2014						31/12/2013
	Cost	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Cost
Own portfolio	640,088	-	-	310,091	34,784	295,213	329,435
Federal government bonds	640,088	-	-	310,091	34,784	295,213	329,435
Subject to re purchase	2,661,435	-	-	446,307	133,315	2,081,813	3,372,236
Federal government bonds	2,661,435	-	-	446,307	133,315	2,081,813	3,372,236
Subject to guarantees	1,186,864	-	-	-	7,641	1,179,223	652,014
Federal government bonds	1,186,864	-	-	-	7,641	1,179,223	652,014
Total	4,488,387	-	-	756,398	175,740	3,556,249	4,353,685

If measured at fair value, held-to-maturity securities would be reported as at the period ended September 30, 2014 with a positive adjustment of R\$57,269 (December 31, 2013 – R\$23,447 negative).

The Bank has financial capacity to maintain such assets to maturity.

### e. Reclassification of securities

Management classifies the securities according to its trading intention. During the period ended September 30, 2014 the Bank's Management reclassified R\$10,502,528 from the category trading securities for available for sale securities, with no effect on current gain or loss. No reclassifications or changes in intention were made by Management during the year ended in December 31, 2013.

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### 9. Derivative financial instruments

The Bank actively engages in risk intermediation transactions involving derivative financial instruments, providing necessary hedging for its 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 through 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. – Balcão Organizado de Ativos e Derivativos; 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 September 30, 2014 and in 2013, the Bank does not have derivative financial instruments classified as hedge accounting.

#### a. Recognized in memorandum and balance sheet accounts

The notional amounts of transactions with financial instruments are recorded in memorandum accounts and the adjustment/premium in balance sheet accounts. The assumed positions arising from transactions with derivative financial instruments, demonstrated below, considers the provisions of BACEN Circular Letter 3389/08, which determines the exclusion of agreements in currency, gold and other assets linked to foreign exchange exposure, with maturity in the first business day following the date the exchange exposure is verified. The receivable leg and payable leg are presented separately for Swap, Non-Deliverable Forward (“NDF”) and Deliverable Forward (“DF”) derivatives in the table below.

	30/09/2013				31/12/2013
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Futures market					
Long position	60,439,612	38,223,040	9,855,962	108,518,614	140,851,078
Currency	67,956	279,774	36,538	384,268	10,257,178
Interest rate	38,292,324	34,399,641	3,995,696	76,687,661	122,523,979
Commodities	14,196,863	1,824,030	3,403,956	19,424,849	6,966,297
Index	7,882,466	1,719,595	2,419,772	12,021,833	1,095,455
Equities	3	-	-	3	8,169
Short position	73,066,496	55,574,243	14,107,118	142,747,857	43,642,065
Currency	3,167,971	-	-	3,167,971	24,629,699
Interest rate	56,185,939	50,757,048	6,067,499	113,010,486	12,348,165
Commodities	11,521,547	4,817,195	6,184,882	22,523,624	6,554,604
Index	2,191,035	-	1,854,737	4,045,772	108,043
Equities	4	-	-	4	1,554
Swap					
Long position	54,622,013	18,832,633	37,178,090	110,632,736	100,199,005
Currency	583,401	205,673	740,108	1,529,182	3,451,502
Interest rate	48,452,974	15,649,416	28,960,093	93,062,483	91,430,656
Index	968,645	1,432,777	4,996,779	7,398,201	1,237,851
Equities	105,636	317,169	19,276	442,081	3,588,576
Commodities	8,849	-	1,316,326	1,325,175	24,961
Other	4,502,508	1,227,598	1,145,508	6,875,614	465,459
Short position	54,622,013	18,832,633	37,178,090	110,632,736	100,199,005
Currency	4,918,739	1,473,572	3,827,968	10,220,279	5,204,604
Interest rate	48,488,124	15,011,339	29,084,955	92,584,418	89,183,589
Index	415,916	946,023	1,786,919	3,148,858	3,409,703
Equities	122,380	273,392	39,101	434,873	673,938
Commodities	-	-	1,316,326	1,316,326	29,800

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	30/09/2013				31/12/2013
	Up to 6 months	6 to 12 months	Over 1 year	Total	Total
Other	676,854	1,128,307	1,122,821	2,927,982	1,697,371
Credit Derivatives					
Long position			366,641	366,641	228,872
Sovereign	-	-	-	-	23,426
Corporate	-	-	366,641	366,641	205,446
Short position	306,375	-	501,446	807,821	346,002
Sovereign	245,100	-	98,040	343,140	58,565
Corporate	61,275	-	403,406	464,681	287,437
Non-deliverable forward - NDF					
Long position	36,859,889	2,124,465	1,959,680	40,944,034	48,276,983
Currency	14,179,953	1,650,224	1,126,210	16,956,387	26,020,386
Commodities	19,718,820	31,101	599,026	20,348,947	6,003,469
Index	-	-	-	-	13,058,391
Interest rate	2,961,116	443,140	234,444	3,638,700	3,194,737
Short position	36,859,889	2,124,465	1,959,680	40,944,034	48,276,983
Currency	16,780,654	2,069,842	1,357,424	20,207,920	30,014,038
Commodities	19,718,820	31,101	599,026	20,348,947	8,819,461
Shares	21,740	-	-	21,740	-
Index	-	-	-	-	7,719,190
Interest rate	338,675	23,522	3,230	365,427	1,724,294
Deliverable forward - DF					
Long position	17,528,282	1,508,603	1,880,424	20,917,309	6,990,691
Commodities	5,470,876	943,120	128,660	6,542,656	2,911,603
Currency	12,057,406	565,483	1,751,764	14,374,653	4,079,088
Short position	17,528,282	1,508,603	1,880,424	20,917,309	6,990,691
Commodities	5,470,876	943,120	128,660	6,542,656	2,372,320
Interest rate	-	-	-	-	539,283
Currency	12,057,406	565,483	1,751,764	14,374,653	4,079,088
Security forwards					
Long position	8,417	188,927	3,767,948	3,965,292	542,904
Interest rate	418	83,487	1,986,452	2,070,357	242,021
Government bonds	7,999	105,440	1,781,496	1,894,935	300,883
Short position	8,417	188,927	3,767,948	3,965,292	542,904
Interest rate	7,999	105,440	1,781,496	1,894,935	300,883
Government bonds	418	83,487	1,986,452	2,070,357	242,021
Options market					
Call option - long position	1,703,938	338,452	2,236,384	4,278,774	10,923,261
Equities	459,479	8,522	11,655	479,656	1,078,816
Commodities	34,761	11,324	4,853	50,938	787,458
Index	848,438	-	16,710	865,148	3,593,450
Currency	361,260	318,606	2,203,166	2,883,032	4,739,809
Interest rate	-	-	-	-	721,728
Other	-	-	-	-	2,000
Put option - long position	23,469,822	762,248	3,253,568	27,485,638	6,600,926
Equities	221,514	6,840	-	228,354	929,739
Commodities	6,087,577	445,860	478,104	7,011,541	1,289,194
Index	2,565,874	-	48,642	2,614,516	3,662,769
Currency	630,857	309,548	2,339,822	3,280,227	332,224
Interest rate	13,964,000	-	-	13,964,000	-
Other	-	-	387,000	387,000	387,000
Call option - short position	1,885,114	410,965	2,763,822	5,059,901	11,876,155
Equities	482,310	8,981	-	491,291	2,310,047
Commodities	113,555	6,949	-	120,504	862,621
Index	991,031	-	-	991,031	3,756,568
Currency	298,218	395,035	2,763,822	3,457,075	4,685,119
Interest rate	-	-	-	-	261,800
Put option - short position	19,709,051	358,291	1,815,483	21,882,825	6,539,208
Equities	100,322	680	11,655	112,657	908,776
Commodities	3,442,844	124,423	24,662	3,591,929	1,710,413
Index	1,947,125	-	-	1,947,125	3,631,000
Currency	254,760	233,188	1,779,166	2,267,114	289,019
Interest rate	13,964,000	-	-	13,964,000	-

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### b. By cost and market value

	30/09/2014					31/12/2013
	Cost	Market	Up to 6 months	6 to 12 months	Over 1 year	Total
Futures						
Long position	97,971	199,928	198,815	-	1,113	3,037
Short position	12,487	208,739	208,145	594	-	5,241
Swaps						
Long position	928,502	1,025,498	336,790	208,870	479,838	626,312
Short position	984,366	1,201,062	341,590	172,708	686,764	844,526
Credit derivatives						
Long position	13,732	17,998	447	-	17,551	20,615
Short position	28,404	31,448	273	-	31,175	31,494
Non-deliverable forward - NDF						
Long position	6,581,658	6,708,592	6,273,072	50,327	385,193	1,419,833
Short position	5,838,577	5,940,004	5,886,288	33,106	20,610	1,248,078
Deliverable forward - DF						
Long position	12,173,811	14,564,823	12,342,507	950,904	1,271,412	4,170,754
Short position	13,747,404	14,409,156	12,155,993	976,325	1,276,838	4,150,937
Security forwards						
Long position	3,971,153	3,971,153	8,414	188,880	3,773,859	542,604
Short position	3,972,852	3,972,852	8,414	188,740	3,775,698	542,423
Options market						
Long position	1,113,459	1,228,672	346,835	114,976	766,861	456,677
Short position	597,386	646,625	218,776	29,649	398,200	670,732
<b>Long position</b>	<b>24,880,286</b>	<b>27,716,664</b>	<b>19,506,880</b>	<b>1,513,957</b>	<b>6,695,827</b>	<b>7,239,832</b>
<b>Short position</b>	<b>25,181,476</b>	<b>26,409,886</b>	<b>18,819,479</b>	<b>1,401,122</b>	<b>6,189,285</b>	<b>7,493,431</b>

### c. Notional by counterparty

	30/09/2014					31/12/2013
	BM&FBovespa	Financial Institutions (*)	Companies	Individuals	Total	Total
Futures market						
Long position	88,131,731	20,386,883	-	-	108,518,614	140,851,078
Short position	120,121,313	22,626,544	-	-	142,747,857	43,642,065
Swap						
Long position	2,877,038	104,547,887	3,203,094	4,717	110,632,736	100,199,005
Short position	2,877,038	104,547,887	3,203,094	4,717	110,632,736	100,199,005
Credit derivatives						
Long position	-	366,641	-	-	366,641	228,872
Short position	-	807,821	-	-	807,821	346,002
Non-deliverable forward - NDF						
Long position	-	16,837,995	23,980,228	125,811	40,944,034	48,276,983
Short position	-	16,837,995	23,980,228	125,811	40,944,034	48,276,983
Deliverable forward - DF						
Long position	-	14,826,700	6,083,693	6,916	20,917,309	6,990,691
Short position	-	14,826,700	6,083,693	6,916	20,917,309	6,990,691
Security forwards						
Long position	-	3,200,997	764,295	-	3,965,292	542,904
Short position	-	3,200,997	764,295	-	3,965,292	542,904
Options market						
Long position	15,924,270	15,049,093	733,709	57,340	31,764,412	17,524,187
Short position	16,455,732	10,167,179	294,042	25,773	26,942,726	18,415,363
<b>Long position</b>	<b>106,933,039</b>	<b>175,216,196</b>	<b>34,765,019</b>	<b>194,784</b>	<b>317,109,038</b>	<b>314,613,720</b>
<b>Short position</b>	<b>139,454,083</b>	<b>173,015,123</b>	<b>34,325,352</b>	<b>163,217</b>	<b>346,957,775</b>	<b>218,413,013</b>

(\*) Includes investments funds.

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### d. Credit derivatives

	30/09/2014	31/12/2013
Credit swap		
Transferred risk		
Sovereign	-	23,426
Corporate	366,641	205,446
Risk received		
Sovereign	(343,140)	(58,565)
Corporate	(464,681)	(287,437)
	<u>(441,180)</u>	<u>(117,130)</u>

During the period ended on September 30, 2014 and the year ended on December 31, 2013, there were no credit events related to triggering facts provided for in agreements.

According to CMN resolution 3,490, the effect on the calculation of the required reference shareholders' equity (PRE) as at September 30, 2014 is R\$41,297 (December 31, 2013 – R\$8,414).

### e. Guarantee margins

Guarantee margins in transactions traded on BM&FBovespa and other stock exchanges with derivatives comprises federal government and sovereign bonds totaling R\$1,738,248 (December 31, 2013 – R\$3,493,570) and shares in the amount of R\$188,233 (December 31, 2013 – R\$115,214).

### f. 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 reflecting the proper risk factors. These yield curves are mainly based on the prices traded on BM&F Bovespa, Brazilian government bonds traded on the secondary or derivative market and securities traded abroad. These yield curves may be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock market indexes, etc.).
- Futures and Forward: using stock exchange quotations or criteria identical to those described for swaps above.
- Options: the fair value of these instruments are calculated based on mathematical models (such as Black & Scholes) that use data containing implied volatility, interest rate yield curve and the fair value of the underlying asset. These data are obtained from different sources (normally prices from brokers and brokerage firms, Bloomberg and Reuters).
- Credit derivatives: the fair value of these instruments is calculated based on mathematical models largely adopted in the market that uses data relating to the issuer's credit spread and interest rate yield curve. These data are obtained from different sources (normally market prices, Bloomberg and Reuters).
- Securities and short selling: the fair value of government bonds are calculated based on prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). The fair value of corporate bonds is calculated based on prices traded on the secondary market, prices of similar assets and market visibility of the

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Company's commercial departments. Shares are calculated based on the prices informed by BM&F Bovespa. Fund quotas are valued based on quota prices disclosed by the custodian.

- Financial assets at fair value through profit (loss): The Bank estimates the fair values of the financial instruments by discounting cash flows to present value based on yield curves reflecting the proper risk factors.

### 10. Loans

Loans are classified in risk levels in accordance with the criteria established by CMN Resolution 2682/99. This classification takes into consideration, among others, a periodic analysis of the transaction, defaults, client history and guarantee, when applicable.

The allowance for loan losses is calculated based on classification of clients in the risk levels, as defined by the same Resolution.

Loans and other operations with credit characteristics are as follows:

#### a. Loans

##### i. By type of credit

Type of credit	30/09/2014		31/12/2013	
	Balance	Allowance	Balance	Allowance
Loans	11,416,691	(268,071)	10,929,692	(120,413)
Financing	2,393,476	(84,372)	2,364,577	(35,782)
FINAME/BNDES	1,511,402	(11,871)	993,635	(10,046)
Securities financing	161,279	-	958,344	-
Total	15,482,848	(364,314)	15,246,248	(166,241)

##### ii. By risk level and maturity

Risk level	Overdue	30/09/2014			Total	Allowance	31/12/2013	
		Maturity					Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	899,426	508,947	3,503,507	4,911,880	-	4,952,588	-
A	-	1,499,834	482,355	2,849,298	4,831,487	(24,157)	6,506,771	(32,534)
B	-	1,119,096	966,404	989,240	3,074,740	(30,747)	2,075,006	(20,750)
C	14,044	230,534	214,696	409,598	868,872	(28,255)	1,347,740	(43,067)
D	14,318	560,506	716,577	285,412	1,576,813	(199,340)	323,964	(41,765)
E	11,542	51,468	23,670	113,145	199,825	(66,571)	11,730	(3,519)
F	-	-	-	-	-	-	6,961	(3,480)
G	-	-	562	12,726	13,288	(9,301)	1,210	(847)
H	3,268	446	669	1,560	5,943	(5,943)	20,278	(20,279)
Total	43,172	4,361,310	2,913,880	8,164,486	15,482,848	(364,314)	15,246,248	(166,241)



## BANCO BTG PACTUAL S.A. and subsidiaries

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### iii. By activity sector

Sector	30/09/2014	31/12/2013
Commerce	136,410	1,268,104
Industry	476,127	2,433,675
Services	13,602,697	9,206,250
Rural	379,840	437,741
Individuals	887,774	1,900,478
Total	15,482,848	15,246,248

### b. Other receivables with loans characteristics and transferred loan

Exclusively comprised by securities and receivables, relating to credit rights acquisition transactions and transferred loan, as follows:

#### i. By risk level and maturity

Risk level	30/09/2014					31/12/2013		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
AA	-	13,507	115,226	92,527	221,260	-	273,699	-
A	-	140,170	-	356,625	496,795	(2,484)	223,428	(1,117)
B	-	125,201	19,491	45,863	190,555	(1,906)	559,643	(5,596)
C	-	22	138,735	23,750	162,507	(4,875)	42,121	(1,264)
D	-	-	-	21,910	21,910	(2,191)	19,332	(1,933)
F	-	1,217	-	-	1,217	-	-	-
G	-	-	-	-	-	-	13,552	(9,992)
H	-	-	486	-	486	(486)	479	(479)
Total	-	280,117	273,938	540,675	1,094,730	(11,942)	1,132,254	(20,381)
Transferred loans					193,849	(4,796)	-	-
Securities and credits receivable (note 12(b))					1,071,354	(7,511)	1,132,256	(20,573)

#### ii. By activity sector

Sector	30/09/2014	31/12/2013
Individuals	127,703	175,818
Services	967,027	956,436
Total	1,094,730	1,132,254

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### c. Advances in foreign exchange contracts

#### i. By risk level and maturity

Risk level	30/09/2014					31/12/2013		
	Overdue	Maturity			Total	Allowance	Total	Allowance
		Up to 6 months	6 to 12 months	Over 12 months				
A	-	11,662	252,753	-	264,415	(1,322)	108,385	(542)
B	-	34,084	280,649	-	314,733	(3,147)	34,613	(346)
C	-	-	45,012	-	45,012	(1,350)	172,302	(5,169)
D	-	-	-	-	-	-	143,113	(14,311)
E	-	-	-	-	-	-	31,689	(15,844)
F	24,937	-	-	-	24,937	(17,389)	-	-
Total	24,937	45,746	578,414	-	649,097	(23,208)	490,102	(36,212)

#### ii. By activity sector

Sector	30/09/2014	31/12/2013
Industry	104,523	145,895
Services	544,574	344,207
Total	649,097	490,102

### d. Credit concentration

	30/09/2014	%	31/12/2013	%
Largest debtors				
10 largest debtors	6,491,934	38%	6,316,843	37%
20 following largest debtors	4,294,818	25%	4,476,739	27%
50 following largest debtors	3,639,475	21%	3,709,817	22%
100 following largest debtors	2,415,853	14%	2,098,636	12%
200 following largest debtors	384,595	2%	266,569	2%
	17,226,675	100%	16,868,604	100%

### e. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics are as follows:

	Quarter ended:		Nine-month period ended:	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Opening balances	(329,658)	(214,117)	(222,834)	(191,454)
Reversal/(accrual) of allowance	(66,855)	12,203	(195,800)	(71,114)
Exchange rate variation	(3,687)	(103)	(1,633)	(3,581)
Credits written off as loss	736	14,555	20,803	78,687
Closing balances	(399,464)	(187,462)	(399,464)	(187,462)
Breakdown of closing balances				
Allowance for loan losses	(364,314)	(159,235)	(364,314)	(159,235)
Allowance for transferred loans	(4,796)	-	(4,796)	-
Allowance for other receivables	(7,146)	(11,506)	(7,146)	(11,506)
Allowance for advances on foreign exchange contracts	(23,208)	(16,721)	(23,208)	(16,721)
	(399,464)	(187,462)	(399,464)	(187,462)

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Changes in the allowance for other receivables without loan characteristics are as follows:

	Quarter ended:		Nine-month period ended:	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Opening balances	(1,110,031)	(1,093,463)	(1,150,526)	(1,017,222)
Reversal/(accrual) of allowance	(27,830)	(39,512)	(14,324)	(115,637)
Exchange rate variation	2,992	(2,026)	6,293	(2,142)
Credits receivable written off as loss	(3,727)	-	19,961	-
Closing balances (i)	<u>(1,138,596)</u>	<u>(1,135,001)</u>	<u>(1,138,596)</u>	<u>(1,135,001)</u>

- (i) As at September 30, 2014, included R\$100,529 (2013 – R\$53,931) relating to provision for stand-by letters and guarantees granted, which was recorded as Other obligations – sundry (note 16(c)).

Allowances for other receivables with loan characteristics refer to the acquisition of credit rights, as illustrated in item (b) of this note. Allowances for other receivables without loan characteristics (notes 12 (b)) basically refer to allowance for income receivables, other credits without loan characteristics and provision for stand-by letters and guarantees granted (note 25(b)).

### f. Renegotiation/recovery of credits written off as loss

In the period ended September 30, 2014, the amount of R\$199,720 were relative to renegotiation (December 31, 2013 – R\$ 113,643). In the period nine-month ended September 30, 2014 there was the amount of R\$11,815 written off loans recovered (December 31, 2013 – R\$4,553).

### g. Transferred loan

In the period ended September 30, 2014, there was credit assignment with co-obligation in the amount of R\$193,849 (2013 – zero).

## 11. Other receivables/obligations

### a. Foreign Exchange portfolio

	30/09/2014		31/12/2013	
	Assets	Liabilities	Assets	Liabilities
Unsettled Exchange purchased/sold	2,335,288	4,218,750	1,738,879	11,572,648
Rights on foreign exchange sales	4,220,962	-	11,566,832	-
(-) Advances on foreign Exchange contracts (Note 10 (c))	7,647	(641,450)	19,640	(470,462)
(-) Advances in local currency received	(3,607)	-	(10,199)	-
Liability for foreign exchange purchase	(679)	2,313,969	-	1,681,506
	<u>6,559,611</u>	<u>5,891,269</u>	<u>13,315,152</u>	<u>12,783,692</u>
Current	6,559,611	5,891,269	13,315,152	12,783,692
Long-term	-	-	-	-

Guarantees for foreign exchange transactions carried out through BM&FBovespa – Securities, Commodities and Futures Exchange (BM&FBovespa), are represented by federal government bonds in the amount of R\$43,401 (December 31, 2013 - R\$485,976).

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### b. Securities trading and brokerage

	30/09/2014		31/12/2013	
	Assets	Liabilities	Assets	Liabilities
Clearing houses	991,126	162,548	167,866	368,723
Unsettled financial assets	14,558	-	1,240	-
Debtors/creditors – pending settlement account	9,167,726	4,480,500	7,697,033	1,400,327
Creditors for gold loans	-	-	-	223,226
Creditors for stock loans	-	838,263	-	1,738,937
Other securities trading and brokerage	2,822,791	582,552	3,665,276	2,802,320
Commissions and brokerage payable	-	95	-	118
Swap brokerage	121	-	138	-
	<u>12,996,322</u>	<u>6,063,958</u>	<u>11,531,553</u>	<u>6,533,651</u>
Current	11,405,318	6,063,958	8,489,329	6,405,322
Long-term	1,591,004	-	3,042,224	128,329

“Debtors/creditors – pending settlement account” is basically represented by amounts pending settlement, relating to transactions involving the purchase and sale of securities and financial asset agreements at BM&F Bovespa, and abroad through prime brokers, on the Bank’s behalf or on behalf of third parties.

“Other securities trading and brokerage” basically represents, in assets, swap intermediation transactions, and in liabilities, it refers basically to the short position of foreign governments bonds to be settled.

## 12. Other receivables

### a. Income receivable

	30/09/2014	31/12/2013
Dividends and bonus	37,874	507,688
Receivables from services rendered	404,330	420,548
Management and performance fees for investment funds and portfolio	599,288	548,556
Distribution fees	754	14,868
Commissions on guarantees	6,256	13,122
Other	11,031	788
	<u>1,059,533</u>	<u>1,505,570</u>
Current	1,059,533	1,505,570
Long-term	-	-

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### b. Sundry

	<u>30/09/2014</u>	<u>31/12/2013</u>
Deferred tax assets - IR/CS (note 18)	1,197,243	1,172,343
Deferred tax assets - Others	53,428	30,444
Judicial deposits	856,146	807,294
Taxes recoverable to offset	811,935	298,980
Tax incentive options	1,317	1,317
Securities and credits receivable		
With loan characteristics (note 10 b)	900,881	1,132,256
Without loan characteristics (i)	1,750,472	2,021,747
Investment properties	1,364,800	1,017,664
Salaries advances	43,176	16,328
Sundry	1,310,349	499,994
Other	43,424	49,860
	<u>8,333,171</u>	<u>7,048,227</u>
Current	6,592,215	5,425,772
Long-term	1,740,956	1,622,455

(i) Refer to the acquisition of payroll loan and vehicle financing portfolios through credit rights investment funds (FIDC), which were recognized in this item, taking into consideration that: (a) the acquisition of the portfolio did not consider the individual granting criteria of each agreement, and (b) Management is performed on a portfolio basis.

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### 13. Investments in associates and jointly controlled entities

	Associates and jointly-controlled entities							
	Shareholders' Equity		Net income				Interest	
	30/09/2014	31/12/2013	Quarter ended:		Nine-month period ended:		30/09/2014	31/12/2013
			30/09/2014	30/09/2013	30/09/2014	30/09/2013		
In Brazil								
Banco Pan S.A. (i)	3,408,121	2,304,860	(72,847)	(20,534)	(218,641)	31,219	34.06%	34.06%
Warehouse 1 Empreendimentos Imobs S.A.	119,820	68,205	(6,509)	-	(6,364)	4	35.00%	35.00%
Max Casa XIX Empreendimentos Imobs S.A.	41,042	22,920	7,968	2,743	6,197	5,512	50.00%	50.00%
ACS Omicron Empreendimentos Imobs S.A.	18,990	24,307	3,419	-	5,411	-	44.74%	44.74%
BR Properties S.A.	6,156,912	7,650,441	108,976	89,555	350,293	230,295	0.12%	3.10%
Vivere Soluções e Serviços S.A.	(20,858)	10,875	(20,381)	(3,064)	(25,256)	(7,380)	20.32%	20.32%
Abroad								
BTG Pactual Holding S.A.R.L.	4,168,945	3,837,971	63,402	259,539	271,272	259,539	80.00%	80.00%

	Changes in investments						
	31/12/2013	Acquisition / Increase/ (Sales)	Dividends paid	Fair value adjustment	Equity in earnings of subsidiaries	30/09/2014	Equity in earnings of associates from 1/1 to 30/09/2013
In Brazil							
Banco Pan S.A. (i)	785,037	672,648	-	(3,972)	(78,536)	1,375,177	10,967
Goodwill - Banco Pan	(35,313)	(21,571)	-	-	-	(56,884)	-
Warehouse 1 Empreendimentos Imobs S.A.	15,121	(1,750)	-	-	28,565	41,936	(1,168)
Max Casa XIX Empreendimentos Imobs S.A.	11,460	5,862	-	-	2,242	19,564	2,652
ACS Omicron Empreendimentos Imobs S.A.	8,638	(3,272)	-	-	3,131	8,497	1,911
BR Properties S.A.	179,661	(171,890)	(2,358)	-	(678)	4,735	(349,364)
Vivere Soluções e Serviços S.A.	2,215	4,238	-	-	(6,453)	-	(2,089)
	<u>966,819</u>	<u>484,265</u>	<u>(2,358)</u>	<u>(3,972)</u>	<u>(51,729)</u>	<u>1,393,025</u>	<u>(337,091)</u>
Abroad							
BTG Pactual Holding S.A.R.L. (ii)	2,478,710	9,991	(32,649)	-	288,544	2,744,596	193,809
	<u>2,478,710</u>	<u>9,991</u>	<u>(32,649)</u>	<u>-</u>	<u>288,544</u>	<u>2,744,596</u>	<u>193,809</u>
	<u>3,445,529</u>	<u>494,256</u>	<u>(35,007)</u>	<u>(3,972)</u>	<u>236,815</u>	<u>4,137,621</u>	<u>(143,282)</u>

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(i) Formerly Banco Panamericano S.A.

(ii) The difference between equity pick up in subsidiaries and net income of subsidiaries refers to exchange variation.

## 14. Intangible assets

	Changes in Intangible assets				30/09/2014
	31/12/2013	Acquisitions (net)	Amortization expenses / disposal	Exchange variation	
Goodwill	<b>662,019</b>	-	<b>(120,127)</b>	<b>(39,533)</b>	<b>502,359</b>
Cost	935,509	-	-	(197,768)	737,741
Amortization	(273,490)	-	(120,127)	158,235	(235,382)
Other intangible assets	<b>159,196</b>	<b>37,964</b>	<b>(29,244)</b>	<b>17,068</b>	<b>184,984</b>
Cost	215,167	37,964	(73)	16,934	269,992
Amortization	(55,971)	-	(29,171)	134	(85,008)
	<u>821,215</u>	<u>37,964</u>	<u>(149,371)</u>	<u>(22,465)</u>	<u>687,343</u>

The intangible assets amortization period is 5 years.

## 15. Fund raising and loans and onlending

### a. Summary

	30/09/2014					31/12/2013	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Deposits	19,863,436	11,788,502	6,190,263	1,795,770	56,152	32,749	17,652,703
Open market funding	32,452,769	25,086,128	3,346,728	995,370	385,792	2,638,751	31,293,307
Funds from securities issued and accepted	18,754,832	2,767,117	4,526,792	8,085,427	1,044,666	2,330,830	14,896,968
Loans and onlending	6,050,611	2,158,942	1,985,801	458,720	88,762	1,358,386	5,080,466
Subordinated debts and Equity eligible debt instrument	10,292,760	-	-	1,076,187	5,379,220	3,837,353	6,748,716
	<u>87,414,408</u>	<u>41,800,689</u>	<u>16,049,584</u>	<u>12,411,474</u>	<u>6,954,592</u>	<u>10,198,069</u>	<u>75,672,160</u>

### b. Deposits

	30/09/2014					31/12/2013	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	222,506	222,506	-	-	-	-	156,495
Interbank deposits	690,829	319,796	278,585	57,876	32,143	2,429	388,610
Time deposits	18,950,101	11,246,200	5,911,678	1,737,894	24,009	30,320	17,107,598
	<u>19,863,436</u>	<u>11,788,502</u>	<u>6,190,263</u>	<u>1,795,770</u>	<u>56,152</u>	<u>32,749</u>	<u>17,652,703</u>

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#### c. Open market funding

Open market funding has collateral on the following securities:

	30/09/2014					31/12/2013	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Own Portfolio	8,998,658	5,420,428	2,574,155	510,795	64,534	428,746	13,035,329
Federal government bonds	4,136,005	3,071,707	89,231	481,787	64,534	428,746	9,176,299
Corporate securities	4,183,029	1,669,097	2,484,924	29,008	-	-	3,709,770
Foreign government bonds	679,624	679,624	-	-	-	-	149,260
Third-party portfolio	13,971,305	13,941,196	-	-	-	30,109	6,864,760
Federal government bonds	13,332,975	13,302,866	-	-	-	30,109	6,588,080
Corporate bonds	185,612	185,612	-	-	-	-	26,950
Foreign government bonds	452,718	452,718	-	-	-	-	249,730
Unrestricted portfolio	9,482,806	5,724,504	772,573	484,575	321,258	2,179,896	11,393,218
Federal government bonds	9,482,806	5,724,504	772,573	484,575	321,258	2,179,896	11,393,218
	<u>32,452,769</u>	<u>25,086,128</u>	<u>3,346,728</u>	<u>995,370</u>	<u>385,792</u>	<u>2,638,751</u>	<u>31,293,307</u>

#### d. Funds from securities issued and accepted

	30/09/2014					31/12/2013	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Securities – Brazil	13,201,764	2,103,748	3,373,028	6,198,751	1,037,474	488,763	9,102,117
Financial bills	9,947,605	944,036	1,912,478	5,624,404	980,147	486,540	6,568,706
Mortgage bonds/letters of credit for agribusiness	3,218,104	1,149,396	1,434,811	574,347	57,327	2,223	2,533,411
Certificates of structured transactions	36,055	10,316	25,739	-	-	-	-
Securities – abroad	5,553,068	663,369	1,153,764	1,886,676	7,192	1,842,067	5,794,851
Medium term notes	3,608,324	-	-	1,823,316	-	1,785,008	3,701,800
Credit linked notes	1,944,744	663,369	1,153,764	63,360	7,192	57,059	2,093,051
	<u>18,754,832</u>	<u>2,767,117</u>	<u>4,526,792</u>	<u>8,085,427</u>	<u>1,044,666</u>	<u>2,330,830</u>	<u>14,896,968</u>

As at September 30, 2014, liabilities on bonds and securities in Brazil were basically indexed o interest referenced rates (CDI) between 50% and 116.55% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 7.8% p.a. (December 31, 2013 – indexed to (CDI) between 40% and 116.55% or inflation indexes (IPCA and IGPM) plus 1.2% p.a. to 7.9% p.a.).

On September 30, 2014, liabilities on bonds and securities abroad have rates between 0.1% p.a. and 7% p.a. (December 31, 2013 – between 0.15% p.a. and 7% p.a.).



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#### e. Loans and onlending

	30/09/2014					31/12/2013	
	Total	Up to 90 days	90 to 365 days	1 to 3 years	3 to 5 years	Over 5 years	Total
Loans abroad	3,423,193	1,905,390	1,517,803	-	-	-	3,628,675
Foreign currency	270,365	49,494	220,871	-	-	-	515,035
Loans abroad	3,152,828	1,855,896	1,296,932	-	-	-	3,113,640
Loans - Brazil	1,140,366	252,148	460,972	427,246	-	-	469,305
Loans	1,140,366	252,148	460,972	427,246	-	-	469,305
Onlending in Brazil	1,487,052	1,404	7,026	31,474	88,762	1,358,386	982,486
FINAME/BNDES	1,487,052	1,404	7,026	31,474	88,762	1,358,386	982,486
	<u>6,050,611</u>	<u>2,158,942</u>	<u>1,985,801</u>	<u>458,720</u>	<u>88,762</u>	<u>1,358,386</u>	<u>5,080,466</u>

On September 30, 2014, liabilities for loans and onlending have rates between 0.94% p.a. to 11.25% p.a. (December 31, 2013 – between 0.21% p.a. and 3.5% p.a.).

#### f. Subordinated debt and debt instrument eligible to capital

Type - original currency	Issued amount (original currency)	Issued	Maturity	30/09/2014		31/12/2013
				Total compensation a.a.	Net amount	Net amount
Financial bills - R\$ (i)	4,161,000	15/04/2011	15/04/2021	Inflation plus fixed rates	5,286,942	4,993,634
Subordinated debt - US\$	800,000	15/09/2012	15/09/2022	5.75%	1,847,097	1,755,082
Subordinated debt - US\$	1,300,000	12/09/2014	Callable at September 2019	8.75%	3,158,721	-
<b>Total</b>					<u>10,292,760</u>	<u>6,748,716</u>

(i) Repayment every six months.

## 16. Other obligations

#### a. Social and statutory

	30/09/2014	31/12/2013
Dividends and profit sharing payable	22,255	654,462
Employees' profit sharing	601,588	151,134
Other benefits	44,867	866,526
	<u>668,710</u>	<u>1,672,122</u>
Current	668,504	1,670,578
Long term	206	1,544

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#### b. Tax and social security

	<u>30/09/2014</u>	<u>31/12/2013</u>
Tax and contributions to be collected	164,570	115,149
Tax and contribution payable	528,001	169,443
Deferred social contribution and income tax (Note 18)	256,020	109,488
Deferred PIS and COFINS	71,073	42,062
Suspended-payment taxes and others tax liabilities (Note 17 (c))	837,975	767,197
	<u>1,857,639</u>	<u>1,203,339</u>
Current	1,003,664	427,564
Long term	853,975	775,775

#### c. Sundry

	<u>30/09/2014</u>	<u>31/12/2013</u>
Payable for acquisition of assets and rights (i)	663,125	611,798
Accounts payable - personnel	682,782	356,986
Provision for contingent liabilities (Note 17(c))	22,839	25,290
Other creditors - Brazil	1,286,334	748,529
Allowance for guarantees (Note 10(e))	100,529	80,671
Obligations related to transferred loans	198,256	-
Other	3,611	535
	<u>2,957,476</u>	<u>1,823,809</u>
Current	2,113,340	1,057,913
Long term	844,136	765,896

(i) Refers to amounts payable for the acquisition of investments (substantially Banco Pan S.A.).

## 17. 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. Management's judgment is based on the opinion of its internal and external legal counsel regarding the expected outcome for each proceeding.

#### a. Contingent assets

As at the period ended September 30, 2014 and year ended December 31, 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 recorded 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.

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#### ii. Civil provisions

For civil lawsuits with chances of unfavorable outcome (pain and suffering and pecuniary injury, among others), contingency amounts are recorded based on estimate of probable losses based on the opinion of internal and external legal counsel.

#### 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 counselors and the court level to which each proceeding was submitted.

#### c. Breakdown and changes in provisions

The Bank's Management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being party to other legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recorded for such proceedings as at September 30, 2014 are appropriate to cover probable losses arising therefrom.

The provisions recognized and their changes in the period are as follows:

	30/09/2014				31/12/2013
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the period	767,197	16,432	8,858	792,487	673,826
Recognition	110,618	10,191	3,274	124,083	213,174
Write-off	(39,840)	(13,852)	(2,064)	(55,756)	(94,513)
Balance at the end of the period	837,975	12,771	10,068	860,814	792,487
Suspended-payment taxes and other taxes contingencies				837,975	767,197
Provision for contingent liabilities				22,839	25,290

The nature of the main provisions is presented below:

#### i. Suspended payment taxes and other taxes liabilities (Note 16(b))

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 internal and external counsel are 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.

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As at September 30, 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\$966 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.
- Judicial action filed to discuss demands by the São Paulo City Hall, 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\$124 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 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\$16.8 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 September 30, 2014 totaled R\$2,236 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.

#### **ii. Provision for other contingent liabilities**

As at September 30, 2014, BTG Pactual and its subsidiaries were part to several civil, labor, lawsuits and other contingences with a possible outcome, which were not recorded in provisions.

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## 18. 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	Quarter ended:		Nine-month period ended:	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Tax base	515,528	826,851	2,630,703	2,005,502
Income before taxes and profit sharing	680,940	929,485	3,539,741	2,784,299
Statutory profit sharing	(165,412)	(102,634)	(607,238)	(523,797)
Interest on equity	-	-	(301,800)	(255,000)
Total charge of income tax and social contribution at the current rates	(206,211)	(330,740)	(1,052,281)	(802,201)
Permanent (additions) / deductions in taxation calculation	258,181	(65,411)	311,873	115,358
Equity pick up in associated and jointly controlled companies in Brazil	13,453	82,446	(20,649)	109,718
Income/(loss) of foreign exchange on foreign investments	291,212	4,691	124,183	67,772
Foreign earnings	(100,612)	(160,303)	(171,415)	(162,295)
Dividends	12,162	10,968	418,814	37,293
Other Permanent (additions) / deductions	41,966	(3,213)	(39,060)	62,870
Temporary (additions) / deductions on the taxation calculation	(43,303)	188,864	63,460	(61,122)
Reversal of provision for goodwill on the acquisition of investments	32,640	35,381	103,401	106,142
Interest on equity	120,720	102,000	-	-
Marked-to-market evaluation of securities and derivatives	(102,883)	60,179	148,318	69,140
Allowance for loan losses	(18,386)	5,843	(71,653)	(8,849)
Tax contingencies and provision for suspended-payment taxes	136	(4,357)	(13,671)	(20,734)
Non-permanent impairment of investments	-	(25,690)	24,974	(167,030)
Other provisions	(75,530)	15,508	(127,909)	(39,791)
Offset of tax losses carry forward - Brazil	(71,375)	2,392	(71,414)	62,814
Tax and social contribution expense	(62,708)	(204,895)	(748,362)	(685,151)
Temporary differences				
Recognition / (reversal) of the quarter/period	39,490	(176,750)	(67,273)	226,025
Recognition / (reversal) of tax losses carry forward	74,501	(2,372)	74,540	(62,814)
Recognition on foreign companies tax losses carry forward	(149,614)	4,142	17,633	4,142
Recognition of loss on investment abroad	366,765	208,795	379,177	209,277
(Expenses) / revenues from deferred taxes	331,142	33,815	404,077	376,630
Total revenues / (expenses)	268,434	(171,080)	(344,285)	(308,521)

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	31/12/2013	Recognition	Realization (i)	30/09/2014
Tax loss carryforwards	13,878	89,522	(475)	102,925
Interest on equity	-	102,000	(102,000)	-
Provision for impairment on investments (ii)	26,120	-	(26,120)	-
Allowance for loan losses	173,095	103,995	(32,343)	244,747
Marked-to-market evaluation of securities and derivatives	261,489	1,285,025	(1,433,343)	113,171
Goodwill on the acquisition of investment	409,028	-	(103,401)	305,627
Tax contingencies and provision for suspended-payment taxes	199,328	13,671	-	212,999
Other temporary differences	89,405	157,303	(28,934)	217,774
	1,172,343	1,751,516	(1,726,616)	1,197,243

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Income tax and social contribution	31/12/2012	Recognition	Realization (i)	30/09/2013
Tax loss carryforwards	59,526	4,142	(56,964)	6,704
Allowance for loan losses	145,680	32,265	(21,970)	155,975
Marked-to-market evaluation of securities and derivatives	167,542	436,230	(507,997)	95,775
Provision for impairment on investments (ii)	-	327,978	-	327,978
Interest on equity	-	102,000	(102,000)	-
Goodwill on the acquisition of investment	550,551	-	(106,142)	444,409
Tax contingencies and provision for suspended-payment taxes	170,414	20,733	-	191,147
Income tax of foreign investments	198,049	-	(198,049)	-
Other temporary differences	192,199	104,468	(65,390)	231,277
	<u>1,483,961</u>	<u>1,027,816</u>	<u>(1,058,512)</u>	<u>1,453,265</u>

- (i) On December 31, 2012, the foreign income tax paid was recorded on deferred tax asset, and the amount of R\$187,077 compensated in 2013 with tax on foreign gains available in Brazil. As at September 30, 2014, the amount of R\$379,177 refers to compensation of taxes paid abroad.
- (ii) Refers to the tax credit provision for loss on investment in the company BR Properties S.A (note 13).

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
2013	242,838	320,696	563,534
2014	219,998	4	220,002
2015	213,759	-	213,759
2016	108,399	-	108,399
2017 onwards	91,549	-	91,549
Total	<u>876,543</u>	<u>320,700</u>	<u>1,197,243</u>
Present value	<u>664,742</u>	<u>289,776</u>	<u>954,518</u>

Deferred income tax and social contribution liabilities amounts to R\$256,020 (December 31, 2013 - R\$109,488), according to note 16(b).

## 19. Shareholders equity

### a. Capital

As at September 30, 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 Shareholders Meeting 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.

## **BANCO BTG PACTUAL S.A. e controladas**

### **Notas explicativas às demonstrações financeiras consolidadas**

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(Em milhares de reais)

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 Bank without deliberation and Board or Shareholders Meeting, provided that (i) such conversion occurs at the time of issuance of new shares by the Bank 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 Bank and (iii) conversion is in accordance with the Bank'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 Bank is a public company with shares listed on stock exchanges and (ii) conversion is in accordance with the Bank Shareholders' Agreement.

#### **b. Legal reserve**

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

#### **c. Statutory reserve**

According to the Bank's Bylaws, the purpose of this reserve is to maintain working capital and is limited to the balance of 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, 2013 the Bank has accrued R\$301,800 (December 31, 2013 – R\$246,900), relating to Interest on equity, equivalent to R\$0.11 per share (December 31, 2013 - R\$0.09), which generate tax benefits of R\$120,720 (December 31, 2013 – R\$98,760). These amounts were approved in the Special Shareholders' Meeting held on August 05, 2014 (December 31, 2013 – March 11, 2014).

As at June 30, 2014 the Bank has accrued R\$146,639 (December 31, 2013 – R\$132,190), relating to intermediate dividends, equivalent to R\$ 0.05 per share (December 31, 2013 – R\$0.05). These amounts were approved in the Special Shareholders' Meeting held on August 05, 2014 (December 31, 2013 – February 18, 2014).

## BANCO BTG PACTUAL S.A. e controladas

### Notas explicativas às demonstrações financeiras consolidadas

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(Em milhares de reais)

#### f. Reconciliation of net income (loss) and shareholders equity

	Shareholders' equity		Net income			
	Nine-month period ended:		Quarter ended:		Nine-month period ended:	
	30/09/2014	31/12/2013	30/09/2014	30/09/2013	30/09/2014	30/09/2013
<b>Banco BTG Pactual S.A.</b>	14,220,830	12,074,449	803,773	614,790	2,610,515	1,839,586
Refers to the reconciliation of shareholders' equity and income (loss) in the individual and consolidated financial statements of Banco Pan S.A. (*)	54,499	53,375	-	2,125	1,126	26,255
Others	-	-	-	-	-	389
<b>Banco BTG Pactual S.A. Consolidated</b>	<b>14,275,329</b>	<b>12,127,824</b>	<b>803,773</b>	<b>616,915</b>	<b>2,611,641</b>	<b>1,866,230</b>

(\*) The consolidated information reported by Banco Pan S.A. includes its direct and indirect subsidiaries and special purpose entities, represented by credit rights investment funds (FIDCs). During consolidation of FIDCs, unrealized profit from transferred loan transactions from Banco Pan to FIDCs are eliminated, thus resulting in a difference between individual and consolidated shareholders' equity. This difference is reflected in the individual and consolidated shareholders' equity of Banco BTG Pactual S.A. due to the recognition of the investment in Pan through the equity method of accounting.

## 20. Income from services rendered

	Quarter ended:		Nine-month period ended:	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Management and performance fee from investment funds and portfolios	397,569	273,418	1,025,577	825,927
Brokerage	59,887	47,555	151,237	181,406
Technical services	135,617	183,350	512,612	467,719
Commission on the placement of securities	66,480	89,719	166,829	258,190
Guarantees	44,184	40,099	110,610	115,622
Other services	17,372	2,033	53,513	17,029
	<b>721,109</b>	<b>636,174</b>	<b>2,020,378</b>	<b>1,865,893</b>

## 21. Other operating income

	Quarter ended:		Nine-month period ended:	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Recovery of charges and expenses	1,594	1,720	3,853	1,975
Reversal of allowances - other	49	864	9,830	6,571
Reversal of provision - contingencies	641	886	1,852	7,660
Adjustment to inflation of judicial deposits	4,533	36,030	40,552	60,449
Exchange gains	32,941	1,572	44,949	5,563
Adjustments of purchase price - Coomex	-	-	-	28,000
Fair value of investment properties	127	111,945	18,257	211,362
Adjustment of amounts payable for acquisition of investments	29,984	-	78,521	-
Other operating income	36,657	(759)	68,050	11,818
	<b>106,526</b>	<b>152,258</b>	<b>265,864</b>	<b>333,398</b>



## BANCO BTG PACTUAL S.A. e controladas

### Notas explicativas às demonstrações financeiras consolidadas

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(Em milhares de reais)

## 22. Other operating expenses

	Quarter ended:		Nine-month period ended:	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Expenses with taxes adjusted for inflation	11,272	7,646	33,096	22,384
Exchange rate variation	4,520	5,636	28,219	14,486
Reimbursement of clients	285	849	2,742	1,702
Repayment of financial operating costs	34	-	356	-
Adjustment of amounts payable for acquisition of investments (i)	18,239	12,785	49,810	36,425
Provision of other payables	-	78,050	-	78,050
Goodwill amortization (ii)	41,520	41,966	120,127	122,725
Other	(8,392)	1,097	42,442	24,595
	<u>67,478</u>	<u>148,029</u>	<u>276,792</u>	<u>300,367</u>

(i) Refers to update of amount payable for the acquisition of investments (mainly Banco Pan S.A.).

(ii) There was basically goodwill amortization from Celfin and Bolsa y Rentas.

## 23. Other administrative expenses

	Quarter ended:		Nine-month period ended:	
	30/09/2014	30/09/2013	30/09/2014	30/09/2013
Outsourced services and consulting	131,234	105,376	341,598	271,934
Telecommunications and data processing	66,013	50,379	178,793	134,673
Leases and condominiums	27,885	19,009	77,885	63,524
Travel and lodging	21,597	15,484	58,799	42,865
Expenses of the financial system	21,207	16,179	53,902	40,921
Advertising and public relations	8,812	5,013	39,992	20,014
Depreciation and amortization	21,089	18,496	55,020	52,670
Other	61,727	12,544	100,883	49,491
	<u>359,564</u>	<u>242,480</u>	<u>906,872</u>	<u>676,092</u>

## 24. 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, which are all carried at arm's length, are reflected in the following accounts:

	Relationship	Maturity	Assets/Liabilities		Revenues/Expenses	
			30/09/2014	31/12/2013	30/09/2014	30/09/2013
<b>Assets</b>						
<b>Short-term interbank investments</b>						
<b>Open market investments</b>						
- FIM B-2 (i)	Related	01/10/2014	1,280,892	1,436,052	135,539	49,437
<b>Interbank investments deposits</b>						
- Banco Panamericano S.A.	Jointly controlled	21/11/2014	2,458,861	1,308,963	176,482	18,091
<b>Securities</b>						
- BTG Investments LP (i)	Related	17/04/2018	70,136	38,958	-	-
- Banco Panamericano S.A.	Jointly controlled	23/04/2020	62,128	40,824	-	-
<b>Derivative financial instruments</b>						
- BTG Investments LP (i)	Related	01/10/2014	-	-	-	(38,151)
- BTG Absolute Return Master Fund (i)	Related	01/10/2014	-	3,916	-	-
- Banco Panamericano S.A.	Jointly controlled	-	-	2,459	-	-
<b>Income receivable</b>						
- BTG Absolute Return Master Fund (i)	Related	No maturity	4,176	4,603	38,269	34,553

## BANCO BTG PACTUAL S.A. e controladas

### Notas explicativas às demonstrações financeiras consolidadas

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	Relationship	Maturity	Assets/Liabilities		Revenues/Expenses	
			30/09/2014	31/12/2013	30/09/2014	30/09/2013
- BTG Absolute Return Master Fund II (i)	Related	No maturity	9,236	-	174,865	-
- BTG Pactual Brazil Investment Fund I LP (i)	Related	No maturity	47,931	11,547	23,151	32,617
<b>Securities trading and brokerage</b>						
- BTG Absolute Return Master Fund (i)	Related	No maturity	-	9,573	-	-
- BTG Pactual Holding S.A.	Parent Company	No maturity	-	4,106	-	-
<b>Sundry</b>						
- ACS Omicron Empreendimentos imobiliários S.A.	Associate	No maturity	895	1,187	-	-
<b>Liabilities</b>						
<b>Deposits</b>						
<b>Time deposits</b>						
- BTG Pactual Proprietary Feeder (1) Limited (i)	Related	01/10/2014	(11,878)	(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	01/10/2014	(156,099)	(323,828)	-	-
- BTG MB Investments LP (ii) (iii)	Related	01/10/2014	-	(251)	-	-
- BTG Pactual Absolute Return Master Fund (i)	Related	01/10/2014	-	(4,413)	-	-
- BTG Pactual Absolute Return Master Fund II (i)	Related	01/10/2014	(151,100)	(12,137)	-	-
- BTG Equity Investments LLC (i)	Related	01/10/2014	-	(23,243)	-	-
- BTG Pactual Reinsurance Holdings LP (i)	Related	01/10/2014	-	(1,044)	-	-
- 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	01/10/2014	(27,433)	(2,330)	-	-
<b>Open market funding</b>						
<b>Own portfolio</b>						
- BTG Pactual Holding S.A.	Parent Company	26/12/2020	(36,571)	(2,764)	-	-
- BTG Pactual Beta Participações S.A. (ii)	Related	15/03/2017	(1,449)	-	-	-
<b>Third-party portfolio</b>						
- Banco Panamericano S.A.	Jointly controlled	-	39,935	(49,999)	(1,923)	-
- FIM B-2 (i)	Related	01/10/2014	-	(96,769)	-	-
<b>Funds from securities issued and accepted</b>						
<b>Real Estate Bills</b>						
- Partners	Key personnel	19/02/2015	(28,431)	(14,670)	-	-
<b>Derivative financial instruments</b>						
- Leblon Investment Fund Ltd.	Related	02/01/2015	-	(20,978)	-	-
- Banco Panamericano S.A.	Jointly controlled	22/04/2020	(102,205)	(91,537)	193,994	(5,690)
<b>Other obligations</b>						
<b>Securities trading and brokerage</b>						
- BTG Absolute Return Master Fund (i)	Related	No maturity	-	(45,779)	-	-
- Leblon Investment Fund Ltd.	Related	No maturity	-	(40,028)	-	-
<b>Sundry</b>						
- Banco Panamericano S.A.	Controlada em conjunto	No maturity	-	-	-	(14,424)

(i) Subsidiaries of BTG Pactual Participations Ltd.

(ii) Controlled by BTG MB Investments LP.

Total compensation paid to key management personnel totaling this period R\$34,477 (December 31, 2013 – R\$ 170,030) which is considered short term benefit.

## BANCO BTG PACTUAL S.A. e controladas

### Notas explicativas às demonstrações financeiras consolidadas

30 de September de 2014

(Em milhares de reais)

## 25. Other information

### a. Cash and cash equivalents

	31/12/2013	31/12/2012
<b>Balances at beginning of the period</b>		
Cash and cash equivalents	1,074,026	552,168
Open market investments	6,688,247	15,179,462
Interbank deposits	2,992,892	1,714,131
	<u>10,755,165</u>	<u>17,445,761</u>
<b>Balances of end of the period</b>		
Cash and cash equivalents	1,628,741	652,375
Open market investments	15,394,712	14,160,187
Interbank deposits	5,553,870	4,042,239
	<u>22,577,323</u>	<u>18,854,801</u>

### b. Commitments and responsibilities

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

	30/09/2014	31/12/2013
Co-obligation and risks for guarantees granted	9,779,682	6,729,464
Responsibility for the management of futures and investment portfolio (i)	214,649,924	194,724,990
Securities under custody	210,841,634	262,612,455
Securities trading and brokerage	1,788,232,531	1,257,459,213
Contracts to release	1,315,090	3,854,812

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

“Co-obligations and risks for guarantees granted” mainly comprises guarantees granted or assets allocated to exchange trading securities.

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

“Securities trading and brokerage” represents amounts from derivatives purchase and sale agreements related to third-party transactions.

“Loans contracted to release” register amounts related to loans contracted with clients to release.

On 2013, the Bank has entered into investment opportunities in the private equity business. As of the period ended September 30, 2014 the total commitment undrawn was approximately R\$1,254 million (December 31, 2013 – R\$1,197 million) and it represented substantially by the investments in private equity funds. The drawdown notice is subject to investment opportunities identified and agreed and therefore it is difficult to precisely estimate the cash outflows relating to these commitments.

# **Interim Condensed Consolidated Financial Statements**

**BTG Pactual Participations Ltd.**

September 30, 2014  
with independent auditors' review report

# BTG Pactual Participations Ltd.

Interim condensed consolidated financial statements

As of September 30, 2014

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**A free translation from Portuguese into English of the independent auditors' review report on interim condensed consolidated financial statement prepared in accordance with the international accounting standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB.**

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## **Independent auditors' review report**

To the Shareholders and Management of  
**BTG Pactual Participations Ltd.**

We have reviewed the interim condensed consolidated financial statements of BTG Pactual Participations Ltd. ("Company") for the quarter ended September 30, 2014, which comprise the interim condensed consolidated balance sheet as of September 30, 2014 and the related interim condensed consolidated statements of income and comprehensive income for the three and nine-month period then ended, and changes in shareholders' equity and cash flows for the nine-month period then ended, and a summary of significant accounting practices and other explanatory notes.

Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial statement in accordance with the international accounting standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB. Our responsibility is to express a conclusion on this interim condensed consolidated financial statement based on our review.

### **Scope of review**

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements referred above have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB.

São Paulo, November 4, 2014.

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



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



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

A free translation from Portuguese into English of our interim condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standard Board and in Reais

## BTG Pactual Participations Ltd.

### Interim condensed consolidated balance sheets

As of September 30, 2014 and December 31, 2013

(In thousands of reais)

<b>Assets</b>	<b>Note</b>	<b>9/30/2014</b>	<b>12/31/2013</b>
Cash at banks	6	879,666	811,392
Open market investments	7	4,635,891	7,184,406
Derivative financial instruments	8a	1,435,645	1,432,158
Financial assets held for trading	8b	34,407,574	39,593,774
Financial assets available for sale	8d	1,291,206	1,123,454
Loans and receivables	8e	2,117,827	1,003,364
Due from brokers	9	7,922,564	4,451,625
Non-current assets held for sale	10	207,740	192,588
Investment in associates and joint ventures entities	11	1,549,153	2,467,167
Investment properties	12	646,436	-
Other assets		299,209	170,212
<b>Total assets</b>		<b>55,392,911</b>	<b>58,430,140</b>
<b>Liabilities</b>			
Open market funding	7	31,509,817	37,675,000
Derivative financial instruments	8a	1,353,958	1,686,939
Financial liabilities held for trading	8c	4,400,757	5,055,311
Financial liabilities at amortized cost	8f	6,477,200	5,047,378
Due to brokers	9	4,442,894	1,132,038
Other liabilities		3,190,688	3,693,793
<b>Total liabilities</b>		<b>51,375,314</b>	<b>54,290,459</b>
<b>Shareholders' equity</b>			
Capital stock and share premium	13	1,103,773	1,099,084
Other comprehensive income		123,572	88,948
Accumulated losses		(249,064)	(184,573)
<b>Total shareholders' owners equity</b>		<b>978,281</b>	<b>1,003,459</b>
Non-controlling interest		3,039,316	3,136,222
<b>Total shareholders' equity and non-controlling interest</b>		<b>4,017,597</b>	<b>4,139,681</b>
<b>Total liabilities and shareholders' equity</b>		<b>55,392,911</b>	<b>58,430,140</b>

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



## BTG Pactual Participations Ltd.

### Interim condensed consolidated statements of income

Quarters and nine-month periods ended September 30

(In thousands of reais, except for earnings per share)

	Note	Quarters ended:		Nine-month periods ended:	
		9/30/2014	9/30/2013	9/30/2014	9/30/2013
Interest income	15a	(46,340)	11,775	82,619	42,504
Interest expenses	15b	(209,100)	(63,208)	(458,897)	(193,778)
<b>Interest expense, net</b>		<b>(255,440)</b>	<b>(51,433)</b>	<b>(376,278)</b>	<b>(151,274)</b>
Gains/(losses) on financial instruments held for trading	16	(224,992)	201,040	370,368	121,914
Gains/(losses) on financial assets available for sale					
Impairment losses	17	-	-	(28,958)	(1,281)
Gain / (loss) on sale		-	-	-	4,578
Gains/(losses) on fair value of investment properties	12	259,382	-	259,382	-
Equity pickup in associates and joint ventures entities	11	(24,445)	(58,123)	(194,639)	(29,104)
Other operating income/(expenses), net		26,885	10,229	56,927	(3,231)
<b>Total income</b>		<b>(218,609)</b>	<b>101,713</b>	<b>86,803</b>	<b>(58,398)</b>
Administrative expenses	18	(47,125)	(13,383)	(223,035)	(43,419)
Other expenses		(33,399)	(5,434)	(128,009)	(34,743)
<b>(Loss) / net income for the quarter/period</b>		<b>(299,133)</b>	<b>82,896</b>	<b>(264,241)</b>	<b>(136,560)</b>
<b>(Loss) / net income attributed to:</b>					
Controlling shareholders		(72,864)	21,935	(64,491)	(34,752)
Non-controlling shareholders		(226,269)	60,961	(199,750)	(101,808)
Income/(loss) per share (basic and diluted - R\$)	14	(0.11)	0.04	(0.10)	(0.07)

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

## BTG Pactual Participations Ltd.

### Interim condensed consolidated statements of other comprehensive income

Quarters and nine-month periods ended September 30

(In thousands of reais)

	Note	Quarters ended:		Nine-month periods ended:	
		9/30/2014	9/30/2013	9/30/2014	9/30/2013
(Loss)/net income for the quarter/period		(299,133)	82,896	(264,241)	(136,560)
Other comprehensive income/(loss) to be reclassified to profit or loss:					
Share of other comprehensive income of non-controlled entities:					
Realized losses due to impairment		-	-	58,318	-
Unrealized		-	(32,493)	(10,172)	(32,493)
Foreign exchange	11	91,584	50,798	43,130	73,761
Movements in financial assets available for sale:					
Realized losses due to impairment	17	-	-	28,958	(1,281)
Unrealized		(91,135)	(54,166)	(127,452)	(180,540)
Exchange differences on translation of controlled entities		(209,340)	67,815	(33,693)	7,226
Other comprehensive income/(loss) not to be reclassified to profit or loss:					
Currency translation adjustments		429,038	(44,529)	183,068	302,895
<b>Total comprehensive (loss)/income for the quarter/period</b>		<b>(78,986)</b>	<b>70,321</b>	<b>(122,084)</b>	<b>33,008</b>
<b>Total comprehensive (loss)/income attributed to:</b>					
Controlling shareholders		(19,585)	7,379	(29,867)	1,118
Non-controlling shareholders		(59,401)	62,942	(92,217)	31,890

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

## BTG Pactual Participations Ltd.

### Interim condensed statement of changes in shareholders' equity

Nine-month periods ended September 30

(In thousands of reais)

	Note	Capital stock and share premium	Other comprehensive income		Retained earnings / (losses)	Total shareholders' equity	Non-controlling interest	Total shareholders' equity and non-controlling interest
			From Company	From non-controlled entities				
<b>Balance as at December 31, 2012</b>		<b>717,408</b>	<b>36,546</b>	<b>(2,088)</b>	<b>(152,158)</b>	<b>599,708</b>	<b>3,443,857</b>	<b>4,043,565</b>
Transactions with shareholders	13	-	-	-	388,260	388,260	(388,260)	-
Net loss of the period		-	-	-	(34,752)	(34,752)	(101,808)	(136,560)
Share of other comprehensive income of non-controlled entities:								
Unrealized		-	-	(7,876)	-	(7,876)	(24,617)	(32,493)
Foreign exchange	11	-	-	17,880	-	17,880	55,881	73,761
Movements in financial assets available for sale:								
Realized		-	(1,281)	-	-	(1,281)	-	(1,281)
Unrealized		-	(43,763)	-	-	(43,763)	(136,777)	(180,540)
Exchange differences on translation of controlled entities		-	1,752	-	-	1,752	5,474	7,226
Additions of non-controlling due to selling of equity interest		-	-	-	-	-	3,813	3,813
Currency translation adjustments		-	73,422	-	-	73,422	229,473	302,895
<b>Balance as at September 30, 2013</b>		<b>717,408</b>	<b>66,675</b>	<b>7,915</b>	<b>201,350</b>	<b>993,349</b>	<b>3,087,037</b>	<b>4,080,386</b>
<b>Balance as at December 31, 2013</b>		<b>1,099,084</b>	<b>103,400</b>	<b>(14,452)</b>	<b>(184,573)</b>	<b>1,003,459</b>	<b>3,136,222</b>	<b>4,139,681</b>
Transactions with shareholders	13	4,689	-	-	-	4,689	(4,689)	-
Net loss of the period		-	-	-	(64,491)	(64,491)	(199,750)	(264,241)
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	-	-	10,506	-	10,506	32,624	43,130
Movements in financial assets available for sale:								
Realized losses due to impairment	17	-	7,054	-	-	7,054	21,904	28,958
Unrealized		-	(31,037)	-	-	(31,037)	(96,415)	(127,452)
Exchange differences on translation of controlled entities		-	(8,207)	-	-	(8,207)	(25,486)	(33,693)
Currency translation adjustments		-	44,593	-	-	44,593	138,475	183,068
<b>Balance as at September 30, 2014</b>		<b>1,103,773</b>	<b>115,803</b>	<b>7,769</b>	<b>(249,064)</b>	<b>978,281</b>	<b>3,039,316</b>	<b>4,017,597</b>

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

## BTG Pactual Participations Ltd.

### Interim condensed consolidated statements of cash flows

Nine-month periods ended September 30

(In thousands of reais)

	Note	9/30/2014	9/30/2013
Operating activities			
(Loss) / Net income for the period		(264,241)	(136,560)
Adjusted (loss) / net income			
Equity pickup in associates and joint ventures entities	11	194,639	29,104
Impairment losses on available for sale financial instruments	17	28,958	-
Gains/(losses) on fair value of investment properties	12	(259,382)	-
Adjusted (loss) / net income		(300,026)	(107,456)
(Increase) decrease in operating assets, net			
Derivative financial instruments		(3,487)	(378,553)
Financial assets held for trading		5,251,972	12,948,427
Financial assets available for sale		(40,300)	42,210
Loans and receivables		(1,114,463)	(508,537)
Due from brokers		(3,459,941)	416,212
Other assets		(230,963)	157,142
Increase (decrease) in operating liabilities, net			
Open market funding		(6,165,183)	(12,956,609)
Derivative financial instruments		(332,981)	482,748
Financial liabilities held for trading		(654,554)	(538,381)
Due to brokers		3,318,166	(126,795)
Other liabilities		(614,221)	19,767
Cash (used)/provided in operating activities		(4,345,981)	(549,825)
Investment activities			
Capitalization/acquisition of associates and joint ventures entities	11	(342,575)	(133,591)
Sale of associates and joint ventures entities	11	1,065,956	-
Dividends received	11	91,270	-
Cash (used)/provided in investing activities		814,651	(133,591)
Financing activities			
Financial liabilities at amortized cost		1,068,329	3,016,749
Cash provided by financing activities		1,068,329	3,016,749
<b>(Decrease) / Increase in cash and cash equivalents</b>	20	<b>(2,463,001)</b>	<b>2,333,333</b>
Balance of cash and cash equivalents			
At the beginning of the period		7,995,798	89,976
Foreign exchange gains on cash and cash equivalents		17,240	117,376
At the end of the period		5,515,557	2,305,933
<b>(Decrease) / Increase in cash and cash equivalents</b>		<b>(2,463,001)</b>	<b>2,333,333</b>
<b>Non-cash transactions</b>			
Transactions with shareholders		(4,689)	(388,260)

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

## **BTG Pactual Participations Ltd.**

### **Notes to the interim condensed consolidated financial statements**

September 30, 2014

(In thousands of reais)

## **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 November 4, 2014 and they contain a true and fair view of the development and results of the Company.

## **2. Presentation of financial statements**

The Company's interim condensed consolidated financial statements were prepared and are being presented in accordance with International Accounting Standard (IAS 34) – Interim Financial Reporting, issued by International Accounting Standards Board (IASB).

The interim condensed consolidated interim financial statements and the selected explanatory notes do not include all information required for the annual financial statements and must be read together with the financial statements for the year ended December 31, 2013.

The preparation of the financial statements in accordance with IFRS requires Management to make estimates and assumptions that may affect the reported balances of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the year. Their judgments are particularly relevant in the determination of fair values of financial assets and liabilities, allowance for loan losses and other receivables, impairment of non-financial assets, realization of deferred income taxes, assets and liabilities and the assessment of the need for provisions for contingent liabilities. Estimates are based on historical experience and various other factors that Management believes to be reasonable under the circumstances. Actual results may differ from those estimates.

## **BTG Pactual Participations Ltd.**

### **Notes to the interim condensed consolidated financial statements**

September 30, 2014

(In thousands of reais)

#### **a. 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 and IFRS 12 – Disclosure of Interests in Other Entities 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, require 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 amends 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 change is applicable for years beginning January 1, 2014. The financial statements were unaffected 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.

Under IAS 32, the rights, options and guarantees issued to acquire a fixed number of the entity's own equity instruments for a fixed price, in any currency, are classified as equity instruments. The change is applicable for years beginning January 1, 2014. The financial statements were unaffected 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 change is applicable for years beginning January 1, 2014. The financial statements were unaffected by the adoption of this standard.

##### **• IAS 39 – Financial Instruments: Recognition and Measurement (revisado em 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 change is applicable for years beginning January 1, 2014. The financial statements were unaffected by the adoption of this standard.

Standards issued that are not yet effective for 2014:

## **BTG Pactual Participations Ltd.**

### **Notes to the interim condensed consolidated financial statements**

September 30, 2014

(In thousands of reais)

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

#### **• IFRS 9 Financial Instruments - Classification and Measurement**

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. 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 will quantify the effect of this amendment in conjunction with other phases. The Company has not applied hedge accounting and therefore does not expect impacts from the application of the referred chapter.

The IASB has not yet set an effective date by which IFRS 9 must be adopted, but all published parts of IFRS 9 are available for early adoption. The Company has not adopted IFRS 9 in these interim condensed consolidated financial statements and does not intend to early adopt it.

#### **• IFRS 11 – Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations**

“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 as 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 interim condensed 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 interim condensed 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

## **BTG Pactual Participations Ltd.**

### **Notes to the interim condensed consolidated financial statements**

September 30, 2014

(In thousands of reais)

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 an 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 interim condensed consolidated financial statements and does not intend to early adopt it.

#### **b. Seasonality of transactions**

Considering the activities that the Company and its subsidiaries are subjected, the nature of these transactions is neither cyclic nor seasonal. Consequently, the Company does not provide disclosures about seasonality in these notes to the financial statements for the nine-month period ended on September 30, 2014.

### **3. Main accounting practices**

As expected, the adoption of the pronouncements from January 1, 2014 (Note 2a) did not have significant impacts to these financial statements. Therefore, the accounting practices adopted by the Company in the preparation of its interim condensed consolidated financial statements are consistent with those adopted for the consolidated financial statements for the year ended on December 31, 2013, except for the accounting policy below, which was included in these financial statements:

#### **Investment Property**

Investment property is 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 is determined considering the fair value of the property, minus the attributed costs of the property, whereas in cases in which a positive or negative variation (gain or loss) is identified in the fair value of the investment properties, the adjustment is recognized fully in net income of the period.

The Investment Properties will be reevaluated at least on an annual basis, or when the Company deems it necessary, and may involve an independent valuer who holds a recognized and relevant professional qualification. As of September 30, 2014 the evaluation of the Company's investment properties was made by management, mainly based on the average price of lands, which were published on the first semester, and also considering the high and low productivity.

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



## BTG Pactual Participations Ltd.

### Notes to the interim condensed consolidated financial statements

September 30, 2014  
(In thousands of reais)

## 4. Basis of consolidation

### a. Subsidiaries

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

	Country	Equity interest - %	
		9/30/2014	12/31/2013
<b>Direct</b>			
BTG Bermuda LP Holdco Ltd.	Bermuda	100.00	100.00
<b>Indirect</b>			
BTG Investments LP (BTGI)	Bermuda	24.36	24.24

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

	Country	Equity interest - %	
		9/30/2014	12/31/2013
BTG Loanco LLC	USA	100.00	100.00
BTG Pactual Stigma LLC	USA	100.00	100.00
BTGP 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 Spanish Trading Holdings 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
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

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 September 30, 2014 the Company holds 24.36% of economic interest in BTGI (December 31, 2013 – 24.24%). As a result, the economic interests representing 75.64%, in the net assets of BTGI, are held by other shareholders and presented as non-controlling interests in the interim condensed 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.

## BTG Pactual Participations Ltd.

### Notes to the interim condensed consolidated financial statements

September 30, 2014  
(In thousands of reais)

## 5. Risk management

There were no significant changes in the risk management structure compared to that reported on December 31, 2013.

### a. Market risk

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

In millions of R\$	9/30/2014	12/31/2013	9/30/2013
Daily average VaR	41.2	37.0	43.2

### b. Credit risk

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:

	9/30/2014		
	Brazil	Abroad (i)	Total
<b>Assets</b>			
Cash at banks	-	879,666	879,666
Open market investments	-	4,635,891	4,635,891
Derivative financial instruments	145,650	1,289,995	1,435,645
Financial assets held for trading	2,806,527	31,601,047	34,407,574
Financial assets available for sale	1,062,539	228,667	1,291,206
Loans and receivables	216,869	1,900,958	2,117,827
Due from brokers	64,222	7,858,342	7,922,564
Non-current assets held for sale	207,740	-	207,740
Investments in associates and joint ventures entities	1,005,824	543,329	1,549,153
Investment properties	646,436	-	646,436
Other assets	-	299,209	299,209
<b>Total assets</b>	<b>6,155,807</b>	<b>49,237,104</b>	<b>55,392,911</b>
	12/31/2013		
	Brazil	Abroad (i)	Total
<b>Assets</b>			
Cash at banks	-	811,392	811,392
Open market investments	-	7,184,406	7,184,406
Derivative financial instruments	300,341	1,131,817	1,432,158
Financial assets held for trading	2,747,906	36,845,868	39,593,774
Financial assets available for sale	1,123,454	-	1,123,454
Loans and receivables	58,549	944,815	1,003,364
Due from brokers	45,779	4,405,846	4,451,625
Non-current assets held for sale	192,588	-	192,588
Investments in associates and joint ventures entities	2,054,601	412,566	2,467,167
Other assets	-	170,212	170,212
<b>Total assets</b>	<b>6,523,218</b>	<b>51,906,922</b>	<b>58,430,140</b>

(i) Except for the investments in associates and joint ventures entities, it refers primarily to counterparties domiciled in the United States of America and United Kingdom.

## BTG Pactual Participations Ltd.

### Notes to the interim condensed consolidated financial statements

September 30, 2014

(In thousands of reais)

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

	9/30/2014						
	Governments (i)	Financial Institutions	US Agencies	Companies	Individuals	Others	Total
<b>Assets</b>							
Cash at banks	-	879,666	-	-	-	-	879,666
Open market investments	-	4,635,891	-	-	-	-	4,635,891
Derivative financial instruments	-	1,435,645	-	-	-	-	1,435,645
Financial assets held for trading	21,508,134	2,487,951	1,604,004	8,807,485	-	-	34,407,574
Financial assets available for sale	-	-	-	1,291,206	-	-	1,291,206
Loans and receivables	-	-	-	724,168	1,393,659	-	2,117,827
Due from brokers	-	7,922,564	-	-	-	-	7,922,564
Non-current assets held for sale	-	-	-	207,740	-	-	207,740
Investment in associates and joint ventures entities	-	-	-	1,549,153	-	-	1,549,153
Investment properties	-	-	-	-	-	646,436	646,436
Other assets	-	-	-	26,083	-	273,126	299,209
<b>Total assets</b>	<b>21,508,134</b>	<b>17,361,717</b>	<b>1,604,004</b>	<b>12,605,835</b>	<b>1,393,659</b>	<b>919,562</b>	<b>55,392,911</b>
	12/31/2013						
	Governments (i)	Financial Institutions	US Agencies	Companies	Individuals	Others	Total
<b>Assets</b>							
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 entities	-	-	-	2,467,167	-	-	2,467,167
Other assets	-	-	-	-	-	170,212	170,212
<b>Total assets</b>	<b>25,817,642</b>	<b>16,810,611</b>	<b>4,514,903</b>	<b>10,375,575</b>	<b>741,197</b>	<b>170,212</b>	<b>58,430,140</b>

(i) See note 8(b)

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

## BTG Pactual Participations Ltd.

### Notes to the interim condensed consolidated financial statements

September 30, 2014  
(In thousands of reais)

#### c. Liquidity analysis of assets

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:

	9/30/2014				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
<b>Assets</b>					
Cash at banks	879,666	-	-	-	879,666
Open market investments	4,635,891	-	-	-	4,635,891
Derivative financial instruments	858,821	211,374	143,401	222,049	1,435,645
Financial assets held for trading	34,407,574	-	-	-	34,407,574
Financial assets available for sale (i)	-	-	-	1,291,206	1,291,206
Loans and receivables	212,757	4,405	507,006	1,393,659	2,117,827
Due from brokers	7,922,564	-	-	-	7,922,564
Non-current assets held for sale	-	207,740	-	-	207,740
Investment in associates and joint ventures entities	-	-	-	1,549,153	1,549,153
Investment properties	-	-	-	646,436	646,436
Other assets	197,243	-	-	101,966	299,209
<b>Total assets</b>	<b>49,114,516</b>	<b>423,519</b>	<b>650,407</b>	<b>5,204,469</b>	<b>55,392,911</b>
	12/31/2013				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
<b>Assets</b>					
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 entities	-	-	-	2,467,167	2,467,167
Other assets	170,212	-	-	-	170,212
<b>Total assets</b>	<b>52,953,623</b>	<b>573,674</b>	<b>341,385</b>	<b>4,561,458</b>	<b>58,430,140</b>

(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.

#### d. 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 September 30, 2014 and December 31, 2013:

	09/30/2014				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
<b>Liabilities</b>					
Open market funding	31,509,817	-	-	-	31,509,817
Derivative financial instruments	840,298	143,431	127,874	242,355	1,353,958
Financial liabilities held for trading	4,400,757	-	-	-	4,400,757
Financial liabilities at amortized cost	1,051,781	1,720,987	1,612,001	2,092,431	6,477,200
Due to brokers	4,442,894	-	-	-	4,442,894
Other liabilities	96,789	948,919	2,144,980	-	3,190,688
<b>Total liabilities</b>	<b>42,342,336</b>	<b>2,813,337</b>	<b>3,884,855</b>	<b>2,334,786</b>	<b>51,375,314</b>

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	12/31/2013				Total
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	
<b>Liabilities</b>					
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
<b>Total liabilities</b>	<b>46,006,596</b>	<b>2,699,912</b>	<b>3,601,308</b>	<b>1,982,643</b>	<b>54,290,459</b>

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.

	9/30/2014				Total
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	
<b>Assets</b>					
Loans and receivables	212,757	4,539	557,642	2,682,991	3,457,929
<b>Liabilities</b>					
Financial liabilities at amortized cost	1,156,719	1,633,704	1,685,006	2,048,123	6,523,552

  

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

## 6. Cash at banks

Cash on banks comprise exclusively highly-liquid bank deposits, totaling R\$879,666 and R\$811,392, as of September 30, 2014 and December 31, 2013.

## 7. Open market investments and funding

	9/30/2014	12/31/2013
Open market investments	22,365,455	21,503,971
Offset (netting) (i)	(17,729,564)	(14,319,565)
<b>Net</b>	<b>4,635,891</b>	<b>7,184,406</b>
Open market funding	49,239,381	51,994,565
Offset (netting) (i)	(17,729,564)	(14,319,565)
<b>Net</b>	<b>31,509,817</b>	<b>37,675,000</b>

(i) The total amount that meets the criteria for netting was netted on September 30, 2014 and December 31, 2013.

As of September 30, 2014 the collateral received in repurchase agreements amounts to R\$22,183,855 (December 31, 2013 – R\$21,302,525), whereas the collateral granted amounts to R\$52,831,707 (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\$392,781 (December 31, 2013 – R\$321,083).

## BTG Pactual Participations Ltd.

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## 8. Classification and measurement of financial instruments

### a. Derivative financial instruments

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

	9/30/2014	12/31/2013
	Fair value	Fair value
<b>Futures</b>		
Long position	171,319	140,412
Short position	39,438	86,272
<b>Swaps</b>		
Long position	393,048	415,562
Short position	391,045	333,956
<b>Credit derivatives</b>		
Long position	186,927	127,050
Short position	225,865	318,606
<b>Currency forward transactions - NDF</b>		
Long position	7,455	9,356
Short position	109,939	2,837
<b>Forward transactions - DF</b>		
Long position	88,728	90,334
Short position	15,658	127,579
<b>Options</b>		
Long position	588,168	649,444
Short position	572,013	817,689
Long position	1,435,645	1,432,158
Short position	1,353,958	1,686,939

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:

	9/30/2014	12/31/2013
<b>Futures market</b>		
Long position	34,787,641	71,409,466
Currency	1,494,260	2,202,779
Equities	11,044	18,814
Index	586,470	2,259,624
Interest rate	32,634,741	66,883,100
Commodities	61,127	45,149
Short position	43,268,003	27,489,789
Currency	92,465	2,457,431
Interest rate	41,052,759	24,046,682
Commodities	54,784	12,077
Equities	312,534	396
Indexes	1,755,461	973,203
<b>Swap</b>		
Long position	203,022,874	146,231,705
Interest rate	87,879,958	133,342,323
Currency	86,641,901	1,765,417
Index	6,300,673	6,067,374
Equities	11,106,273	4,720,920
Commodities	11,029,500	-
Other	64,569	335,671
Short position	203,022,874	146,231,705
Interest rate	87,879,958	133,031,267
Currency	86,552,440	2,795,503
Index	15,124,273	6,988,048
Equities	2,282,673	3,416,887
Commodities	11,118,962	-
Other	64,569	-

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	9/30/2014	12/31/2013
<b>Credit derivatives</b>		
Long position	5,799,111	3,339,247
Sovereign	2,916,726	462,984
Coporate	2,882,386	2,876,263
Short position	8,063,170	8,970,011
Coporate	4,131,859	8,437,092
Sovereign	3,931,311	532,919
<b>Currency forward transactions - NDF</b>		
Long position	2,604,550	1,334,611
Currency	2,604,550	482,729
Interest rate	-	851,882
Short position	2,604,550	1,334,611
Currency	2,604,550	482,729
Interest rate	-	851,882
<b>Forward transactions - DF</b>		
Long position	4,979,464	3,251,603
Currency	4,969,357	3,165,982
Equities	10,107	85,621
Short position	4,979,464	3,251,603
Currency	4,969,357	3,230,480
Equities	10,107	-
Commodities	-	21,123
<b>Options market</b>		
Purchase of call options	14,028,399	20,470,670
Index	10,536,357	3,964,437
Equities	1,478,549	1,946,815
Commodities	140,933	-
Interest rate	1,372,460	14,223,883
Currency	377,524	335,535
Others	122,578	-
Purchase of put options	101,800,696	39,685,862
Index	88,455,432	36,088,545
Equities	1,774,623	1,479,360
Commodities	30,838	48,215
Interest rate	10,983,526	1,938,932
Currency	526,877	130,810
Others	29,399	-
Sale of call options	18,598,606	30,446,407
Equities	211,575	232,221
Index	14,454,417	16,215,272
Currency	22,398	86,705
Commodities	207,722	-
Interest rate	3,668,437	13,903,059
Other	34,058	9,150
Sale of put options	126,486,600	70,440,556
Equities	195,081	246,747
Index	88,948,156	65,714,754
Commodities	27,412	-
Interest rate	12,586,222	4,349,082
Currency	453,439	125,329
Others	24,276,291	4,644

## BTG Pactual Participations Ltd.

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#### b. Financial assets held for trading

	9/30/2014		12/31/2013
	Amortized cost	Fair value	Fair value
Own portfolio			
Equities	2,691,318	2,488,795	2,082,892
Corporate bonds issued from non brazilian entities	1,229,697	1,180,144	1,263,320
Certificate of bank deposits	1,102	1,102	4,104
US Agencies	370,989	371,623	731,810
Brazilian government bonds	1,825,165	1,821,135	1,114,447
Foreign government bonds			
United States	1,754,413	1,756,174	1,648,840
Others	560,255	554,233	370,714
Investment fund quotas	426,044	416,672	480,896
Related to repurchase agreement			
Corporate bonds issued from non brazilian entities	5,544,854	5,387,588	5,430,016
US Agencies	1,274,021	1,232,381	3,783,094
Brazilian government bonds	-	-	849,175
Foreign government bonds			
United States	6,819,284	6,837,960	14,806,932
UK	5,049,420	4,959,450	3,000,934
Germany	1,854,923	1,801,634	576,389
Others	5,711,921	5,598,683	3,450,211
	<u>35,113,406</u>	<u>34,407,574</u>	<u>39,593,774</u>

#### c. Financial liabilities held for trading

As of September 30, 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\$4,656,580 and R\$4,400,757 respectively, as of September 30, 2014 (December 31, 2013 - R\$5,053,013 and R\$5,055,311 respectively).

#### d. Financial assets available for sale

	9/30/2014	12/31/2013
BTG Pactual Principal Investments FIP (FIP Principal)	782,080	816,282
BTG Pactual Brazil Infrastructure Fund II LP (Infrastructure fund)	111,095	86,687
Brasil Pharma S.A.	166,633	-
ADS - Advanced Disposal Service	228,667	218,545
Other investments	2,731	1,940
	<u>1,291,206</u>	<u>1,123,454</u>

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.



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As of September 30, 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 Brazil 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:

<b>Investment</b>	<b>Description / Segment activity</b>	<b>Equity interest in 9/30/2014 (%)</b>	<b>9/30/2014</b>	<b>12/31/2013</b>
LTN	Financial bills	-	6,047	-
<b>Debentures</b>				
A!Bodytech	Fitness segment	-	-	141,570
<b>Equity interest</b>				
A!Bodytech	Fitness segment	30.0%	157,383	
Brasil Brokers Participações S.A.	Investment in real estate companies	12.7%	81,089	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
Deep Sea Group	Maritime transport and logistics services for the oil and gas sector	42.9%	524,766	436,067
Brasil Pharma S.A.	Pharmaceutical retail company	11.7%	96,578	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%	535,050	534,850
UOL Universo on Line S.A.	Internet and server provider	6.5%	144,804	144,804
Other	Other assets or liabilities, net	-	(66,943)	(11,424)
			<u>2,285,447</u>	<u>2,385,395</u>
Company's direct and indirect interest in FIP Principal			34.22%	34.22%
Total estimated interest in FIP Principal			<u>782,080</u>	<u>816,282</u>

### Infrastructure Fund

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

<b>Investment</b>	<b>Description / Segment activity</b>	<b>Direct and indirect interest in 9/30/2014</b>	<b>9/30/2014</b>	<b>12/31/2013</b>
Latin America Power Holding B.V.	Energy sector	10.6%	68,274	51,074
SETE Participações S.A.	Oil and gas	1.1%	41,511	30,608
Contrail S.A.	Logistics services	-	-	3,960
Other	-	0.0%	1,310	1,045
Total of investments in Infrastructure fund			<u>111,095</u>	<u>86,687</u>

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#### 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.

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.

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.

#### e. Loans and receivables

	9/30/2014	12/31/2013
Partners (i)	1,393,659	741,197
BTG Pactual Holding S.A.	-	1,496
ATLL Concessionaria de La Generalitat de Catalunya S.A. (ii)	201,674	203,617
Promissory notes (iii)	212,464	-
BTG MB Investments LP.	305,332	-
Other	4,698	57,054
	<u>2,117,827</u>	<u>1,003,364</u>

- (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 2.00% p.a., with maturity up to 180 days.

#### f. Financial liabilities at amortized cost

	Maturity	9/30/2014		12/31/2013	
		Index	US\$	R\$	R\$
Loans with financial institutions	november-14 to march-17	Libor and 2.15% p.a.	983,895	2,411,550	2,071,372
Senior notes	april-18	4.5% p.a.	711,362	1,743,548	1,646,934
Medium term notes	october-14 to june-19	0.35% to 1.95% p.a.	809,104	1,983,114	1,296,794
Others	september-18	100% CDI	138,308	338,988	32,278
			<u>2,642,669</u>	<u>6,477,200</u>	<u>5,047,378</u>

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.

#### g. Reclassifications

There were no reclassifications among categories during the nine-month period ended September 30, 2014 and year ended December 31, 2013.

#### h. Fair value of financial instruments

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

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	9/30/2014			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Derivative financial instruments	615,894	819,576	175	1,435,645
Financial assets held for trading	20,313,303	13,875,352	218,919	34,407,574
Financial assets available for sale	-	166,633	1,124,573	1,291,206
	<u>20,929,197</u>	<u>14,861,561</u>	<u>1,343,667</u>	<u>37,134,425</u>
<b>Liabilities</b>				
Derivative financial instruments	201,660	1,152,298	-	1,353,958
Financial liabilities held for trading	4,339,086	61,671	-	4,400,757
	<u>4,540,746</u>	<u>1,213,969</u>	<u>-</u>	<u>5,754,715</u>
<b>12/31/2013</b>				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
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
	<u>27,688,167</u>	<u>13,230,412</u>	<u>1,230,807</u>	<u>42,149,386</u>
<b>Liabilities</b>				
Derivative financial instruments	645,154	1,041,785	-	1,686,939
Financial liabilities held for trading	5,055,311	-	-	5,055,311
	<u>5,700,465</u>	<u>1,041,785</u>	<u>-</u>	<u>6,742,250</u>

No significant reclassification between levels 1 and 2 was carried during the nine-month period ended September 30, 2014 and the year ended December 31, 2013. Changes in level 3 for the nine-month period 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	19,025	-	-	290,611
Sales / settlement	(38,734)	-	-	(48,232)
Other (i)	-	-	-	-
Gains (losses) recognized in:				
Gains on financial instruments held for trading	277,956	-	-	-
Gains on financial assets available for sale	-	-	-	3,297
Other Comprehensive Income - Financial assets available for sale:				
Foreign exchange	(4,547)	-	-	101,211
Fair value measurement	-	-	-	(174,783)
Balances at September 30, 2013	<u>(22,986)</u>	<u>-</u>	<u>-</u>	<u>1,217,045</u>
Balances at December 31, 2013	-	142	107,211	1,123,454
Acquisitions	-	-	333,021	-
Sales / reclassifications	-	-	(139,538)	-
Gains (losses) recognized in:				
Losses on financial instruments held for trading	-	33	(81,775)	-
Other Comprehensive Income - Financial assets available for sale:				
Foreign exchange	-	-	-	37,701
Fair value measurement - unrealized	-	-	-	(65,540)
Impairment losses	-	-	-	28,958
Balances at September 30, 2014	<u>-</u>	<u>175</u>	<u>218,919</u>	<u>1,124,573</u>

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

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## 9. Amounts due from/ to brokers

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

	<u>9/30/2014</u>	<u>12/31/2013</u>
<b>Due from brokers</b>		
<b>Custodian bank</b>		
Banco BTG Pactual S.A.	64,222	45,779
<b>Main brokers</b>		
UBS AG	4,887,107	836,982
Citigroup	3,225,518	4,924,388
Bank of America	17,438	47,086
BTG Pactual Chile	5,507	6,183
Morgan Stanley	380,989	114,225
Others	65,033	29,088
	<u>8,645,814</u>	<u>6,003,731</u>
Netting (i)	(723,250)	(1,552,106)
	<u>7,922,564</u>	<u>4,451,625</u>
	<u>9/30/2014</u>	<u>12/31/2013</u>
<b>Due to brokers</b>		
<b>Custodian bank</b>		
Banco BTG Pactual S.A.	21,700	9,573
<b>Main brokers</b>		
UBS AG	3,675,794	985,718
Citigroup	798,773	1,561,516
Morgan Stanley	559,403	124,821
Others	110,474	2,516
	<u>5,166,144</u>	<u>2,684,144</u>
Netting (i)	(723,250)	(1,552,106)
	<u>4,442,894</u>	<u>1,132,038</u>

(i) The total amount that meets the criteria for netting was netted on September 30, 2014 and December 31, 2013.

## 10. Non-current assets held for sale

On September 30, 2014 the Company held interest in BTG Pactual SCFlor & São Lourenço Holding S.A. ("SCFlor") totaling R\$207,740 (December 31, 2013 – R\$192,588), which comprises of land and timber assets expected to be transferred during 2014 to the Timber Fund, which is currently being set up.

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## 11. Investment in associates and joint ventures

		9/30/2014						
Relationship	Assets		Liabilities		Shareholders' equity	Net income - Nine month period ended September 30, 2014 (i)	Interest - %	
	Current	Non-current	Current	Non-current				
B&A Mineração S.A.	Joint ventures	35,592	372,177	10,572	60,776	336,421	(75,454)	87.83%
Túnel de Barcelona i Cadí Concessionaria de La Generalitat de Catalunya S.A.	Joint ventures	111,119	1,137,148	47,645	921,278	279,344	1,687	65.00%
União de Lojas Leader S.A.	Associate	472,386	1,926,821	1,068,564	442,444	888,199	(157,833)	44.02%
ATLL Concessionaria de La Generalitat de Catalunya S.A.	Joint ventures	414,811	3,128,363	285,476	2,808,060	449,638	13,829	39.00%
SPE Holding Beira-Rio S.A.	Joint ventures	40,676	382,033	14,091	382,854	25,764	(11,362)	50.00%
BR Properties S.A.	Associate	703,917	8,328,242	386,268	2,488,979	6,156,912	350,293	2.88%
SIFR Holdings Ltd.	Joint ventures	-	366,769	-	-	366,769	(881)	50.00%

		12/31/2013						
Relationship	Assets		Liabilities		Shareholders' equity	Net income - Nine month period ended September 30, 2013 (i)	Interest - %	
	Current	Non-current	Current	Non-current				
B&A Mineração S.A.	Joint ventures	35,201	336,875	4,717	101	367,257	(25,259)	87.76%
Túnel de Barcelona i Cadí Concessionaria de La Generalitat de Catalunya S.A.	Joint ventures	105,579	1,195,190	46,765	916,750	337,255	(3,326)	65.00%
União de Lojas Leader S.A.	Associate	739,109	2,283,365	985,635	616,349	1,420,491	(45,847)	44.02%
ATLL Concessionaria de La Generalitat de Catalunya S.A.	Joint ventures	3,287,704	256,486	712,162	2,336,259	495,770	21,687	39.00%
SPE Holding Beira-Rio S.A.	Joint ventures	24,356	350,708	3,831	334,111	37,122	-	50.00%
BR Properties S.A.	Associate	827,280	10,365,660	720,498	2,822,001	7,650,441	-	18.55%

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	12/31/2013	Aquisition/Increase/Transfer	Sales	Dividends	Foreign Exchange	Equity pick up	Other Comprehensive income	09/30/2014
B&A Mineração S.A. (ii)	322,291	12,067	-	-	39,797	(131,077)	48,146	291,224
Túnel de Barcelona i Cadí Concessionaria de La Generalitat de Catalunya S.A.	219,216	-	-	(20,727)	(9,399)	(7,504)	-	181,586
ATLL Concessionaria de La Generalitat de Catalunya S.A.	193,350	-	-	(16,461)	(6,363)	4,845	-	175,371
União de Lojas Leader S.A.	643,439	-	-	-	-	(71,226)	-	572,213
SPE Holding Beira-Rio S.A.	20,358	116	-	-	-	(6,116)	-	14,358
BR Properties S.A.	1,060,214	167,361	(1,065,956)	(54,082)	-	20,492	-	128,029
SIFR Holdings Ltd.	-	166,440	-	-	19,226	(398)	-	185,268
Others	8,299	(3,409)	-	-	(131)	(3,655)	-	1,104
	<u>2,467,167</u>	<u>342,575</u>	<u>(1,065,956)</u>	<u>(91,270)</u>	<u>43,130</u>	<u>(194,639)</u>	<u>48,146</u>	<u>1,549,153</u>

	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
	<u>909,891</u>	<u>1,741,331</u>	<u>(170,694)</u>	<u>129,214</u>	<u>(80,054)</u>	<u>(62,521)</u>	<u>2,467,167</u>

(i) Converted at closing rates only for presentation purpose.

(ii) Of the R\$131 million of equity pick up, R\$58 million refers to the realized share of other comprehensive income from non-controlled entities.

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#### 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 its shares in BR Properties 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 15% and 3.65%, respectively, 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.

## 12. Investment properties

During the third quarter of 2014, the Company reevaluated its investment properties, owned by its subsidiary BR PEC Agropecuária S.A., recognizing a gain of R\$393,003, before deferred income taxes in the amount of R\$133,621.

## 13. Shareholders' equity

### a. Capital

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. Due to the conversions, the interest of the Company in BTGI is 24.36% on September 30, 2014 (December 31, 2013 – 24.24%).

As of September 30, 2014 and December 31, 2013, the Company's capital was comprised by the following class of shares:

	9/30/2014			
	Issued	Par value (R\$)	Voting rights	Vote per share
Class A	220,436,293	-	Yes	1
Class B	440,872,586	-	No	-
Class C	1	10	Yes	(*)
Class D	33,753,909	0,000000001	Yes	1
<b>Total</b>	<b>695,062,789</b>			

  

	12/31/2013			
	Issued	Par value (R\$)	Voting rights	Vote per share
Class A	219,402,586	-	Yes	1
Class B	438,805,172	-	No	-
Class C	1	10	Yes	(*)
Class D	34,787,616	0,000000001	Yes	1
<b>Total</b>	<b>692,995,375</b>			

(\*) 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.

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#### b. Dividends

The Company did not pay dividends for the nine-month period ended on September 30, 2014 and year ended on December 31, 2013.

### 14. Earnings per share

	Quarters ended:		Nine-month period ended:	
	9/30/2014	9/30/2013	9/30/2014	9/30/2013
(Losses)/Income attributed to controlling shareholders	(72,864)	21,935	(64,491)	(34,752)
Weighted average per thousand shares outstanding during the period (i)	661,309	596,215	659,537	521,375
<b>(Losses) / income per share - Basic (in Reais)</b>	<b>(0.11)</b>	<b>0.04</b>	<b>(0.10)</b>	<b>(0.07)</b>
<b>(Losses) / income per share - Diluted (in Reais)</b>	<b>(0.11)</b>	<b>0.04</b>	<b>(0.10)</b>	<b>(0.07)</b>

(i) Class A and class B shares

### 15. Interest income (expenses)

Interest (expenses) income recognized in the consolidated statement of income consists primarily of: (i) interest accumulated in the quarter and in the nine-month period from loans and financing, open market transactions and (ii) foreign exchange results. The breakdown of this item as of September 30 is as follows:

#### a. Interest income

	Quarters ended:		Nine-month periods ended:	
	9/30/2014	9/30/2013	9/30/2014	9/30/2013
Loans and receivables	24,113	11,462	80,575	38,555
Foreign exchange	(69,506)	-	-	-
Interest on open market investments	(947)	313	2,044	3,949
	<u>(46,340)</u>	<u>11,775</u>	<u>82,619</u>	<u>42,504</u>

#### b. Interest expenses

	Quarters ended:		Nine-month periods ended:	
	9/30/2014	9/30/2013	9/30/2014	9/30/2013
Interest on funding	(114,593)	(50,618)	(327,790)	(99,923)
Foreign exchange	(79,557)	(5,219)	(79,557)	(73,959)
Interest on loans and financing	(14,950)	(7,371)	(51,550)	(19,896)
	<u>(209,100)</u>	<u>(63,208)</u>	<u>(458,897)</u>	<u>(193,778)</u>

### 16. Gain (losses) on financial instruments held for trading

	Quarters ended:		Nine-month periods ended:	
	9/30/2014	9/30/2013	9/30/2014	9/30/2013
Derivatives financial instruments	312,258	105,615	(329,415)	164,559
Financial assets and liabilities held for trading	(537,250)	95,425	699,783	(42,645)
	<u>(224,992)</u>	<u>201,040</u>	<u>370,368</u>	<u>121,914</u>

### 17. Gain (losses) on financial assets available for sale

In the second quarter of 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



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losses was driven by the significant decrease in the stock market price of one of FIP Principal fund's portfolio companies.

## 18. Administrative expenses

	Quarters ended:		Nine-month periods ended:	
	9/30/2014	9/30/2013	9/30/2014	9/30/2013
Professional fees (i)	(42,005)	(12,456)	(205,829)	(40,514)
Expenses related to financial market	(5,401)	(2)	(15,455)	(680)
Other administrative expenses	281	(925)	(1,751)	(2,225)
	<u>(47,125)</u>	<u>(13,383)</u>	<u>(223,035)</u>	<u>(43,419)</u>

(i) Refers to expenses related primarily to management fee and performance fee.

## 19. Related parties

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

### a. Subsidiaries, related parties and shareholders

	Relationship	Maturity	Assets (Liabilities)		Revenues (Expenses)	
			9/30/2014	12/31/2013	9/30/2014	9/30/2013
<b>Assets</b>						
<b>Cash on banks</b>						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	791,662	738,497	-	-
<b>Open market investments</b>						
- Banco BTG Pactual S.A. (ii)	Related	-	2,241	96,769	5,274	-
<b>Financial assets held for trading</b>						
- Banco BTG Pactual S.A. (ii)	Related	12/24/2014	987	3,953	122	980
<b>Loans and receivables</b>						
- BTG Pactual E&P B.V. (ii)	Related	7/30/2013	-	-	-	2,571
- BTG Pactual Oil & Gas B.V. (ii)	Related	7/30/2013	212,464	-	2,464	-
- Partners (i)	Partners	11/27/2033	145,138	39,495	8,677	41,315
- ATLL Concessionaria de La Generalitat de Catalunya S.A.	Joint ventures	4/8/2016	201,674	203,617	(6,649)	8,409
- BTG Pactual Holding S.A.	Shareholder	-	-	1,496	-	50
- BTG MB Investments	Related	No maturity	305,332	40,466	21,591	(3,693)
- BTG Pactual Oil & Gas li Empr E Part S.A.	Related	02/23/2015	212,464	-	(15,386)	-
<b>Due from brokers</b>						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	64,461	45,779	-	-
- BTG Pactual Chile S.A. (ii)	Related	No maturity	5,507	6,183	-	-
<b>Sundry</b>						
- Banco BTG Pactual S.A. (ii)	Related	-	-	-	-	-
- BTG Pactual Commodities Switzerland S.A. (ii)	Related	-	276	-	1,249	-
<b>Liabilities</b>						
<b>Open market funding</b>						
- Banco BTG Pactual S.A. (ii)	Related	4/1/2014	(1,280,892)	(1,436,052)	(135,540)	(49,437)
<b>Financial liabilities held for trading</b>						
- Banco BTG Pactual S.A. (ii)	Related	4/17/2018	(193,604)	(38,958)	(11,095)	(339)
<b>Derivative financial instruments</b>						
- Banco BTG Pactual S.A. (ii)	Related	6/25/2014	(14,775)	(3,916)	1,025	37,171
<b>Due to brokers</b>						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	(21,700)	(9,573)	-	-
<b>Other liabilities</b>						
- BTG Pactual Global Asset Management Limited (ii)	Related	No maturity	(13,316)	(4,603)	(213,039)	(34,553)

(i) Considered as BTGI related parties only partners acting as Executive Directors partners.

(ii) Subsidiaries of Banco BTG Pactual S.A, ultimate controlled by BTG Pactual Holding S.A.

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#### b. Management compensation

No management compensation was recognized in the nine-month period ended on September 30, 2014 and the year ended on December 31, 2013.

## 20. Other information

#### a. Cash and cash equivalents

Balances at beginning of the semester	12/31/2013	12/31/2012
Cash at banks	811,392	78,813
Open market investments	7,184,406	11,163
	<u>7,995,798</u>	<u>89,976</u>
Balances at end of the semester	9/30/2014	9/30/2013
Cash at banks	879,666	2,038,667
Open market investments	4,635,891	267,266
	<u>5,515,557</u>	<u>2,305,933</u>

#### b. Equity kicker

BTGI granted to the Merchant Banking Partnership (BTG MB Investments) a series of loans totaling R\$92.4 million to finance the acquisition of BTG Alpha Investments LLC. These loans were fully repaid in November 2010. However, according to the related agreements, BTGI remains with the right to receive a portion of profits made on certain of BTG MB's investments held (or acquired in the using funds from said loans).

Such profit sharing is only due in investments made by BTGI and transferred to BTG MB Investments, and it does not apply to any other BTG MB Investments, Pactual Group investments, or those made by BTG Pactual Group's private equity funds. This right is only due on May 21, 2015, or in the event these assets are not sold through that date, postponing it to the date of sale of all investments. As of September 30, 2014, the company had an estimated receivable of R\$63,929 (December 31, 2013 – R\$40,466) relating to the equity kicker.

#### 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 now directly controls BTGI. Accordingly, the Company consolidated BTGI for the financial statements as of September 30, 2014 and December 31, 2013. The subsidiary's main figures are as follows:

	9/30/2014	12/31/2013
<b>Assets</b>	<b>55,392,911</b>	<b>58,430,140</b>
Securities and derivatives financial instruments	41,770,316	49,333,792
Due from brokers	7,922,564	4,451,625
Loans and receivables	2,117,827	1,003,364
Others	3,582,204	3,641,359
<b>Liabilities</b>	<b>51,375,314</b>	<b>54,290,459</b>
Open market funding and financial instruments	37,264,532	44,417,250
Due to brokers	4,442,894	1,132,038
Other	9,667,888	8,741,171

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	9/30/2014	12/31/2013
<b>Shareholders' equity</b>	<b>4,017,597</b>	<b>4,139,681</b>
Controlling interest	4,002,443	4,124,142
Non-controlling interest	15,154	15,539
<b>Total liabilities and shareholders' equity</b>	<b>55,392,911</b>	<b>58,430,140</b>
<b>Statements of income for the period</b>	<b>9/30/2014</b>	<b>9/30/2013</b>
Interest income/expenses, net	(376,278)	(151,274)
Gains on financial instruments, net	341,411	126,492
Other revenue/(expenses)	121,670	(32,335)
<b>Gross income</b>	<b>86,803</b>	<b>(57,117)</b>
Total expenses	(351,044)	(78,162)
<b>(Loss) / net income for the period</b>	<b>(264,241)</b>	<b>(135,279)</b>
Controlling interest	(263,990)	(135,345)
Non-controlling interest	(251)	66
Earnings / (Loss) per share (Basic and diluted in Reais)	(0.10)	(0.05)
<b>Cash flow statements</b>	<b>9/30/2014</b>	<b>9/30/2013</b>
Cash (used in) / provided by operating activities	(4,345,981)	(549,825)
Cash provided by / (used in) investing activities	814,651	(133,591)
Cash provided by financing activities	1,068,329	3,016,749
<b>Increase / (Decrease) in cash and cash equivalents</b>	<b>(2,463,001)</b>	<b>2,333,333</b>

#### d. Commitments and responsibilities

BTGI has entered into several investment opportunities mainly in the private equity business. The drawdown notice is subject to investment opportunities identified and agreed and therefore it is difficult to precisely estimate the cash outflows relating to these commitments. As of September 30, 2014 the total commitment undrawn was approximately R\$1,292 million (December 31, 2013 – R\$1,322 million) and it represented substantially by the investments in private equity funds and the joint ventures entities, mainly B&A Mineração.

#### e. Contingencies

##### ATLL Concessionaria de La Generalitat de Catalunya S.A.

On 27 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. BTGI and Acciona each hold 39% equity interest in a newly established company ATLL Concessionaria de La Generalitat de Catalunya S.A. (“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 law suits have been brought by both parties to the regional courts of Catalunya and Madrid, Spain. The last decisions from the courts of Catalunya, dated July 19, 2013, rejected the reposition appeals filed by the Consortium in the context of the ongoing preliminary proceedings. Recently, the Supreme Court in Madrid rejected the cassation appeal filed by the Consortium. The main proceedings regarding the validity of the results of the bidding process are still ongoing.

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Management has evaluated the lawsuit and believes 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, of the concession. This understanding was confirmed by a letter from the Government of Catalunya, 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 fees, plus capex). The Consortium is only obliged to return the concession after such 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.