

Interim Condensed Consolidated Financial Statements in IFRS

Banco BTG Pactual S.A. and subsidiaries

June 30, 2014

with independent auditors' review report on interim condensed consolidated
financial statements

BANCO BTG PACTUAL S.A and subsidiaries

Interim condensed consolidated financial statements

June 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.

Independent auditors' review report

To the Shareholders and Management of
Banco BTG Pactual S.A. and subsidiaries
São Paulo - SP

We have reviewed the interim condensed consolidated financial statements of Banco BTG Pactual and its subsidiaries ("Bank") for the quarter ended June 30, 2014, which comprise the interim condensed consolidated balance sheet as of June 30, 2014 and the related interim condensed consolidated statements of income and comprehensive income, changes in shareholders' equity and cash flows for the six-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.

Emphasis of matter

As of June 30, 2014, the jointly controlled subsidiary Banco Pan S.A. (formerly Banco Panamericano 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.

São Paulo, August 29, 2014.

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



Emerson Morelli
Accountant CRC – 1SP 249.401/O-4



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

BANCO BTG PACTUAL S.A. and subsidiaries

Interim condensed consolidated balance sheets

As of June 30, 2014 and December 31, 2013

(In thousands of reais)

	Note	6/30/2014	12/31/2013
Assets			
Cash and balances at Central Bank	5	1,619,862	1,311,829
Financial assets at fair value through profit or loss			
Financial assets held for trading	6a	16,951,793	30,794,784
Financial assets designated at fair value through profit and loss	6c	13,216,660	13,219,750
Derivative financial instruments	6d	22,324,097	20,535,343
Loans and receivables			
Open market investments	9	13,600,631	6,733,696
Amounts receivable from banks	10	6,293,253	3,858,881
Other loans and receivables	11a	25,862,102	16,838,427
Available-for-sale financial assets	7	1,444,323	423,821
Held-to-maturity financial assets	12	4,517,456	4,353,685
Non-current assets held for sale		-	655,540
Deferred tax assets	20	1,200,629	1,290,054
Other assets	14	13,580,469	15,904,651
Investment in associates and jointly controlled entities	15	3,300,909	3,613,257
Property, plant and equipment		130,408	116,743
Intangible assets	16	1,119,706	1,237,847
Total assets		125,162,298	120,888,308
Liabilities			
Financial liabilities at fair value through profit or loss			
Financial liabilities held for trading	6b	11,953,909	16,041,460
Derivative financial instruments	6d	20,163,163	20,747,585
Financial liabilities carried at amortized cost			
Open market funding	9	23,053,341	19,900,088
Amounts payable to banks	10	422,594	388,611
Other financial liabilities carried at amortized cost	13	47,217,529	44,160,315
Tax liabilities	17	1,893,371	1,259,865
Other liabilities	18	5,851,579	5,573,708
Total liabilities		110,555,486	108,071,632
Shareholders' equity			
Capital stock	21	6,462,076	6,462,076
Income reserves		7,244,981	5,481,319
Foreign currency translation reserve		93,845	539,198
Total shareholders' equity of controlling shareholders		13,800,902	12,482,593
Non-controlling interest		805,910	334,083
Total shareholders' equity		14,606,812	12,816,676
Total liabilities		125,162,298	120,888,308

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

BANCO BTG PACTUAL S.A. and subsidiaries

Interim condensed consolidated statements of income

Semesters ended June 30

(In thousands of reais)

	Note	6/30/2014	6/30/2013
Interest income	23	2,911,917	2,454,320
Interest expense	23	(3,440,272)	(2,722,916)
Net interest income		(528,355)	(268,596)
Net gains on financial instruments	23b	2,411,339	1,703,282
Net exchange variations		1,008,500	167,612
Fees and commissions	24	1,305,804	1,235,449
Share of profit in associates and jointly controlled entities	15	(115,397)	(284,867)
Other operating income/(expenses)	25	522,499	105,836
Net revenues		4,604,390	2,658,716
Administrative expenses	26	(610,791)	(450,992)
Personnel expenses	27	(876,226)	(670,061)
Provisions for credit losses	11b	(126,330)	(159,442)
Tax charges (other than income tax)		(197,179)	(156,188)
Income before taxes and profit sharing		2,793,864	1,222,033
Income tax and social contribution	20	(585,375)	(108,211)
Net income for the period		2,208,489	1,113,822
Net income attributable to controlling shareholders		2,212,101	1,066,927
Net income attributable to non-controlling interests		(3,612)	46,895
Earnings per share –basic and diluted – In Reais	22		
Common shares		0.81	0.41
Preferred shares		0.81	0.41

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

BANCO BTG PACTUAL S.A. and subsidiaries

Interim condensed consolidated statements of comprehensive income

Semesters ended June 30

(In thousands of reais)

	<u>Note</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Net income for the period		2,208,489	1,113,822
Other comprehensive income (expenses) to be reclassified to profit or loss in subsequent years:			
Changes in fair value of assets available for sale - jointly controlled	15	341	-
Changes in fair value of assets available for sale		(8,006)	-
Exchange differences on translation of foreign operations and non-monetary items		(437,688)	205,545
Total comprehensive income		<u>1,763,136</u>	<u>1,319,367</u>
Attributable to controlling shareholders		1,766,748	1,272,472
Attributable to non-controlling interests		(3,612)	46,895

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

BANCO BTG PACTUAL S.A. and subsidiaries

Interim condensed statement of changes in shareholders' equity

Semesters ended June 30

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

				Additional paid-in capital	Income reserves				Other comprehensive income	Retained earnings	Controlling interests	Non- controlling interests	Total
	Note	Capital	Increase in capital		Legal	Unrealized	Statutory	Total					
Balances at December 31, 2012		6,302,846	52,488	106,742	326,039	1,291,350	2,086,614	3,704,003	188,622	-	10,354,701	88,068	10,442,769
Approval of capital increase	21	52,488	(52,488)	-	-	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations and non-monetary items	25	-	-	-	-	-	-	-	205,545	-	205,545	-	205,545
Intermediate interest on equity (R\$ 0.09 per share)	21	-	-	-	-	-	-	-	-	(255,000)	(255,000)	-	(255,000)
Intermediate dividends paid (R\$ 0.02 per share)	21	-	-	-	-	-	-	-	-	(60,466)	(60,466)	-	(60,466)
Net income for the semester		-	-	-	-	-	-	-	-	1,066,927	1,066,927	46,895	1,113,822
Net income allocations		-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	61,240	-	-	61,240	-	(61,240)	-	46,895	46,895
Addition of non-controlling		-	-	-	-	-	-	-	-	-	-	104,837	104,837
Balances at June 30, 2013		6,355,334	-	106,742	387,279	1,291,350	2,086,614	3,765,243	394,167	690,221	11,311,707	286,695	11,598,402
Balances at December 31, 2013		6,355,334	-	106,742	458,188	1,078,592	3,944,539	5,481,319	539,198	-	12,482,593	334,083	12,816,676
Exchange differences on translation of foreign operations and non-monetary items	25	-	-	-	-	-	-	-	(437,688)	-	(437,688)	-	(437,688)
Net income for the semester	23	-	-	-	-	-	-	-	-	2,212,101	2,212,101	(3,612)	2,208,489
Legal reserve		-	-	-	90,339	-	-	90,339	-	(90,339)	-	-	-
Interest on equity (R\$ 0.11 per share)	21	-	-	-	-	-	-	-	-	(301,800)	(301,800)	-	(301,800)
Dividends paid (R\$ 0.05 per share)	21	-	-	-	-	-	-	-	-	(146,639)	(146,639)	-	(146,639)
Changes in fair value of assets available for sale - jointly controlled	15	-	-	-	-	-	-	-	341	-	341	-	341
Changes in fair value of assets available for sale		-	-	-	-	-	-	-	(8,006)	-	(8,006)	-	(8,006)
Addition of non-controlling		-	-	-	-	-	-	-	-	-	-	475,439	475,439
Balances at June 30, 2014		6,355,334	-	106,742	548,527	1,078,592	3,944,539	5,571,658	93,845	1,673,323	13,800,902	805,910	14,606,812

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

BANCO BTG PACTUAL S.A. and subsidiaries

Interim condensed consolidated statements of cash flows

Semesters ended June 30

(In thousands of reais)

	Note	6/30/2014	6/30/2013
Operating activities			
Net income for the period		2,208,489	1,113,822
Adjusts to net income		(52,022)	86,360
Equity in the (earnings)/losses of associates	15	115,397	284,867
Non-controlling interest		3,612	(46,895)
Deferred tax		(265,090)	(203,004)
Depreciation and amortization	16	94,059	51,392
Adjusted net income for the period		2,156,467	1,200,182
Increase/decrease in operational assets and liabilities			
Balances at central bank		(117,525)	(7,461)
Financial Assets held for trading		13,842,991	3,690,887
Financial assets designated at fair value through profit and loss		3,090	(14,063,328)
Derivative financial instruments - assets		(1,788,754)	(9,529,303)
Open market investments		1,887,187	(6,892,473)
Amounts receivable from / (payable to) banks		(516,103)	(2,200,671)
Other loans and receivables		(9,023,675)	(4,213,351)
Available-for-sale financial assets		(1,020,502)	-
Held-to-maturity financial assets		(163,771)	(141,485)
Other assets		2,979,722	(5,729,752)
Financial liabilities held for trading		(4,087,551)	18,958,369
Derivative financial instruments - liabilities		(584,422)	8,845,216
Open market funding		3,153,253	4,250,894
Tax liabilities		633,506	(191,872)
Other liabilities		277,871	1,032,622
Cash provided by / (used) in operating activities		7,631,784	(4,991,526)
Investing activities			
Sale of investments	15	176,906	39,822
Acquisition of equity interest	15	(11,143)	(2,061,184)
Dividends received	15	31,529	39,264
Acquisition of property and equipment in use		(81,600)	(22,591)
Sale of property and equipment in use		47,638	22
Acquisition of intangible assets	16	(116,222)	(23,457)
Sale of intangible assets		73	22
Cash provided by / (used in) investing activities		47,181	(2,028,102)
Financing activities			
Other liabilities		3,057,214	11,626,670
Capital increase due to share issuance		-	-
Non-controlling interest		471,827	198,627
Dividends distributed	21	(132,190)	(192,085)
Interest on equity distributed	21	(246,900)	(220,000)
Cash provided by financing activities		3,149,951	11,413,212
Increase in cash and cash equivalents		10,828,916	4,393,584
Balance of cash and cash equivalents	29b		
At the beginning of the period		10,755,165	17,445,761
At the end of the period		21,584,081	21,839,345
Increase in cash and cash equivalents		10,828,916	4,393,584
Non-monetary transactions			
Interest on equity distributed		301,800	255,000
Dividends received		146,639	60,466

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements

June 30, 2014

(In thousands of reais)

1. Operations

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

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

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

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

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

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

2. Corporate reorganization

Corporate events

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 its banking licenses from the Luxembourg Ministry of Finance, formalizing both the Bank's new offshore branch as well as its local subsidiary. Further infrastructure and operational processes are being implemented with the objective to initiate the business activities in the second quarter of 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 fair value consideration equal to the net asset value ("NAV") of such interests. On the same date, such third party entered into a separate binding agreement to sell such interests in ARF II to BTG Investment L.P. ("BTGI"), which is the primary investment vehicle for the principal investments business unit of the BTG Pactual Group.

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements

June 30, 2014

(In thousands of reais)

As a result of the transactions above, Banco BTG Pactual will continue to manage ARF II through its asset management unit and receive fees for such services. However, Banco BTG Pactual will no longer present the assets, liabilities and capital gains (or losses, if any) of ARF II on its consolidated financial statements. However, while this is true with respect to Banco BTG Pactual, as a result of the transaction with BTGI, the overall exposure of the BTG Pactual Group to the assets, liabilities and results of operations of ARF II will remain unchanged. For the year ended December 31, 2013 ARF II represented R\$782 million in revenues at Banco BTG Pactual (including an estimate R\$198 million of implied management and performance fees that would have been earned even if the transaction had occurred as of January 1, 2013), and R\$54.2 billion in total assets as of such date.

The sale of ARF II has been presented as sale of investments in subsidiaries in the statements of cash flows and it has reduced significantly the balance sheet lines open market investments and funding, derivative financial instruments (assets and liabilities), financial assets and liabilities for trading and amounts payable/receivable from brokers. The changes in assets and liabilities, mostly considered operational activities, of ARF II have been eliminated on a line by line basis from the statement of cash flows.

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

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

On June 14, 2013 the Bank and Petróleo Brasileiro S.A. - Petrobras ("Petrobras"), through its subsidiary Petrobras International Braspetro B.V. ("PIBBV"), established a joint venture for oil and gas exploration and production in Africa. The joint venture was established upon the acquisition by BTG Pactual and its clients, acting through BTG Pactual E&P Empreendimentos e Participações S.A., of 50% of the shares issued by Petrobras Oil & Gas B.V. ("PO&G"). The price for such shares, which were previously fully owned by PIBBV, was US\$1.525 billion. As of December 31, 2013 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. Banco BTG Pactual recognized gains of R\$193.8 million from equity pickup in PIBBV since its acquisition to September 30, 2012.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements

June 30, 2014

(In thousands of reais)

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 ("FGC") against Banco Bamerindus do Brasil S/A, 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 to the termination of the due diligence 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.

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 close 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

a. Basis for preparation

The Bank'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 the 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 interim condensed consolidated financial statements were prepared based on historical cost, excluding (i) financial instruments held for trading, (ii) derivative financial instruments, (iii) financial instruments available for sale, and (iii) financial instruments designated at the fair value through profit and loss, which were all measured at the fair value.

The interim condensed consolidated financial statements were prepared based on the same accounting policies, judgments and estimates as of December 31, 2013, except for the revised IFRS pronouncements disclosed below. Therefore, the accounting practices adopted by the Bank in the preparation of its interim condensed consolidated financial statements are consistent with those adopted for the consolidated financial statements for the year ended December 31, 2013.

b. Revised IFRS pronouncements

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements

June 30, 2014

(In thousands of reais)

• 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 interim condensed consolidated 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 interim condensed consolidated financial instruments in all situations, including both normal operations and insolvency.

In addition, 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 interim condensed consolidated 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 interim condensed consolidated 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 interim condensed consolidated financial statements were unaffected by the adoption of this standard.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements

June 30, 2014

(In thousands of reais)

Standards issued that are not yet effective for 2014:

• Annual improvements

The “Annual Improvements to IFRSs” amendments for the 2010-12 and 2011-13 annual improvement cycles were issued in December 2013, and generally their adoption is required from January 1, 2015. The Bank does not believe that the amendments will have a material impact on its interim condensed 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 Bank, but is not expected to have significant impacts on the classification and measurement of financial liabilities. The Bank will quantify the effect of this amendment in conjunction with other phases. The Bank has not applied hedge accounting and therefore does not expect impacts from the application of the referred chapter.

On February 2014, IASB hosted a meeting in which the effective date for the adoption of IFRS 9 was set to January 1, 2018, but all published parts of IFRS 9 are available for early adoption. The bank 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.

c. Seasonality of transactions

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

d. Consolidated financial statements

The Bank's interim condensed consolidated financial statements include the financial statements of the Bank, its foreign branches, direct and indirect subsidiaries in Brazil and abroad and investment funds. Control exists where the Company has the power to govern the financial and operating policies of the entity, is exposed to variable returns from its involvement with the investees and has the ability to use its power to affect these returns; generally conferred by holding a majority of voting rights.

BANCO BTG PACTUAL S.A. and subsidiaries

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

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

	Country	Equity interest - %	
		6/30/2014	12/31/2013
Direct subsidiaries			
BTG Pactual Asset Management S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Títulos e Valores Mobiliários S.A.	Brazil	99.99	99.99
BTG Pactual Serviços Financeiros S.A. Distribuidora de Títulos e Valores Mobiliários	Brazil	99.99	99.99
BTG Pactual Corretora de Mercadorias Ltda.	Brazil	99.99	99.99
BTG Pactual Securitizadora S.A.	Brazil	99.99	99.99
BTG Pactual Comercializadora de Energia Ltda.	Brazil	99.90	99.90
BTG Pactual Holding International S.A.	Brazil	99.99	99.99
BTG Pactual Overseas Corporation	Cayman	100.00	100.00
Global Ltd.	Cayman	100.00	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
Indirect subsidiaries			
BTG Pactual Gestora de Investimentos Alternativos Ltda.	Brazil	99.98	99.98
BTG Pactual WM Gestão de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Gestora de Recursos Ltda.	Brazil	99.99	99.99
BTG Pactual Corporate Services Ltda.	Brazil	99.99	99.99
BTG Pactual Serviços Energéticos Ltda.	Brazil	100.00	100.00
BTG Pactual NY Corporation	USA	100.00	100.00
BTG Pactual Global Asset Management Limited	Bermuda	100.00	100.00
BTG Pactual Europe LLP	UK	100.00	100.00
BTG Pactual Asset Management US, LLC	USA	100.00	100.00
BTG Pactual US Capital, LLC	USA	100.00	100.00
BTG Pactual Asia Limited	Hong Kong	100.00	100.00
BTG Global Asset Management (UK) Limited	UK	100.00	100.00
BTG Pactual Seguradora S.A.	Brazil	99.99	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	Delaware	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 Profesional S.A.S	Colombia	100.00	100.00

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	Country	Equity interest - %	
		6/30/2014	12/31/2013
BTGP Corp SAS	Colombia	100.00	100.00
BTG Pactual E&P Empreendimentos e Participações S.A.	Brasil	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
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 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
Investment funds			
Fundo de Investimento Multimercado Crédito Privado LS Investimento no Exterior	Brazil	100.00	100.00
BTG Pactual International Portfolio Fund SPC - CLASS C	Cayman	100.00	100.00
Fundo de Investimento em Direitos Creditórios Não Padronizados Precatórios 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
BTG Pactual Real State Development Fund I	Brazil	54.15	-
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

4. Risk management

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

a. Operating limits

The Basel ratio and fixed assets to equity capital ratio for the semester ended June 30, 2014 and year ended December 31, 2013 are presented below.

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June 30, 2014

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	6/30/2014	12/31/2013
Reference Shareholders' Equity	13,425,118	10,966,010
Tier I	12,780,257	11,375,535
Common Equity	12,780,257	11,375,535
Tier II	4,545,445	5,113,625
Reference Shareholders' Equity (PR) - (a)	17,325,702	16,489,160
Required Reference Shareholders' Equity (PRE)	11,917,875	10,201,774
Total exposure risk-weighted - (b)	11,917,875	10,202,073
Credit risk	6,415,094	6,309,435
Operational risk	694,655	398,908
Market risk	4,808,126	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	99.0%	73.6%
Fixed assets to equity capital ratio	8,656,238	8,237,556
Status for fixed assets to equity capital ratio	8,567,606	6,062,576
Amount of margin or insufficient	88,632	2,174,979

As at June 30, 2014 and December 31, 2013 the Bank was in compliance with all operating limits.

b. Market risk

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

In millions of R\$	06/30/2014	12/31/2013	06/30/2013
Daily average VaR	95.5	57.5	48.4

c. Credit risk

The financial assets split by geographic region are as follows:

	6/30/2014	
	Brazil	Foreign
Asset		
Cash and balances at Central Bank	564,623	1,055,239
Financial assets at fair value through profit or loss		
Financial Assets held for trading (i)	10,812,716	6,139,077
Financial assets designated at fair value through profit and loss	13,216,660	-
Derivative financial instruments	16,219,683	6,104,414
Loans and Receivables		
Open market investments	12,104,995	1,495,636
Amounts receivable from banks	4,130,874	2,162,379
Other loans and receivables	22,100,265	3,761,837
Available-for-sale financial assets	1,444,323	-
Held-to-maturity financial assets	4,517,456	-
Non-current assets held for sale	-	-
Total	85,111,595	20,718,582
		105,830,177

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	12/31/2013		
	Brazil	Foreign	Total
Asset			
Cash and balances at Central Bank	288,540	1,023,289	1,311,829
Financial assets at fair value through profit or loss			
Financial Assets held for trading (i)	26,194,841	4,599,943	30,794,784
Financial assets designated at fair value through profit and loss	13,219,750	-	13,219,750
Derivative financial instruments	15,791,277	4,744,066	20,535,343
Loans and Receivables			
Open market investments	6,252,904	480,792	6,733,696
Amounts receivable from banks	2,071,788	1,787,093	3,858,881
Other loans and receivables	11,488,708	5,349,719	16,838,427
Available-for-sale financial assets	423,821	-	423,821
Held-to-maturity financial assets	4,353,685	-	4,353,685
Non-current assets held for sale	655,540	-	655,540
Total	80,740,854	17,984,902	98,725,756

(i) See note 8(a).

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

	6/30/2014											
	Governments	Financial institutions	US agencies	Services	Investment funds	Individuals	Industry	Energy	Rural	Clearing	Real State	Other (i)
Asset												
Cash and balances at Central Bank	355,173	1,264,689	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss												
Financial Assets held for trading	7,426,890	375,350	-	3,034,854	2,108,405	-	1,155,525	169,185	-	126	1,179,805	1,501,653
Financial assets designated at fair value through profit and loss	13,216,660	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	4,290,929	11,055,168	-	18,265	1,224,487	124,689	4,358,808	387,173	702,880	-	22,019	139,679
Loans and Receivables												
Open market investments	-	3,532,794	-	-	10,042,258	-	2,702	-	-	-	-	22,877
Amounts receivable from banks	-	6,293,253	-	-	-	-	-	-	-	-	-	-
Other loans and receivables	19,446	1,966,570	-	12,036,174	1,784,101	718,588	2,442,463	5,206,223	-	-	1,665,329	23,208
Available-for-sale financial assets	-	-	-	-	728,311	-	716,012	-	-	-	-	-
Held-to-maturity financial assets	4,517,456	-	-	-	-	-	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total	29,826,554	24,487,824	-	15,089,293	15,887,562	843,277	8,675,510	5,762,581	702,880	126	2,867,153	1,687,417
	12/31/2013											
	Governments	Financial institutions	US agencies	Services	Investment funds	Individuals	Industry	Energy	Rural	Clearing	Real State	Other (i)
Asset												
Cash and balances at Central Bank	237,802	1,074,027	-	-	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss												
Financial Assets held for trading	12,454,098	2,647,761	-	5,644,118	2,984,902	134,773	4,073,734	642,833	-	7,624	640,051	1,564,890
Financial assets designated at fair value through profit and loss	13,219,750	-	-	-	-	-	-	-	-	-	-	-
Derivative financial instruments	10,654,312	6,296,362	-	399,794	655,490	52,127	2,349,691	-	-	98,509	-	29,058
Loans and Receivables												
Open market investments	-	815,353	-	-	5,912,805	-	4,324	-	-	-	-	1,214
Amounts receivable from banks	-	3,858,881	-	-	-	-	-	-	-	-	-	-
Other loans and receivables	-	-	-	10,656,216	-	3,210,616	2,537,349	-	434,246	-	-	-
Available-for-sale financial assets	-	-	-	-	423,821	-	-	-	-	-	-	-
Held-to-maturity financial assets	4,353,685	-	-	-	-	-	-	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-	655,540	-	-	-	-
Total	40,919,647	14,692,384	-	16,700,128	9,977,018	3,397,516	8,965,098	1,298,373	434,246	106,133	640,051	1,595,162

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

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

In June 30, 2014 and December 31, 2013 the Bank does not have any overdue or impaired financial instruments, whose terms have been renegotiated considered material.

d. Liquidity analysis of assets

The table below summarizes the expected discounted cash flows for financial assets held for trading and contractual discounted cash flows for the other assets, to the Company and its subsidiaries for the semester ended on June 30, 2014 and the year ended December 31, 2013:

Asset	6/30/2014	
	Under 12 months	Over 12 months
Cash and balances at Central Bank	1,619,862	-
Financial assets at fair value through profit or loss		
Financial Assets held for trading	16,951,793	-
Financial assets designated at fair value through profit and loss	13,216,660	-
Derivative financial instruments	17,630,139	4,693,958
Loans and Receivables		
Open market investments	13,600,631	-
Amounts receivable from banks	6,268,359	24,894
Other loans and receivables	15,954,769	9,907,333
Held-to-maturity financial assets	-	4,517,456
Non-current assets held for sale	-	-
Deferred tax assets	517,664	682,965
Other assets	10,185,352	3,395,117
Investment in associates and jointly controlled entities	-	3,300,909
Property, plant and equipment	-	130,408
Intangible assets	-	1,119,706
Total Assets	95,945,229	27,772,746

Asset	12/31/2013	
	Under 12 months	Over 12 months
Cash and balances at Central Bank	1,311,829	-
Financial assets at fair value through profit or loss		
Financial Assets held for trading	30,794,784	-
Financial assets designated at fair value through profit and loss	13,219,750	-
Derivative financial instruments	17,474,157	3,061,186
Loans and Receivables		
Open market investments	6,733,696	-
Amounts receivable from banks	3,807,564	51,317
Other loans and receivables	5,549,571	11,288,856
Held-to-maturity financial assets	-	4,353,685
Non-current assets held for sale	-	655,540
Deferred tax assets	556,221	733,833
Other assets	11,973,804	3,930,847
Investment in associates and jointly controlled entities	-	3,613,257
Property, plant and equipment	-	116,743
Intangible assets	-	1,237,847
Total Assets	91,421,376	29,043,111

e. Liquidity risk

The table below summarizes the contractual discounted cash flows for the liabilities and the shareholders' equity, to the Bank and its subsidiaries, for the semester ended June 30, 2014 and the year ended December 31, 2013:

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	6/30/2014	
	Under 12 months	Over 12 months
Liabilities		
Financial Liabilities at fair value through profit or loss		
Financial liabilities held for trading	11,953,909	-
Derivative financial instruments	2,910,766	17,252,397
Financial Liabilities carried at amortized cost		
Open market funding	17,295,502	5,757,839
Amounts payable to banks	341,061	81,533
Other financial liabilities carried at amortized cost	26,138,527	21,079,002
Tax liabilities	719,480	1,173,891
Other liabilities	-	5,851,579
Total liabilities	59,359,245	51,196,241
	12/31/2013	
	Under 12 months	Over 12 months
Liabilities		
Financial Liabilities at fair value through profit or loss		
Financial liabilities held for trading	16,041,460	-
Derivative financial instruments	17,966,843	2,780,742
Financial Liabilities carried at amortized cost		
Open market funding	18,080,993	1,819,095
Amounts payable to banks	320,313	68,298
Other financial liabilities carried at amortized cost	26,075,600	18,084,715
Tax liabilities	484,090	775,775
Other liabilities	-	5,573,708
Total liabilities	78,969,299	29,102,333

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

	6/30/2014	
	Under 12 months	Over 12 months
Financial liabilities carried at amortized cost		
Amounts payable to banks	358,024	113,931
Open market funding	19,232,498	6,109,538
Other financial liabilities carried at amortized cost	27,140,817	29,383,029
	12/31/2013	
	Under 12 months	Over 12 months
Financial liabilities carried at amortized cost		
Amounts payable to banks	331,303	331,303
Open market funding	18,080,994	2,968,409
Other financial liabilities carried at amortized cost	25,682,053	25,682,053

5. Cash and Balance at Central Bank

The composition of this account is presented below:

	6/30/2014	12/31/2013
Cash	1,264,535	1,074,027
Balance at Central Bank	355,327	237,802
Total	1,619,862	1,311,829

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

a. Financial assets held for trading

	6/30/2014		12/31/2013	
	Cost	Market	Cost	Market
Own portfolio	12,862,262	13,305,449	15,214,477	15,134,750
Federal government bonds	1,194,218	1,197,543	1,156,283	1,149,740
Brazilian foreign debt securities	31,205	30,520	30,469	29,085
Debentures/Eurobonds (i)	2,258,957	2,266,224	4,236,865	4,259,708
Bank certificates of deposit	5	5	10,509	10,509
Bank credit certificate	-	-	76,596	76,912
Investment fund quotes				
Shares	227,527	227,527	148,695	148,695
Multimarket	1,730,263	1,731,312	2,066,482	2,088,489
FIDC - Credit Rights	11,673	11,673	43,385	43,385
Real Estate	219,418	219,418	318,193	318,193
Equity Investment fund	267,904	275,911	355,306	355,306
Shares	4,254,707	4,586,063	3,564,665	3,470,332
Promissory notes	-	-	65,152	65,638
Certificate of real estate receivables	21,058	21,058	1,219,506	1,200,863
Foreign government bonds				
Denmark	932,817	930,862	932,817	929,521
Other	1,005,632	1,005,933	585,269	585,157
Foreign private securities	706,878	801,400	244,247	252,346
Other	-	-	160,038	150,871
Unrestricted portfolio	204,821	206,110	970,257	964,890
Federal government bonds	204,821	206,110	970,257	964,890
Subject to repurchase agreements	2,467,613	2,440,862	9,901,010	9,806,523
Federal government bonds	1,911,244	1,902,419	5,966,284	5,874,156
Brazilian foreign debt securities	-	-	14,635	13,833
Shares	7,087	3,218	4,551	4,551
Foreign government bonds				
Other	523,365	523,458	157,395	157,395
Debentures / Eurobonds (i)	-	-	3,749,407	3,748,026
Foreign private securities	25,917	11,767	8,738	8,562
Subject to guarantees	922,229	890,120	3,990,959	3,930,277
Federal government bonds	663,464	651,714	3,352,596	3,309,289
Investment fund quotes				
Multimarket	38,470	38,470	31,276	31,276
Shares	180,051	178,068	130,453	117,122
Foreign private securities	-	-	625	625
Foreign government bonds				
Other	-	-	13,351	13,351
Debentures/Eurobonds (i)	-	-	431,514	427,470
Other	40,244	21,868	31,144	31,144
Foreign government bonds				
United States	109,252	109,252	958,344	958,344
	16,566,177	16,951,793	31,035,047	30,794,784

(i) Substantially securities issued by Brazilian companies.

b. Financial liabilities held for trading

	6/30/2014	12/31/2013
Short position in securities	11,093,520	13,310,820
Loan of securities		
Shares	860,389	2,730,640
	11,953,909	16,041,460

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

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

The amortized cost of such transactions is represented by the amount of R\$13,023,235 and R\$13,221,460, as of June 30, 2014 and December 31, 2013, respectively.

d. Derivatives financial instruments

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

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

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

As at June 30, 2014 and December 31, 2013, the Bank does not have derivative financial instruments classified as hedge accounting.

The composition of this account is presented below:

	6/30/2014		12/31/2013	
	Cost (i)	Market	Cost (i)	Market
Futures				
Long position	5,076	5,076	2,889	3,037
Short position	(2,892)	(2,892)	(2,703)	(5,241)
Swaps				
Long position	923,057	1,093,287	333,939	626,312
Short position	(839,632)	(831,031)	(798,636)	(844,526)
Credit derivatives				
Long position	12,930	16,724	13,692	20,615
Short position	(25,092)	(29,092)	(12,559)	(31,494)
Non-deliverable forward - NDF				
Long position	7,815,634	6,498,821	1,633,575	1,419,833
Short position	(6,990,729)	(5,703,564)	(1,473,352)	(1,248,078)
Deliverable forward - DF				
Long position	3,521,802	4,677,741	4,172,276	4,166,848
Short position	(4,306,116)	(4,356,646)	(4,157,709)	(4,150,952)
Security forwards				
Long position	1,928,943	1,156,540	542,604	542,604
Short position	(1,929,841)	(1,156,169)	(542,423)	(542,423)

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	6/30/2014		12/31/2013	
	Cost (i)	Market	Cost (i)	Market
Options market				
Long position	733,770	767,841	335,289	456,677
Short position	(431,104)	(437,757)	(415,740)	(670,732)
Exchange portfolio				
Long position	8,108,067	8,108,067	13,299,417	13,299,417
Short position	(7,646,012)	(7,646,012)	(13,254,139)	(13,254,139)
Long position	23,049,279	22,324,097	20,333,681	20,535,343
Short position	(22,171,418)	(20,163,163)	(20,657,261)	(20,747,585)

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

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

	6/30/2014	12/31/2013
	Total	Total
Futures market		
Long position	93,674,233	140,851,076
Currency	405,214	10,257,178
Interest rate	70,518,447	122,523,978
Commodities	11,868,666	6,966,296
Index	10,421,389	1,095,455
Equities	460,517	8,169
Short position	97,793,225	43,642,065
Currency	7,153,305	24,629,699
Interest rate	69,509,928	12,348,165
Commodities	14,261,750	6,554,604
Index	6,604,666	108,043
Equities	246,950	1,554
Others	16,626	-
Swap		
Long position	193,534,868	100,199,007
Currency	4,293,540	3,451,504
Interest rate	158,761,659	91,430,656
Index	11,587,881	1,237,851
Equities	3,328,587	3,588,576
Commodities	11,251,377	24,961
Other	4,311,824	465,459
Short position	193,534,867	100,199,007
Currency	7,172,641	5,204,604
Interest rate	158,801,449	89,183,591
Index	8,429,957	3,409,703
Equities	3,338,498	673,938
Commodities	11,247,247	29,800
Other	4,545,075	1,697,371
Credit Derivatives		
Long position	281,259	228,872
Sovereign	44,050	23,426
Corporate	237,209	205,446
Short position	468,471	346,002
Sovereign	231,262	58,565
Corporate	237,209	287,437
Non-deliverable forward - NDF		
Long position	39,678,086	48,276,984
Currency	17,718,044	26,020,387
Commodities	6,187,966	6,003,469
Index	10,351,894	13,058,391
Interest rate	5,420,182	3,194,737

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	6/30/2014	12/31/2013
	Total	Total
Short position	39,678,085	48,276,984
Currency	21,994,580	30,014,039
Commodities	11,828,510	8,819,461
Index	4,571,377	7,719,190
Interest rate	1,283,618	1,724,294
Deliverable forward - DF		
Long position	15,776,980	6,990,691
Commodities	9,085,524	2,911,602
Currency	6,691,456	4,079,089
Short position	15,776,980	6,990,691
Commodities	9,085,524	2,372,320
Interest rate	-	539,283
Currency	6,691,456	4,079,088
Security forwards		
Long position	1,668,690	542,904
Interest rate	803,601	242,021
Government bonds	865,089	300,883
Short position	1,668,690	542,904
Interest rate	865,089	300,883
Government bonds	803,601	242,021
Options market		
Call option	26,667,453	10,923,262
Equities	264,586	1,078,817
Commodities	3,571,376	787,458
Index	4,589,322	3,593,450
Currency	2,916,269	4,739,809
Interest rate	15,325,900	721,728
Other	-	2,000
Put option	6,415,556	6,600,926
Equities	175,164	929,739
Commodities	2,293,333	1,289,194
Index	1,380,680	3,662,769
Currency	2,179,366	332,224
Interest rate	13	-
Other	387,000	387,000
Call option	7,937,200	11,876,156
Equities	355,191	2,310,047
Commodities	3,059,593	862,621
Index	1,794,805	3,756,568
Currency	2,722,655	4,685,120
Interest rate	-	261,800
Other	4,956	-
Put option	22,486,058	6,539,208
Equities	185,813	908,776
Commodities	1,006,673	1,710,413
Index	1,450,916	3,631,000
Currency	2,047,853	289,019
Interest rate	17,794,803	-
Exchange Portfolio		
Long position	8,108,067	13,299,417
Currency	8,108,067	13,299,417
Short position	7,646,012	13,254,139
Currency	7,646,012	13,254,139

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Guarantee margins in transactions traded on BM&FBovespa and other stock exchanges with derivatives comprises federal government and sovereign bonds totaling R\$1,249,794 (December 31, 2013 – R\$3,493,570) and shares in the amount of R\$178,068 (December 31, 2013 – R\$115,214).

e. Reclassification of securities

Management classifies securities according to its trading intention.

No reclassifications or changes in intention were made by Management during the semester ended June 31, 2014 and the year ended December 31, 2013.

7. Available-for-sale financial assets

	6/30/2014		12/31/2013	
	Cost	Market	Cost	Market
Investment fund quotes				
Equity Investment fund	728,310	728,310	360,731	423,821
Shares	716,013	716,013	-	-
	1,444,323	1,444,323	360,731	423,821

8. Fair value of financial instruments

The fair values of financial instruments are calculated as follows:

- Swaps – cash flows are discounted to present value based on yield curves that reflect the appropriate risk factors. These yield curves can be drawn mainly based on observed prices in negotiations on the BM&FBOVESPA, the Brazilian government bonds traded in the secondary market or derivatives and securities traded abroad. These yield curves can be used to obtain the fair value of currency swaps, interest rate swaps and swaps based on other risk factors (commodities, stock indices, etc.).
- Futures and Terms – Prices obtained in exchanges or using the same criteria as described above for swaps.
- Options – the fair values of such instruments are determined based on mathematical models (like Black & Scholes) that are fed with data implied volatility, yield curve of interest rates and the fair value of the underlying asset. All these data are obtained using different sources (usually prices of brokers and brokerage firms, Bloomberg, Reuters).
- Credit derivatives – the fair values of such instruments are determined based on mathematical models embodied in the market that are fed with data from the issuer's credit spread and yield curve of interest rates. Such data are obtained using different sources (usually at market prices, Bloomberg, Reuters).
- Financial instruments for trading – the fair values of bonds are calculated based on prices published by ANDIMA. Fair values of corporate debt securities are calculated based on secondary market prices, the price of similar assets and market visibility areas that have commercial bank. The shares are calculated based on prices provided by BOVESPA. The investment funds are valued considering prices of shares issued by the custodian.
- Financial assets measured at fair value through profit and loss – fair values of financial instruments is estimated based on the cash flows discounted to present value based on yield curves that reflect the appropriate risk factors.

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

6/30/2014				
	Level 1	Level 2	Level 3	Total
Asset				
Financial Assets held for trading	12,191,548	3,478,251	1,281,994	16,951,793
Financial assets designated at fair value through profit and loss	-	13,216,660	-	13,216,660
Available-for-sale financial assets	-	-	1,444,323	1,444,323
Derivative financial instruments	15,576,590	6,336,676	410,831	22,324,097
Liability				
Financial liabilities held for trading	11,953,909	-	-	11,953,909
Derivative financial instruments	13,377,132	6,090,820	695,211	20,163,163
12/31/2013				
	Level 1	Level 2	Level 3	Total
Asset				
Financial Assets held for trading	15,886,095	12,541,206	2,367,483	30,794,784
Financial assets designated at fair value through profit and loss	-	13,219,750	-	13,219,750
Available-for-sale financial assets	-	-	423,821	423,821
Derivative financial instruments	14,440,412	5,019,298	1,075,633	20,535,343
Liability				
Financial liabilities held for trading	16,041,460	-	-	16,041,460

There were no reclassifications between Level 1 and 2 for the semester ended June 30, 2014 and the year ended December 31, 2013.

The movement on financial instruments classified as Level 3 in the semesters ended June 30, 2014 and the year ended December 31, 2013 are presented below:

	Derivative financial instruments	Financial assets held for trading	Financial assets available for sale	Total
At January 1, 2013	112,486	2,327,358	-	2,439,844
Transfers from level 2	-	458,201	-	458,201
Acquisition	1,974,837	743,479	360,731	3,079,047
Gain/losses	271,073	25,613	63,090	359,776
Sales	(2,205,879)	(1,187,168)	-	(3,393,047)
At December 31, 2013	152,517	2,367,483	423,821	2,943,821
Transfers from level 2	-	(1,994,939)	788,593	(1,206,346)
Acquisition	1,000,578	1,259,736	-	2,260,314
Gain/losses	140,050	(12,526)	231,909	359,433
Sales	(1,577,525)	(337,760)	-	(1,915,285)
At June 30, 2014	(284,380)	1,281,994	1,444,323	2,441,937

9. Open market investments and funding

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

6/30/2014		12/31/2013	
Assets	Liabilities	Assets	Liabilities
Own funds	1,879,435	1,059,024	13,035,328
Third-party funds	11,721,196	5,674,672	6,864,760
	13,600,631	6,733,696	19,900,088

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The collateral received in repurchase agreements above and on financial assets designated at fair value through profit and loss (Note 6c) amounts to R\$27,493,416 (December 31, 2013 - R\$24,020,329), whereas the collateral granted amounts to R\$38,055,978 (December 31, 2013 - R\$31,450,133). The collaterals for these operations that would be sold totaled R\$3,382,527 (December 31, 2013 - R\$1,162,739) and those which could be granted for other repurchase agreements totaled R\$3,207,338 (December 31, 2013 - R\$1,441,973).

10. Amounts receivable from/payable to banks

The composition of this account is presented below:

	6/30/2014		12/31/2013	
	Ativo	Passivo	Ativo	Passivo
Interbank deposits	2,964,670	422,594	2,071,787	388,611
Investments in foreign currency – Overnight	3,328,583	-	1,787,094	-
	6,293,253	422,594	3,858,881	388,611

11. Other loans and receivables

a. Composition

The composition of this account is presented below:

	6/30/2014		
	Balance	Allowance	Total
Loans	9,462,781	(173,482)	9,289,299
Debentures	9,058,926	(27,131)	9,031,795
Financing	2,267,847	(58,954)	2,208,893
FINAME/BNDES	1,346,782	(11,247)	1,335,535
Foreign currency advances	622,388	(46,892)	575,496
Fund for Compensation of Salary Variations (FCVS)	159,912	(23,722)	136,190
Honored guarantee	47,946	-	47,946
Securities and credits receivable (i)	2,471,729	(39,085)	2,432,644
Other loans without loan characteristics	1,784,101	(979,797)	804,304
	27,222,412	(1,360,310)	25,862,102

	12/31/2013		
	Balance	Allowance	Total
Loans	10,929,692	(120,413)	10,809,279
Financing	2,364,577	(35,782)	2,328,795
FINAME/BNDES	993,635	(10,046)	983,589
Foreign currency advances	490,102	(36,212)	453,890
Fund for Compensation of Salary Variations (FCVS)	136,190	-	136,190
Honored guarantee	51,188	(40,996)	10,192
Securities and credits receivable (i)	1,131,881	(20,382)	1,111,499
Other loans without loan characteristics	2,021,747	(1,016,754)	1,004,993
	18,119,012	(1,280,585)	16,838,427

(i) Refers to the acquisition of credit rights.

The amount of guarantees received for credit operations at June 30, 2014 and December 31, 2013, was R\$9,067,779 e R\$7,976,968, respectively.

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b. Allowance

Changes in the allowance for loan losses and other receivables with loan characteristics in the semester ended June 30, 2014 and in the year semester June 30, 2013 were as follows:

	6/30/2014	6/30/2013
Opening balances	(1,280,585)	(1,141,390)
Reversal/(recording) of allowance (i)	(128,835)	(135,391)
Exchange rate variation	5,355	(3,594)
Credits written off as loss	43,755	64,132
Closing balances	(1,360,310)	(1,216,243)

c. Renegotiation/recovery of credits written off as loss

In the semester ended June 30, 2014, the Bank renegotiated credit loans in the amount of R\$161,015 (December 31, 2013 – R\$113,643) and recovered amounts relating to credit written off in previous periods in the amount of R\$8,615 (December 31, 2013 – R\$4,553).

d. Credit risk

The credit risk of these transactions is presented below.

Risk Level	6/30/2014	12/31/2013
Low	20,364,766	12,352,548
Medium	5,753,726	4,293,160
High	1,103,920	1,473,304
Total	27,222,412	18,119,012

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

12. Held-to-maturity financial assets

	6/30/2014	12/31/2013
Own portfolio		
Federal government bonds	27,160	329,435
Subject to repurchase		
Federal government bonds	3,553,371	3,372,236
Subject to guarantees		
Federal government bonds	936,925	652,014
	4,517,456	4,353,685

The Bank has the financial capacity to maintain these assets to maturity. If measured at fair value, held-to-maturity securities would be reported with a negative adjustment of R\$68,628 (December 31, 2013 – negative of R\$23,447).

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13. Other financial liabilities carried at amortized cost

a. Summary

	6/30/2014	12/31/2013
Deposits	17,481,384	17,264,093
Funds from securities issued and accepted	17,684,118	15,067,040
Loans and onlending	5,085,857	5,080,466
Subordinated debts	6,966,170	6,748,716
	<u>47,217,529</u>	<u>44,160,315</u>

b. Deposits

	6/30/2014	12/31/2013
Demand deposits	186,152	156,495
Time deposits	17,295,232	17,107,598
	<u>17,481,384</u>	<u>17,264,093</u>

c. Funds from securities issued and accepted

	6/30/2014	12/31/2013
Securities – Brazil	12,582,861	9,272,189
Certificate of real estate receivables	178,115	170,072
Financial bills	9,315,171	6,568,706
Mortgage bonds/letters of credit for agribusiness	3,064,108	2,533,411
Certificates of structured transactions	25,467	-
Securities – abroad	5,101,257	5,794,851
Medium term notes	3,308,792	3,701,800
Fixed rate notes	1,792,465	2,093,051
	<u>17,684,118</u>	<u>15,067,040</u>

As at June 30, 2014 securities issued in Brazil are basically indexed to interbank deposit rates (CDI) between 50% and 113% or inflation indexes (IPCA e IGPM) plus 1.2% p.a. to 7.8% p.a. (December 31, 2013 - indexed to interbank deposit rates (CDI) between 40% e 116.55% or inflation indexes (IPCA e IGPM) plus 1.2% p.a. to 7.8% p.a.).

As at June 30, 2014 securities abroad have rates between 0.16% p.a. and 7% p.a. (December 21, 2013 – between 0.15% p.a. to 7% p.a.).

d. Loans and onlending

	6/30/2014	12/31/2013
Loans abroad	3,232,253	3,628,675
Foreign currency	401,999	515,035
Loans abroad	2,830,254	3,113,640
Loans - Brazil	526,125	469,305
Loans	526,125	469,305
Onlending in Brazil – official institution	1,327,479	982,486
FINAME/BNDES	1,327,479	982,486
	<u>5,085,857</u>	<u>5,080,466</u>

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As at June 30, 2014 borrowing and transfers have rates between 0.16% p.a. and 3.25% p.a. (December 31, 2013 - between 0.21% p.a. to 3.5% p.a.).

e. Subordinated debt

As at June 30, 2014, the outstanding balance was R\$6,966,170 (December 31, 2013 – R\$6,748,716), as represented by (i) R\$5,230,378 (December 31, 2013 – R\$4,993,635) from financial bills issued on April 15, 2011 with repayment every six months and maturity beginning October 2016 and ending April 15, 2021, indexed to fixed rates plus inflation; and (ii) R\$1,735,792 from subordinated notes issued on September 25, 2012 and due September 2022, which bear interest at 5.75% per year (December 31, 2013 – R\$1,755,081).

14. Other assets

The composition of this account is presented below:

	6/30/2014	12/31/2013
Court deposits	864,218	807,294
Recoverable taxes	550,305	298,980
Debtors/creditors – pending settlement (i)	5,148,163	7,697,033
Investment properties	1,258,495	1,017,664
Sundry debtors – local (ii)	1,224,856	499,994
Services provided receivable	437,695	420,548
Management fee and performance fees receivable for funds and investment portfolios	537,143	577,334
Cash from records and settlement	406,633	167,866
Temporary investments	87,630	507,688
Other amounts and assets	21,508	19,464
Prepaid expenses	30,664	63,058
Other investments	108,157	108,712
Securities trading and brokerage	2,888,811	3,665,276
Miscellaneous	16,191	53,740
	<u>13,580,469</u>	<u>15,904,651</u>

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

(ii) In June 30, 2014 consists of R\$278,663 related to advances for energy suppliers from COOMEX (2013 – R\$246,184).

(iii) In June 30, 2014 consists of R\$2,821,045 related to amounts receivables from sale of investments that are receivable in multiple installments (2013 – R\$3,546,795).

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15. Investments in associates and jointly-controlled entities

Relationship		Associates and jointly-controlled entities					
		Shareholders Equity		Income		Interest	
		6/30/2014	12/31/2013	6/30/2014	6/30/2013	6/30/2014	12/31/2013
In Brazil							
Banco Panamericano S.A. (ii)	Jointly-controlled entity	2,098,934	2,239,188	(141,262)	70,060	34.06%	34.06%
Warehouse 1 Empreendimentos Imobs S.A.	Associate	124,473	68,205	145	4	35.00%	35.00%
Max Casa XIX Empreendimentos Imobs S.A.	Associate	31,644	23,872	(1,771)	2,769	50.00%	50.00%
ACS Omicron Empreendimentos Imobs S.A.	Associate	15,572	38,488	1,992	-	44.74%	44.74%
BR Properties S.A.	Associate	6,043,968	7,650,441	242,359	140,740	0.13%	3.10%
Vivere Soluções e Serviços S.A.	Associate	13,941	10,875	(4,875)	(4,316)	20.32%	20.32%
Abroad							
BTG Pactual Holding S.A.R.L. (i)	Jointly-controlled entity	3,502,499	3,837,971	207,870	-	80.00%	80.00%

	Changes in relevant investments						
	12/31/2013	Aquisition / Increase/ (Sales)	Prior year adjustments	Dividends paid	Equity in earnings of subsidiaries from 2014	Fair value adjustments	Equity in earnings of associates - 06/30/2013
In Brazil							
Banco Panamericano S.A. (ii)	784,804	-	-	-	(50,953)	341	17,802
Goodwill - Banco Panamericano.	132,649	-	-	-	-	-	-
Warehouse 1 Empreendimentos Imobs S.A.	15,121	(1,750)	-	-	29,144	-	(1,169)
Goodwill - Warehouse 1 Empreendimentos Imobs S.A.	-	-	-	-	-	-	-
Max Casa XIX Empreendimentos Imobs S.A.	11,460	5,857	-	-	(1,495)	-	1,281
ACS Omicron Empreendimentos Imobs S.A.	8,638	(3,272)	-	-	1,601	-	1,911
Goodwill - ACS Omicron Empreendimentos Imobs S.A.	-	-	-	-	-	-	-
BR Properties S.A.	179,660	(171,884)	-	(1,641)	(788)	-	(306,419)
Vivere Soluções e Serviços S.A.	2,215	-	-	-	510	-	1,727
BTG Pactual Holding S.A.R.L. (i)	2,478,710	5,286	-	(29,888)	(93,416)	-	-
	3,613,257	(165,763)	-	(31,529)	(115,397)	341	(284,867)

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	12/31/2012	Aquisition / Increase/ (Sales)	Dividends paid	Equity in earnings of subsidiaries - 06/30/2013	06/30/2013	Equity in earnings of associates - 06/30/2012
In Brazil						
Banco Panamericano S.A.	805,846	-	-	17,802	823,648	(57,837)
Goodwill - Banco Panamericano.	132,649	-	-	-	132,649	-
Warehouse 1 Empreendimentos Imobs S.A.	24,607	432	-	(1,169)	23,870	16,868
Max Casa XIX Empreendimentos Imobs S.A.	8,808	-	-	1,281	10,089	834
ACS Omicron Empreendimentos Imobs S.A.	8,964	-	-	1,911	10,875	889
BR Properties S.A. (i) (ii)	1,576,467	(39,823)	(39,264)	(306,419)	1,190,961	315,823
One Properties S.A. (i)	-	-	-	-	-	15,429
Vivere Soluções e Serviços S.A.	3,790	-	-	1,727	5,517	(5,967)
BTG Pactual Holding S.A.R.L. (iii)	-	2,061,185	-	-	2,061,185	-
	<u>2,561,131</u>	<u>2,021,794</u>	<u>(39,264)</u>	<u>(284,867)</u>	<u>4,258,794</u>	<u>286,039</u>

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- (i) The Bank and its clients invest in BTG Pactual Holding S.A.R.L. and together have 80% of the voting interest. As of June 30, 2014 and December 31, 2013, the Bank had approximately 33% indirect economic interest in PO&G after the sale of the economic interest to its clients (as described in Note 2) which represents approximately 66% of the economic interest in BTG Pactual Holding S.A.R.L. As a result of contractual agreements with its clients relating to dividends and any other proceeds, the Bank is presenting only its economic interest in BTG actual Holding S.A.R.L. in its consolidated balance sheet and income statement.

BR Properties

On November 21, 2013 the Bank sold to Harpia Ômega Participações S.A, controlled invest 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” 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.

16. Intangible assets and goodwill

	Changes in Intangible assets				
	12/31/2013	Acquisitions (net)	Amortization expenses / derecognition	Exchange variation	6/30/2014
Goodwill	624,760	84,231	(78,607)	(61,888)	568,496
Cost (i)	721,675	84,231	-	(83,606)	722,300
Impairment	(96,915)	-	(78,607)	21,718	(153,804)
Other intangible assets	613,087	31,991	(94,132)	264	551,210
Cost	451,890	31,991	(73)	(1,861)	481,947
Celfin	245,698	-	(52,697)	-	193,001
Amortization	(84,501)	-	(41,362)	2,125	(123,738)
	<u>1,237,847</u>	<u>116,222</u>	<u>(172,739)</u>	<u>(61,624)</u>	<u>1,119,706</u>

- (i) See note 2.

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

17. Tax Liabilities

The composition of this account is presented below:

	6/30/2014	12/31/2013
Deferred:		
Deferred social contribution and income tax	173,519	102,698
Deferred PIS and COFINS	71,919	42,062
Current:		
Tax and contributions to be collected	176,370	115,149
Tax and contribution payable	643,629	232,759
Suspended-payment taxes and others tax liabilities (note 19)	827,934	767,197
	<u>1,893,371</u>	<u>1,259,865</u>

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18. Other Liabilities

The composition of this account is presented below:

	6/30/2014	12/31/2013
Cash from records and settlement	386,733	368,723
Debtors/creditors – pending settlement (i)	2,915,420	2,148,839
Liabilities for guarantees provided and other fees	3,344	453
Deferred income		
Employees' profit sharing	479,135	151,134
Bonus payable	136,334	866,526
Provision for payables	448,775	356,985
Payable for acquisition of assets and rights (ii)	641,408	611,798
Provisions		
Provision for contingent liabilities (Note 21)	26,631	25,290
Allowance for guarantees	70,477	80,871
Dividends and interest on equity	448,439	379,090
Others	294,883	583,999
	<u>5,851,579</u>	<u>5,573,708</u>

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

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

19. Contingent assets and liabilities and legal obligations

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

a. Contingent assets

As at June 30, 2014 and 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 accrued based on an analysis of the potential loss amounts, considering the current stage of the lawsuit and the opinion of external and internal legal counsel.

ii. Civil provisions

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

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iii. Tax and social security provisions

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

c. Breakdown and changes in provisions in the period

The Bank's management is challenging the constitutionality of certain procedures regarding federal taxes, in addition to being a party to legal, tax and civil proceedings. Based on the opinion of its legal counsel, Management considers that the provisions recognized for such proceedings at June 30, 2014 are appropriate to cover any losses arising therefrom. The provisions recognized and their changes in the period are as follows:

	6/30/2014				12/31/2013
	Tax	Civil	Labor	Total	Total
Balance at the beginning of the semester	767,197	16,432	8,858	792,487	673,825
Recognition	60,910	555	2,133	63,598	213,175
Write-off	(173)	-	(1,347)	(1,520)	(94,513)
Balance at the end of the semester	827,934	16,987	9,644	854,565	792,487
Suspended-payment taxes and other taxes contingencies				827,934	767,197
Provision for contingent liabilities				26,631	25,290

The nature of the main provisions is presented below:

i. Suspended payment taxes and other taxes liabilities (Note 17)

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

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

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

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

As at June 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\$1,032.4 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.

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- Judicial action filed to discuss demands by the São Paulo Local Government, relative of ISS on services provided in Rio de Janeiro, as the tax authority from the city of São Paulo understands that such services were effectively rendered in São Paulo. The amount claimed is R\$121.8 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.
- Lawsuits relating to the demutualization and IPO of Bovespa and BM&F BOVESPA, challenging the taxation of PIS, Cofins, income tax and social contribution on revenues earned from the sale of shares of the companies previously mentioned. The amount claimed is R\$17.5 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 June 30, 2014 totaled R\$2,224.4 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.

20. 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	6/30/2014	12/31/2013
Tax base	2,492,065	967,033
Income before taxes	2,793,865	1,222,033
Interest on equity	(301,800)	(255,000)
Total charge of income tax and social contribution at the current rates	(996,826)	(386,813)
Permanent (additions) / deductions in taxation calculation	147,472	99,077
Equity in the earnings of subsidiaries and associated companies in Brazil	(115,397)	27,394
Foreign earnings	406,652	26,325
Gains on foreign gains	(70,803)	(1,992)
Other Permanent (additions) / deductions	(72,980)	47,350
Temporary (additions) / deductions on the taxation calculation	165,407	(250,142)
Reversal of provision for goodwill on the acquisition of investments	70,761	70,761
Marked-to-market evaluation of securities and derivatives	255,955	8,961
Allowance for loan losses	(53,267)	(14,692)
Tax contingencies and provision for suspended-payment taxes	(13,807)	(16,377)
Interest on equity	(120,720)	(102,000)
Impairment on investment	24,974	(141,340)
Other provisions	1,511	(55,455)
Offset of tax loss carry forwards - current and deferred liability - Brazil	(39)	60,422
Tax expense and social contribution income	(683,986)	(477,456)

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Income tax and social contribution	6/30/2014	12/31/2013
Temporary differences		
Recognition / (reversal) of the period	(81,087)	429,205
Recognition of loss on foreign investment	12,412	-
Offset of tax loss carry forwards	39	(60,442)
Recovery of income tax on foreign investment	167,247	482
Expenses) / revenues from deferred taxes	98,611	369,245
Total revenues / (expenses)	(585,375)	(108,211)

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 assets – Sundry" (Note 14(b)), are as follows:

Income tax and social contribution (ii)	12/31/2013	Recognition	Realization	6/30/2014
Tax loss carryforwards	13,878	2,860	(2,820)	13,918
Interest on equity	-	120,720	-	120,720
Provision for impairment on investments (i)	26,120	1,146	(26,120)	1,146
Allowance for loan losses	173,095	59,555	(6,288)	226,362
Marked-to-market evaluation of securities and derivatives	261,489	560,232	(811,433)	10,288
Interest on equity	409,028	-	(70,761)	338,267
Goodwill on the acquisition of investment	64,291	25,676	-	89,967
Tax contingencies and provision for suspended-payment taxes	199,328	13,807	-	213,135
Taxes on foreign gains	-	-	-	-
Other temporary differences	89,405	57,772	(5,393)	141,784
	1,236,634	841,768	(922,815)	1,155,587
Income tax and social contribution	12/31/2012	Recognition	Realization	6/30/2013
Tax loss carryforwards	59,526	-	(60,442)	(916)
Allowance for loan losses	145,680	42,316	(27,624)	160,372
Marked-to-market evaluation of securities and derivatives	164,472	508,247	(517,208)	155,511
Impairment on investment (i)	-	302,288	-	302,288
Interest on equity	-	102,000	-	102,000
Goodwill on the acquisition of investment	550,551	-	(70,761)	479,790
Effective interest rate adjustment and recognition of assets sold with risk retained	66,514	26,430	-	92,944
Tax contingencies and provision for suspended-payment taxes	170,414	16,377	-	186,791
Taxes on foreign gains	198,049	-	(187,077)	10,972
Other temporary differences	189,155	92,558	(44,936)	236,777
	1,544,361	1,090,216	(908,048)	1,726,529

(i) Refers to the tax credit provision for loss on investment in the company BR Properties S.A (note 15).

(ii) Deferred tax PIS and COFINS are not being considered.

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
2014	379,634	155,698	535,332
2015	216,348	4	216,352
2016	210,110	-	210,110
2017	104,749	-	104,749
2018 onwards	89,045	-	89,044
Total	999,886	155,702	1,155,587
Present value	779,193	140,688	919,881

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21. Shareholders' equity

a. Capital

As at June 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 Assembly and participate on equal terms with the Class A Preferred Shares and Class B preferred shares in the distribution of profits.

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

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

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

b. Legal reserve

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

c. Statutory reserve

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

d. Unrealized income reserve

Established considering undistributed dividends obtained in foreign branch.

e. Profit distribution

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

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On June 30, 2014 the Bank has provisioned R\$301,800 (December 31, 2013 – R\$132,190) relating to interest on equity, equivalent to R\$0.11 per share, which generated R\$120,720 (December 31, 2013 – R\$98,760) of tax benefit. These amounts were approved in the Special Shareholders' Meeting held on August 5, 2014 (2013 – on 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 (2013 – February 18, 2014).

22. Earnings per share

Income per share basic and diluted is calculated dividing the net income by weighted average shares outstanding during the year. In the semester ended June 30, 2014 and the semester ended June 30, 2013 there were no events that case dilution.

	6/30/2014	6/30/2013
Net income	2,208,489	1,113,822
Weighted average per thousand ordinary shares outstanding for the year	1,390,671,404	1,390,671,404
Weighted average per thousand preferred shares outstanding for the year	1,324,230,808	1,324,230,808
Earnings per share – basic and diluted - R\$		
Common shares	0.81	0.41
Preferred shares	0.81	0.41

23. Net interest income and net gains on financial instruments

a. Net interest income

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

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

Interest revenues	6/30/2014	6/30/2013
Other loans and receivables	905,557	819,588
Open market funding and held-to-maturity financial assets	1,991,445	1,493,171
Income from compulsory investments in Brazilian Central Bank	14,915	141,561
	2,911,917	2,454,320
Interest expense	6/30/2014	6/30/2013
Open market funding	(1,789,806)	(1,258,570)
Time deposits	(593,441)	(276,985)
Interbank deposit	(20,202)	(22,007)
Notes issued	(947,650)	(594,994)
Borrowings and loans	(89,173)	(570,360)
	(3,440,272)	(2,722,916)

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b. Net gains on financial instruments

	6/30/2014	6/30/2013
Derivatives	1,357,852	92,117
Financial assets at fair value through profit and loss	1,053,487	1,611,165
	<u>2,411,339</u>	<u>1,703,282</u>

24. Fees and commissions

	6/30/2014	6/30/2013
Management and performance fee from investment funds and portfolios	628,008	552,509
Brokerage	91,350	133,851
Technical services	376,995	284,369
Commission on the placement of securities	106,884	174,201
Guarantees	66,426	75,523
Other services	36,141	14,996
	<u>1,305,804</u>	<u>1,235,449</u>

25. Other operating income / (expenses)

	6/30/2014	6/30/2013
Adjustment to inflation of court deposits	36,019	24,419
Repayment of financial operating costs	(6,376)	-
Reversal of provision - employees' profit sharing	4,428	-
Reversal of allowances - other	71,807	5,707
Reversal of provision - contingencies	1,211	6,774
Recovery of charges and expenses	2,259	-
Expenses with taxes adjusted for inflation	(21,824)	(14,738)
Reimbursement of clients	(2,457)	(853)
Adjustment of amounts payable for acquisition of investments(i)	(31,571)	(23,640)
Adjustment of amounts payable for sale of investments(i)	48,537	-
Foreign exchange	416,299	(4,859)
Fair value of investment properties	18,130	99,417
Adjustment of purchase price - Coomex	-	28,000
Other income	(13,963)	(14,391)
	<u>522,499</u>	<u>105,836</u>

(i) Refers of amounts payable for acquisition of investments (Basically Banco Panamericano S.A. and Coomex).

26. Other administrative expenses

	6/30/2014	6/30/2013
Outsourced services and consulting	(210,364)	(166,558)
Telecommunications and data processing	(112,780)	(84,294)
Leases and condominiums	(50,000)	(37,922)
Travel and Lodging	(37,202)	(27,381)
Expenses of the financial system	(32,695)	(24,742)
Advertising and Public Relations	(31,180)	(15,001)
Depreciation and amortization	(94,059)	(51,377)
Other	(42,511)	(43,717)
	<u>(610,791)</u>	<u>(450,992)</u>

27. Personnel Expenses

	6/30/2014	6/30/2013
Direct compensation	(785,797)	(608,871)
Benefits	(35,840)	(18,436)
Charges	(48,067)	(40,485)
Other personnel expenses	(6,522)	(2,269)
	<u>(876,226)</u>	<u>(670,061)</u>

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28. Related parties

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

	Relationship	Maturity	Assets/Liabilities		Revenues/Expenses	
			30/06/2014	31/12/2013	30/06/2014	30/06/2013
Assets						
Short-term interbank investments						
Open market investments						
- FIM B-2 (i)	Related	01/07/2014	1,244,129	1,436,052	101,235	21,286
Interbank investments deposits						
- Banco Pan S.A.	Jointly controlled	25/08/2014	2,786,458	1,308,963	21,660	46,200
Securities						
- BTG Investments LP (i)	Related	17/04/2018	156,743	38,958	-	(21,688)
- Banco Pan S.A.	Jointly controlled	23/04/2020	385,958	40,824	5,307	-
Derivative financial instruments						
- BTG Absolute Return Master Fund (i)	Related	01/07/2014	15,801	3,916	-	-
- Banco Pan S.A.	Jointly controlled	-	-	2,459	-	-
Income receivable						
- BTG Absolute Return Master Fund (i)	Related	No maturity	3,858	4,603	22,993	22,575
- BTG Absolute Return Master Fund II (i)	Related	No maturity	27,879	-	132,124	21,486
- BTG Pactual Brazil Investment Fund I LP (i)	Related	No maturity	33,208	11,547	35,152	-
Securities trading and brokerage						
- BTG Absolute Return Master Fund (i)	Related	No maturity	10,339	9,573	-	-
- BTG Pactual Holding S.A.	Parent Company	No maturity	-	4,106	-	-
Sundry						
- ACS Omicron Empreendimentos imobiliários S.A.	Associate	No maturity	2,237	1,187	-	-
Liabilities						
Deposits						
Time deposits						
- BTG Pactual Alpha Participações Ltda.	Related	08/12/2014	-	(796)	-	-
- BTG Pactual Proprietary Feeder (1) Limited (i) (iii)	Related	01/07/2014	(110,016)	(370,171)	-	-
- BTG Pactual Capital Participações S.A. (i)	Related	24/12/2014	(2,188)	(2,138)	-	-
- Harpia Ômega Participações S.A. (i)	Related	24/12/2014	(1,806)	(1,815)	-	-
- BTG Investments LP (i) (iii)	Related	01/07/2014	(562,717)	(323,828)	-	-
- BTG MB Investments LP (ii) (iii)	Related	01/07/2014	(22,090)	(251)	-	-
- BTG Pactual Absolute Return Master Fund (i)	Related	01/07/2014	(26,257)	(4,413)	-	-
- BTG Pactual Absolute Return Master Fund II (i)	Related	01/07/2014	(391)	(12,137)	-	-
- BTG Equity Investments LLC (i)	Related	01/07/2014	(93)	(23,243)	-	-
- BTG Pactual Reinsurance Holdings LP (i)	Related	01/07/2014	(488)	(1,044)	-	-
- BTG Alpha Investments LLC (ii)	Related	01/07/2014	(6,433)	(6,306)	-	-
- BTG Pactual Spanish Trading Holdings Ltd (i)	Related	01/07/2014	(20,752)	-	-	-
- Aigues de Catalunya Ltd (i)	Related	01/07/2014	(16,847)	(1,331)	-	-
- BTG Pactual Stigma LLC (i)	Related	01/07/2014	(278)	(2,330)	-	-
- BTG Pactual Property CO II LLC	Related	01/07/2014	(112,868)	-	-	-
Open market funding						
Own portfolio						
- BTG Pactual Holding S.A.	Parent Company	26/12/2020	(47,062)	(2,764)	-	-
- BTG Pactual Beta Participações S.A. (ii)	Related	15/03/2017	(1,579)	-	-	-
Third-party portfolio						
- Banco Pan S.A.	Jointly controlled	-	-	(49,999)	-	-
- FIM B-2 (i)	Related	01/07/2014	-	(96,769)	-	-
Funds from securities issued and accepted						
Real Estate Bills						
- Partners	Key personnel	19/02/2015	(5,186)	(14,670)	-	-
Derivative financial instruments						
- Leblon Investment Fund Ltd.	Related	02/01/2015	-	(20,978)	-	-
- Banco Pan S.A.	Jointly controlled	22/04/2020	(64,086)	(91,537)	-	(19,986)
Other obligations						
Securities trading and brokerage						
- BTG Absolute Return Master Fund (i)	Related	No maturity	(46,602)	(45,779)	-	-
- Leblon Investment Fund Ltd.	Related	No maturity	-	(40,028)	-	-

(i) Subsidiaries of BTG Pactual Participations Ltd.

(ii) Subsidiaries of BTG MB Investments, LP.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements

June 30, 2014

(In thousands of reais)

Transactions with related parties have no guarantees given and received for the semester ended June 30, 2014. Additionally, the Bank did not record any allowance or provision for doubtful debts for the semester ended June 30, 2014 and the year ended December 31, 2013.

Total compensation paid to key management personnel, for the semester ended June 30, 2014, totaled R\$22,954 (December 31, 2013 – R\$170,030) which is considered short term benefit.

29. Other information

a. Deposits

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

	6/30/2014	12/31/2013
Interbank deposits	331	281
Time deposits	498	398

b. Cash and cash equivalents

	6/30/2014	12/31/2013
Cash and balances at Central Bank	1,264,535	1,074,027
Amounts receivable from banks		
Interbank deposits	1,548,594	1,205,797
Overnight investments	3,328,583	1,787,094
Open market investments	15,442,369	6,688,247
Balances at the end of	21,584,081	10,755,165

c. Commitments and responsibilities

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

	6/30/2014	12/31/2013
Co-obligation and risks for guarantees granted	8,269,451	6,729,464
Responsibility for the management of futures and investment portfolio (i)	198,209,237	194,724,990
Securities under custody	187,703,632	262,612,455
Securities trading and brokerage	1,896,943,294	1,257,459,213
Loans contract to release	1,387,496	3,854,812

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

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

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

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

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

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements

June 30, 2014

(In thousands of reais)

During the year ended 2013, the Bank has entered into investment opportunities in the private equity business. As of June 30, 2014 the total commitment undrawn was approximately R\$1,213 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.

30. Subsequent events

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 shares owned by BTG Pactual as a result of the merger shall be contributed to the International Subsidiary, which will be the owner of the totality of BSI's share capital.

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

In June 13, 2014, Banco Pan S.A. ("Banco Pan") approved a capital issuance in the amount of R\$3.0 billion represented by (i) up to R\$1.5 billion via 443,786,982 new, nominative and nonpar shares, in the same proportion as the currently existing common and preferred 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 three reais and thirty eight cents (R\$ 3.38) per common or preferred share, for private subscription of shares by Banco Pan's shareholders, and (ii) up to R\$1.5 billion via redeemable preferred shares with a term of five (5) years which will be entitled to annual, fixed, cumulative priority dividends of 104% of the CDI over the issue price. Pre-emptive rights in the subscription of the issuances above will be in the same proportion as the existing common and preferred shares on the issue date.

Shareholders Caixapar – Caixa Participações S.A. ("Caixapar") and Banco BTG Pactual, jointly holders, on this date, of 100% of the voting stock and of seventy one and 71.1% of the Banco Pan's total capital stock, will subscribe, upon exercising their respective preemptive rights in relation to common and preferred shares increase, common and preferred shares in the minimum amount of R\$ 1,066.3 million ("Minimum Subscription") of core tier I equity. Furthermore, Caixapar and Banco BTG Pactual will guarantee the subscription of the redeemable preferred shares, including those arising from the apportionment of any unsubscribed shares. Caixapar and Banco BTG currently hold 37.0% and 34.1%, respectively, of the total capital stock.

BANCO BTG PACTUAL S.A. and subsidiaries

Notes to the interim condensed consolidated financial statements

June 30, 2014

(In thousands of reais)

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

The newly issued shares will be credited to and included in the shareholders' position after the ratification by the Central Bank. If Banco Pan's minority shareholders fail to exercise their respective preemptive rights in relation to the subscription, the number of shares issued and outstanding by Banco Pan may correspond to a percentage that is lower than the minimum percentage required by the Listing Regulations of Level I Corporate Governance of BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros (Securities and Commodities Futures Exchange) ("BM&FBOVESPA") ("Regulations"). In such case, under the terms of the Regulations, Banco Pan will have a period of 6 months, as of the approval of the subscription of the common and preferred shares, to take the necessary measures to achieve the minimum 25% percent of outstanding shares.

As of July 17, 2014 the Bank has increased capital in Banco Pan in the amount of R\$511 million. The ending period of the subscription rights is August 8, 2014. After this event the Bank will be able to reaccess its interest in Banco Pan.

Interim Condensed Consolidated Financial Statements

BTG Pactual Participations Ltd.

June 30, 2014
with independent auditors' review report

BTG Pactual Participations Ltd.

Interim condensed consolidated financial statements

As of June 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.

Independent auditors' review report

To the Shareholders and Management of
BTG Pactual Participations Ltd.
São Paulo - SP

We have reviewed the interim condensed consolidated financial statements of BTG Pactual Participations Ltd. ("Company") for the quarter ended June 30, 2014, which comprise the interim condensed consolidated balance sheet as of June 30, 2014 and the related interim condensed consolidated statements of income and comprehensive income for the three and six-month period then ended, and changes in shareholders' equity and cash flows for the six-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, August 5, 2014.

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



Emerson Morelli
Accountant CRC – 1SP 249.401/O-4



Rodrigo De Paula
Accountant CRC – 1SP 224.036/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 June 30, 2014 and December 31, 2013

(In thousands of reais)

Assets	Note	6/30/2014	12/31/2013
Cash at banks	6	934,436	811,392
Open market investments	7	4,407,156	7,184,406
Derivative financial instruments	8a	1,061,422	1,432,158
Financial assets held for trading	8b	37,266,609	39,593,774
Financial assets available for sale	8d	1,240,508	1,123,454
Loans and receivables	8e	1,483,800	1,003,364
Due from brokers	9	8,017,398	4,451,625
Non-current assets held for sale	10	199,388	192,588
Investment in associates and joint ventures entities	11	1,481,930	2,467,167
Other assets		181,030	170,212
Total assets		56,273,677	58,430,140
Liabilities			
Open market funding	7	31,126,760	37,675,000
Derivative financial instruments	8a	1,340,984	1,686,939
Financial liabilities held for trading	8c	5,365,772	5,055,311
Financial liabilities at amortized cost	8f	5,527,905	5,047,378
Due to brokers	9	5,799,890	1,132,038
Other liabilities		3,015,783	3,693,793
Total liabilities		52,177,094	54,290,459
Shareholders' equity			
Capital stock and share premium	12	1,103,773	1,099,084
Other comprehensive income		70,293	88,948
Accumulated losses		(176,200)	(184,573)
Total shareholders' owners equity		997,866	1,003,459
Non-controlling interest		3,098,717	3,136,222
Total shareholders' equity and non-controlling interest		4,096,583	4,139,681
Total liabilities and shareholders' equity		56,273,677	58,430,140

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 semesters ended June 30

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

		Quarters ended:		Semesters ended:	
	Note	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Interest income	14a	65,958	21,624	128,959	30,729
Interest expenses	14b	(138,235)	(102,564)	(249,797)	(130,570)
Interest expense, net		(72,277)	(80,940)	(120,838)	(99,841)
Gains/(losses) on financial instruments held for trading	15	303,208	(273,263)	595,360	(79,126)
Gains/(losses) on financial assets available for sale					
Impairment losses	16	(28,958)	-	(28,958)	-
Gain / (loss) on sale		-	3,297	-	3,297
Equity pickup in associates and joint ventures entities	11	4,764	26,883	(170,194)	29,019
Other operating income/(expenses), net		17,421	(28,348)	30,041	(13,460)
Total income		224,159	(352,371)	305,412	(160,111)
Administrative expenses	17	(64,662)	(13,821)	(175,910)	(30,036)
Other expenses		(30,405)	(19,072)	(94,610)	(29,309)
Net income/(loss) for the quarter/semester		129,092	(385,264)	34,892	(219,456)
Net income/(loss) attributed to:					
Controlling shareholders		31,211	(83,206)	8,373	(56,687)
Non-controlling shareholders		97,881	(302,058)	26,519	(162,769)
Income/(loss) per share (basic and diluted - R\$)	13	0.05	(0.18)	0.01	(0.12)

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

BTG Pactual Participations Ltd.

Interim condensed consolidated statements of comprehensive income

Quarters and semesters ended June 30

(In thousands of reais)

	Quarters ended:		Semesters ended:	
Note	6/30/2014	6/30/2013	6/30/2014	6/30/2013
(Loss) / net income for the quarter/semester	129,092	(385,264)	34,892	(219,456)
Other comprehensive income (expense) to be reclassified to profit or loss:				
Share of other comprehensive income of non-controlled entities:	89,045	(169,048)	167,980	(165,281)
Realized losses due to impairment	36,844	-	58,318	-
Unrealized	588	-	(10,172)	-
Foreign exchange	(22,590)	27,099	(48,454)	22,963
Movements in financial assets available for sale:				
Realized losses due to impairment	28,958	(1,281)	28,958	(1,281)
Unrealized	(29,381)	(140,541)	(36,317)	(126,374)
Exchange differences on translation of controlled entities	74,626	(54,325)	175,647	(60,589)
Other comprehensive income (expense) not to be reclassified to profit or loss:				
Currency translation adjustments	(112,713)	405,495	(245,970)	347,424
Total comprehensive income	105,424	(148,817)	(43,098)	(37,313)
Total comprehensive income attributed to:				
Controlling shareholders	25,673	(25,378)	(10,282)	(6,261)
Non-controlling shareholders	79,751	(123,439)	(32,816)	(31,052)

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

Semesters ended June 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				
Balance as at December 31, 2012		717,408	36,546	(2,088)	(152,158)	599,708	3,443,857	4,043,565
Transactions with shareholders	12	-	-	-	289,558	289,558	(289,558)	-
Net loss of the semester		-	-	-	(56,687)	(56,687)	(162,769)	(219,456)
Share of other comprehensive income of non-controlled entities:								
Foreign exchange		-	-	5,566	-	5,566	17,397	22,963
Movements in financial assets available for sale:								
Realized		-	(1,281)	-	-	(1,281)	-	(1,281)
Unrealized		-	(37,838)	9,535	-	(28,303)	(98,071)	(126,374)
Exchange differences on translation of controlled entities		-	(14,687)	-	-	(14,687)	(45,902)	(60,589)
Additions of non-controlling due to selling of equity interest		-	-	-	-	-	3,698	3,698
Currency translation adjustments		-	82,069	-	-	82,069	265,355	347,424
Balance as at June 30, 2013		717,408	64,809	13,013	80,713	875,943	3,134,007	4,009,950
Balance as at December 31, 2013		1,099,084	103,400	(14,452)	(184,573)	1,003,459	3,136,222	4,139,681
Transactions with shareholders	12	4,689	-	-	-	4,689	(4,689)	-
Net income of the semester		-	-	-	8,373	8,373	26,519	34,892
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		-	-	(11,803)	-	(11,803)	(36,651)	(48,454)
Movements in financial assets available for sale:								
Realized losses due to impairment		-	7,054	-	-	7,054	21,904	28,958
Unrealized		-	(8,838)	-	-	(8,838)	(27,479)	(36,317)
Exchange differences on translation of controlled entities		-	42,785	-	-	42,785	132,862	175,647
Currency translation adjustments		-	(59,568)	-	-	(59,568)	(186,402)	(245,970)
Balance as at June 30, 2014		1,103,773	84,833	(14,540)	(176,200)	997,866	3,098,717	4,096,583

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

BTG Pactual Participations Ltd.

Interim condensed consolidated statements of cash flows

Semesters ended June 30

(In thousands of reais)

	Note	6/30/2014	6/30/2013
Operating activities			
Net / (Loss) income for the semester		34,892	(219,456)
Adjusted (loss) / net income			
Equity pickup in associates and joint ventures entities	11	170,194	(29,019)
(Gains) / losses on financial assets available for sale		28,958	(3,297)
Adjusted (loss) / net income		234,044	(251,772)
(Increase) decrease in operating assets, net			
Derivative financial instruments		370,736	(342,060)
Financial assets held for trading		2,202,923	4,783,029
Financial assets available for sale		(80,737)	(76,991)
Loans and receivables		(480,436)	(1,624,790)
Due from brokers		(3,585,929)	(930,598)
Other assets		(10,818)	223,878
Increase (decrease) in operating liabilities, net			
Open market funding		(6,548,240)	(2,744,413)
Derivative financial instruments		(345,955)	689,413
Financial liabilities held for trading		310,461	715,690
Due to brokers		4,646,950	305,217
Other liabilities		(657,786)	(34,815)
Cash (used)/provided in operating activities		(3,944,787)	711,788
Investment activities			
Capitalization/acquisition of associates and joint ventures entities	11	(344,375)	(130,761)
Sale of associates and joint ventures entities	11	1,067,840	-
Dividends received	11	91,270	-
Cash (used)/provided in investing activities		814,735	(130,761)
Financing activities			
Financial liabilities at amortized cost		460,303	2,405,661
Cash provided by financing activities		460,303	2,405,661
(Decrease) / Increase in cash and cash equivalents	19a	(2,669,749)	2,986,688
Balance of cash and cash equivalents			
At the beginning of the semester		7,995,798	89,976
Foreign exchange gains on cash and cash equivalents		(15,543)	142,194
At the end of the semester		5,341,592	2,934,470
(Decrease) / Increase in cash and cash equivalents		(2,669,749)	2,986,688
Non-cash transactions			
Transactions with shareholders		(4,689)	(289,558)
Additional information on cash flow			
Dividends received		11,539	12,919

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

June 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 August 5, 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

June 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.

BTG Pactual Participations Ltd.

Notes to the interim condensed consolidated financial statements

June 30, 2014

(In thousands of reais)

Standards issued that are not yet effective for 2014:

• Annual improvements

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

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 six-month period ended on June 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.

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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 - %	
		6/30/2014	12/31/2013
Direct			
BTG Bermuda LP Holdco Ltd.	Bermuda	100.00	100.00
Indirect			
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 - %	
		6/30/2014	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
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	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 at June 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.

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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\$	6/30/2014	12/31/2013	6/30/2013
Daily average VaR	40.3	37.0	40.1

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:

	6/30/2014		
	Brazil	Abroad (i)	Total
Assets			
Cash at banks	-	934,436	934,436
Open market investments	-	4,407,156	4,407,156
Derivative financial instruments	107,256	954,166	1,061,422
Financial assets held for trading	3,196,607	34,070,002	37,266,609
Financial assets available for sale	1,035,015	205,493	1,240,508
Loans and receivables	30,682	1,453,118	1,483,800
Due from brokers	46,828	7,970,570	8,017,398
Non-current assets held for sale	199,388	-	199,388
Investments in associates and joint ventures entities	966,563	515,367	1,481,930
Other assets	-	181,030	181,030
Total assets	5,582,339	50,691,338	56,273,677
	12/31/2013		
	Brazil	Abroad (i)	Total
Assets			
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
Total assets	6,523,218	51,906,922	58,430,140

(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.

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

	6/30/2014					
	Governments (i)	Financial Institutions	US Agencies	Companies	Individuals	Others
Assets						
Cash at banks	-	934,436	-	-	-	-
Open market investments	-	4,407,156	-	-	-	-
Derivative financial instruments	-	1,061,422	-	-	-	-
Financial assets held for trading	24,316,012	735,379	2,543,293	9,671,925	-	-
Financial assets available for sale	-	-	-	1,240,508	-	-
Loans and receivables	-	-	-	224,112	1,259,688	-
Due from brokers	-	8,017,398	-	-	-	-
Non-current assets held for sale	-	-	-	199,388	-	-
Investment in associates and joint ventures entities	-	-	-	1,481,930	-	-
Other assets	-	-	-	-	-	181,030
Total assets	24,316,012	15,155,791	2,543,293	12,817,863	1,259,688	181,030
	12/31/2013					
	Governments (i)	Financial Institutions	US Agencies	Companies	Individuals	Others
Assets						
Cash at banks	-	811,392	-	-	-	-
Open market investments	-	7,184,406	-	-	-	-
Derivative financial instruments	-	1,432,158	-	-	-	-
Financial assets held for trading	25,817,642	2,931,030	4,514,903	6,330,199	-	-
Financial assets available for sale	-	-	-	1,123,454	-	-
Loans and receivables	-	-	-	262,167	741,197	-
Due from brokers	-	4,451,625	-	-	-	-
Non-current assets held for sale	-	-	-	192,588	-	-
Investment in associates and joint ventures entities	-	-	-	2,467,167	-	-
Other assets	-	-	-	-	-	170,212
Total assets	25,817,642	16,810,611	4,514,903	10,375,575	741,197	170,212

(i) See note 8(b)

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

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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:

06/30/2014					
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Cash at banks	934,436	-	-	-	934,436
Open market investments	4,407,156	-	-	-	4,407,156
Derivative financial instruments	386,487	408,863	27,525	238,547	1,061,422
Financial assets held for trading	37,266,609	-	-	-	37,266,609
Financial assets available for sale (i)	-	-	-	1,240,508	1,240,508
Loans and receivables	-	-	224,019	1,259,781	1,483,800
Due from brokers	8,017,398	-	-	-	8,017,398
Non-current assets held for sale	-	199,388	-	-	199,388
Investment in associates and joint ventures entities	-	-	-	1,481,930	1,481,930
Other assets	181,030	-	-	-	181,030
Total assets	51,193,116	608,251	251,544	4,220,766	56,273,677
12/31/2013					
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Cash at banks	811,392	-	-	-	811,392
Open market investments	7,184,406	-	-	-	7,184,406
Derivative financial instruments	742,214	381,086	137,768	171,090	1,432,158
Financial assets held for trading	39,593,774	-	-	-	39,593,774
Financial assets available for sale (i)	-	-	-	1,123,454	1,123,454
Loans and receivables	-	-	203,617	799,747	1,003,364
Due from brokers	4,451,625	-	-	-	4,451,625
Non-current assets held for sale	-	192,588	-	-	192,588
Investment in associates and joint ventures entities	-	-	-	2,467,167	2,467,167
Other assets	170,212	-	-	-	170,212
Total assets	52,953,623	573,674	341,385	4,561,458	58,430,140

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

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 June 30, 2014 and December 31, 2013:

06/30/2014					
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Liabilities					
Open market funding	31,126,760	-	-	-	31,126,760
Derivative financial instruments	471,918	476,197	31,400	361,469	1,340,984
Financial liabilities held for trading	5,365,772	-	-	-	5,365,772
Financial liabilities at amortized cost	2,023,837	1,392,839	553,418	1,557,811	5,527,905
Due to brokers	5,799,890	-	-	-	5,799,890
Other liabilities	194,591	1,082,929	1,738,263	-	3,015,783
Total liabilities	44,982,768	2,951,965	2,323,081	1,919,280	52,177,094

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

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

	6/30/2014				
	Up to 90 days	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Loans and receivables	-	-	237,560	2,454,503	2,692,063
Liabilities					
Financial liabilities at amortized cost	2,027,324	1,407,587	574,716	1,839,789	5,849,416

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

6. Cash at banks

Cash on banks comprise exclusively highly-liquid bank deposits, totaling R\$934,436 and R\$811,392, as at June 30, 2014 and December 31, 2013.

7. Open market investments and funding

	6/30/2014	12/31/2013
Open market investments	23,233,424	21,503,971
Offset (netting) (i)	(18,826,268)	(14,319,565)
Net	4,407,156	7,184,406
Open market funding	49,953,028	51,994,565
Offset (netting) (i)	(18,826,268)	(14,319,565)
Net	31,126,760	37,675,000

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

As at June 30, 2014 the collateral received in repurchase agreements amounts to R\$23,073,895 (December 31, 2013 – R\$21,302,525), whereas the collateral granted amounts to R\$53,548,117 (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\$817,668 (December 31, 2013 – R\$321,083).

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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:

	6/30/2014	12/31/2013
	Fair value	Fair value
Futures		
Long position	31,500	140,412
Short position	156,656	86,272
Swaps		
Long position	370,849	415,562
Short position	385,357	333,956
Credit derivatives		
Long position	197,467	127,050
Short position	341,435	318,606
Deliverable forward transactions - NDF		
Long position	38,137	9,356
Short position	19,346	2,837
Forward transactions - DF		
Long position	28,933	90,334
Short position	41,055	127,579
Options		
Long position	394,536	649,444
Short position	397,135	817,689
Long position	1,061,422	1,432,158
Short position	1,340,984	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:

	6/30/2014	12/31/2013
Futures market		
Long position	38,043,416	71,409,466
Currency	2,302,279	2,202,779
Equities	10,812	18,814
Index	604,052	2,259,624
Interest rate	35,043,618	66,883,100
Commodities	82,655	45,149
Short position	38,030,533	27,489,789
Currency	205,253	2,457,431
Interest rate	36,177,343	24,046,682
Commodities	62,704	12,077
Equities	1,414	396
Indexes	1,583,819	973,203
Swap		
Long position	197,382,307	146,231,705
Interest rate	96,331,949	133,342,323
Currency	75,670,829	1,765,417
Index	5,697,161	6,067,374
Equities	9,696,364	4,720,920
Commodities	9,911,700	-
Other	74,304	335,671
Short position	197,382,307	146,231,705
Interest rate	96,331,949	133,031,267
Currency	75,621,522	2,795,503
Index	13,675,828	6,988,048
Equities	1,767,004	3,416,887
Commodities	9,911,700	-
Other	74,304	-

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	6/30/2014	12/31/2013
Credit derivatives		
Long position	4,059,346	3,339,247
Sovereign	1,914,392	462,984
Coporate	2,144,954	2,876,263
Short position	9,631,725	8,970,011
Coporate	6,505,548	8,437,092
Sovereign	3,126,177	532,919
Currency forward transactions - NDF		
Long position	2,978,464	1,334,611
Currency	2,978,464	482,729
Interest rate	-	851,882
Short position	2,978,464	1,334,611
Currency	2,978,464	482,729
Interest rate	-	851,882
Forward transactions - DF		
Long position	8,470,712	3,251,603
Currency	8,459,369	3,165,982
Equities	11,343	85,621
Short position	8,470,712	3,251,603
Currency	8,459,369	3,230,480
Equities	11,343	-
Commodities	-	21,123
Options market		
Purchase of call options	29,218,084	20,470,670
Index	21,525,610	3,964,437
Equities	1,275,080	1,946,815
Commodities	129,953	-
Interest rate	5,879,258	14,223,883
Currency	397,002	335,535
Others	11,181	-
Purchase of put options	93,303,301	39,685,862
Index	85,217,282	36,088,545
Equities	515,779	1,479,360
Commodities	19,665	48,215
Interest rate	7,405,370	1,938,932
Currency	122,817	130,810
Others	22,388	-
Sale of call options	47,497,616	30,446,407
Equities	101,986	232,221
Index	39,957,687	16,215,272
Currency	118,395	86,705
Commodities	195,921	-
Interest rate	7,123,434	13,903,059
Other	193	9,150
Sale of put options	116,594,345	70,440,556
Equities	134,784	246,747
Index	85,519,917	65,714,754
Commodities	32,587	-
Interest rate	9,499,746	4,349,082
Currency	24,305	125,329
Others	21,383,006	4,644

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b. Financial assets held for trading

	6/30/2014		12/31/2013
	Amortized cost	Fair value	Fair value
Own portfolio			
Equities	2,155,527	2,225,337	2,082,892
Corporate bonds issued abroad	1,308,700	1,302,082	1,263,320
Certificate of bank deposits	4,106	4,106	4,104
US Agencies	714,623	721,887	731,810
Brazilian government bonds	2,007,928	2,025,013	1,114,447
Foreign government bonds			
United States	2,029,364	2,035,365	1,648,840
Others	908,231	929,934	370,714
Investment fund quotas	507,473	526,191	480,896
Debentures	132,156	132,933	-
Related to repurchase agreement			
Corporate bonds issued abroad	6,034,237	6,216,655	5,430,016
US Agencies	1,819,727	1,821,406	3,783,094
Brazilian government bonds	-	-	849,175
Foreign government bonds			
United States	10,040,736	10,123,664	14,806,932
UK	3,667,961	3,785,045	3,000,934
Germany	149,776	154,055	576,389
Others	5,043,376	5,262,936	3,450,211
	36,523,921	37,266,609	39,593,774

c. Financial liabilities held for trading

As at June 30, 2014 and December 31, 2013, it comprises short-selling transactions, primarily global fixed income and equities securities. The amortized cost and fair value were R\$4,724,459 and R\$5,365,772, respectively, as of June 30, 2014 (December 31, 2013 - R\$5,053,013 and R\$5,055,311 respectively).

d. Financial assets available for sale

	6/30/2014	12/31/2013
BTG Pactual Principal Investments FIP (FIP Principal)	775,979	816,282
BTG Pactual Brazil Infrastructure Fund II LP (Infrastructure fund)	103,635	86,687
Brasil Pharma S.A.	152,667	-
ADS - Advanced Disposal Service	205,493	218,545
Other investments	2,734	1,940
	1,240,508	1,123,454

BTGI 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 feeders 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 valuations 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 at June 30, 2014 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:

Investment	Description / Segment activity	Equity interest in 6/30/2014 (%)	6/30/2014	12/31/2013
NTNB	National Treasury Notes - Series B	-	3,134	-
Debentures				
AlBodytech	Fitness segment	30.0%	157,877	141,570
Equity interest				
Brasil Brokers Participações S.A.	Investment in real estate companies	12.7%	85,989	143,314
Bravante Participações S.A.	Maritime transport, logistics services and environmental protection for the oil and gas sector	47.3%	339,074	358,427
Deep Sea Group	Maritime transport and logistics services for the oil and gas sector	50.0%	471,567	436,067
Brasil Pharma S.A.	Pharmaceutical retail company	11.7%	88,574	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	-	(26,049)	(11,424)
			<u>2,267,619</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>775,979</u>	<u>816,282</u>

Infrastructure Fund

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

Investment	Description / Segment activity	Direct and indirect interest in 6/30/2014	6/30/2014	12/31/2013
Latin America Power Holding B.V.	Energy sector	10.6%	61,352	51,074
SETE Participações S.A.	Oil and gas	1.1%	42,120	30,608
Contrail S.A.	Logistics services	-	-	3,960
Other	-	-	163	1,045
Total of investments in Infrastructure fund			<u>103,635</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 of Brasil Pharma S.A., based on the share price of R\$3.75. The total amount of the acquisition was R\$194,060. During June 2014, unrealized losses of R\$41,399 were recognized in other comprehensive income, related to the marked to market adjustment of the period.

On June 2014, 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

	6/30/2014	12/31/2013
Partners (i)	1,259,688	741,197
BTG Pactual Holding S.A.	-	1,496
ATLL Concessionaria de La Generalitat de Catalunya S.A. (ii)	193,337	203,617
Other	30,775	57,054
	<u>1,483,800</u>	<u>1,003,364</u>

(i) These loans are indexed to CDI or Libor and have maturities generally above one year.

(ii) Indexed to 3.5% p.a. with maturity on March 21, 2016.

f. Financial liabilities at amortized cost

		6/30/2014		12/31/2013	
	Maturity	Index	US\$	R\$	R\$
Loans with financial institutions	july-14 to october-15	Libor and 2.15% p.a.	809,597	1,783,219	2,071,372
Senior notes	April-18	4.5% p.a.	703,274	1,549,031	1,646,934
Medium term notes	july-14 to june-19	0.5% to 2.1% p.a.	983,017	2,165,194	1,296,794
Other	-	-	13,808	30,461	32,278
			<u>2,509,696</u>	<u>5,527,905</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 semester ended June 30, 2014 and year ended December 31, 2013.

h. Fair value of financial instruments

The summary of assets and liabilities classified according to asset pricing is as follows:

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	6/30/2014			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	326,780	734,502	140	1,061,422
Financial assets held for trading	22,930,844	13,850,138	485,627	37,266,609
Financial assets available for sale	-	152,667	1,087,841	1,240,508
	<u>23,257,624</u>	<u>14,737,307</u>	<u>1,573,608</u>	<u>39,568,539</u>
Liabilities				
Derivative financial instruments	462,678	878,306	-	1,340,984
Financial liabilities held for trading	5,253,498	112,274	-	5,365,772
	<u>5,716,176</u>	<u>990,580</u>	<u>-</u>	<u>6,706,756</u>
	12/31/2013			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments	670,289	761,727	142	1,432,158
Financial assets held for trading	27,017,878	12,468,685	107,211	39,593,774
Financial assets available for sale	-	-	1,123,454	1,123,454
	<u>27,688,167</u>	<u>13,230,412</u>	<u>1,230,807</u>	<u>42,149,386</u>
Liabilities				
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 semester ended June 30, 2014 and the year ended December 31, 2013. Changes in level 3 for the semester are as follows:

	Derivative financial instruments (liability)	Derivative financial instruments (asset)	Financial assets held for trading	Financial assets available for sale
Balances at December 31, 2012	(276,686)	-	-	1,044,941
Acquisitions	42,386	142	107,211	510,168
Sales / maturity	(62,095)	-	-	(48,232)
Other (i)	-	-	-	(342,927)
Gains (losses) recognized in:				
Gains on financial instruments held for trading	298,764	-	-	-
Gains on financial assets available for sale	-	-	-	(3,241)
Other Comprehensive Income - Financial assets available for sale:				
Foreign exchange	(2,369)	-	-	194,060
Fair value measurement	-	-	-	(231,315)
Balances at December 31, 2013	<u>-</u>	<u>142</u>	<u>107,211</u>	<u>1,123,454</u>
Acquisitions	-	-	413,835	-
Sales / reclassifications	-	-	(26,934)	(5,504)
Gains (losses) recognized in:				
Losses on financial instruments held for trading	-	(2)	(8,485)	-
Other Comprehensive Income - Financial assets available for sale:				
Foreign exchange	-	-	-	31,453
Fair value measurement - unrealized	-	-	-	(90,520)
Impairment losses	-	-	-	28,958
Balances at June 30, 2014	<u>-</u>	<u>140</u>	<u>485,627</u>	<u>1,087,841</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:

	6/30/2014	12/31/2013
Due from brokers		
Custodian bank		
Banco BTG Pactual S.A.	46,828	45,779
Main brokers		
UBS AG	4,845,593	836,982
Citigroup	6,278,159	4,924,388
Bank of America	69,524	47,086
BTG Pactual Chile	4,236	6,183
Morgan Stanley	269,114	114,225
Others	45,694	29,088
	<u>11,559,148</u>	<u>6,003,731</u>
Netting (i)	(3,541,750)	(1,552,106)
	<u>8,017,398</u>	<u>4,451,625</u>
	6/30/2014	12/31/2013
Due to brokers		
Custodian bank		
Banco BTG Pactual S.A.	10,339	9,573
Main brokers		
UBS AG	5,403,882	985,718
Citigroup	3,676,816	1,561,516
Morgan Stanley	167,275	124,821
Others	83,328	2,516
	<u>9,341,640</u>	<u>2,684,144</u>
Netting (i)	(3,541,750)	(1,552,106)
	<u>5,799,890</u>	<u>1,132,038</u>

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

10. Non-current assets held for sale

On June 30, 2014 the Company held interest in BTG Pactual SCFlor & São Lourenço Holding S.A. ("SCFlor") totaling R\$199,388 (December 31, 2013 – R\$192,588), which comprises of land and timber assets expected to be transferred during 2014 to the Timber Fund, currently being set up.

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11. Investment in associates and joint ventures

		6/30/2014						
Relationship	Assets		Liabilities		Shareholders' equity	Income - First semester 2014 (i)	Interest - %	
	Current	Non-current	Current	Non-current				
B&A Mineração S.A.	Joint ventures	56,243	327,985	7,323	63,786	313,120	(20,820)	87.83%
Túnel de Barcelona i Cadí Concessionaria de La Generalitat de Catalunya S.A.	Joint ventures	92,941	1,113,144	43,811	884,580	277,694	2,117	65.00%
União de Lojas Leader S.A .	Associate	686,948	1,915,567	992,142	649,767	960,606	(79,143)	44.02%
ATLL Concessionaria de La Generalitat de Catalunya S.A.	Joint ventures	355,080	3,055,672	250,174	2,724,946	435,632	11,143	39.00%
SPE Holding Beira-Rio S.A.	Joint ventures	72,152	379,859	5,418	413,457	33,136	(3,989)	50.00%
BR Properties S.A.	Associate	826,181	8,830,747	855,060	2,757,900	6,043,968	242,359	2.88%
12/31/2013								
Relationship	Assets		Liabilities		Shareholders' equity	Income - First semester 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	(55,633)	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	(1,829)	65.00%
União de Lojas Leader S.A .	Associate	739,109	2,283,365	985,635	616,349	1,420,491	537	44.02%
ATLL Concessionaria de La Generalitat de Catalunya S.A.	Joint ventures	3,287,704	256,486	712,162	2,336,259	495,770	12,761	39.00%
SPE Holding Beira-Rio S.A.	Joint ventures	24,356	350,708	3,831	334,111	37,122	(526)	50.00%
BR Properties S.A.	Associate	827,280	10,365,660	720,498	2,822,001	7,650,441	81,162	18.55%
12/31/2013								
Relationship	Assets		Liabilities		Shareholders' equity	Income - First semester 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	(55,633)	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	(1,829)	65.00%
União de Lojas Leader S.A .	Associate	739,109	2,283,365	985,635	616,349	1,420,491	537	44.02%
ATLL Concessionaria de La Generalitat de Catalunya S.A.	Joint ventures	3,287,704	256,486	712,162	2,336,259	495,770	12,761	39.00%
SPE Holding Beira-Rio S.A.	Joint ventures	24,356	350,708	3,831	334,111	37,122	(526)	50.00%
BR Properties S.A.	Associate	827,280	10,365,660	720,498	2,822,001	7,650,441	81,162	18.55%

		12/31/2013						Other Comprehensive income - Fair value adjustment		Equity pick up for the semester ended 6/30/2013	
Relationship		Assets		Liabilities		Shareholders' equity	Income - First semester 2013 (i)	Interest - %	Other Comprehensive income - Fair value adjustment	Equity pick up for the semester ended 6/30/2013	Equity pick up for the semester ended 6/30/2013
		Current	Non-current	Current	Non-current						
B&A Mineração S.A. (ii)		322,291	12,067	-	-	(22,806)	(84,704)	48,146	274,994	22,963	
Túnel de Barcelona i Cadí Concessionaria de La Generalitat de Catalunya S.A.		219,216	-	-	(20,727)	(13,478)	(4,435)	-	180,576	1,076	
ATLL Concessionaria de La Generalitat de Catalunya S.A.		193,350	-	-	(16,461)	(11,204)	4,282	-	169,967	4,797	
União de Lojas Leader S.A .		643,439	-	(1,727)	-	-	(55,730)	-	585,982	-	
SPE Holding Beira-Rio S.A.		20,358	-	(157)	-	-	(3,633)	-	16,568	-	
BR Properties S.A.		1,060,214	167,361	(1,065,956)	(54,082)	-	7,090	-	114,627	-	
Others (iii)		8,299	164,947	-	-	(966)	(33,064)	-	139,216	183	
		2,467,167	344,375	(1,067,840)	(91,270)	(48,454)	(170,194)	48,146	1,481,930	29,019	

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

(ii) Of the R\$85 million of equity pick up, R\$58 million refers to the realized share of other comprehensive income from non-controlled entities.

(iii) Includes SFIR Holdings Ltd, a joint controlled entity, between BTG Pactual Reinsurance Holding L.P. and Stanhope Investments, created on May 8, 2014 with the purpose of establishing a reinsurance business. As of June 30, 2014, SFIR Holdings was not operational.

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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. 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 June 30, 2014 (December 31, 2013 – 24.24%).

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

6/30/2014				
	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	0,0000000001	Yes	1
Total	695,062,789			

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	0,0000000001	Yes	1
Total	692,995,375			

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

b. Dividends

The Company has not paid dividends for the semester ended on June 30, 2014 and year ended on December 31, 2013.

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13. Earnings per share

	Quarters ended:		Semesters ended:	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013
(Losses)/Income attributed to controlling shareholders	31,211	(83,206)	8,373	(56,687)
Weighted average per thousand shares outstanding during the period (i)	659,060	451,731	658,636	483,334
(Losses) / income per share - Basic (in Reais)	0.05	(0.18)	0.01	(0.12)
(Losses) / income per share - Diluted (in Reais)	0.05	(0.18)	0.01	(0.12)

(i) Class A and class B shares

14. 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 semester from loans and financing, open market transactions and (ii) foreign exchange results. The breakdown of this item as at June 30 is as follows:

a. Interest income

	Quarters ended:		Semesters ended:	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Loans and receivables	34,981	20,350	56,462	27,093
Foreign exchange	31,168	-	69,506	-
Interest on open market investments	(191)	1,274	2,991	3,636
	65,958	21,624	128,959	30,729

b. Interest expenses

	Quarters ended:		Semesters ended:	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Interest on funding	(116,962)	(24,923)	(213,197)	(49,305)
Foreign exchange	-	(71,053)	-	(68,740)
Interest on loans and financing	(21,273)	(6,588)	(36,600)	(12,525)
	(138,235)	(102,564)	(249,797)	(130,570)

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

	Quarters ended:		Semesters ended:	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Derivatives financial instruments	(265,665)	(145,843)	(641,673)	58,944
Financial assets and liabilities held for trading	568,873	(127,420)	1,237,033	(138,070)
	303,208	(273,263)	595,360	(79,126)

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

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17. Administrative expenses

	Quarters ended:		Semesters ended:	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Professional fees (i)	(57,610)	(12,281)	(163,824)	(28,058)
Expenses related to financial market	(5,817)	(271)	(10,054)	(678)
Other administrative expenses	(1,235)	(1,269)	(2,032)	(1,300)
	<u>(64,662)</u>	<u>(13,821)</u>	<u>(175,910)</u>	<u>(30,036)</u>

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

18. 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)	
			6/30/2014	12/31/2013	6/30/2014	6/30/2013
Assets						
Cash on banks						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	849,956	738,497	-	-
Open market investments						
- Banco BTG Pactual S.A. (ii)	Related	-	-	96,769	-	-
Financial assets held for trading						
- Banco BTG Pactual S.A. (ii)	Related	12/24/2014	3,993	3,953	40	-
Loans and receivables						
- BTG Pactual E&P B.V. (ii)	Related	7/30/2013	-	-	-	122
- BTG Pactual Oil & Gas B.V. (ii)	Related	7/30/2013	-	-	-	95
- Partners (i)	Partners	11/27/2033	82,410	39,495	6,749	5,415
- ATLL Concessionaria de La Generalitat de Catalunya S.A.	Joint ventures	4/8/2016	193,337	203,617	3,312	3,577
- BTG Pactual Holding S.A.	Shareholder	-	-	1,496	-	(69)
Due from brokers						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	46,602	45,779	-	-
- BTG Pactual Chile S.A. (ii)	Related	No maturity	4,236	6,183	-	-
Sundry						
- BTG MB Investments	Related	No maturity	40,466	40,466	2,420	3,408
- Banco BTG Pactual S.A. (ii)	Related	-	-	-	-	87
Liabilities						
Open market funding						
- Banco BTG Pactual S.A. (ii)	Related	4/1/2014	(1,244,129)	(1,436,052)	(101,235)	(21,286)
Financial liabilities held for trading						
- Banco BTG Pactual S.A. (ii)	Related	4/17/2018	(162,402)	(38,958)	-	-
Derivative financial instruments						
- Banco BTG Pactual S.A. (ii)	Related	6/25/2014	(15,801)	(3,916)	-	21,688
Due to brokers						
- Banco BTG Pactual S.A. (ii)	Related	No maturity	(10,339)	(9,573)	-	-
Financial liabilities at amortized cost						
- BTG Alpha Investments LLC (iii)	Related	-	-	-	-	(251)
Other liabilities						
- BTG Pactual Global Asset Management Limited (ii)	Related	No maturity	(31,564)	(4,603)	(154,956)	(23,169)

(i) Considered as BTGI related parties only 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 semester ended on June 30, 2014 and the year ended on 2013.

19. 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	6/30/2014	6/30/2013
Cash at banks	934,436	340,618
Open market investments	4,407,156	2,593,852
	<u>5,341,592</u>	<u>2,934,470</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 June 30, 2014 and December 31, 2013 the company had an estimate receivable amount of 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 June 30, 2014 and December 31, 2013. The subsidiary's main figures are as follows:

	6/30/2014	12/31/2013
Assets	56,273,677	58,430,140
Securities and derivatives financial instruments	43,975,695	49,333,792
Due from brokers	8,017,398	4,451,625
Loans and receivables	1,483,800	1,003,364
Others	2,796,784	3,641,359
Liabilities	52,177,094	54,290,459
Open market funding and financial instruments	37,833,516	44,417,250
Due to brokers	5,799,890	1,132,038
Other	8,543,688	8,741,171

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	6/30/2014	12/31/2013
Shareholders' equity	4,096,583	4,139,681
Controlling interest	4,081,044	4,124,142
Non-controlling interest	15,539	15,539
Total liabilities and shareholders' equity	56,273,677	58,430,140
 Statements of income for the semester	 6/30/2014	 6/30/2013
Interest income/expenses, net	(120,838)	(99,841)
Gains on financial instruments, net	566,403	(75,829)
Other revenue	(140,153)	15,559
Gross income	305,412	(160,111)
Total expenses	(270,520)	(59,345)
(Loss) / net income for the semester	34,892	(219,456)
Controlling interest	34,892	(219,631)
Non-controlling interest	-	175
Earnings / (Loss) per share (Basic and diluted in Reais)	0.01	(0.08)
 Cash flow statements	 6/30/2014	 6/30/2013
Cash (used in) / provided by operating activities	(3,944,787)	711,788
Cash provided by / (used in) investing activities	814,735	(130,761)
Cash provided by financing activities	460,303	2,405,661
Increase / (Decrease) in cash and cash equivalents	(2,669,749)	2,986,688

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 June 30, 2014 the total commitment undrawn was approximately R\$1,193 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 Aigües 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 actions have been brought by both parties to the regional court of Catalonia, Spain. The last decision from the regional court, dated July 19, 2013, rejected reposition appeals filed by the Consortium, while the main proceedings regarding the validity of the results of the bidding process are still ongoing.

BTG Pactual Participations Ltd.

Notes to the interim condensed consolidated financial statements

June 30, 2014

(In thousands of reais)

Management has evaluated the lawsuit and considers probable that the final decision in the High Court of Spain 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 losses incurred as well as to obtain reimbursement of the amount paid to the concession in the remote scenario of a loss of the lawsuit and consequently the concession. This understanding was confirmed by a letter from the Government of Catalonia, dated July 5, 2013, indicating that, in case the results of the bidding process were canceled, the Consortium should be compensated for damages, according to the concession agreement, which includes among other items, the invested amount and unamortized part of the concession fee paid and, only after that, return the concession to the Government.

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