Banco BTG Pactual - Earnings Release

Third Quarter 2019

November 05, 2019

Highlights

Rio de Janeiro, Brazil, November 05, 2019 - Banco BTG Pactual S.A. (“Banco” and together with its subsidiaries “BTG Pactual”) (B3: BPAC11) today reported total revenues of R$2,183.8 million and adjusted net income of R$1,073.1 million for the quarter ended September 2019.

BTG Pactual’s adjusted net income per unit and annualized adjusted return on average shareholders’ equity (“Annualized ROAE”) were R$1.23 and 20.8%, respectively, for the quarter ended September 30, and R$3.24 and 19.0%, respectively, for the year ended on such date.

As of September 30, 2019, total assets of BTG Pactual were R$168.0 billion, a 3.3% decrease when compared to June 30, 2019. Our BIS capital ratio was 15.1%.

Banco BTG Pactual Financial Summary and Key Performance Indicators

Highlights and KPIs (unaudited) *(in R$ million, unless otherwise stated)*	Quarter			Year to Date	
	3Q 2018	2Q 2019	3Q 2019	9M 2018	9M 2019
Total revenues	1,255	2,181	2,184	3,804	5,847
Net income	586	972	1,003	1,809	2,649
Adjusted Net income	**685**	**1,029**	**1,073**	**2,031**	**2,824**
Adjusted Net income per unit (R$)	0.78	1.18	1.23	2.31	3.24
Annualized ROAE	**14.3%**	**20.6%**	**20.8%**	**14.4%**	**19.0%**
Cost to income ratio	47.5%	40.4%	39.2%	46.0%	40.7%
Shareholders' equity	19,180	20,434	20,821		
Total Number of Shares (# in '000)	2,638,978	2,618,160	2,617,515		
Number of Theoretical Units (# in '000)	**879,659**	**872,720**	**872,505**		
Book Value per unit (R$)	**21.8**	**23.4**	**23.9**		
BIS Capital Ratio	17.8%	15.1%	15.1%		
Total assets (in R$ Billion)	163.9	173.6	168.0		
AuM and AuA (in R$ Billion)	184.2	226.4	253.9		
WuM (in R$ Billion)	115.5	141.9	158.3		

BTG Pactual Performance

In 3Q 2019, annualized adjusted ROAE and adjusted net income were 20.8% and R$1,073.1 million, respectively, and 19.0% adjusted ROAE and R$2,823.7 million adjusted net income for the nine months period ended September 30, 2019.

The 3Q 2019 performance was very strong in most franchises, with our core businesses posting solid results: (i) IBD reported a 51.3% revenue increase compared to the previous quarter and a 122.7% growth in the average of the last four quarters, establishing a record high result for any single quarter in addition to having its best year to date result since our IPO, (ii) Corporate Lending delivered a 7.7% increase in revenues and R$4.8 billion (or 14.2%) quarter-on-quarter portfolio growth, maintaining its good asset quality, (iii) Sales & Trading had again a strong performance, mainly due to high client activity and continuous good opportunities and trading environment, (iv) Asset Management posted highest historic levels of AuM, with a year-on-year growth of over 35%, and a 15.1% increase in revenues , and (v) Wealth Management also had a WuM year-on-year growth of over 35%, with record net new money in a single quarter, and a 28.0% revenue growth when compared to 3Q 2018. BTG Pactual Digital continues to demonstrate a strong growth capacity – during the quarter BTG Pactual was awarded with the *RA1000* stamp that honors companies with excellent consumer service ratios into *ReclameAQUI* platform.

In our non-core assets, both Principal Investments and Participations had an overall good performance, the former due to Merchant Banking investments, and the latter due to Banco Pan's strong equity pick-up results, also related to the primary share offering settled on September 19th.

Our operating expenses were R$857.1 million in 3Q 2019, a 2.8% decrease when compared to 2Q 2019, mostly attributable to lower bonus provision. Consequently, adjusted cost to income ratio decreased to 39.2%, and our compensation ratio was 19.4% for the quarter, as revenues remained relatively flat.

Our accounting net income was R$1,002.6 million in 3Q 2019, a 3.2% increase compared to 2Q 2019 and a 71.1% increase compared to 3Q 2018.

Our shareholders' equity was R$20.8 billion, a 1.9% increase compared to 2Q 2019, affected by the JCP distribution of R$624 million in August. When compared to the end of 3Q 2018, our shareholders' equity grew 8.6%. Basel index was 15.1% in the quarter ended September 30, 2019 and our liquidity coverage ratio ("LCR") was 185%.

In Asset Management, total AuM (AuM and AuA) for 3Q 2019 was at an all-time high, reaching R$253.9 billion, a 12.1% quarterly increase and 37.8% year-over-year. In Wealth management, WuM ended the period at R$158.3 billion, a 11.5% growth compared to the previous quarter and 37.0% compared to 3Q 2018.

Adjusted Net Income and ROAE (unaudited)	3Q 2019 Accounting	Non Recurring Items & Goodwill	3Q 2019 Adjusted	9M 2019 Adjusted
Investment banking	281.3		281.3	642.6
Corporate lending	206.7		206.7	584.5
Sales and trading	801.2		801.2	2,123.2
Asset management	189.5		189.5	584.0
Wealth management	160.6		160.6	446.5
Principal investments	192.8		192.8	716.9
Participations	205.5		205.5	374.5
Interest and other	146.3		146.3	374.9
Total revenues	**2,183.8**	**-**	**2,183.8**	**5,847.2**
Bonus	(254.9)		(254.9)	(771.6)
Salaries and benefits	(168.9)		(168.9)	(497.7)
Administrative and other	(267.9)	51.8	(216.1)	(597.9)
Goodwill amortization	(39.4)	39.4	-	**0.00**
Tax charges, other than income tax	(126.0)		(126.0)	(298.3)
Total operating expenses	**(857.1)**	**91.2**	**(765.9)**	**(2,165.6)**
Income before taxes	**1,326.7**	**91.2**	**1,417.9**	**3,681.6**
Income tax and social contribution	(324.1)	(20.7)	(344.9)	(857.9)
Net Income	**1,002.6**	**70.5**	**1,073.1**	**2,823.7**
Annualized ROAE	**19.4%**		**20.8%**	**19.0%**

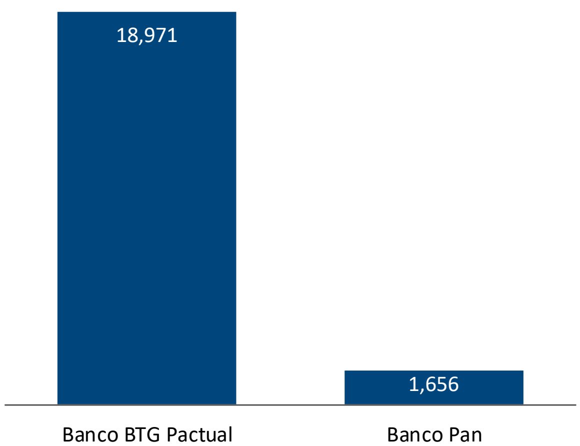
Results excluding non-recurring items and goodwill provide a more meaningful information of the underlying profitability of our businesses.

Non-Recurring Items & Goodwill

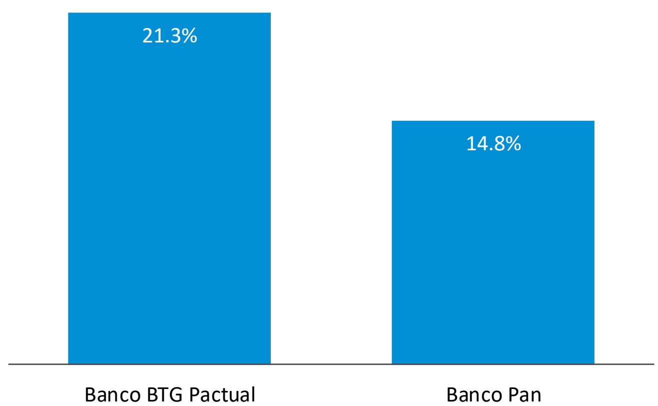
Administrative and Others: Mainly related to legal expenses from BSI legal proceedings
Goodwill: Mainly related to EFG / BSI

3Q 2019 ROAE Components

BTG Pactual Equity Allocation
(in R$ million)



Implied ROAE
(%)



Note:
Includes investment and goodwill

Relevant Events

On September 30, 2019, the Bank issued, through its Cayman Islands branch, an equity linked note to BTG Pactual Holding S.A. (“Holding”) - current its indirect controlling shareholder – with a 10-year maturity in the amount of CHF599 million, equivalent to approximately 25% of the share capital of the EFG International (“EFG”). The Equity Linked Note refers exclusively to BTG Pactual’s transfer of its economic rights over EFG, including proceeds such as dividends. The actual transfer of BTG Pactual’s participation in EFG to Holding is currently under analysis and subject to approval of the relevant regulators.

Global Market and Economic Analysis

In the third quarter of 2019, the main focuses of economic policy uncertainty intensified globally: The China-US trade war and the departure of the United Kingdom from the European Union (Brexit). In early August, President Trump tweeted about the imposition of tariffs on the imports from China that had not yet been affected by the trade war (nearly US$300 billion). Weeks later, in response to Chinese retaliation, he announced additional tariff of 5 % on the US$250 billion already charged with 25% tariffs. Moreover, the US Treasury labeled China a currency manipulator (a measure with impacts more political than practical) and the US government would have discussed measures to limit the flow of US capital into Chinese companies. In the UK, the new prime minister, Boris Johnson, promised to carry out Brexit by October 31, with or without a deal. But his strategy weakened in September with parliamentary approval of a law forcing him to request a Brexit extension from the European Community in the absence of a parliament-approved agreement, effectively rendering the "hard Brexit" scenario unfeasible in this period.

This scenario of increasing protectionism and uncertainty has been affecting the global economy both directly and indirectly, through the confidence of economic agents, negatively impacting international trade volumes, industrial production and investment in machinery and equipment. In contrast, the service sector and household consumption have been more resilient, supported by tight job markets. Worldwide, monetary authorities have been sensitive to the risk of a sharper slowdown in growth amid low inflation and, in some cases, downside risks to inflation expectations. Thus, several central banks in developed and emerging markets have been easing monetary policy. This quarter, the Fed made two 25 basis point cuts in the federal funds rate, leaving the door open to future cuts. The European Central Bank (ECB) announced a comprehensive stimulus package: a 10-basis point cut in the deposit rate to -0.50% per annum, resuming quantitative easing with purchases of EUR 20 billion per month and the commitment to maintain these policies or increase the stimulus dose until inflation consistently converges to the target.

The rapid response from major central banks contributed to the maintenance of very accommodative financial conditions in developed markets, with lower and flatter yield curves, rising stock indices and well-behaved credit spreads. 2 and 10-year Treasuries closed the quarter down 13 and 34 basis points, respectively, and same-term Bunds (German Treasury Bonds) closed down 2 and 24 basis points, respectively. The S&P500 and EURO STOXX stock indices appreciated by 1.2% and 2.2% in the period, respectively. Overall, emerging market yield curves followed the benign trend observed in developed markets. On the other hand, the MSCI-EM unhedged index closed the quarter down by 5.1% (nearly half of this trend was due to the devaluation of emerging currencies against the dollar). This performance reflects rising China-US trade tensions, falling commodity prices and idiosyncratic events, such as the protests in Hong Kong and the surprising results in the primary elections in Argentina.

Brazil's inflation dynamics for the third quarter of 2019 ended in a benign trajectory. The IPCA ended September at -0.04% m/m and 3Q19 at 2.89% y/y, showing a deceleration from 3.37% at the end of 2Q19. Overall, the outlook for 2019 inflation improved significantly over the past couple of months due to lower food inflation, leading to downward revisions in market forecasts. Monitored prices lost steam and converged to their lowest level in almost five years, at 2.87% y/y, while non-monitored prices also ticked down, to 2.90% y/y. The average of core measures is now running at 2.82% y/y. In fact, all underlying inflation metrics are running low and improved significantly at the margin. The long-term outlook for IPCA inflation remains benign as (1) weak economic activity and high levels of labor market slack should continue to act as a brake on underlying inflationary pressures; and (2) the sharp fall in commodity prices after the escalation of trade tensions between the US and China have, so far, more than offset inflationary pressures from the weaker BRL. We now expect 2019 IPCA inflation of 3.4%, due to lower food inflation expected for the months ahead, and 2020 inflation of 3.6%, revised down from 3.7%, due to the new IPCA weighting structure (to be implemented from January 2020 onwards).

We have upgraded our 3Q19 GDP forecast to 0.3% q/q (from 0.2% q/q). Regarding economic activity, Brazil's GDP advanced 0.4% q/q (+1.0% y/y) in 2Q19, slightly above the median of market expectations. As the 2Q19 GDP result showed, domestic demand is in a process of recovery, except for the public sector, and we believe continuity of this process depends on the success of the government's reform agenda. The biggest risk to growth is the external sector, which remains challenging given China-US trade tensions and the possibility of a sharper slowdown in Argentina. For 3Q19, industrial production finally printed a positive result in August after four consecutive months of decline, though average production in 2019 remains 1.3% below the average of 2018. Despite the disappointment with August's retail and services sector data (0.1% m/m s.a. and -0.2% m/m s.a., respectively), auto data for September (sales and production) and the start of FGTS drawdowns in September provided a positive signal for economic activity. As such, we have upgraded our 3Q19 GDP forecast to 0.3% q/q (from 0.2% q/q).

The consolidated public-sector result, although in deficit, has been improving beyond expected so far. August´s consolidated primary deficit of R$13.4bn was lower than market consensus. The lower primary deficit of states and municipalities, and the so-called "empoçamento" (fiscal room resulting from the budget spending limit not used by ministries), will ensure that the consolidated primary deficit is much lower than the level defined in the budget target for 2019 (-R$132bn). For the 12-month period until August, the consolidated primary deficit fell to 1.36% of GDP (or R$95.5bn), marginally improving in the last 3 months (from 1.4% of GDP), and a tad better than at the end of last year (1.59% of GDP, or R$108.3bn). From January to August, there was an improvement in the nominal deficit to R$280.8bn (from R$323.5bn). For the 12-month period ending in August, the nominal deficit returned to the level seen in the first few months of 2015, at 6.3% of GDP. The Central Bank gross debt measure for August was 79.8% of GDP, above July (79%) and December (77.2%) levels. The agenda of reforms and fiscal decisions after progress on the Pension Reform is extensive. The elaboration of fiscal scenarios for the next few years is contingent on a series of decisions that will be taken during the year. The Pension Reform for the military and subnational governments remains under discussion. Civil servants´ career structure/salaries will be defined this year. The Tax Reform should advance, but its scope is still uncertain. And the so-called Federative Pact, which tackles the relationship between federal, state and municipal governments, must be monitored.

Brazil's monetary policy committee (Copom) unanimously decided to lower the Selic rate by 50bps in the July and September meetings, leading interest rates to end 3Q19 at 5.5% p.a. Considering recent communication, the committee acknowledged that further monetary stimuli in major economies, in a context of economic slowdown and below-target inflation, has been able to generate a relatively favorable environment. We note that the committee's baseline scenario assumes that the pace of underlying economic activity – which excludes the effects of temporary stimuli – will be gradual. On inflation, the September minutes, as in the post-meeting statement, repeated that the various measures of underlying inflation are running at comfortable levels, including the components most sensitive to the business cycle and monetary policy. Furthermore, the wording of the 3Q19 Inflation Report (IR) published by the Central Bank of Brazil (BCB) didn't change our view on BCB's next policy steps, which envisage another cut in October, potentially followed by another one in December, contingent on no sharp deterioration in the global macro setting, disappointing progress with reforms, and a stronger (albeit unlikely) reacceleration of the economy. Additional easing in early 2020 is a possibility.

Pension Reform was approved in both chambers of Congress and its procedural passage is now complete. Throughout the 3Q19, the procedural passage of the constitutional amendment proposal regarding Brazil's Social Security Reform (PEC 6/2019) was one of the main political events. Since June, the proposal has been approved in two-rounds of voting on the Lower House floor with little watering down of the reform's fiscal power (i.e. savings). In the Senate, some modifications to the original proposal were enacted. As such, the total saving of the Social Security Reform is now estimated at ~R$800bn in 10 years, lower than the original proposal submitted by the government to Congress, which envisaged a fiscal impact of R$1,236trn in 10 years, but still much higher than the last version of ex-President Temer's proposal (~R$500bn). According to Senate Speaker Davi Alcolumbre the bill will be then enacted, possibly in the next few weeks. A parallel PEC featuring several proposals will now be analyzed. The main one is the inclusion of states and municipalities, which if approved could offset the fiscal saving shortfall.

Consolidated Adjusted Revenues

Revenues in 3Q 2019 remained flat when compared to previous quarter, totalizing R$2,184 billion, and increased 74.0% when compared to 3Q 2018.

We posted solid performance in most business lines and continued to deliver strong results from our client franchises.

Adjusted Revenues (unaudited)	Quarter			3Q 2019 % change to		Year to Date		9M 2019 % change to
(in R$ million, unless otherwise stated)	3Q 2018	2Q 2019	3Q 2019	3Q 2018	2Q 2019	9M 2018	9M 2019	9M 2018
Investment Banking	58	186	281	385%	51%	378	643	70%
Corporate Lending	311	192	207	-33%	8%	715	584	-18%
Sales & Trading	224	886	801	257%	-10%	1,042	2,123	104%
Asset Management	165	227	189	15%	-17%	438	584	33%
Wealth Management	125	155	161	28%	4%	352	447	27%
Principal Investments	211	344	193	-9%	-44%	363	717	98%
Participations	(10)	65	205	n.a.	214%	31	374	1122%
Interest & Others	171	126	146	-14%	16%	484	375	-23%
Total revenues	**1,255**	**2,181**	**2,184**	**74%**	**0%**	**3,804**	**5,847**	**54%**

Investment Banking

The tables below include details related to announced transactions in which BTG Pactual participated:

BTG Pactual Announced Transactions (unaudited)	Number of Transactions[(1),(3)]			Value[(2),(3)] (US$ mln)		
	3Q 2018	2Q 2019	3Q 2019	3Q 2018	2Q 2019	3Q 2019
Financial Advisory (M&A)[(4)]	16	15	13	1,791	3,249	1,576
Equity Underwriting (ECM)	4	9	14	513	863	1,011
Debt Underwriting (DCM)	10	24	21	631	1,565	1,481

BTG Pactual Announced Transactions (unaudited)	Number of Transactions[(1),(3)]		Value[(2),(3)] (US$ mln)	
	9M 2018	9M 2019	9M 2018	9M 2019
Financial Advisory (M&A)[(4)]	42	32	9,172	5,970
Equity Underwriting (ECM)	14	27	1,805	2,122
Debt Underwriting (DCM)	29	52	3,734	3,963

Source: Dealogic for ECM, M&A and International Brazilian DCM and Anbima for Local Brazilian DCM

Note

(1) Equity underwriting and debt underwriting represent closed transactions. Financial advisory represents announced M&A deals, which typically generate fees upon their subsequent closing.

(2) Local DCM transactions were converted to U.S. Dollars using the end of quarter exchange rates reported by the Brazilian Central Bank.

(3) Market data from previous quarters might vary in all products, due to potential inclusion and exclusions.

(4) M&A market data for previous quarters may vary because: (i) deal inclusions might be delayed at any moment, (ii) canceled transactions will be withdrawn from the rankings, (iii) transaction value might be revised and (iv) transaction enterprise values might change due to debt inclusion, which usually occurs some weeks after the transaction is announced (mainly for non-listed targets)

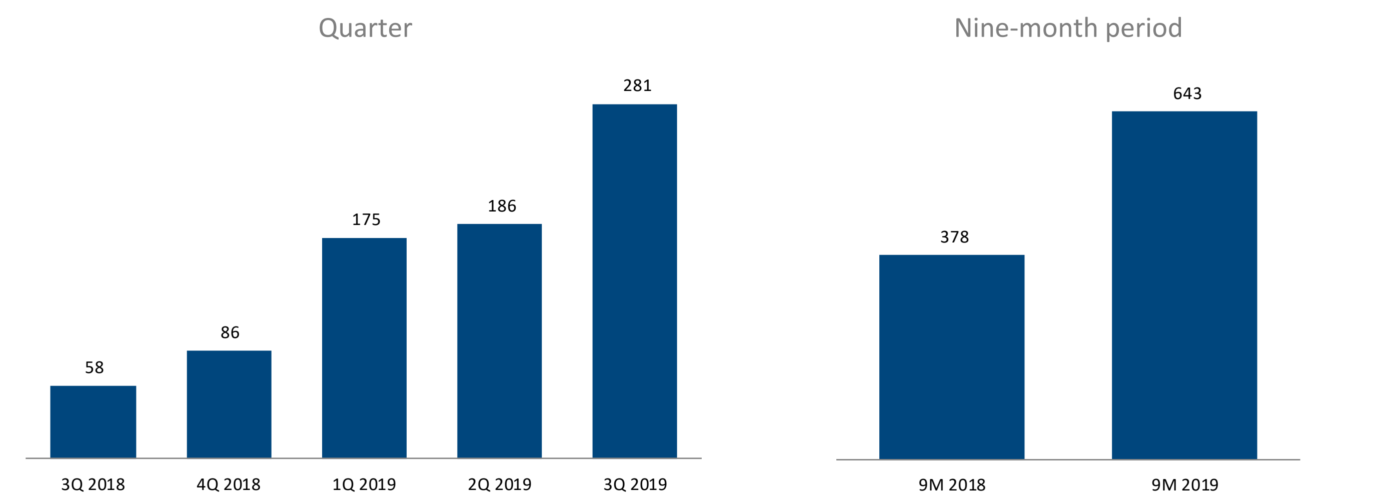
Investment Banking 3Q 2019 market share highlights

ECM: #1 in number of transactions in Brazil and #2 in number of transactions and volume of transactions in Latin America

M&A: #2 in number of transactions in Brazil and Latin America

Revenues

(in R$ million)



3Q 2019 vs. 2Q 2019

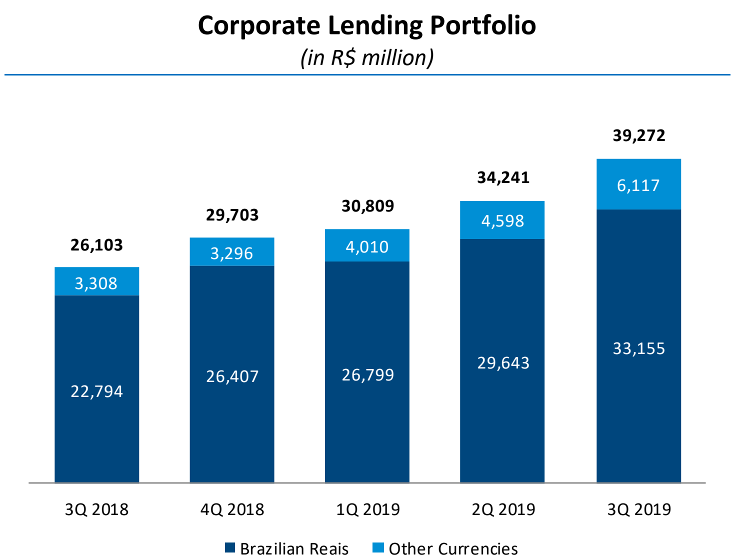
Investment Banking reached its best quarter ever, with revenues of R$281.3 million, a 51.3% increase compared to the 2Q 2019. Year to date, we already posted our best year in Investment Banking since our IPO in 2012. The strong performance during the quarter was driven by solid market activity in ECM and DCM. In Financial Advisory, revenues decrease compared to previous quarter mainly due to lower volume of concluded transactions in the period.

3Q 2019 vs. 3Q 2018

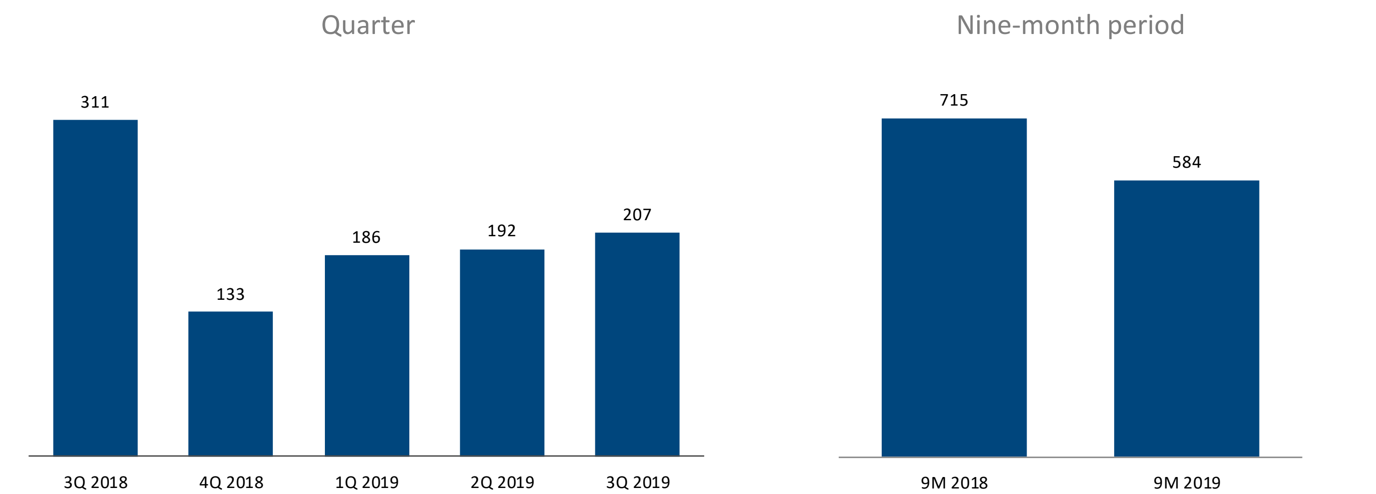
Investment banking revenues increase almost 5 times compared to the same period a year ago. The increase was basically driven by all business lines, compared to a soft 3Q 2018.

Corporate Lending

During the quarter, our Corporate Lending portfolio grew 14.7%. We had a 50.5% year-on-year growth, in line with our strategy of balance sheet redeployment. Our credit portfolio continues to maintain its good asset quality, with spreads in line with our historical average.



Revenues
(in R$ million)



3Q 2019 vs. 2Q 2019

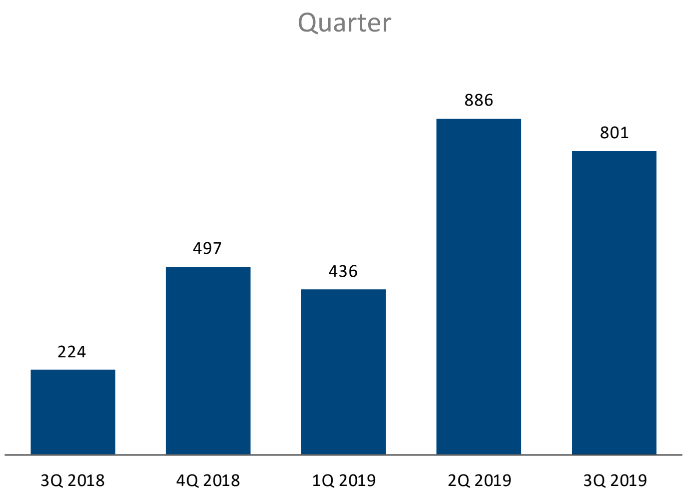
Revenues from Corporate Lending grew 7.7% from R$191.9 million in 2Q 2019 to R$206.7 million in 3Q 2019. The increase in revenues was mainly due to the portfolio growth and to lower provisions in the corporate lending portfolio compared to previous quarter.

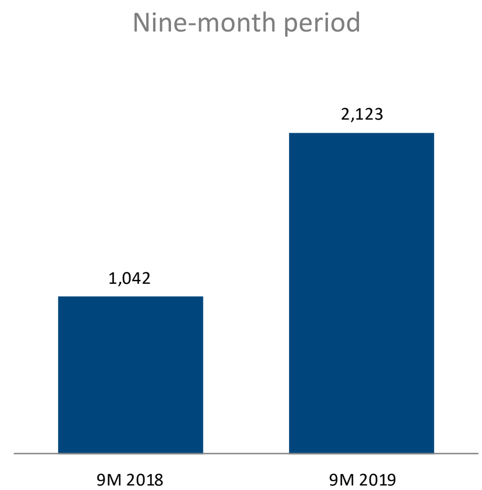
3Q 2019 vs. 3Q 2018

Revenues from Corporate Lending decreased 33.5% from $310.7 million in 3Q 2018 to R$206.7 million in 3Q 2019. The decrease was largely driven by an extraordinary gain from our NPL portfolios in 3Q 2018, compared to a soft quarter in 3Q 2019.

Sales & Trading

Revenues
(in R$ million)





3Q 2019 vs. 2Q 2019

Sales & Trading revenues were R$801.2 million in 3Q 2019 compared to R$886.4 million in 2Q 2019, representing a 9.6% decrease, but still a strong performance. The results were driven specially by our Rates desk and continuing good performance from FX and Equities desks, partially offset by a soft quarter in our Energy desk. We continued to see significant increase from client activities.

3Q 2019 vs. 3Q 2018

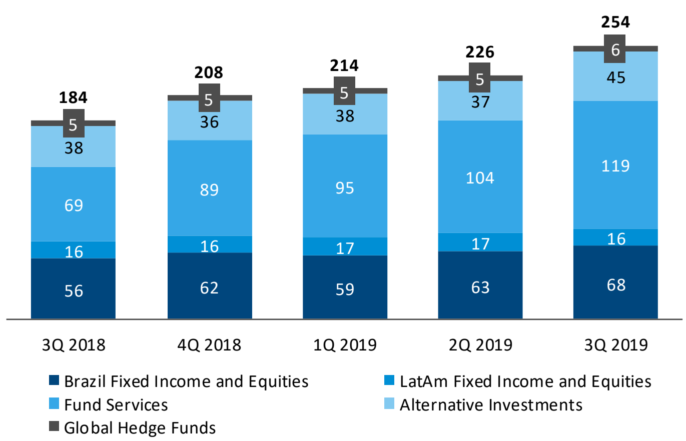
Sales & Trading revenues increased 256.9%, from R$224.5 million to R$801.2 million. The increase was mostly due to the strong performance mentioned above, compared to an overall weak performance in 3Q 2018, due to low risk appetite as a result of the electoral year in Latin America in 2018.

Asset Management

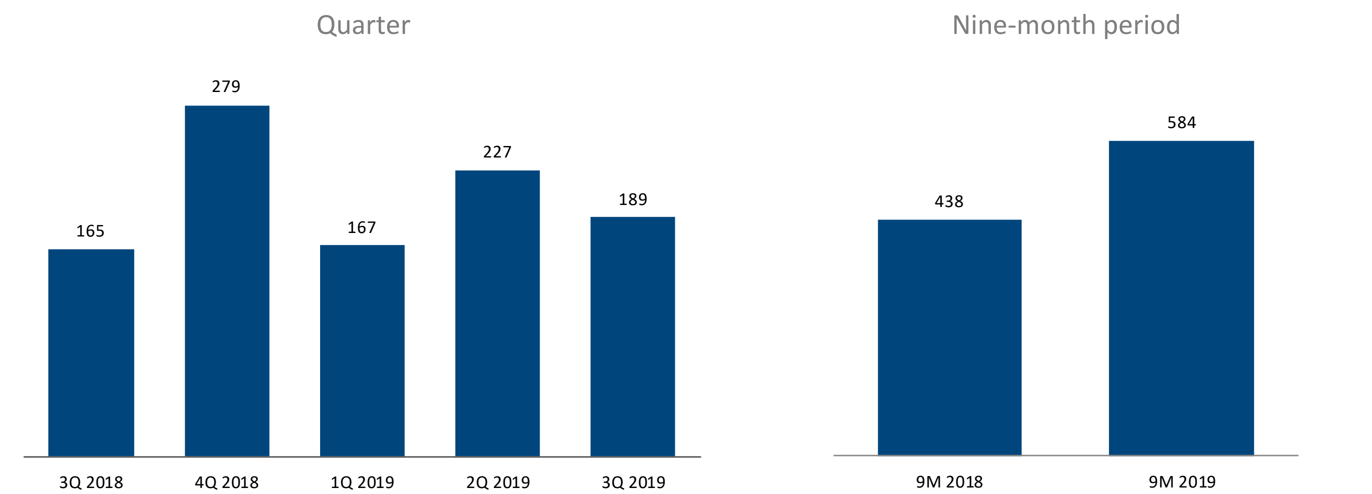
In 3Q 2019, total Assets under Management (AuM and AuA) reached an all-time high of R$253.9 billion, a 12.1% increase from the previous quarter and a 37.8% increase compared to 3Q 2018. Net new money was R$18.7 billion in the quarter, with continuous positive contribution from Brazil Fixed Income and Equities Funds, and strong inflows from Fund Services and Alternative Investments.

AuM & AuA by Asset Class

(in R$ billion)



Revenues
(in R$ million)



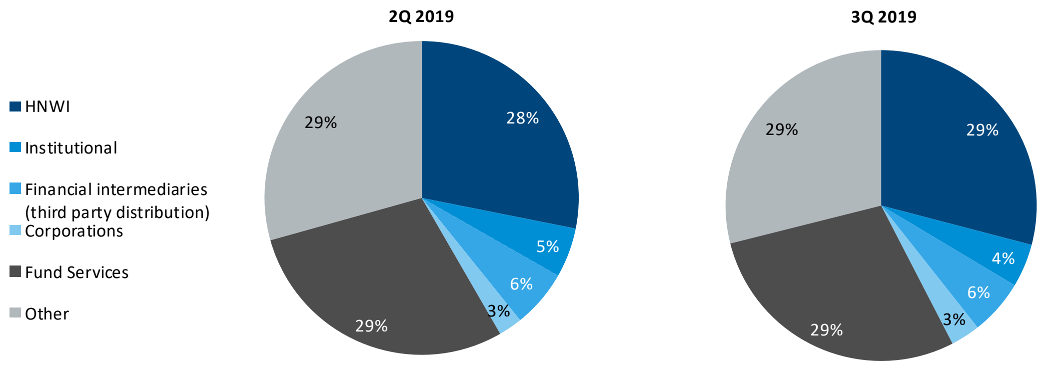
3Q 2019 vs. 2Q 2019

Asset management revenues decreased 16.6% in the period compared to 2Q 2019. The decrease was mainly due to performance fees that are usually recorded in accordance with the accrual period in June and December. Management fees grew in the quarter, in line with the total AuM/AuA growth.

3Q 2019 vs. 3Q 2018

Asset Management revenues increased 15.1% from R$164.6 million in 3Q 2018 to R$253.9 million in 3Q 2019. The increase was mainly attributable to a 37.8% growth of the average AuM/AuA which impacted all business lines, partially off-set by a reduction in Alternative Investments and Global Hedge Funds' revenues.

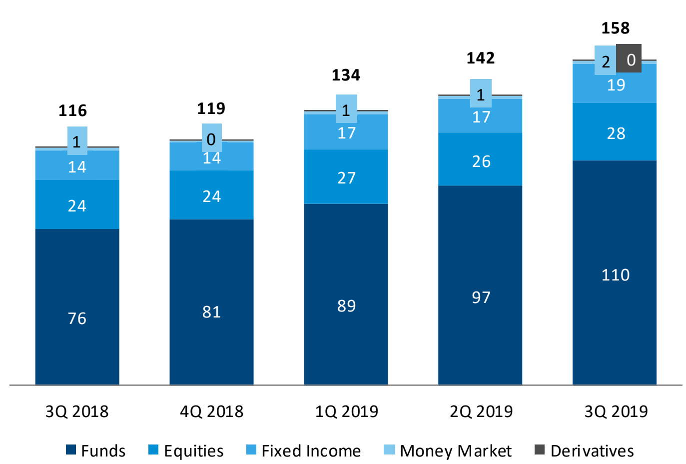
AuM and AuA by Type of Client
(%)



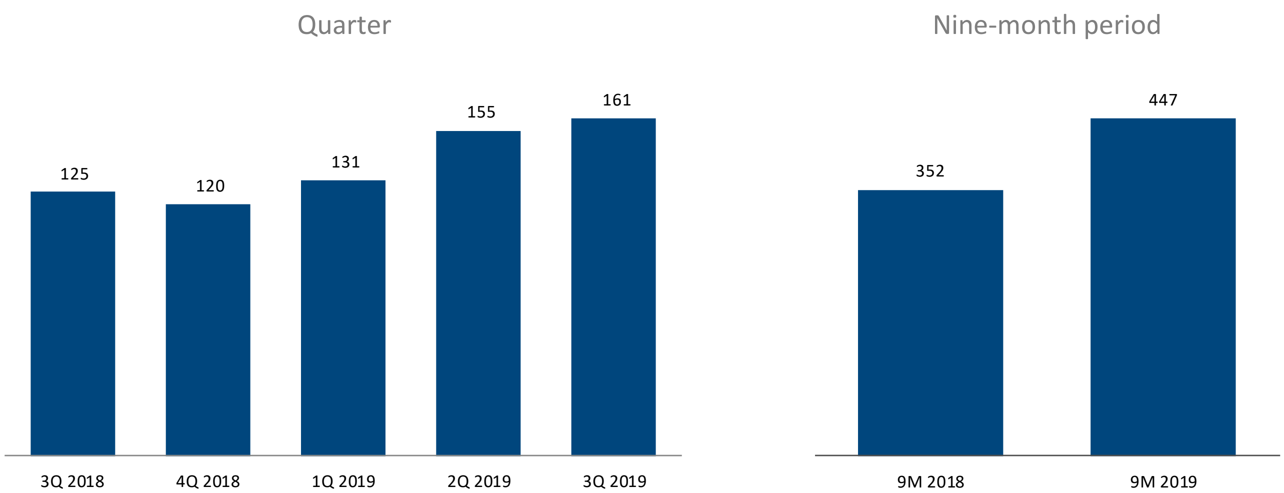
Wealth Management

During the quarter, our Wealth under Management increased 11.5% from R$141.9 billion in 2Q 2019 to R$158.3 billion in 3Q 2019 and posted a record net new money in a single quarter of R$8.6 billion. Year-on-year WuM growth was 37.0%.

WuM Breakdown
(in R$ billion)



Revenues
(in R$ million)



3Q 2019 vs. 2Q 2019

Wealth Management revenues increased 3.8% compared to 2Q 2019, mainly due to average WuM growth and higher revenues from brokerage and trading spreads, both owing to a better market environment, especially in Brazil.

3Q 2019 vs. 3Q 2018

Revenues from Wealth Management increased 28.0%, from R$125.5 million to R$160.6 million, mostly owing to the 37.0% increase in WuM compared to the same period a year ago.

Principal Investments

Principal Investments Revenues (preliminary and unaudited) *(in R$ million, unless otherwise stated)*	Quarter			3Q 2019 % change to		Year to Date		9M 2019 % change to
	3Q 2018	2Q 2019	3Q 2019	3Q 2018	2Q 2019	9M 2018	9M 2019	9M 2018
Global Markets	(5)	(5)	(65)	n.a.	n.a.	(53)	(68)	n.a.
Merchant Banking	220	357	274	25%	-23%	460	821	79%
Real Estate	(4)	(8)	(17)	n.a.	n.a.	(44)	(37)	n.a.
Total	**211**	**344**	**193**	**-9%**	**-44%**	**363**	**717**	**98%**

3Q 2019 vs. 2Q 2019

Principal Investments revenues decreased 43.9% compared to 2Q 2019, from R$343.7 million to R$192.8 million.

It is worth noting that, during the quarter, (i) Global Markets had losses of R$64.6 million, mostly due to international reinsurance and liquid European strategies which were partially offset by gains from LatAm Equities strategy, (ii) Merchant Banking had a positive equity pick-up and mark-to-market from investments, mainly from PetroAfrica and Eneva, respectively, partially offset by a one-off provision in the quarter, and (iii) Real Estate had a negative contribution mainly due to internal funding cost allocation.

3Q 2019 vs. 3Q 2018

Principal Investments posted gains of R$192.8 million in 3Q 2019 compared to R$211.2 million gains in the 3Q 2018. The decrease was due to higher losses in Global markets and Real Estate, partially offset by a better contribution from Merchant Banking, as explained above.

Participations

3Q 2019 vs. 2Q 2019

Participations posted gains of R$205.5 million, mostly attributable to positive results from Banco Pan, Too Seguros, Pan Corretora and EFG, and partially offset by negative results from ECTP. Revenues in 3Q 2019 consisted of (i) R$173.3 million equity pick-up gains from Banco Pan, from results and from the follow-on dilution, (ii) R$12.8 million gains from Too Seguros and Pan Corretora, (iii) R$30.2 million gains from EFG, which reflected its half-year results and (iv) R$10.8 million losses from ECTP. In 3Q 2019, we had earnings of R$65.4 million, with positive contributions from all business lines.

3Q 2019 vs. 3Q 2018

Participations gains were R$205.5 million, as noted above, compared to losses of R$10.0 million in 3Q 2018. The increase was mostly due to more significant losses in 3Q 2018 from ECTP and better performance from Banco Pan, Too Seguros e Pan Corretora in 3Q 2019.

Interest & Others

3Q 2019 vs. 2Q 2019

Revenues from Interest & Others were R$146.3 million in 3Q 2019, compared to R$126.0 million in 2Q 2019. The increase was in line with the rise in our shareholders' equity. Revenues correspond to interest rate of the Central Bank of Brazil applied over our tangible equity (i.e. internal cost of funding), and some minor PnL volatility in certain hedging instruments.

3Q 2019 vs. 3Q 2018

Revenues from Interest & Others decreased 14.3% in the period, mainly due to the volatility in certain hedging instruments as mentioned above.

Adjusted Operating Expenses

Adjusted Operating Expenses (unaudited)	Quarter			3Q 2019 % change to		Year to Date		9M 2019 % change to
(in R$ million, unless otherwise stated)	3Q 2018	2Q 2019	3Q 2019	3Q 2018	2Q 2019	9M 2018	9M 2019	9M 2018
Bonus	(121)	(347)	(255)	110%	-27%	(387)	(772)	99%
Salaries and benefits	(159)	(163)	(169)	6%	3%	(459)	(498)	9%
Administrative and other	(188)	(228)	(268)	43%	18%	(611)	(698)	14%
Goodwill amortization	(40)	(38)	(39)	-1%	4%	(107)	(114)	7%
Tax charges, other than income tax	(88)	(106)	(126)	44%	19%	(187)	(298)	59%
Total operating expenses	**(596)**	**(882)**	**(857)**	**44%**	**-3%**	**(1,751)**	**(2,380)**	**36%**
Cost to income ratio	47%	40%	39%	-17%	-3%	46%	41%	-12%
Compensation ratio	22%	23%	19%	-13%	-17%	22%	22%	-2%
Total number of employees	2,202	2,337	2,443	11%	5%	2,202	2,443	11%
Partners and associate partners	199	217	221	11%	2%	199	221	11%
Employees	2,003	2,120	2,222	11%	5%	2,003	2,222	11%

Bonus

The bonus expenses were R$254.9 million in 3Q 2019, compared to R$346.8 million in 2Q 2019, more in line with our historical average. In 3Q 2018, bonus expenses were R$121.4 million.

Our bonuses are determined in accordance with our profit-sharing program, and are calculated as a percentage of our adjusted, or operating, revenues (which exclude Interest & Others revenues), reduced by our operating expenses.

Salaries and benefits

Staff costs increased 3.3% in the quarter and 6.2% when compared to 3Q 2018, mostly connected to new hires at BTG Pactual's retail unit as well as the impact of FX. Expenses related to salaries and benefits were R$163.4 million in 2Q 2019 and R$159.0 million in 3Q 2018, compared to R$168.9 million in 3Q 2019.

Administrative and other

Total administrative and other expenses increased 17.7%, from R$227.7 million in 2Q 2019 to R$267.9 million in 3Q 2019, mainly related to legal and consulting expenses from BSI legal proceedings. When compared to 3Q 2018, expenses increased 42.6%, also due to BSI legal proceedings and mostly to the FX impact over dollar denominated expenses.

Goodwill amortization

In 3Q 2019, we recorded goodwill amortization expenses totaling R$39.4 million, almost all related to EFG/BSI goodwill. Goodwill amortization increased 3.7% when compared to 2Q 2019, due to impacts of exchange rate variation, and remained flat when compared to 3Q 2018.

Tax charges, other than income tax

Tax charges, other than income tax, were R$126.0 million or 5.8% of total revenues compared to R$105.9 million in 2Q 2019 or 4.9% of total revenues.

Adjusted Income Taxes

Adjusted Income Tax (unaudited)	**Quarter**			**Year to Date**	
(in R$ million, unless otherwise stated)	**3Q 2018**	**2Q 2019**	**3Q 2019**	**9M 2018**	**9M 2019**
Income before taxes	659	1,300	1,327	2,053	3,467
Income tax and social contribution	(74)	(328)	(324)	(244)	(818)
Effective income tax rate	**11.1%**	**25.2%**	**24.4%**	**11.9%**	**23.6%**

Our effective income tax rate for the quarter was 24.4% (representing an income tax expense of R$324.1 million), compared to a rate of 25.2% in the 2Q 2019.

In 3Q 2018 we posted an income tax expense of R$73.5, representing an 11.1% income tax rate.

Balance Sheet

Total assets decreased 3.3%, from R$173.6 billion at the end of 2Q 2019 to R$168.0 billion at the end of 3Q 2019, mainly due to a decrease in our assets financed through repos and in our pending settlement accounts, partially offset by a 20.1% increase in total credit portfolio and 11.9% in our trading portfolio. Therefore, our leverage ratio remained stable at 8.1x.

On the liability side, repo financing and pending settlement accounts decreased in line with the decrease in assets mentioned above. These movements were partially offset by an increase in Trading Portfolio liabilities. Unsecured funding remained stable at R$52.3billion.

Shareholders' equity increased from R$20.4 billion at the end of 2Q 2019 to R$20.8 billion at the end of 3Q 2019, mainly impacted by the net income of R$1,002.6 million in the quarter, partially offset by the distribution of R$624.0 million of interest on equity.

Risk and Capital Management

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

Market Risk – Value-at-risk

Value-at-risk (unaudited)	Quarter		
(in R$ million, unless otherwise stated)	3Q 2018	2Q 2019	3Q 2019
Total average daily VaR	**57.7**	**146.6**	**147.6**
Average daily VaR as a % of average equity	0.30%	0.74%	0.72%

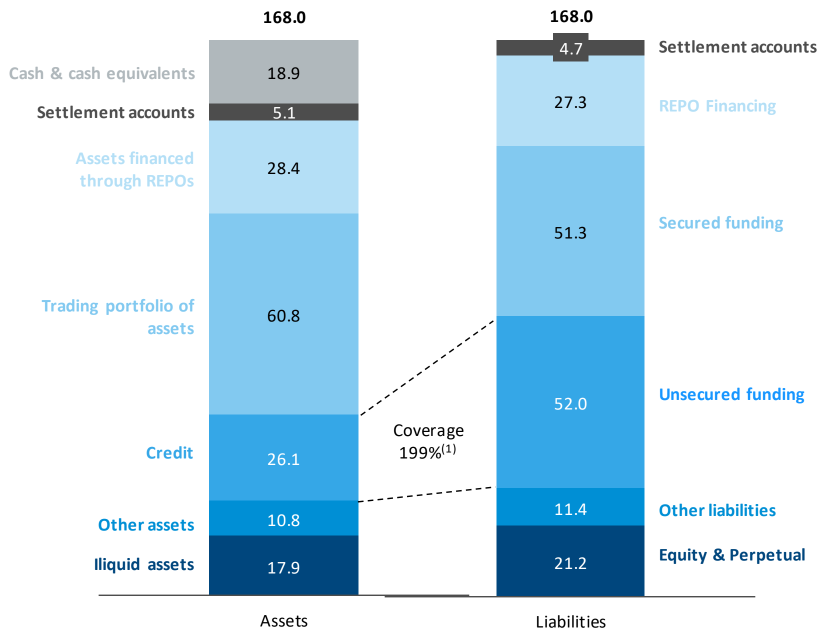
Our total average daily VaR went up 10.2% when compared to 1Q 2019. The increase was mainly driven by the Brazilian Rates desk.

Liquidity Risk Analysis

The chart below summarizes the composition of assets and liabilities as of September 30, 2019:

Summarized Balance Sheet (unaudited)

(in R$ billion)



Note:

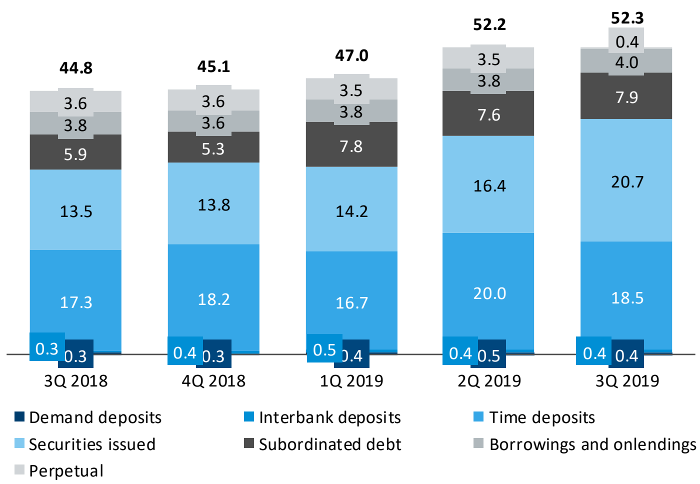
(1) Excludes demand deposits

Unsecured Funding Analysis

The chart below summarizes the composition of our unsecured funding base evolution:

Unsecured Funding Evolution (unaudited)

(in R$ billion)



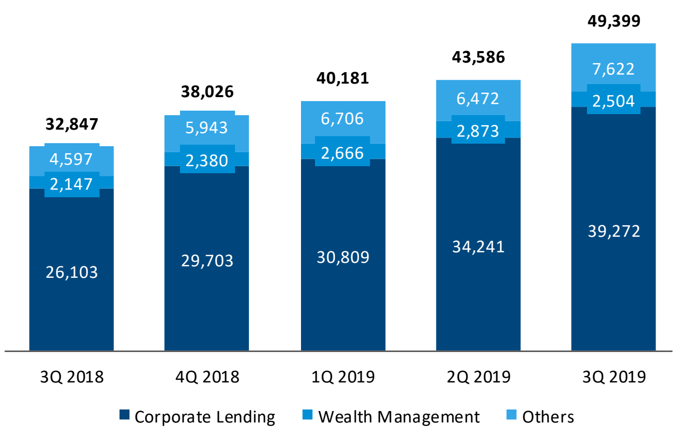
Total unsecured funding remained stable in R$52.3 billion in 3Q 2019, due to an increase in securities issued, partially offset by the redemption of Perpetual Bond.

BTG Pactual Broader Credit Portfolio

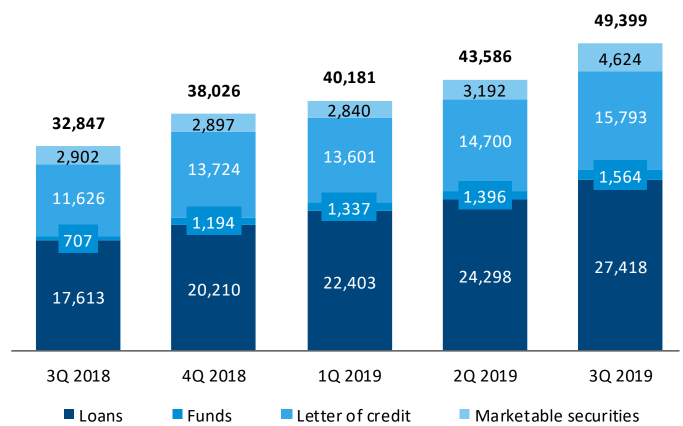
Our broader credit portfolio is comprised of loans, receivables, advances in foreign exchange contracts, letters of credit and marketable securities bearing credit exposures (including debentures, promissory notes, real estate bonds, and investments in credit receivable funds – FIDCs).

The balance of our broader credit portfolio increased 13.3% when compared to the previous quarter, from R$43.6 billion to R$49.4 billion, and 50.4% compared to 3Q 2018.

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



Broader Credit Portfolio by Product
(in R$ million)



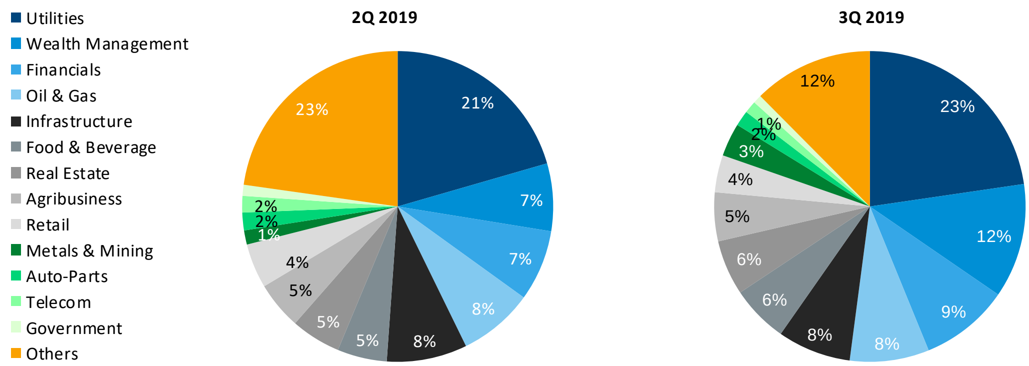
Notes:

Others: includes interbank deposits, Merchant Banking structured transactions and others

Wealth Management impacts WM results, others impact Sales & Trading and Merchant Banking results

Corporate Lending & Others Portfolio by Industry

(% of total)



Credit Risk

The following table sets forth the distribution of our credit exposures as of September 30, 2019 by credit rating. The ratings below reflect our internal assessment, consistently applied in accordance with the Brazilian Central Bank standard ratings scale:

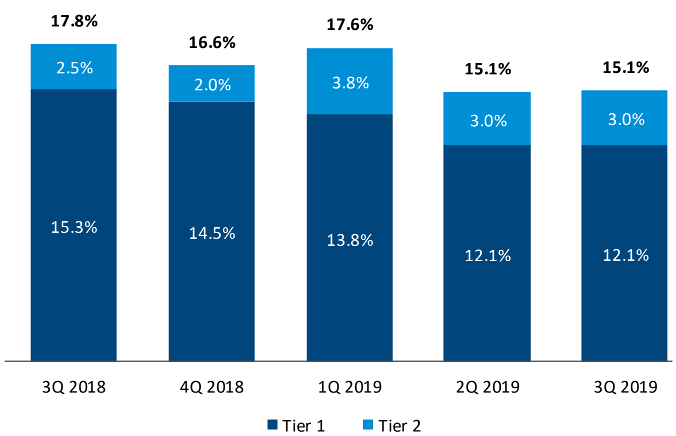
Rating (unaudited) (in R$ million)	3Q 2019
AA	25,228
A	10,348
B	8,578
C	1,335
D	1,621
E	774
F	981
G	339
H	195
Total	**49,399**

Capital Management

BTG Pactual complies with standards of capital requirements established by the Brazilian Central Bank that are consistent with those proposed by the Basel Committee on Banking Supervision, under the Basel Capital Accord. Our BIS capital ratios, calculated in accordance with the Brazilian Central Bank standards and regulations, are applicable only to BTG Pactual. The BIS capital ratio remained 15.1% at the end of 3Q 2019, adjusted for the subordinate local bonds issued, which are pending regulatory approval. Our liquidity coverage ratio (LCR) ended the quarter at 185%.

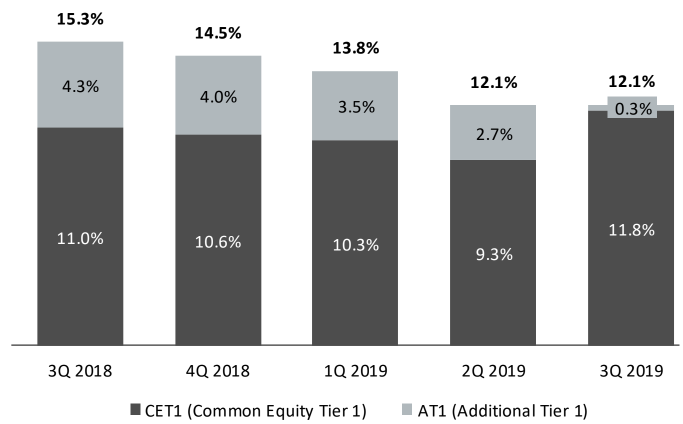
Basel Ratio (unaudited)

(%)



Tier 1: CET1 & AT1 (unaudited)

(%)



Exhibits

Basis for Presentation

Except where otherwise noted, the information concerning our financial condition presented in this document is based on our Balance Sheet, which is prepared in accordance with Brazilian GAAP for Banco BTG Pactual S.A. and its subsidiaries. Except where otherwise noted, the information concerning our results of operations presented in this document is based on our Adjusted Income Statement, which represents a revenue breakdown by business unit net of funding costs and financial expenses allocated to such unit, and a reclassification of certain other expenses and costs.

Our Adjusted Income Statement is derived from the same accounting information used for preparing our Income Statement in accordance with Brazilian GAAP and IFRS. The classification of the line items in our Adjusted Income Statement is unaudited and materially differs from the classification and presentation of the corresponding line items in our Income Statement. As explained in the notes to the Financial Statements of BTG Pactual, our financial statements are presented with the exclusive purpose of providing, in a single set of financial statements and in one GAAP, information related to the operations of BTG Pactual and represents the consolidation of transactions of Banco BTG Pactual S.A. and its subsidiaries.

Key Performance Indicators (“KPIs”) and Ratios

The key performance indicators (“KPIs”) and ratios are monitored by BTG Pactual’s management and pursued to be achieved across financial periods. Consequently, key indicators calculated based on annual results across financial periods may be more meaningful than quarterly results and results of any specific date. KPIs are calculated annually and adjusted, when necessary, as part of the strategic planning process and to reflect regulatory environment or materially adverse market conditions.

This section contains the basis for presentation and the calculation of selected KPIs and ratios presented in this report.

KPIs and Ratios	Description
AuM and AuA	Assets under management and assets under administration consist of proprietary assets, third party assets, wealth management funds and/or joint investments managed or administrated among a variety of assets classes, including fixed income, equities, money market accounts, multi-market funds and private equity funds.
Cost to income ratio	It is computed by dividing the adjusted total operating expenses by adjusted total revenues.
Compensation ratio	It is computed by dividing the sum of adjusted bonus and salaries and benefits expenses by adjusted total revenues.
Effective income tax rate	It is computed by dividing the adjusted income tax and social contribution or (expense) by the adjusted income before taxes.
Net income per unit	Net income per unit presents the results of each pro-forma unit formed by 3 different classes of shares of Banco and it considers the outstanding units as of the date of this report. This item is a non-GAAP measurement and may not be comparable to similar non-GAAP measures used by other companies.
ROAE	Annualized ROE for the periods are computed by dividing annualized net income by the average shareholders’ equity. We determine the average shareholders’ equity based on the initial and final net equity for the quarter. For 4Q 2016, initial equity is adjusted for ECTP distribution.
VaR	The VaR numbers reported are calculated on a one-day time horizon, a 95.0% confidence level and a one-year look-back window. A 95.0% confidence level means that there is a 1 in 20 chance that daily trading net revenues will fall below the VaR estimated. Thus, shortfalls from expected trading net revenues on a single trading day greater than the reported VaR would be anticipated to occur, on average, about once a month. Shortfalls on a single day can exceed reported VaR by

KPIs and Ratios	Description
	significant amounts and they can also occur more frequently or accumulate over a longer time horizon, such as a number of consecutive trading days. Given its reliance on historical data, the accuracy of VaR is limited in its ability to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate predictions of future market risk. Different VaR methodologies and distributional assumptions can produce materially different VaR. Moreover, VaR calculated for a one-day time horizon does not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day. "Stress Test" modeling is used as a complement of VaR in the daily risk management activities.
WuM	Wealth under management consists of private wealth clients' assets that we manage across a variety of asset classes, including fixed income, money market, multi-asset funds and merchant banking funds. A portion of our WuM is also allocated to our AuM to the extent that our wealth management clients invest in our asset management products.
Leverage Ratio	Leverage Ratio is computed by dividing the total assets by the shareholders' equity.

Selected Financial Data

Balance Sheet (unaudited) *(in R$ million, unless otherwise stated)*	Quarter			3Q 2019 % change to	
	3Q 2018	**2Q 2019**	**3Q 2019**	**3Q 2018**	**2Q 2019**
Assets					
Cash and bank deposits	932	1,778	1,057	13%	-41%
Interbank investments	61,326	49,031	32,561	-47%	-34%
Marketable securities and derivatives	40,510	38,195	40,665	0%	6%
Interbank transactions	2,641	2,208	1,240	-53%	-44%
Loans	16,964	21,314	24,330	43%	14%
Other receivables	35,225	52,440	59,467	69%	13%
Other assets	235	277	287	22%	4%
Permanent assets	6,023	8,386	8,378	39%	0%
Total assets	**163,856**	**173,630**	**167,986**	**3%**	**-3%**
Liabilities					
Deposits	25,613	25,655	21,060	-18%	-18%
Open market funding	56,136	42,514	31,542	-44%	-26%
Funds from securities issued and accepted	14,234	16,958	21,270	49%	25%
Interbank transactions	90	72	220	146%	206%
Loans and onlendings	5,373	3,796	4,251	-21%	12%
Derivatives	4,235	6,173	5,224	23%	-15%
Subordinated liabilities	5,933	5,325	5,796	-2%	9%
Other liabilities	32,790	52,150	57,419	75%	10%
Deferred income	137	175	178	30%	2%
Shareholders'equity	**19,180**	**20,434**	**20,821**	**9%**	**2%**
Non-controlling interest	137	377	205	49%	-46%
Total liabilities	**163,856**	**173,630**	**167,986**	**3%**	**-3%**

Adjusted Income Statement (unaudited)	Quarter			3Q 2019 % change to		Year to Date		9M 2019 % change to
(in R$ million, unless otherwise stated)	3Q 2018	2Q 2019	3Q 2019	3Q 2018	2Q 2019	9M 2018	9M 2019	9M 2018
Investment Banking	58	186	281	385%	51%	378	643	70%
Corporate Lending	311	192	207	-33%	8%	715	584	-18%
Sales & Trading	224	886	801	257%	-10%	1,042	2,123	104%
Asset Management	165	227	189	15%	-17%	438	584	33%
Wealth Management	125	155	161	28%	4%	352	447	27%
Principal Investments	211	344	193	-9%	-44%	363	717	98%
Participations	(10)	65	205	n.a.	214%	31	374	1122%
Interest & Others	171	126	146	-14%	16%	484	375	-23%
Total revenues	**1,255**	**2,181**	**2,184**	**74%**	**0%**	**3,804**	**5,847**	**54%**
Bonus	(121)	(347)	(255)	110%	-27%	(387)	(772)	99%
Salaries and benefits	(159)	(163)	(169)	6%	3%	(459)	(498)	9%
Administrative and other	(188)	(228)	(268)	43%	18%	(611)	(698)	14%
Goodwill amortization	(40)	(38)	(39)	-1%	4%	(107)	(114)	7%
Tax charges, other than income tax	(88)	(106)	(126)	44%	19%	(187)	(298.3)	59%
Total operating expenses	**(596)**	**(882)**	**(857)**	**44%**	**-3%**	**(1,751)**	**(2,380)**	**36%**
Income before taxes	**659**	**1,300**	**1,327**	**101%**	**2%**	**2,053**	**3,467**	**69%**
Income tax and social contribution	(74)	(328)	(324)	341%	-1%	(244)	(818)	235%
Net Income	**586**	**972**	**1,003**	**71%**	**3%**	**1,809**	**2,649**	**46%**

Income Statement (unaudited)	Banco BTG Pactual S.A.	
(in R$ million, unless otherwise stated)	2Q 2019	3Q 2019
Financial income	2,949	3,972
Financial expenses	(1,574)	(2,998)
Gross financial income	**1,375**	**974**
Other operating income (expenses)	300	466
Operating income (expenses)	**1,675**	**1,440**
Non-operating income/(expenses)	2	(3)
Income before taxes and profit sharing	**1,677**	**1,437**
Income and social contribution taxes	(348)	(186)
Statutory profit sharing	(342)	(253)
Non-controlling interest	**(15)**	**5**
Net income	**972**	**1,003**

Selected Presentation Differences

The table presents a summary of certain material differences between the Adjusted Income Statement and the Income Statement prepared in accordance to the BR GAAP:

	Adjusted Income Statement	Income Statement
Revenues	• Revenues segregated by business unit, which is the functional view used by our management to monitor our performance • Each transaction allocated to a business unit, and the associated revenue, net of transaction and funding costs (when applicable), is reported as generated by such business unit	• Revenues are presented in accordance with BRGAAP and standards established by COSIF and IFRS • Segregation of revenues follows the contractual nature of the transactions and is aligned with the classification of the assets and liabilities - from which such revenues are derived • Revenues are presented without deduction of corresponding financial or transaction costs
Expenses	• Revenues are net of certain expenses, such as trading losses, as well as transaction costs and funding costs • Revenues are net of cost of funding of our net equity (recorded at "interest & others") • SG&A expenses incurred to support our operations are presented separately	• Breakdown of expenses in accordance with COSIF • Financial expenses and trading losses presented as separate line items and not deducted from the financial revenues with which they are associated • Transactions costs are capitalized as part of the acquisition cost of assets and liabilities in our inventory • SG&A expenses incurred to support our operations are presented separately in our income statement
Principal Investments Revenues	• Revenues net of funding costs (including cost of net equity) and of trading losses, including losses from derivatives and from foreign exchange variations • Revenues are reduced by associated transaction costs and by management and performance fees paid	• Revenues included in different revenue line items (marketable securities, derivative financial income and equity pick-up up from subsidiaries) • Losses, including trading losses and derivative expenses, presented as financial expenses
Sales & Trading Revenues	• Revenues net of funding costs (including cost of net equity) and of trading losses, including losses from derivatives and from foreign exchange variations • Revenues deducted from transaction costs	• Revenues included in numerous revenue line items (marketable securities, derivative financial income, foreign exchange and compulsory investments) • Losses, including trading losses, derivative expenses and funding and borrowings costs, presented as financial expenses
Corporate Lending Revenues	• Revenues net of funding costs (including cost of net equity)	• Revenues included in certain revenue line items (credit operations, marketable securities and derivative financial income) • Losses, including derivative expenses, presented as financial expenses
Banco Pan Revenues	• Revenues consist of the equity pick-up from our investment, presented net of funding costs (including cost of net equity)	• Revenues from equity pick-up recorded as equity pickup from subsidiaries
Salaries and Benefits	• Salaries and benefits include compensation expenses and social security contributions	• Generally recorded as personnel expenses
Bonus	• Bonus include cash profit-sharing plan expenses (% of our net revenues)	• Generally recorded as employees' statutory profit-sharing
Administrative and Other	• Administrative and Others are consulting fees, offices, IT, travel and entertainment expenses, as well as other general expenses	• Generally recorded as other administrative expenses, and other operating expenses
Goodwill amortization	• Goodwill amortization of investments in operating subsidiaries other than merchant banking investments	• Generally recorded as other operating expenses
Tax charges, other than income tax	• Tax expenses are comprised of taxes applicable to our revenues not considered by us as transaction costs due to their nature (PIS, Cofins and ISS)	• Generally recorded as tax charges other than income taxes
Income tax and social contribution	• Income tax and other taxes applicable to net profits	• Generally recorded as income tax and social contribution

The differences discussed above are not exhaustive and should not be construed as a reconciliation of the Adjusted income statement to the income statement or financial statements. The business units presented in the Adjusted income statement should not be presumed to be operating segments under IFRS because our management does not solely rely on such information for decision making purposes. Accordingly, the Adjusted income statement contains data about the business, operating and financial results that are not directly comparable to the income statement or the financial statements and should not be considered in isolation or as an alternative to such income statement or financial statements. In addition, although our management believes that the Adjusted income statement is useful for evaluating our performance; the Adjusted income statement is not based on Brazilian GAAP, IFRS, U.S. GAAP or any other generally recognized accounting principles.

Forward-looking statements

This document may contain estimates and forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements may appear throughout this document. These estimates and forward-looking statements are mainly based on the current expectations and estimates of future events and trends that affect or may affect the business, financial condition, and results of operations, cash flow, liquidity, prospects and the trading price of the units. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us. Forward-looking statements speak only as of the date they were made, and we do not undertake the obligation to update publicly or to revise any forward-looking statements after we distribute this document as a result of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this document might not occur and future results may differ materially from those expressed in or suggested by these forward-looking statements. Forward-looking statements involve risks and uncertainties and are not a guaranty of future results. As a result, you should not make any investment decision on the basis of the forward-looking statements contained herein.

Rounding

Certain percentages and other amounts included in this document have been rounded to facilitate their presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them and may differ from the financial statements.

Glossary

Alternext	Alternext Amsterdam
BM&FBOVESPA	The São Paulo Stock Exchange (BM&FBOVESPA S.A. – *Bolsa de Valores, Mercadorias e Futuros*).
BR Properties	BR Properties S.A.
CMN	The Brazilian National Monetary Council (Conselho Monetário Nacional).
ECB LTRO	European central Bank Long-term repo operation.
ECM	Equity Capital Markets.
Euronext	NYSE Euronext Amsterdam
HNWI	High net worth individuals
IPCA	The inflation rate is the Consumer Price Index, as calculated by the IBGE.
M&A	Mergers and Acquisitions.
NNM	Net New Money
GDP	Gross Domestic Product.
Selic	The benchmark interest rate payable to holders of some securities issued by the Brazilian government.
SG&A	Selling, General & Administrative

Earnings Release - Third Quarter 2019

November 5th, 2019 (before market opening)

English Conference Call
November 5th, 2019 (Tuesday)
11:00 PM (New York) / 01:00 PM (Brasília)
Phone: +1 (412) 317-6373

Code: BTG Pactual

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

Code: 10135062

Portuguese Conference Call
November 5th, 2019 (Tuesday)
09:00 AM (New York) / 11:00 AM (Brasília)
Phone: +55 (11) 3193-8000

Code: BTG Pactual

Replay until 11/11: +55 (11) 2188-0400

Code: BTG Pactual

Webcast: The conference calls audio will be live broadcasted, through a webcast system available on our website www.btgpactual.com/ir

Participants are requested to connect 15 minutes prior to the time set for the conference calls.

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