Banco BTG Pactual - Earnings Release

Second Quarter 2019

August 13, 2019

Highlights

Rio de Janeiro, Brazil, August 13, 2019 - Banco BTG Pactual S.A. ("Banco" and together with its subsidiaries "BTG Pactual") (B3: BPAC11) today reported total revenues of R$2,181.4 million and adjusted net income of R$1,029.3 million for the quarter ended June 30, 2019.

BTG Pactual's adjusted net income per unit and annualized adjusted return on average shareholders' equity ("Annualized ROAE") were R$1.18 and 20.6%, respectively, for the quarter ended June 30, 2019, and R$2.01 and 17.8%, respectively, for the year ended on such date.

As of June 30, 2019, total assets of BTG Pactual were R$173.6 billion, a 5.4% increase when compared to March 31, 2019. Our BIS capital ratio was 15.1%.

Banco BTG Pactual Financial Summary and Key Performance Indicators

Highlights and KPIs (unaudited)	Quarter			Year to Date	
(in R$ million, unless otherwise stated)	**2Q 2018**	**1Q 2019**	**2Q 2019**	**6M 2018**	**6M 2019**
Total revenues	1,238	1,482	2,181	2,548	3,663
Net income	622	675	972	1,223	1,647
Adjusted Net income	**685**	**721**	**1,029**	**1,345**	**1,751**
Adjusted Net income per unit (R$)	0.78	0.83	1.18	1.53	2.01
Annualized ROAE	**14.5%**	**15.1%**	**20.6%**	**14.3%**	**17.8%**
Cost to income ratio	47.1%	43.3%	40.4%	45.3%	41.6%
Shareholders' equity	19,219	19,449	20,434		
Total Number of Shares (# in '000)	2,639,502	2,618,160	2,618,160		
Number of Theoretical Units (# in '000)	**879,834**	**872,720**	**872,720**		
Book Value per unit (R$)	**21.8**	**22.3**	**23.4**		
BIS Capital Ratio	17.3%	17.6%	15.1%		
Total assets (in R$ Billion)	157.4	211.8	173.6		
AuM and AuA (in R$ Billion)	170.4	214.1	226.4		
WuM (in R$ Billion)	107.3	133.6	141.9		

BTG Pactual Performance

In 2Q 2019, annualized adjusted ROAE and adjusted net income were 20.6% and R$1,029.3 million, respectively.

In the quarter, revenues were up 47.2% when compared to 1Q 2019. We have reported earnings growth in all our business units, as we continue to see strong performance and operational indicators from our clients' franchises, with the exception of Participations revenues, which have not reflected EFG's half-year results yet.

Our core businesses had solid results: (i) IBD yet again had a strong performance, due to higher capital market activity, and we finished 2Q 2019 with leading position in the industry rankings, (ii) Corporate Lending delivered a R$3.4 billion (or 11.1%) quarter-on-quarter portfolio growth and increasing revenues, (iii) Sales & Trading had a significant performance, mainly due to higher client activity and better trading environment in the region, (iv) Asset Management continued to post solid AuM, above 30% year-on-year growth, and revenue performance, and (v) Wealth Management had WuM growth of 30% year-on-year, and a 26% growth in revenues in the same period. BTG Pactual Digital continues to expand its market penetration and product offering, and to maintain excellence in the services provided to its growing client base. In our non-core units, 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 results.

Our operating expenses were R$881.9 million in 2Q 2019, a 37.5% increase when compared to 1Q 2019, mostly attributable to higher bonus provision. Cost to income ratio decreased to 40.4%, and our compensation ratio was 23.4% for the quarter, both ratios in line with recent quarters.

Our accounting net income was R$971.6 million in 2Q 2019, a 44.0% increase compared to 1Q 2019 and a 56.1% increase compared to 1Q 2019.

Our shareholders' equity was R$20.4 billion, a 5.1% increase compared to 1Q 2019, not yet affected by the JCP distribution of R$624 million. When compared to the end of 2Q 2018, our shareholders' equity grew 6.3%. Basel index was 15.1% in the quarter ended June 30, 2019 and our liquidity coverage ratio ("LCR") was 231%.

In Asset Management, total AuM (AuM and AuA) for 2Q 2019 was R$226.4 billion, a 5.8% quarterly increase and 32.9% year-over-year. In Wealth management, WuM ended the period at R$141.9 billion; a 6.2% growth compared to previous quarter and 32.3% compared to 2Q 2018.

Adjusted Net Income and ROAE (unaudited)	2Q 2019 Accounting	Non Recurring Items & Goodwill	2Q 2019 Adjusted	6M 2019 Adjusted
Investment banking	186.0		186.0	361.4
Corporate lending	191.9		191.9	377.8
Sales and trading	886.4		886.4	1,322.0
Asset management	227.1		227.1	394.5
Wealth management	154.8		154.8	285.9
Principal investments	343.7		343.7	524.2
Participations	65.4		65.4	169.0
Interest and other	126.0		126.0	228.6
Total revenues	**2,181.4**	-	**2,181.4**	**3,663.4**
Bonus	(346.8)		(346.8)	(516.7)
Salaries and benefits	(163.4)		(163.4)	(328.9)
Administrative and other	(227.7)	32.7	(195.0)	(381.8)
Goodwill amortization	(38.0)	38.0	-	-
Tax charges, other than income tax	(105.9)		(105.9)	(172.3)
Total operating expenses	**(881.9)**	**70.7**	**(811.2)**	**(1,399.7)**
Income before taxes	**1,299.5**	**70.7**	**1,370.2**	**2,263.7**
Income tax and social contribution	(327.9)	(13.1)	(341.0)	(513.0)
Net Income	**971.6**	**57.6**	**1,029.3**	**1,750.7**
Annualized ROAE	**19.5%**		**20.6%**	**17.8%**

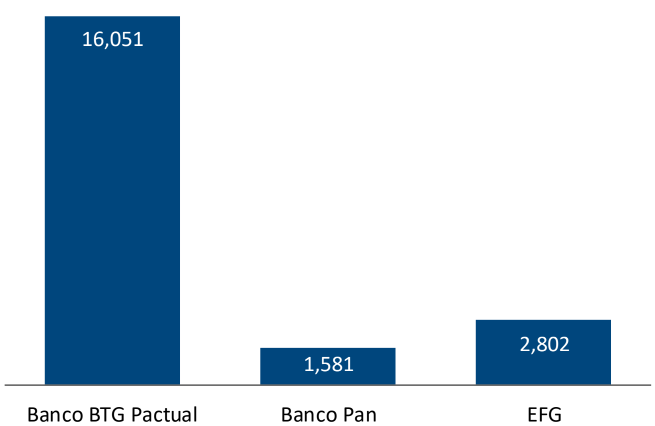
Results excluding non-recurring items and goodwill provide a more meaningful information of the underlying profitability of our businesses.

Non-Recurring Items & Goodwill

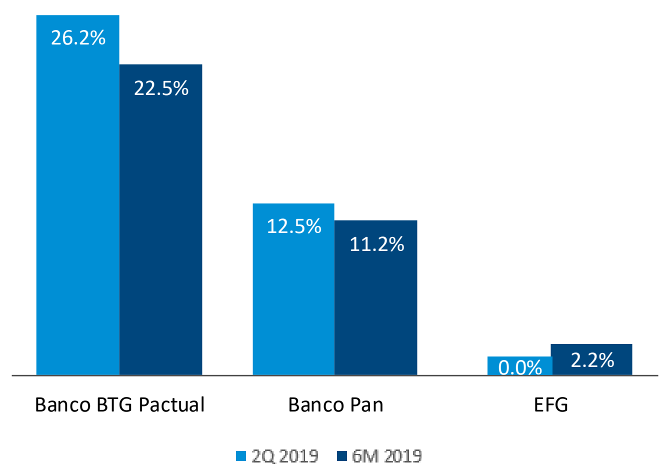
Administrative and Others: Mainly related to legal expenses from BSI legal proceedings
Goodwill: Mainly related to EFG / BSI

ROAE Components

BTG Pactual Equity Allocation
(in R$ million)



Implied ROAE
(%)



Notes:

Includes investment and goodwill

Does not include the positive effects of the hedging back to Brazilian Real or any other adjustments, such as taxes

Relevant Events

On June 4, 2019, the Bank issued a secondary public offering of 55,200,000 units, issued by the Bank and held by BTG Pactual Holding S.A. ("Holding"). On June 11, 2019, the Bookbuilding procedure was concluded, with the establishment of a unit price of R$46.00, resulting in a total restricted offer amount of R$2,539,200,000.

On July 19, 2019, the Bank acquired 80% of interest on Ouroinvest Distribuidora de Títulos de Valores Mobiliários S.A., which will be maintained as an independent platform of BTG Pactual. The closing of the transaction is subject to verification of certain precedent conditions, including obtaining all necessary regulatory approvals, including BACEN.

Global Market and Economic Analysis

Global economic growth kept slowing down during the second quarter of the year. After showing some signs of stabilization in April, the leading economic indicators started to worsen again in May. The return to the downward trend results from further adverse shocks to international trade due to (i) new tariffs imposed by the US government on products imported from China, (ii) greater uncertainty around trade relations between Mexico and the USA and (iii) the persistent uncertainty regarding the United Kingdom's process to exit the European Union. As in the first quarter, the manufacturing sector remains the most affected by this slowdown: The global purchasing managers' index (PMI) in the segment fell into recession in June, something that had not occurred since 2016. On the other hand, the services sector remains resilient due to the good performance still observed in the labor markets of developed economies. Given this global slowdown, central banks have signaled or have already started the process of providing more monetary accommodation: the US Federal Reserve has cut its policy rate, while the European Central Bank has signaled that it will soon introduce a new stimulus package. Central banks of the major emerging countries have also cut their interest rates.

Despite the global growth deceleration, the support provided by central banks allowed risky assets to maintain a good performance during the quarter. The S&P 500 index of the US stocks rose +5.2% in the period, while the MSCI index of emerging markets rose +1.8%. The DXY index, which represents the US dollar worldwide, depreciated -1.1% in the quarter. Also, as a result of the monetary easing, fixed income assets appreciated in the month. Ten-year US Treasury yield fell -40bps in the quarter, while that of the German Bund fell -25bps. The positive performance of key asset classes led to easier financial conditions worldwide, thus providing greater support for growth.

The IPCA ended June at +0,01% m/m and 2Q19 at 3,37% y/y, showing a deceleration from the previous 4,58% registered at the end of 1Q19, led by weaker inflation in food-at-home, fuels and electricity. Overall, services inflation and core inflation continue suggesting a benign inflation environment, with low inflationary pressures from segments most correlated with the economic cycle. Monitored prices lost steam and converged to their lowest level in almost two years, at 3,76% y/y, while non-monitored prices also ticked down, but less intensively, to 3,23% y/y. As such, we reaffirm our view that weakness in economic activity – and the labor market in particular – will keep inflationary pressures in check for a long time. In response to this downward scenario, we revised our forecast for 2019 to 3,9% (from 4,0%) as the outlook for energy prices has improved (for both fuels and electric energy). We also revised our estimate for 2020 inflation to 3,8% (from 3,9%) due to downside risks posed by faltering economic activity.

Regarding economic activity, indicators available so far continue to suggest a slow pace of recovery. Following the contraction of Brazil's GDP in 1Q19 (-0,2% q/q and 0,5% y/y), the first since 4Q16, economic activity failed to gain traction this quarter. May services output came in at 0,0% m/m s.a. and is now lower than when the year started, core retail sales for the same month came in at -0,1% m/m s.a. and industrial production (IP) ended May at -0,2% m/m s.a. Although the IBC-Br, BCB's monthly GDP proxy, marked the first positive print after 4 consecutive monthly declines, the result is less encouraging than it seems, since it was mostly driven by stronger figures in the agricultural sector, which is less related to the economic cycle. Going forward, we don't expect any major improvement from June's batch of high-frequency indicators as data available suggest another lackluster performance in economic activity for the month. Hence, data available so far for 2Q led us to push down our 2019 growth forecast from 1.0% to 0.8%, and for 2020 our models are now pointing to GDP growth of 1.8%.

The consolidated public-sector primary result for May posted strong growth in its fiscal deficit. The primary surplus for subnational governments decreased to R$0,3bn (from R$2,6bn), while the pension result explained almost the entire central government deficit (R$13,2bn). For the 12-month period, the consolidated primary deficit was 1,44% of GDP (or R$100,4bn), stable for the last three months, but better than the level observed at the end of last year (1,59% of GDP or R$108,3bn). As per our updated short- and medium-term fiscal forecasts, from 2019 to 2029 both the central government and the consolidated public sector will only register a primary (non-financial) surplus in 2023, meaning the overall public sector will likely spend almost a decade in deficit territory, from 2014 to 2022. Fiscal re-equilibrium will be possible, even if it takes time, provided the spending ceiling rule is met not only by the end of the current electoral cycle but also in subsequent periods. Conditions for fiscal re-equilibrium involve a tight lid on public spending, mainly mandatory expenditures. In order to meet the spending ceiling by the end of 2022, a series of measures for keeping spending in check will have to be adopted, including the pension reform and the revision of civil servants´ career structure and salaries. Due to the share of both expenditures in the total federal government budget subject to the spending ceiling (65% for 2017/18), compliance with the spending rule must necessarily involve a tight lid on both salaries and pensions, in the public (RPPS) and private (RGPS) regimes. This means that the pension reform is necessary, but insufficient to meet the spending ceiling, so other spending lines will have to be cut.

On July 10th, the base text of the constitutional amendment proposal regarding Brazil's Social Security Reform (PEC 6/2019) was approved in a first-round vote on the Lower House floor by 379 to 131 (a strong victory compared with the 308 votes required). Initially planned for the following day, the second-round vote on the House floor was scheduled for August 6th (after the legislative recess), as announced by House Speaker Rodrigo Maia (DEM-RJ), since discussions in the procedural stage that allows for adjustments in the text took longer than imagined. If this happens, the proposal then goes to the Senate, where it must be analyzed and voted in the Legal Committee and in two rounds on the Senate floor. Again, in each round, 60% of Senators' votes are required. The proposal's fiscal impact will likely remain close to that approved in the first-round floor vote, estimated at R$933,5bn in 10 years: R$914,3bn from reduction in expenditures and R$19,2bn in revenues via higher taxation on the financial sector. The project´s robustness is now 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, to the tune of R$480bn. So far, the adjustments haven't watered down the reform too much, confirming our latest expectations, though states and municipalities weren't automatically considered in the reform, which might be included in the project further ahead as discussions move to the Senate.

Consolidated Adjusted Revenues

Revenues in 2Q 2019 were R$2,181 billion, an increase of 47.2% when compared to 1Q 2019 and 76.2% when compared to 2Q 2018.

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

Adjusted Revenues (unaudited)	Quarter			2Q 2019 % change to		Year to Date		6M 2019 % change to
(in R$ million, unless otherwise stated)	2Q 2018	1Q 2019	2Q 2019	2Q 2018	1Q 2019	6M 2018	6M 2019	6M 2018
Investment Banking	210	175	186	-11%	6%	320	361	13%
Corporate Lending	234	186	192	-18%	3%	405	378	-7%
Sales & Trading	267	436	886	232%	104%	818	1,322	62%
Asset Management	149	167	227	53%	36%	274	395	44%
Wealth Management	123	131	155	26%	18%	227	286	26%
Principal Investments	56	180	344	517%	91%	151	524	246%
Participations	46	104	65	41%	-37%	41	169	316%
Interest & Others	153	103	126	-18%	23%	313	229	-27%
Total revenues	**1,238**	**1,482**	**2,181**	**76%**	**47%**	**2,548**	**3,663**	**44%**

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)		
	2Q 2018	1Q 2019	2Q 2019	2Q 2018	1Q 2019	2Q 2019
Financial Advisory (M&A)[4]	14	4	4	5,240	1,144	3,116
Equity Underwriting (ECM)	8	4	9	1,174	248	863
Debt Underwriting (DCM)	7	7	5	689	917	345

BTG Pactual Announced Transactions (unaudited)	Number of Transactions[1],[3]		Value[2],[3] (US$ mln)	
	6M 2018	6M 2019	6M 2018	6M 2019
Financial Advisory (M&A)[4]	26	8	7,381	4,260
Equity Underwriting (ECM)	11	13	1,502	1,111
Debt Underwriting (DCM)	19	12	3,103	1,262

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)*

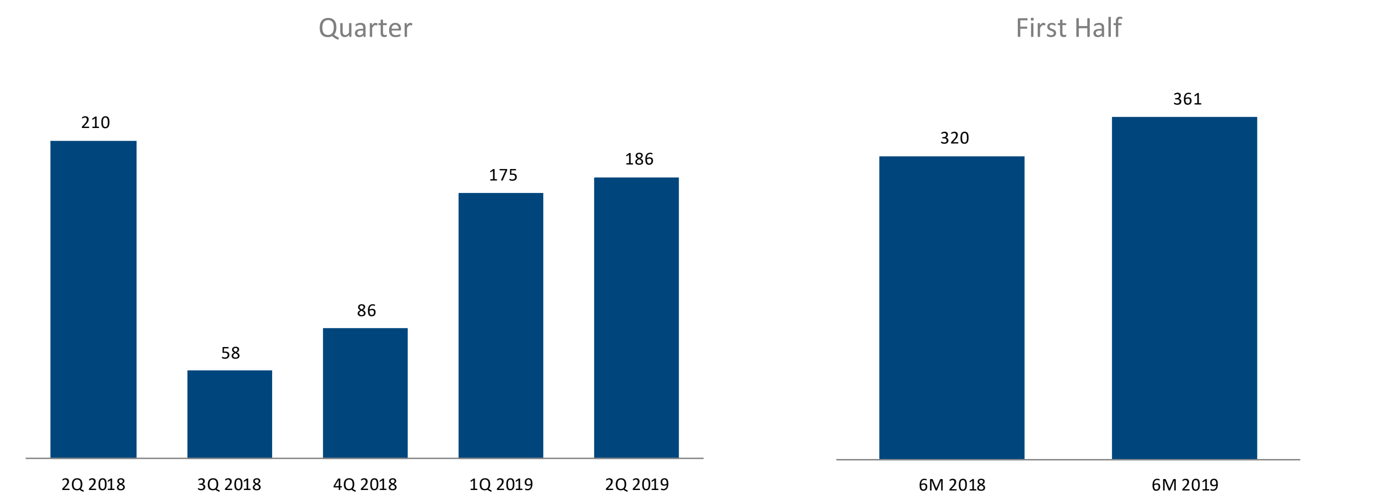
Investment Banking 2Q 2019 market share highlights

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

M&A: #1 in number of transactions in Brazil and Latin America

Revenues

(in R$ million)



2Q 2019 vs. 1Q 2019

Investment Banking revenues were R$186.0 million, a 6.0% increase compared to 1Q 2019. Considering the results in both quarters, we had our best semester in Investment Banking since our IPO in 2012. The strong performance during the quarter was mainly driven by ECM and DCM due to higher market activity (volume and number of transactions). In Financial Advisory, despite the decrease in revenues compared to the previous quarter, due to lower volume of concluded transactions, we maintained our leading market share in Brazil and Latin America.

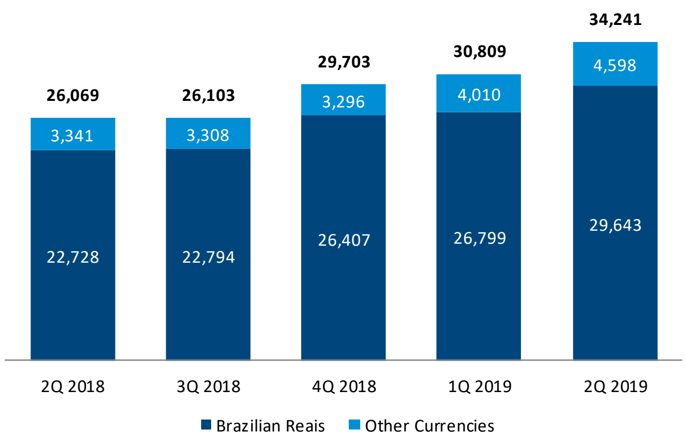
2Q 2019 vs. 2Q 2018

Investment banking revenues decreased 11.4% compared to the same period a year ago. Revenues in 2Q 2018 were R$209.9 and represented our best quarter ever since our IPO.

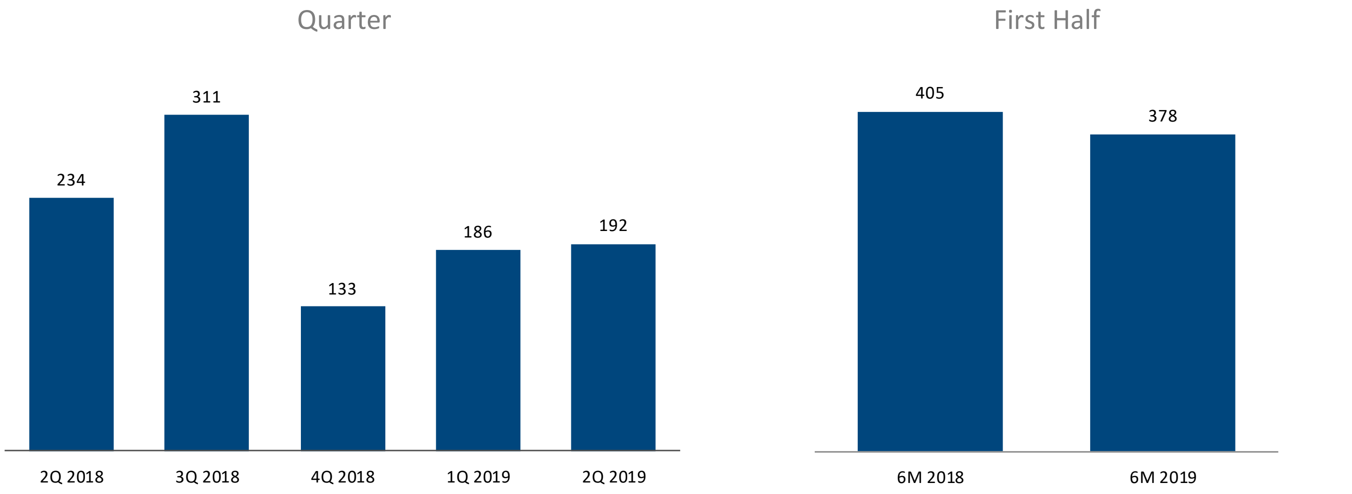
Corporate Lending

During the quarter, our Corporate Lending portfolio grew 11.1%. We had 31.3% 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.

Corporate Lending Portfolio
(in R$ million)



Revenues
(in R$ million)



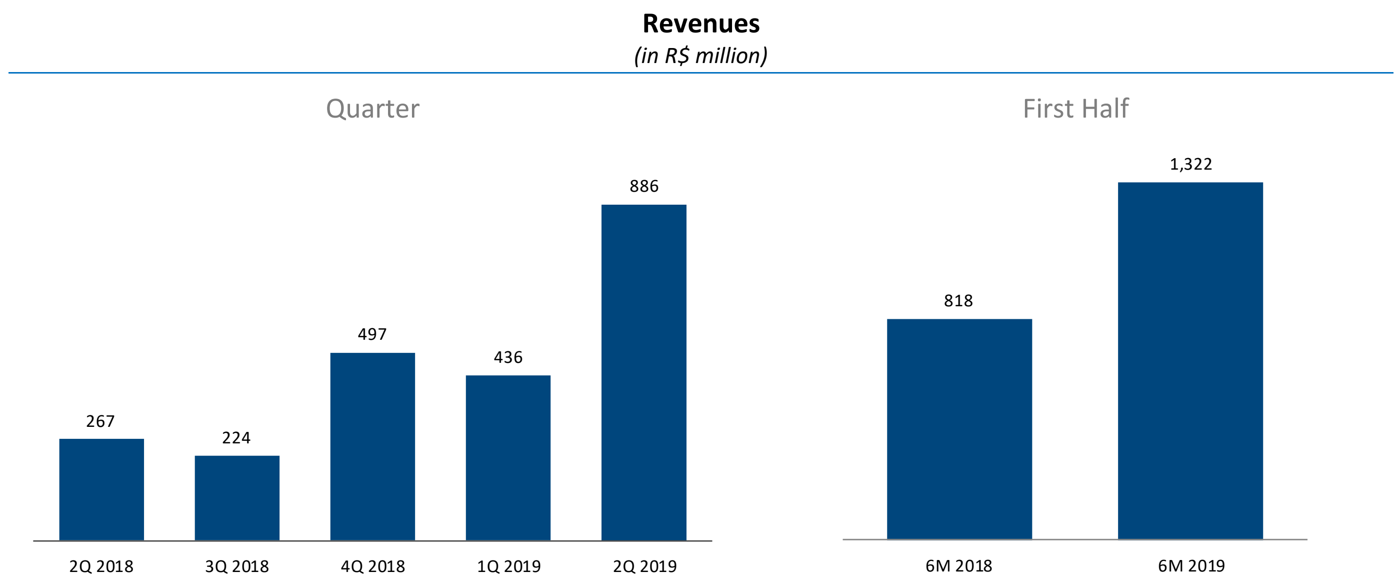
2Q 2019 vs. 1Q 2019

Revenues from Corporate Lending grew 3.3% from R$185.8 million in 1Q 2019 to R$191.9 million in 2Q 2019. The increase in revenues was mainly due to the portfolio growth, partially offset by higher provisions in the quarter, related mainly to the utilities sector.

2Q 2019 vs. 2Q 2018

Revenues from Corporate Lending decreased 17.9% from $233.8 million in 2Q 2018 to R$191.9 million in 2Q 2019. The positive results in 2Q 2018 were largely driven by a good performance from our NPL portfolios.

Sales & Trading



2Q 2019 vs. 1Q 2019

Sales & Trading revenues were R$886.4 million in 2Q 2019 compared to R$435.6 million in 1Q 2019, representing a 103.5% increase. The increase was mainly driven by significant performance from our Rates desk and continuing good performance from FX and Equities desks, partially offset by weaker results from our Energy desk.

In 2Q 2019, we saw a rise in market volumes and significant flows from client activity, especially in Brazil, which contributed to an increase in our VaR usage.

2Q 2019 vs. 2Q 2018

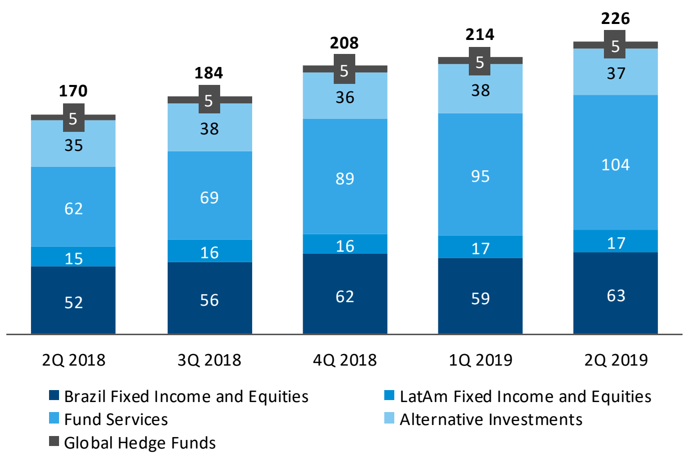
Sales & Trading revenues increased 231.7%, from R$267.2 million to R$886.4 million. The increase was mostly due to the performance of our Rates and Equities desks during the quarter, as mentioned above, compared to a weak performance in 2Q 2018 from both desks, partially offset by FX, that had a very strong performance in 2Q 2018, and the Energy desk which had a subpar performance in 2Q 2019.

Asset Management

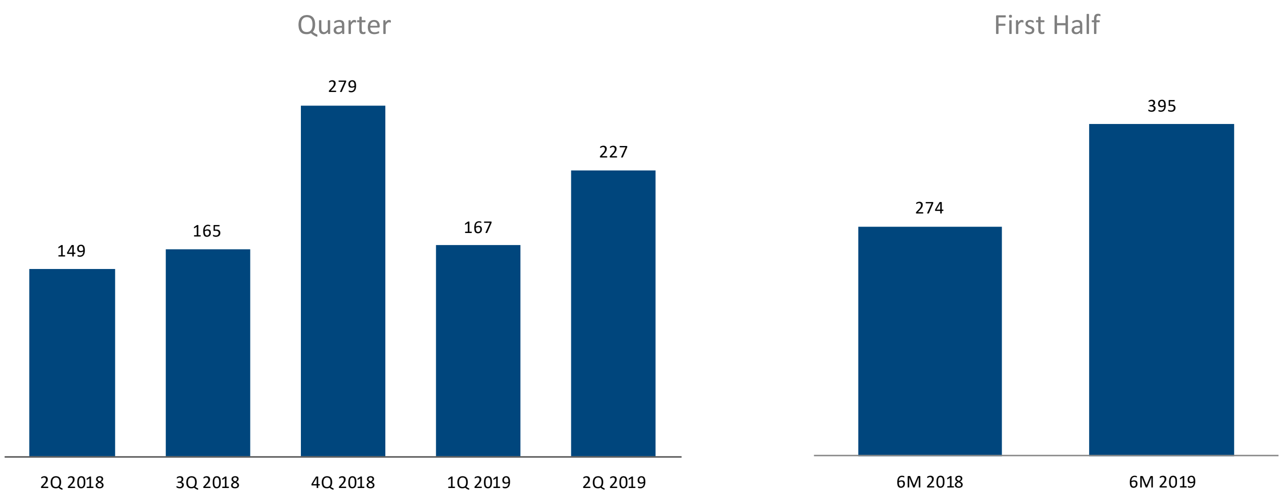
In 2Q 2019, total Assets under Management (AuM and AuA) rose to R$226.4 billion, a 5.8% increase from the previous quarter and a 32.9% increase compared to 2Q 2018. Net new money was R$7.2 billion in the quarter, coming mostly from Fund Services and Brazil Fixed Income and Equities.

AuM & AuA by Asset Class

(in R$ billion)



Revenues
(in R$ million)



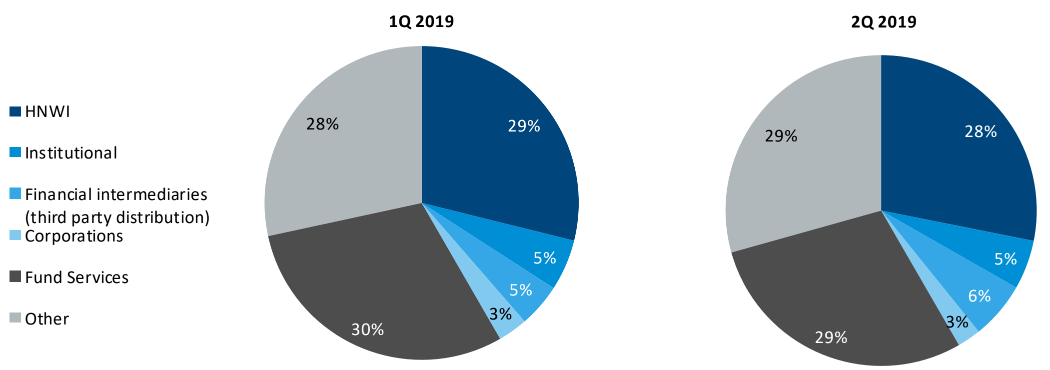
2Q 2019 vs. 1Q 2019

Asset management revenues increased 35.6% in the period compared to 1Q 2019. The increase was largely due to the payment of performance fees that are usually recorded in accordance with the accrual period in June and December.

2Q 2019 vs. 2Q 2018

Asset Management revenues increased 52.6% from R$148.9 million in 2Q 2018 to R$227.1 million in 2Q 2019. The increase was mainly attributable to a 32.9% growth of the average AuM/AuA and collection of performance fees that was insignificant in the same period a year ago.

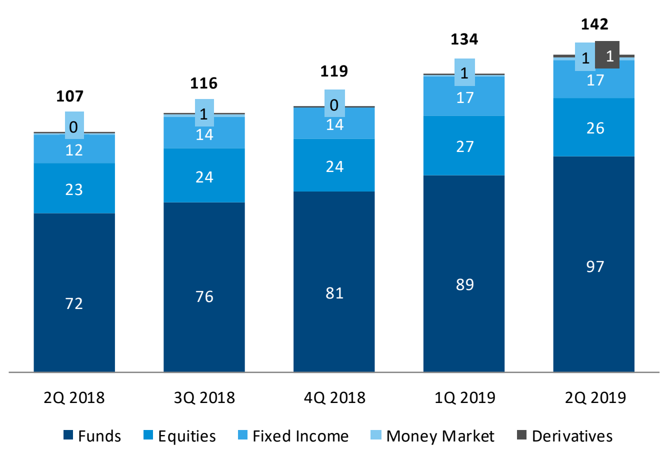
AuM and AuA by Type of Client
(%)



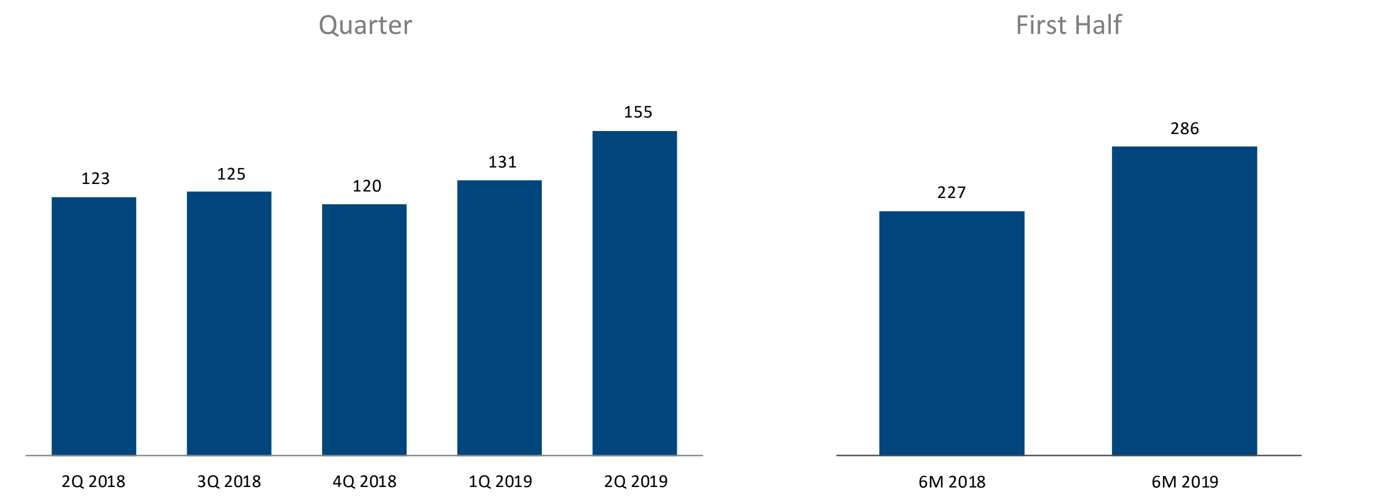
Wealth Management

During the quarter, our Wealth under Management increased 6.2% from R$133.6 billion in 1Q 2019 to R$141.9 billion in 2Q 2019. We continue to receive significant inflows in most products, and NNM was R$3.8 billion. Year-on-year WuM growth was 32.3%.

WuM Breakdown
(in R$ billion)



Revenues
(in R$ million)



2Q 2019 vs. 1Q 2019

Wealth Management revenues increased 18.0% compared to 1Q 2019, mainly due to average WuM growth and higher revenues from funds distribution, and brokerage and trading spreads, both owing to a better market environment, especially in Brazil.

2Q 2019 vs. 2Q 2018

Revenues from Wealth Management increased 25.6%, from R$123.3 million to R$154.8 million, mostly owing to the 32.3% 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			2Q 2019 % change to		Year to Date		6M 2019 % change to
	2Q 2018	1Q 2019	2Q 2019	2Q 2018	1Q 2019	6M 2018	6M 2019	6M 2018
Global Markets	(54)	2	(5)	n.a.	n.a.	(48)	(3)	n.a.
Merchant Banking	134	190	357	167%	87%	240	547	128%
Real Estate	(24)	(12)	(8)	n.a.	n.a.	(40)	(20)	n.a.
Total	**56**	**180**	**344**	**517%**	**91%**	**151**	**524**	**246%**

2Q 2019 vs. 1Q 2019

Principal Investments revenues increased 90.5% compared to 1Q 2019, from R$180.4 million to R$343.7 million.

It is worth noting that, during the quarter, (i) Global Markets had losses of R$5.2 million, mostly due to European strategies, partially offset by LatAm Equities strategy, (ii) Merchant Banking had a positive equity pick-up and mark-to-market from investments, mainly from PetroAfrica and Eneva, respectively, and (iii) Real Estate had a negative contribution mainly due to internal funding cost allocation.

2Q 2019 vs. 2Q 2018

Principal Investments posted gains of R$343.7 million in 2Q 2019 compared to R$55.7 million of gains in the 2Q 2018, with a better contribution from Merchant Banking, as explained above, and less significant losses in Global markets and Real Estate.

Participations

2Q 2019 vs. 1Q 2019

Participations posted gains of R$65.4 million, mostly attributable to positive results from Banco Pan, Too Seguros and Pan Corretora. Revenues in 2Q 2019 consisted of (i) R$48.9 million gains from Banco Pan, which continues to improve its performance, (ii) R$11.6 million gains from Too Seguros and Pan Corretora, and (iii) R$4.9 million gains from ECTP. In 1Q 2019, we had earnings of R$103.6 million, with positive contributions from all business lines, including results from EFG.

2Q 2019 vs. 2Q 2018

Participations gains were R$65.4 million, as noted above, compared to R$46.2 million in 2Q 2018. The increase was mostly driven by negative results in 2Q 2018 from ECTP which were partially offset by EFG’s positive results at the time.

Interest & Others

2Q 2019 vs. 1Q 2019

Revenues from Interest & Others were R$126.0 million in 2Q 2019, compared to R$102.6 million in 1Q 2019. The increase is in line with the rise in our shareholders' equity. Revenues correspond to interest rate of the Central Bank of Brazil applied over our equity (i.e. internal cost of funding), and some minor PnL volatility in certain hedging instruments.

2Q 2019 vs. 2Q 2018

Revenues from Interest & Others decreased 17.8% in the period, due to the volatility in certain hedging instruments as mentioned above, combined with the reduction in the US dollar interest rate in the local market.

Adjusted Operating Expenses

Adjusted Operating Expenses (unaudited)	Quarter			2Q 2019 % change to		Year to Date		6M 2019 % change to
(in R$ million, unless otherwise stated)	**2Q 2018**	**1Q 2019**	**2Q 2019**	**2Q 2018**	**1Q 2019**	**6M 2018**	**6M 2019**	**6M 2018**
Bonus	(122)	(170)	(347)	184%	104%	(265)	(517)	94.7%
Salaries and benefits	(152)	(165)	(163)	8%	-1%	(300)	(329)	9.8%
Administrative and other	(218)	(203)	(228)	4%	12%	(423)	(430)	2%
Goodwill amortization	(36)	(37)	(38)	7%	3%	(67)	(75)	11%
Tax charges, other than income tax	(56)	(66)	(106)	89%	59%	(100)	(172)	73%
Total operating expenses	**(584)**	**(641)**	**(882)**	**51%**	**37%**	**(1,155)**	**(1,523)**	**32%**
Cost to income ratio	47%	43%	40%	-14%	-7%	45%	42%	-8%
Compensation ratio	22%	23%	23%	6%	3%	22%	23%	4%
Total number of employees	2,164	2,251	2,337	8%	4%	2,164	2,337	8%
Partners and associate partners	236	221	217	-8%	-2%	236	217	-8%
Employees	1,928	2,030	2,120	10%	4%	1,928	2,120	10%

Bonus

The bonus expense was R$346.8 million in 2Q 2019, compared to R$169.9 million in 1Q 2019, mainly attributable to revenue increase, as the compensation ratio remained stable. In 2Q 2018, bonus expenses were R$122.1 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 remained flat in the quarter and increased 7.6% when compared to 2Q 2018. Expenses related to salaries and benefits were R$165.4 million in 1Q 2019 and R$151.9 million in 2Q 2018, compared to R$163.4 million in 2Q 2019.

Administrative and other

Total administrative and other expenses increased 12.3%, from R$202.8 million in 1Q 2019 to R$227.7 million in 2Q 2019, mainly related to legal and consulting expenses from BSI legal proceedings. When compared to 2Q 2018, expenses increased 4.5%, also due to BSI legal proceedings as well as the FX impact over dollar denominated expenses.

Goodwill amortization

In 2Q 2019, we recorded goodwill amortization expenses totaling R$38.0 million, almost all related to EFG/BSI goodwill. Goodwill amortization increased 3.2% when compared to 1Q 2019, and 6.6% when compared to 2Q 2018, due to impacts of exchange rate variation.

Tax charges, other than income tax

Tax charges, other than income tax, were R$105.9 million or 59.4% of total revenues compared to R$66.4 million in 1Q 2019 or 89.2% of total revenues. The reduction reflects a more favorable revenue mix in the quarter.

Adjusted Income Taxes

Adjusted Income Tax (unaudited)	**Quarter**			**Year to Date**	
(in R$ million, unless otherwise stated)	**2Q 2018**	**1Q 2019**	**2Q 2019**	**6M 2018**	**6M 2019**
Income before taxes	655	841	1,300	1,393	2,140
Income tax and social contribution	(32)	(166)	(328)	(170)	(494)
Effective income tax rate	**4.9%**	**19.7%**	**25.2%**	**12.2%**	**23.1%**

Our effective income tax rate for the quarter was 25.2% (representing an income tax expense of R$327.9 million), compared to a rate of 19.7% in the 1Q 2019.

In 2Q 2018 we posted an income tax expense of R$32.2, representing an 4.9% income tax rate.

Balance Sheet

Total assets grew 5.4%, from R$164.7 billion at the end of 1Q 2019 to R$173.6 billion at the end of 2Q 2019, mainly due to an increase in our pending settlement accounts, securities portfolio and in our assets financed through repos. There was also a 10.3% increase in our credit portfolio from 1Q 2019. Therefore, our leverage ratio remained stable at 8.5x.

On the liability side, unsecured funding increased 11.1%, driven by clients' deposits. There was also an increase in our pending settlement accounts and repo financing in line with the assets' growth. These movements were partially offset by a decrease in Trading Portfolio liabilities.

Shareholders' equity increased from R$19.4 billion at the end of 1Q 2019 to R$20.4 billion at the end of 2Q 2019, mainly impacted by the net income of R$971.6 million in the quarter.

Risk and Capital Management

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

Market Risk – Value-at-risk

Value-at-risk (unaudited) *(in R$ million, unless otherwise stated)*	**Quarter**		
	2Q 2018	**1Q 2019**	**2Q 2019**
Total average daily VaR	**75.4**	**133.0**	**146.6**
Average daily VaR as a % of average equity	0.40%	0.69%	0.74%

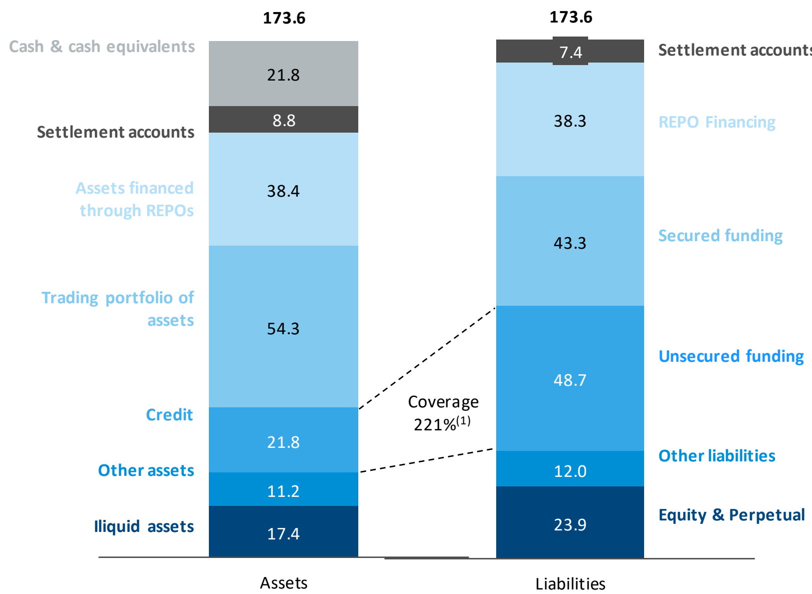
Our total average daily VaR went up 10.2% when compared to 1Q 2019. The increase was mainly driven by the Brazilian Rates desk.

Liquidity Risk Analysis

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

Summarized Balance Sheet (unaudited)

(in R$ billion)



Note:

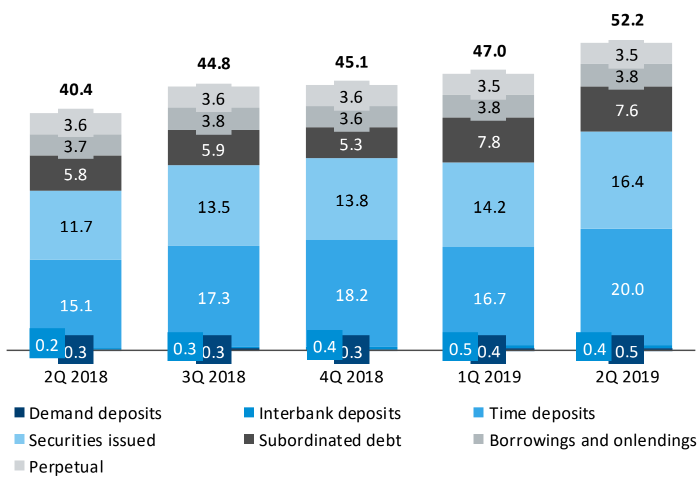
(1) Excludes demand deposits

Unsecured Funding Analysis

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

Unsecured Funding Evolution (unaudited)

(in R$ billion)



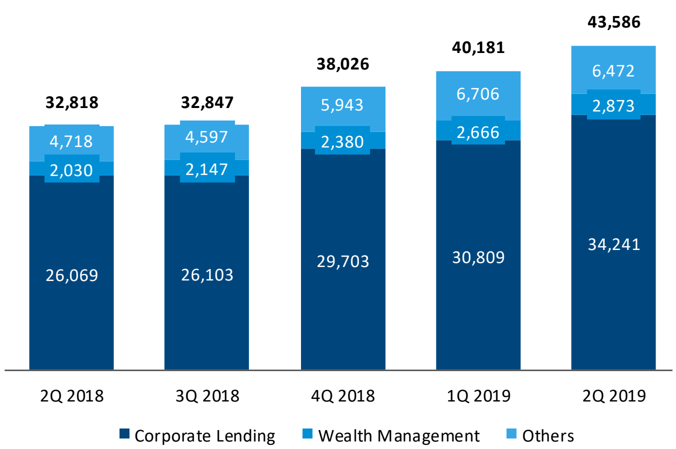
Total unsecured funding increased from R$47.0 billion in 1Q 2019 to R$52.2 billion in 2Q 2019, due to an increase mostly in time deposits and securities issued.

BTG Pactual Broader Credit Portfolio

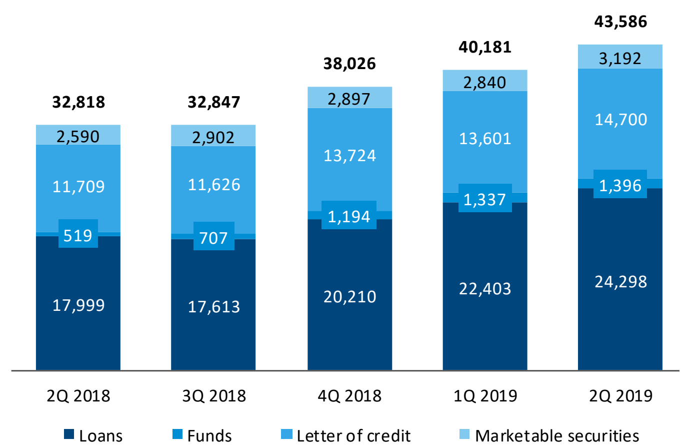
Our broader credit portfolio is comprised of loans, receivables, advances in foreign exchange contracts, letters of credit and marketable securities bearing credit exposures (including debentures, promissory notes, real estate bonds, and investments in credit receivable funds – FIDCs).

The balance of our broader credit portfolio increased 8.5% when compared to the previous quarter, from R$40.2 billion to R$43.6 billion, and 32.8% compared to 2Q 2018.

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



Broader Credit Portfolio by Product
(in R$ million)



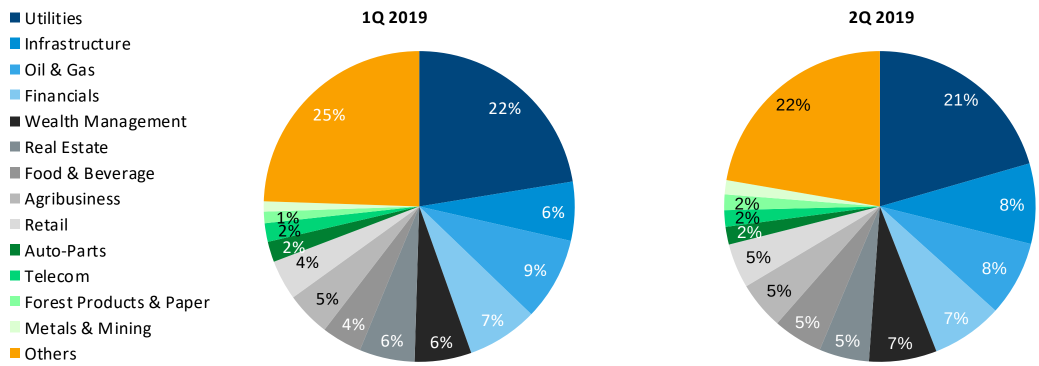
Notes:

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 June 30, 2019 by credit rating. The ratings below reflect our internal assessment, consistently applied in accordance with the Brazilian Central Bank standard ratings scale:

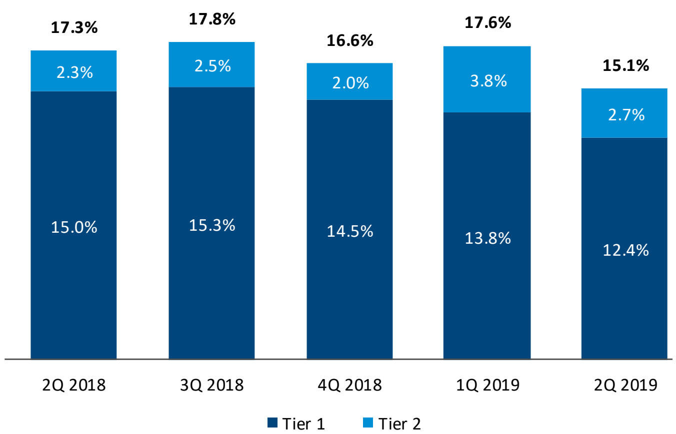
Rating (unaudited) (in R$ million)	2Q 2019
AA	23,590
A	10,363
B	4,742
C	1,282
D	1,384
E	1,388
F	334
G	300
H	203
Total	**43,586**

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 decreased to 15.1% at the end of 2Q 2019, adjusted for the Tier II local bond issued during the quarter which is just pending regulatory approval. Our liquidity coverage ratio (LCR) ended the quarter at 231%.

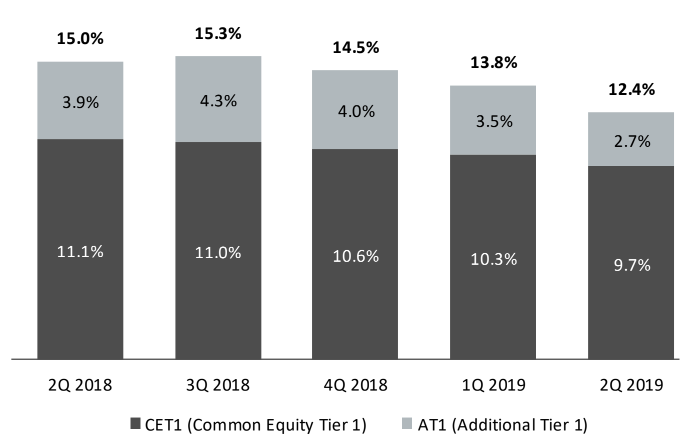
Basel Ratio (unaudited)

(%)



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			2Q 2019 % change to	
	2Q 2018	1Q 2019	2Q 2019	2Q 2018	1Q 2019
Assets					
Cash and bank deposits	2,737	1,224	1,778	-35%	45%
Interbank investments	49,256	53,995	49,031	0%	-9%
Marketable securities and derivatives	42,457	73,166	38,195	-10%	-48%
Interbank transactions	2,247	1,164	2,208	-2%	90%
Loans	16,322	19,565	21,314	31%	9%
Other receivables	38,248	53,617	52,440	37%	-2%
Other assets	210	279	277	32%	-1%
Permanent assets	5,940	8,797	8,386	41%	-5%
Total assets	**157,416**	**211,806**	**173,630**	**10%**	**-18%**
Liabilities					
Deposits	17,825	19,973	25,655	44%	28%
Open market funding	54,714	70,250	42,514	-22%	-39%
Funds from securities issued and accepted	12,427	14,846	16,958	36%	14%
Interbank transactions	151	116	72	-52%	-38%
Loans and onlendings	5,314	5,342	3,796	-29%	-29%
Derivatives	6,158	4,070	6,173	0%	52%
Subordinated liabilities	5,836	7,780	5,325	-9%	-32%
Other liabilities	35,494	69,058	52,150	47%	-24%
Deferred income	148	142	175	18%	24%
Shareholders'equity	**19,219**	**19,449**	**20,434**	**6%**	**5%**
Non-controlling interest	129	780	377	193%	-52%
Total liabilities	**157,416**	**211,806**	**173,630**	**10%**	**-18%**

Adjusted Income Statement (unaudited)	Quarter			2Q 2019 % change to		Year to Date		6M 2019 % change to
(in R$ million, unless otherwise stated)	2Q 2018	1Q 2019	2Q 2019	2Q 2018	1Q 2019	6M 2018	6M 2019	6M 2018
Investment Banking	210	175	186	-11%	6%	320	361	13%
Corporate Lending	234	186	192	-18%	3%	405	378	-7%
Sales & Trading	267	436	886	232%	104%	818	1,322	62%
Asset Management	149	167	227	53%	36%	274	395	44%
Wealth Management	123	131	155	26%	18%	227	286	26%
Principal Investments	56	180	344	517%	91%	151	524	246%
Participations	46	104	65	41%	-37%	41	169	316%
Interest & Others	153	103	126	-18%	23%	313	229	-27%
Total revenues	**1,238**	**1,482**	**2,181**	**76%**	**47%**	**2,548**	**3,663**	**44%**
Bonus	(122)	(170)	(347)	184%	104%	(265)	(517)	95%
Salaries and benefits	(152)	(165)	(163)	8%	-1%	(300)	(329)	10%
Administrative and other	(218)	(203)	(228)	4%	12%	(423)	(430)	2%
Goodwill amortization	(36)	(37)	(38)	7%	3%	(67)	(75)	11%
Tax charges, other than income tax	(56)	(66)	(106)	89%	59%	(100)	(172.3)	73%
Total operating expenses	**(584)**	**(641)**	**(882)**	**51%**	**37%**	**(1,155)**	**(1,523)**	**32%**
Income before taxes	**655**	**841**	**1,299**	**98%**	**55%**	**1,393**	**2,140**	**54%**
Income tax and social contribution	(32)	(166)	(328)	918%	98%	(170)	(494)	190%
Net Income	**622**	**675**	**972**	**56%**	**44%**	**1,223**	**1,647**	**35%**

Income Statement (unaudited)	Banco BTG Pactual S.A.	
(in R$ million, unless otherwise stated)	1Q 2019	2Q 2019
Financial income	3,226	2,949
Financial expenses	(2,597)	(1,574)
Gross financial income	**629**	**1,375**
Other operating income (expenses)	296	300
Operating income (expenses)	**925**	**1,675**
Non-operating income/(expenses)	28	2
Income before taxes and profit sharing	**953**	**1,677**
Income and social contribution taxes	(120)	(348)
Statutory profit sharing	(166)	(342)
Non-controlling interest	**8**	**(15)**
Net income	**675**	**972**

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 - Second Quarter 2019

August 13th, 2019 (before market opening)

English Conference Call

August 13th, 2019 (Tuesday)
12:00 PM (New York) / 01:00 PM (Brasília)
Phone: +1 (412) 317-5446

Code: BTG Pactual

Replay until 20/08: +1 (412) 317-0088

Code: 10119782

Portuguese Conference Call

August 13th, 2019 (Tuesday)
10:00 AM (New York) / 11:00 AM (Brasília)
Phone: +55 (11) 3193-8000 / +55 (11) 2188-0155

Code: BTG Pactual

Replay until 20/08: +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.

Investor Relations
Email: ri@btgpactual.com
Phone: +55 (11) 3383-2000
Fax: +55 (11) 3383-2001