Banco BTG Pactual - Earnings Release

First Quarter 2019

May 09, 2019

Highlights

Rio de Janeiro, Brazil, May 09, 2019 - Banco BTG Pactual S.A. (“Banco” and together with its subsidiaries “BTG Pactual”) (B3: BPAC11) today reported total revenues of R$1,482.0 million and adjusted net income of R$721.4 million for the quarter ended March 31, 2019.

Adjusted net income per unit and annualized adjusted return on average shareholders’ equity (“Annualized ROAE”) of BTG Pactual were R$0.83 and 15.1%, respectively, for the quarter.

As of March 31, 2019, total assets of BTG Pactual were R$164.7 billion, a 19.7% increase when compared to December 31, 2018. The BIS capital ratio of BTG Pactual was 17.6%.

Banco BTG Pactual Financial Summary and Key Performance Indicators

Highlights and KPIs (unaudited)	Quarter		
(in R$ million, unless otherwise stated)	1Q 2018	4Q 2018	1Q 2019
Total revenues	1,310	1,549	1,482
Net income	600	552	675
Adjusted Net income	**660**	**711**	**721**
Adjusted Net income per unit (R$)	0.74	0.81	0.83
Annualized ROAE	**14.2%**	**15.0%**	**15.1%**
Cost to income ratio	43.6%	52.2%	43.3%
Shareholders' equity	18,702	18,845	19,449
Total Number of Shares (# in '000)	2,660,485	2,618,160	2,618,160
Number of Theoretical Units (# in '000)	**886,828**	**872,720**	**872,720**
Book Value per unit (R$)	**21.1**	**21.6**	**22.3**
BIS Capital Ratio	16.3%	16.6%	17.6%
Total assets (in R$ Billion)	146.3	137.6	164.7
AuM and AuA (in R$ Billion)	163.7	207.5	214.1
WuM (in R$ Billion)	100.2	119.2	133.6

BTG Pactual Performance

In 1Q 2019, annualized adjusted ROAE and adjusted net income were 15.1% and R$721.4 million, respectively.

Total revenues were in line with the previous quarter, totaling R$1,482.0 million, mostly due to higher contributions from Investment Banking, Corporate Lending and Wealth Management, offset by lower contributions from Asset Management, due to the natural seasonality of performance fees accrued in the 4Q 2018, and Principal Investments.

Our core franchises exhibited strong performance: (i) IBD had a very strong quarter, (ii) Wealth Management continued to attract NNM and grow WuM, (iii) Asset Management had 34.1% year-on-year revenues growth and announced significant senior management new hires, (iv) The Corporate Lending portfolio continued to grow, adding high quality transactions to the book and (v) Sales & Trading had a good performance, despite significant volatility and a challenging energy environment. In our non-core business units, both Principal Investments and Participations had good overall performance, highlighted by Banco Pan's continued performance improvement and EFG's positive results, as it continued to make significant progress in its integration with BSI.

Our operating expenses were R$641.4 million in 1Q 2019, a 20.7% decrease when compared to 4Q 2018, mostly attributable to lower bonus provision, as our payout ratio normalized. Consequently, cost to income ratio was 43.3%, and our compensation ratio was 22.6% for the quarter.

Our accounting net income was R$675.0 million in 1Q 2019, a 22.2% increase compared to 4Q 2018 and a 12.4% increase compared to 1Q 2018.

Our shareholders' equity was R$19.4 billion, a 3.2% increase compared to 4Q 2018. When compared to the end of 1Q 2018, our shareholders' equity grew 4.0%. Basel index was 17.6% in the quarter ended March 31, 2019 and our liquidity coverage ratio ("LCR") was 218%.

In Asset Management, total AuM (AuM and AuA) for 1Q 2019 was R$214.4 billion, a 3.2% quarterly increase. In Wealth management, WuM ended the period at R$133.6 billion, a 12.1% increase compared to 4Q 2018.

Adjusted Net Income and ROAE (unaudited)	1Q 2019 Accounting	Non Recurring Items & Goodwill	1Q 2019 Adjusted
Investment banking	175.4		175.4
Corporate lending	185.8		185.8
Sales and trading	435.6		435.6
Asset management	167.4		167.4
Wealth management	131.2		131.2
Principal investments	180.4		180.4
Participations	103.6		103.6
Interest and other	102.6		102.6
Total revenues	**1,482.0**	**0.0**	**1,482.0**
Bonus	(169.9)		(169.9)
Salaries and benefits	(165.4)		(165.4)
Administrative and other	(202.8)	16.0	(186.8)
Goodwill amortization	(36.8)	36.8	0.0
Tax charges, other than income tax	(66.4)		(66.4)
Total operating expenses	**(641.4)**	**52.8**	**(588.5)**
Income before taxes	**840.6**	**52.8**	**893.4**
Income tax and social contribution	(165.7)	(6.4)	(172.1)
Net Income	**674.9**	**46.4**	**721.4**
Effective income tax rate	**19.7%**	**12.1%**	**19.3%**
Equity no início do trimestre	**18,845**		**18,845**
Equity no término do trimestre	**19,449**		**19,449**
Average equity no trimestre	**19,147**		**19,147**
Annualized ROAE	**14.1%**		**15.1%**

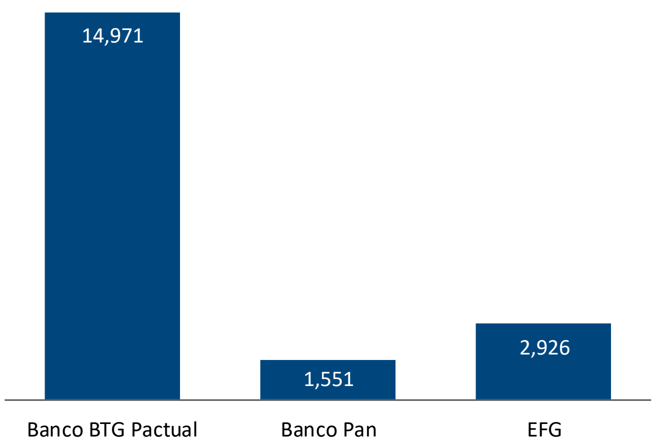
Results excluding non-recurring items and goodwill provide a more meaningful information of the underlying profitability of our businesses.

Non-Recurring Items & Goodwill

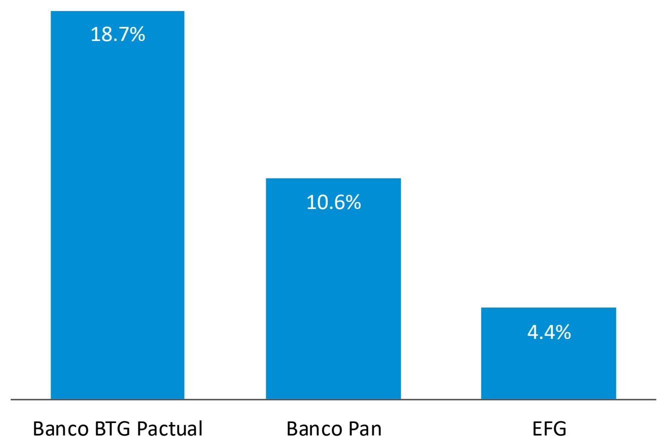
Administrative and Others: Mainly related to legal expenses from BSI legal cases
Goodwill: Mainly related to EFG / BSI

ROAE Components

Equity allocated to BTG Pactual's holdings
(in R$ million)



Implied ROAE
(%)



Notes:
(1) Includes investment and goodwill
(2) Does not include the positive effects of the hedging back to Brazilian Real or any other adjustments, such as taxes

Global Market and Economic Analysis

Growth of the global economy continued to slow in the first quarter, mainly affecting the manufacturing sector. This trend was driven by several elements, including shocks to international trade (tariffs between United States and China, uncertainty on the approval of the new NAFTA in the US Congress, possibility of US tariffs on imports of automobiles), geopolitical and economic policies uncertainties (Brexit, tightening of credit conditions in the Chinese shadow banking system, fiscal laxness in Italy, etc.) and more recently the lagging effects of the tightening of global financial conditions observed in 4Q 2018 with the sharp drop of equity markets and high credit spreads in main economies. The possibility of a recession in the US economy in the medium-term loomed, especially with the brief reversal of the spread between the 10-year Treasury and the 3-month T-bill - a traditional preceding indicator of recessions - in the second half of March.

Despite this, the quarter ended with some signs of stabilization. In China, there are indications that the economic environment is improving, marked by a rise in the annual rate of industrial production. The US and EU also published better-than-expected first quarter estimates. In addition, we observed significant laxness of global financial conditions in 1Q 2019, undoing much of the tightening in the previous quarter, which favors the global growth ahead.

The sharp rise in global risk appetite in the quarter was fueled by signs of progress between the US and China trade talks and major shifts in the economic policy of the main economies to counterbalance lower economic growth. In the US, the FOMC has not explicitly signaled a bias to raise or cut interest rates, rather the Fed has emphasized a stance of monetary patience. In the eurozone, the European Central Bank (ECB) extended its commitment not to discuss interest rates from summer to winter in the northern hemisphere. In addition, the ECB indicated that it will hold a new round of long-term liquidity loans (TLTROs) for the banking system and announce details of the lending data in June. In China, the government announced a package of tax cuts of around 2 percentage points of GDP, as well as new measures to stimulate credit, which is showing signs of recovery. The US stock market ended the quarter with a 13.1% increase, at 2834 points, only 3.3% below the historical high reached on September 20, 2018. In China, the Shanghai Composite index rose 23.9% in the quarter. International oil and industrial commodity prices, such as iron ore and copper, sharply increased in 1Q 2019, due to expected demand supported by the stabilization of global growth and specific supply shocks.

In Brazil, economic activity indicators continue to suggest disappointing economic growth this year. After a very modest result in Q4, the scenario now points to another weak GDP expansion in 1Q 2019. In February, services output fell 0.4% m/m sa (+3.8% y/y). Weakness was widespread, with most segments failing to advance. Along with disappointing retail sales data and declining levels of business and consumer confidence, the data suggests that economic activity may be losing strength at the margin. The first batch of coincident indicators for March reinforces this view since, so far, it points to weak economic activity. Considering the slower-than-expected start to the year, consensus has revised the forecast for 2019 GDP to 1.7%, while keeping the expectation of an acceleration towards next year to 2.5%.

Despite the downward revisions to growth, inflation ended the first quarter in acceleration mode. March IPCA came in at 0.75% m/m and 4.58% y/y. The index accelerated led by food-at-home and gasoline. Despite the upward surprise, the breakdown didn't undo the benign environment for inflation. In fact, y/y services inflation accelerated moderately from 3.3% to 3.6%, while the average of core inflation measures, at 3.1% y/y, continues at comfortably low levels. Mounting odds of stronger monitored price inflation in 2019 have offset the downward revisions to non-monitored price inflation related to the weakness of economic activity. As such, consensus has revised the 2019 forecast up to ~4.0% and kept the same estimate (of 4%) for 2020.

In relation to external accounts, the 12-month current account deficit ticked down to US$13.9bn (0.7% of GDP) in February. The current account deficit in was US$1.1bn in February. The decline compared to the same period last year was driven by a higher trade surplus as well as a decline in expenditures with services. Net expenditures with income increased slightly in the same comparison. In the meantime, 12-month FDI rose to US$89.5bn (4.8% of GDP), higher than US$88.3bn at YE18. For their part, international reserves remain at a high level (US$391bn). So, Brazil's external accounts are in decent shape and should continue to indicate the country's low external vulnerability.

Finally, Brazil's consolidated public sector posted a 12-month accumulated primary deficit of R$106bn (-1.5% of GDP) in February, slightly lower than January (-1.6% of GDP) but still well above mid-2018 levels (-1.2% of GDP last July). Beating the 2019 target of -R$132bn (-1.8% of GDP) looks doable but will require a tight lid on expenditures, and the recently announced prudent budget freeze (of R$30bn) confirms that scenario. With growing signs of a sluggish economic rebound, key non-recurrent revenues are relevant this year. On this front, strong demand from investors in recent auctions suggests more appetite for the new concession rounds later in the year, which should bring in bulkier revenue flows. On the other hand, the recent pension reform proposal has no impact on the 2019 public accounts and will only gradually exert downward pressure on expenditures in the short term. Thus, the medium- and long-term fiscal scenario remains challenging.

Consolidated Adjusted Revenues

Revenues in 1Q 2019 were R$1,482 billion, a decrease of 4.3% when compared to 4Q 2018 and an increase of 13.1% when compared to 1Q 2018.

We continue to deliver good results from our client franchises.

Adjusted Revenues (unaudited)	**Quarter**			**1Q 2019 % change to**	
(in R$ million, unless otherwise stated)	**1Q 2018**	**4Q 2018**	**1Q 2019**	**1Q 2018**	**4Q 2018**
Investment Banking	110	86	175	59%	104%
Corporate Lending	171	133	186	9%	39%
Sales & Trading	551	497	436	-21%	-12%
Asset Management	125	279	167	34%	-40%
Wealth Management	104	120	131	26%	10%
Principal Investments	96	328	180	88%	-45%
Participations	(6)	(26)	104	n.a.	n.a.
Interest & Others	160	132	103	-36%	-22%
Total revenues	**1,310**	**1,549**	**1,482**	**13%**	**-4%**

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)**		
	1Q 2018	**4Q 2018**	**1Q 2019**	**1Q 2018**	**4Q 2018**	**1Q 2019**
Financial Advisory (M&A)[4]	12	12	4	2,009	2,923	1,120
Equity Underwriting (ECM)	3	1	3	327	175	219
Debt Underwriting (DCM)	12	7	7	2,413	507	917

BTG Pactual Announced Transactions (unaudited)	**Number of Transactions[1,3]**		**Value[2,3] (US$ mln)**	
	3M 2018	**3M 2019**	**3M 2018**	**3M 2019**
Financial Advisory (M&A)[4]	12	4	2,009	1,120
Equity Underwriting (ECM)	3	3	327	219
Debt Underwriting (DCM)	12	7	2,413	917

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

Note

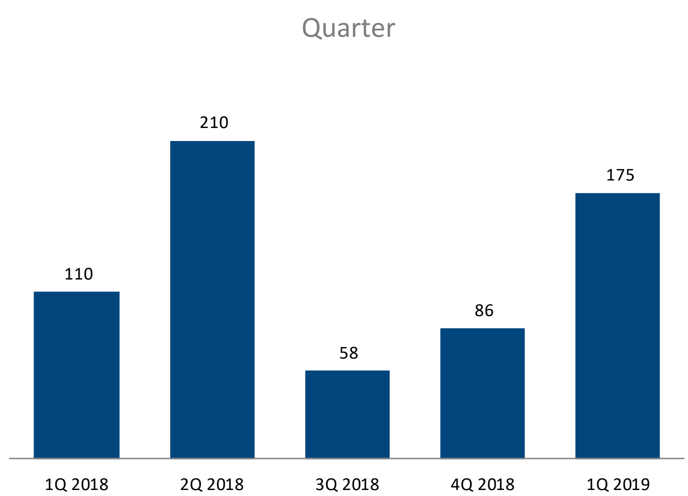
1. *(1) Equity underwriting and debt underwriting represent closed transactions. Financial advisory represents announced M&A deals, which typically generate fees upon their subsequent closing.*
2. *(2) Local DCM transactions were converted to U.S. Dollars using the end of quarter exchange rates reported by the Brazilian Central Bank.*
3. *(3) Market data from previous quarters might vary in all products, due to potential inclusion and exclusions.*
4. *(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 1Q 2019 market share highlights

ECM: #1 in number of transactions in Latin America, #3 in number of transactions in Brazil and #4 in volume of transactions in Brazil

M&A: #3 in number of transactions in Brazil

Revenues
(in R$ million)



1Q 2019 vs. 4Q 2018

Investment Banking revenues were R$175.4 million, a 103.9% increase compared to 4Q 2018. The strong performance was driven by Financial Advisory, with contributions from Brazil and Latin America, as well as DCM, with higher market activity. ECM also improved its revenues, due to the increase in market activity.

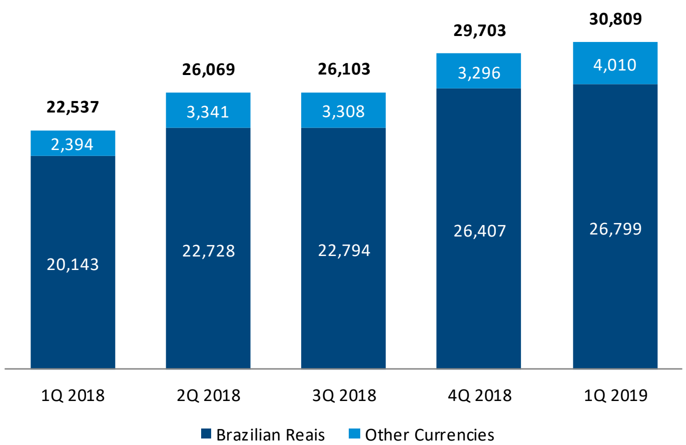
1Q 2019 vs. 1Q 2018

Investment banking revenues increased 59.3% compared to 1Q 2018. Revenue growth was attributed to all business lines, especially ECM, which had a weak first quarter in 2018 resulting from market conditions.

Corporate Lending

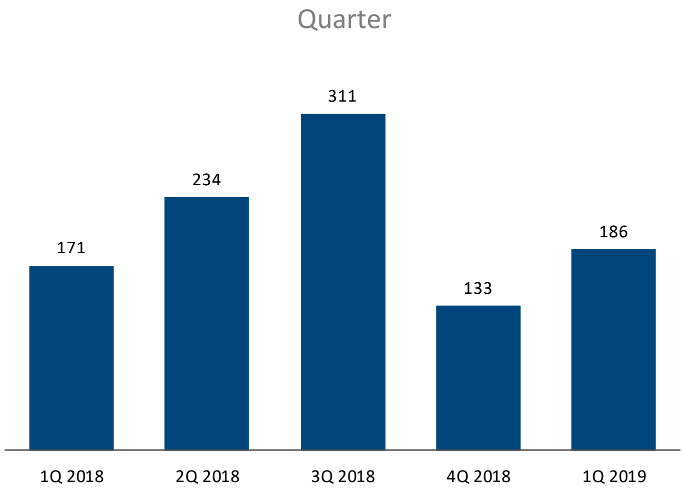
During the quarter, our corporate lending book grew 3.7%. We had 36.7% year-on-year growth, in line with our strategy of balance sheet deployment. The credit book continues to maintain its good asset quality, with spreads in line with our historical average.

Corporate Lending Portfolio
(in R$ million)



Revenues

(in R$ million)



1Q 2019 vs. 4Q 2018

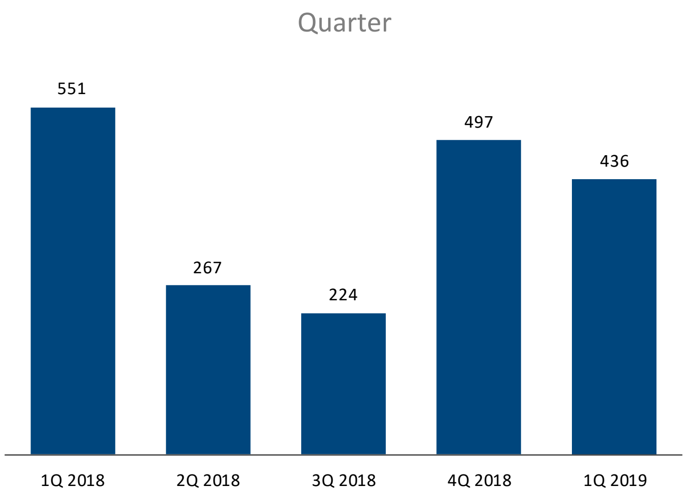
Revenues from Corporate Lending increased 39.3% from R$133.4 million in 4Q 2018 to R$185.8 million in 1Q 2019. The revenue growth was mainly due to credit book growth and lower provisioning in the quarter.

1Q 2019 vs. 1Q 2018

Revenues from corporate lending increased 8.8% from $170.9 million in 1Q 2018 to R$185.8 million in 1Q 2019. The revenue growth was mainly due to the average portfolio growth, as average credit spreads were flat.

Sales & Trading

Revenues
(in R$ million)



1Q 2019 vs. 4Q 2018

In a quarter marked by weakening of the BRL and most LatAm currencies, and weak performance of the Ibovespa, Sales & Trading revenues were R$435.6 million, 12.4% below 4Q 2018. The decrease was mainly due to our Energy desk, which suffered from market volatility in the period, partially offset by sound revenues from most other desks.

1Q 2019 vs. 1Q 2018

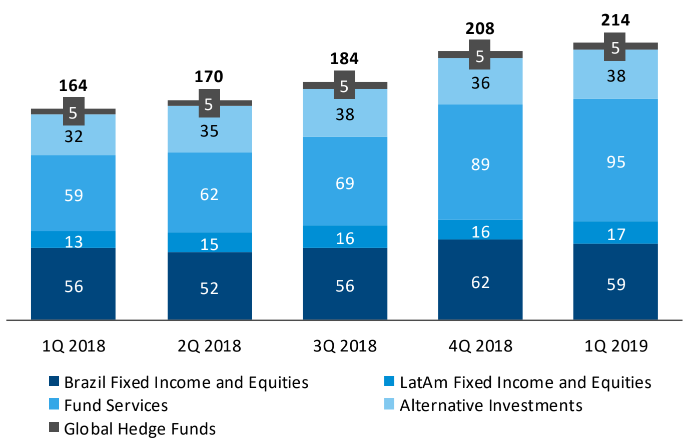
Sales & Trading revenues decreased 20.9%, from R$550.6 million to R$435.6 million. This decline was mostly due to the performance of our Energy desk during the quarter, as mentioned above, and to a weaker performance in equities compared to a what was a strong first quarter in 2018.

Asset Management

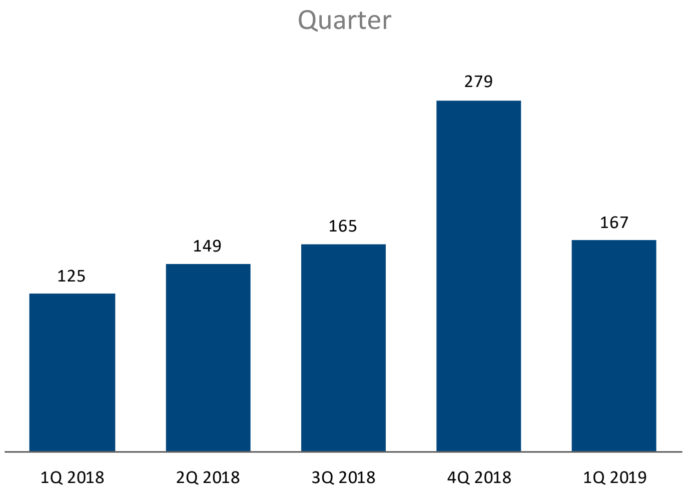
In 1Q 2019, total Assets under Management (AuM and AuA) rose to R$214.1 billion, a 3.2% quarterly increase and a 30.8% increase compared to 1Q 2018. Net new money was negative R$0.1 billion in the quarter, primarily due to outflows in Brazil Fixed Income and Equities Funds, partially offset by inflows in Fund Service, LatAm Fixed Income and Equities and Alternative Investments.

AuM & AuA by Asset Class

(in R$ billion)



Revenues
(in R$ million)



1Q 2019 vs. 4Q 2018

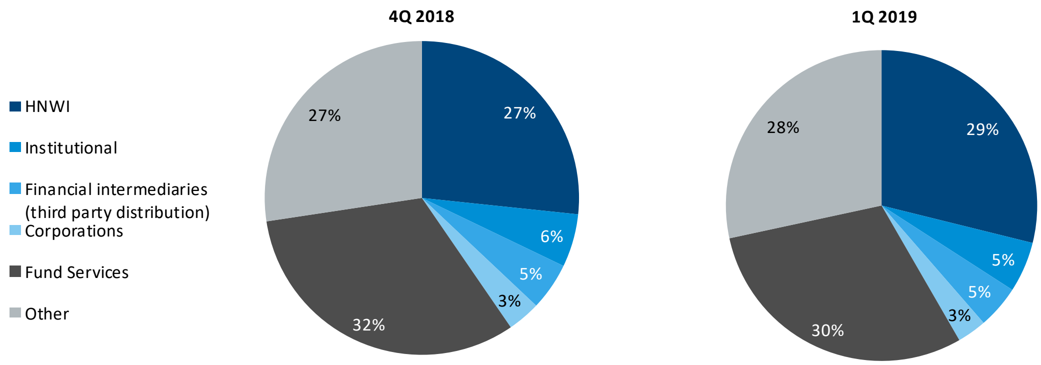
Asset management revenues decreased 39.9% in the period compared to 4Q 2018. The decrease was mainly due to performance fees that are usually recorded in accordance with the accrual period in December. Management fees grew in the quarter, in line with the total AuM/AuA.

1Q 2019 vs. 1Q 2018

Asset Management revenues increased 34.1% from R$124.8 million in 1Q 2018 to R$167.4 million in 1Q 2019. The increase was mainly attributable to a 30.8% growth of the average AuM/AuA compared to the same period a year ago.

AuM and AuA by Type of Client

(%)

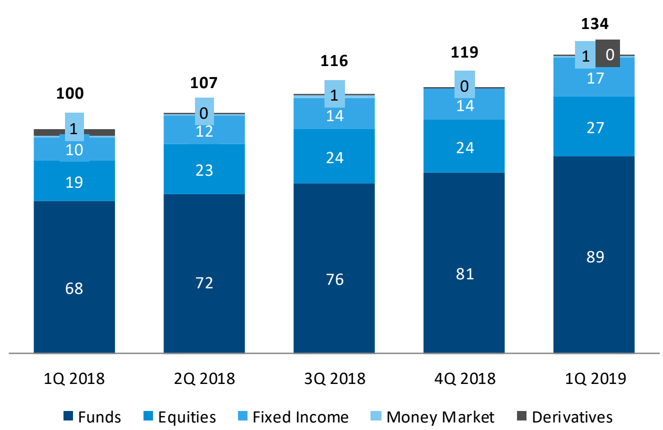


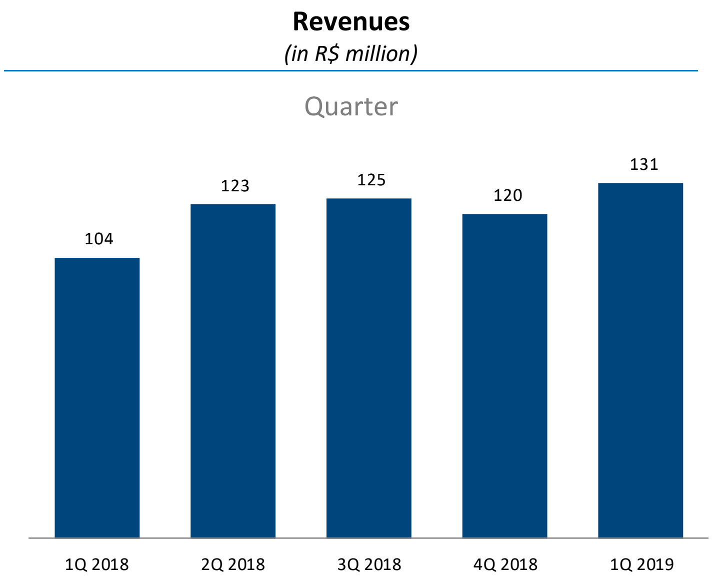
Wealth Management

During the quarter, our Wealth under Management increased 12.1% from R$119.2 billion in 4Q 2018 to R$133.6 billion in 1Q 2019. We continue to receive significant inflows in most products, and NNM was R$7.4 billion. Year-on-year WuM growth was 33.4%.

WuM Breakdown

(in R$ billion)





1Q 2019 vs. 4Q 2018

Wealth Management revenues increased 9.5% compared to 4Q 2018, mainly due to positive contribution from trading activities, as well as average WuM growth.

1Q 2019 vs. 1Q 2018

Revenues from Wealth Management increased 26.5%, from R$103.7 million to R$131.2 million, mainly due to the 33.4% 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			1Q 2019 % change to	
	1Q 2018	4Q 2018	1Q 2019	1Q 2018	4Q 2018
Global Markets	6	15	2	-62%	-85%
Merchant Banking	106	330	190	79%	-42%
Real Estate	(16)	(17)	(12)	n.a.	n.a.
Total	**96**	**328**	**180**	**88%**	**-45%**

1Q 2019 vs. 4Q 2018

Principal Investments revenues decreased 45.0% compared to 4Q 2018, from R$327.9 million to R$180.4 million.

It is worth noting that, during the quarter, (i) Global Markets results were flat, (ii) Merchant Banking had 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.

1Q 2019 vs. 1Q 2018

Principal Investments posted gains of R$180.4 million in 1Q 2019 compared to R$95.8 million of gains in the 1Q 2018, with better contribution in Merchant Banking, as explained above.

Participations

1Q 2019 vs. 4Q 2018

In Participations, we had gains of R$103.6 million with positive contribution from all business lines. Revenues in 1Q 2019 consisted of (i) R$43.7 million gains from Banco Pan, which continues to improve its performance, (ii) R$7.4 million gains from Too Seguros and Pan Corretora, (iii) R$32.7 million gains from EFG, and (iv) R$19.8 million gains from ECTP. In 4Q 2018, we had losses of R$25.5 million, mostly driven by ECTP's under performance.

1Q 2019 vs. 1Q 2018

Participations gains were R$103.6 million, as noted above, compared to losses of R$5.6 million in 1Q 2018 that were due to negative equity pick-up in EFG mostly related to one-time integration costs at the time.

Interest & Others

1Q 2019 vs. 4Q 2018

Interest & Others revenues were R$102.6 million in 1Q 2019, compared to R$131.5 million in 4Q 2018. Revenues are comprised of the average interest rate of the Central Bank of Brazil applied to our equity, negatively impacted by volatility in certain hedging instruments.

1Q 2019 vs. 1Q 2018

Revenues from Interest & Others decreased 35.8% in the period, also 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			1Q 2019 % change to	
(in R$ million, unless otherwise stated)	1Q 2018	4Q 2018	1Q 2019	1Q 2018	4Q 2018
Bonus	(143.3)	(298.2)	(169.9)	18.6%	-43.0%
Salaries and benefits	(148)	(156)	(165)	12.0%	6.0%
Administrative and other	(205)	(229.3)	(202.8)	-1.3%	-11.6%
Goodwill amortization	(32)	(40)	(37)	16.9%	-7.2%
Tax charges, other than income tax	(44)	(85.3)	(66.4)	51.9%	-22.1%
Total operating expenses	**(572)**	**(809)**	**(641)**	**12%**	**-21%**
Cost to income ratio	44%	52%	43%	-1%	-17%
Compensation ratio	22%	29%	23%	2%	-23%
Total number of employees	2,103	2,252	2,284	9%	1%
Partners and associate partners	238	256	254	7%	-1%
Employees	1,865	1,996	2,030	9%	2%

Bonus

The bonus expense was R$169.9 million in 1Q 2019, compared to R$298.2 million in 4Q 2018. The decrease is mainly attributable to lower operating revenues, while expenses were in line with previous quarter. In 1Q 2018, bonus expenses were R$143.3 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 6.0% and 12.0% in the quarter when compared to 4Q 2018 and 1Q 2018, respectively. Expenses related to salaries and benefits were R$156.1 million in 4Q 2018 and R$147.7 million in 1Q 2018, compared to R$165.4 million in 1Q 2019, mostly connected to new hires at BTG Pactual digital as well as the impact of FX.

Administrative and other

Total administrative and other expenses decreased 11.6%, from R$229.3 million in 4Q 2018 to R$202.8 million in 1Q 2019, mainly related to legal and consulting expenses. There was a slight decrease when compared to 1Q 2018, mainly due to a significant reduction of one-off legal expenses from BSI legal cases, partially offset by investments in our digital platform. When excluding non-recurring costs, total administrative and other expenses decreased 14.4% when compared to 4Q 2018 and increased 17.7% when compared to 1Q 2018.

Goodwill amortization

In 1Q 2019, we recorded goodwill amortization expenses totaling R$36.8 million, almost all related to EFG/BSI goodwill. Goodwill amortization declined 7.2% when compared to 4Q 2018, but increased 16.9% when compared to 1Q 2018, due to impacts of exchange rate variation.

Tax charges, other than income tax

Tax charges, other than income tax, were R$66.4 million or 4.5% of total revenues compared to R$85.3 million in 4Q 2018 or 5.5% of total revenues. The reduction mainly reflects a more favorable revenue mix in the quarter.

Adjusted Income Taxes

Adjusted Income Tax (unaudited)	**Quarter**		
(in R$ million, unless otherwise stated)	**1Q 2018**	**4Q 2018**	**1Q 2019**
Income before taxes	739	740	841
Income tax and social contribution	(138)	(188)	(165.7)
Effective income tax rate	**18.7%**	**25.4%**	**19.7%**

Our effective income tax rate for the quarter was 19.7% (representing an income tax expense of R$165.7 million), compared to a rate of 25.4% in the 4Q 2018.

In 1Q 2018 we posted an income tax expense of R$138.2, representing an 18.7% income tax rate.

Balance Sheet

Total adjusted assets increased 19.7%, from R$137.6 billion at the end of 4Q 2018 to R$164.7 billion at the end of 1Q 2019, mainly due to an increase in our foreign exchange portfolios, booked on a gross basis and in our assets financed through repos. There was also a 10.3% increase in our credit portfolio from 4Q 2018. Therefore, our leverage ratio increased from 7.3x to 8.5x.

On the liability side, the foreign exchange portfolios and repo financing increased, both in line with the increase in our assets, as mentioned above. There was also a 4.2% increase in our unsecured funding driven by bond issuances. These movements were partially offset by a decrease in Other liabilities due to the payment of bonus and interest on capital.

Shareholders' equity increased from R$18.8 billion at the end of 4Q 2018 to R$19.4 billion at the end of 1Q 2019, mainly impacted by the net income of R$675.0 million in the quarter, partially offset by other comprehensive income.

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)	**1Q 2018**	**4Q 2018**	**1Q 2019**
Total average daily VaR	**105.5**	**93.3**	**133.0**
Average daily VaR as a % of average equity	0.57%	0.49%	0.69%

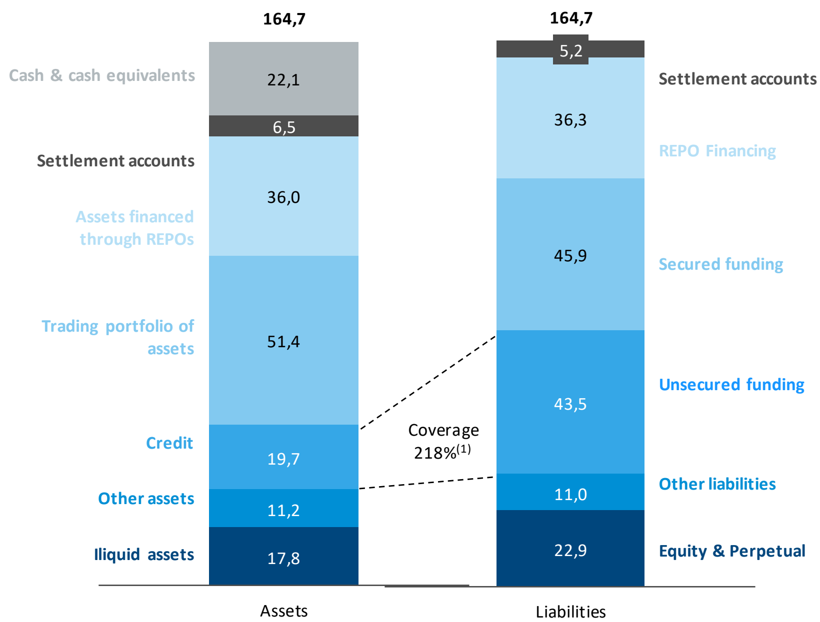
Our total average daily VaR increased 42.6% when compared to 4Q 2018. The increase was mainly driven by the Brazilian equities and Rates.

Liquidity Risk Analysis

The chart below summarizes the composition of assets and liabilities as of March 31, 2019:

Summarized Balance Sheet (unaudited)

(in R$ billion)



Note:

(1) Excludes demand deposits

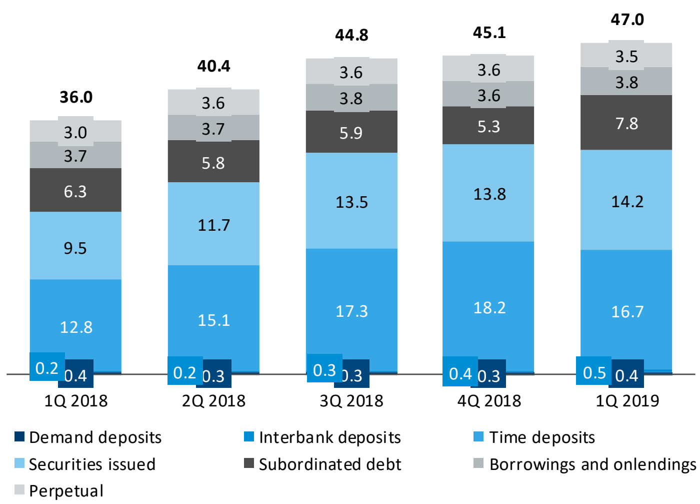
For comparative purposes, total adjusted assets exclude the consolidation of a fund that we used to treat as seed money in our financials. Such fund, although with low risk, has a high leverage through long and short portfolio and repo and reverse repo of mainly US Treasuries and high grade European government bonds.

Unsecured Funding Analysis

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

Unsecured Funding Evolution (unaudited)

(in R$ billion)



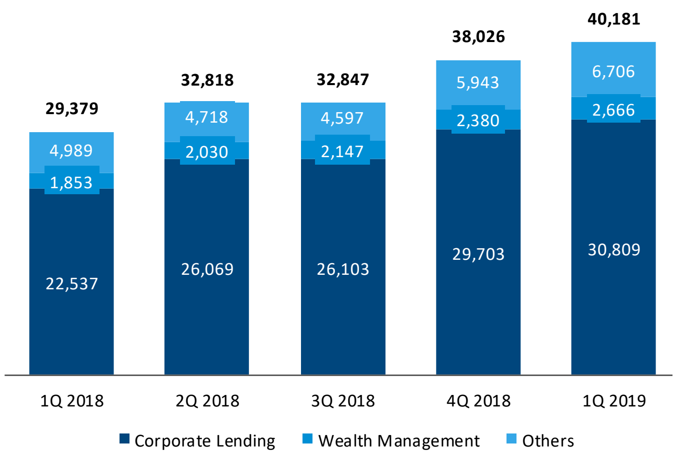
Total unsecured funding increased from R$45.1 billion in 4Q 2018 to R$ R$47.0 billion in 1Q 2019, mostly driven by our Tier II issuance of US$600 million and a 10yr bond issuance in BTG Pactual Chile of US$ 100 million.

BTG Pactual Broader Credit Portfolio

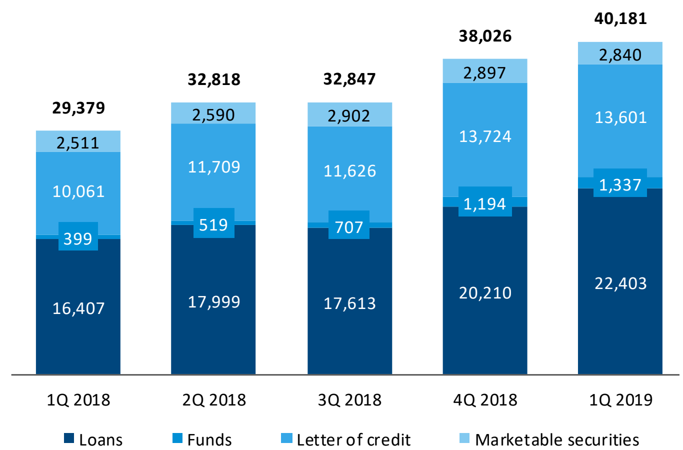
Our broader credit portfolio is comprised of loans, receivables, advances in foreign exchange contracts, letters of credit and marketable securities bearing credit exposures (including debentures, promissory notes, real estate bonds, and investments in credit receivable funds – FIDCs).

The balance of our broader credit portfolio increased 5.7% when compared to the previous quarter, from R$38.0 billion to R$40.2 billion, and 36.8% compared to 1Q 2018.

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



Broader Credit Portfolio by Product
(in R$ million)



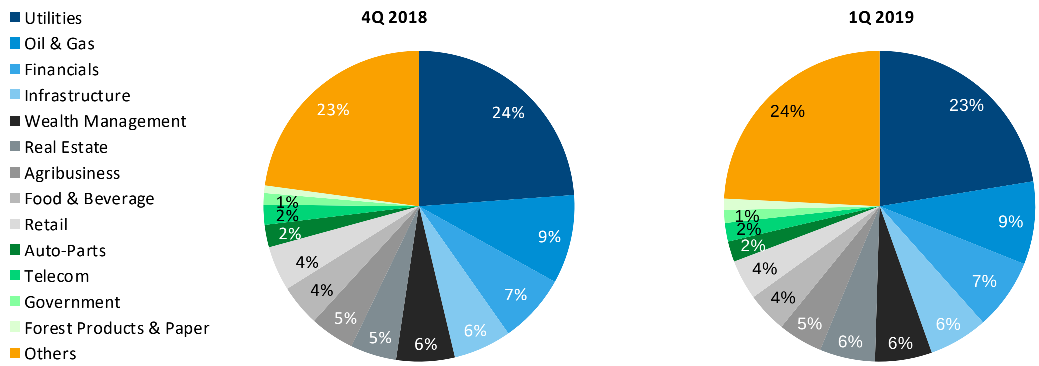
Notes:

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

(4) 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 March 31, 2019 by credit rating. The ratings below reflect our internal assessment, consistently applied in accordance with the Brazilian Central Bank standard ratings scale:

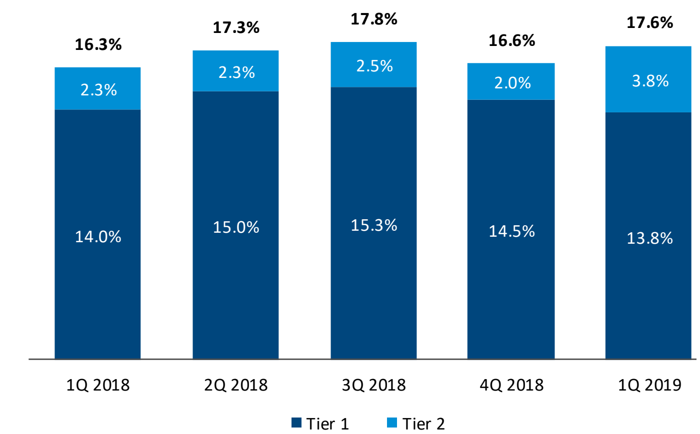
Rating (unaudited) (in R$ million)	1Q 2019
AA	22,630
A	8,289
B	4,748
C	936
D	1,763
E	941
F	449
G	229
H	197
Total	**40,181**

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 increased to 17.6% at the end of 1Q 2019, adjusted for Tier II bond issued during the quarter, just pending regulatory approval. Our liquidity coverage ratio (LCR) ended the quarter at 218%.

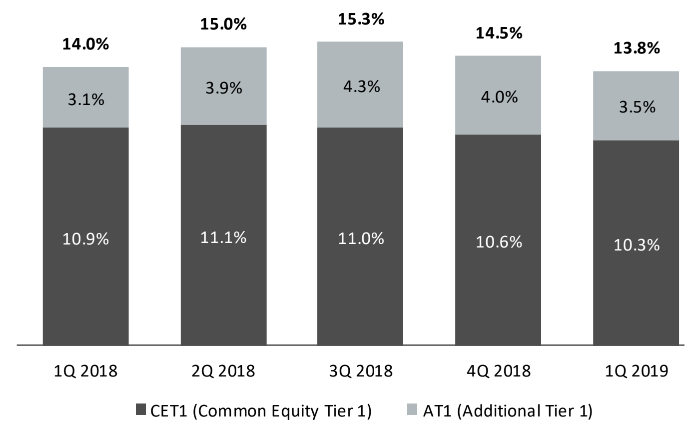
Basel Ratio (unaudited)

(%)



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)	Quarter			1Q 2019 % change to	
(in R$ million, unless otherwise stated)	1Q 2018	4Q 2018	1Q 2019	1Q 2018	4Q 2018
Assets					
Cash and bank deposits	7,293	979	1,224	-83%	25%
Interbank investments	40,949	43,497	53,995	32%	24%
Marketable securities and derivatives	45,465	29,992	73,166	61%	144%
Interbank transactions	1,187	1,636	1,164	-2%	-29%
Loans	14,032	18,220	19,565	39%	7%
Other receivables	31,690	33,867	53,617	69%	58%
Other assets	78	259	279	257%	8%
Permanent assets	5,639	9,197	8,797	56%	-4%
Total assets	**146,334**	**137,646**	**211,806**	**45%**	**54%**
Liabilities					
Deposits	19,043	20,950	19,973	5%	-5%
Open market funding	41,992	35,575	70,250	67%	97%
Funds from securities issued and accepted	10,131	14,396	14,846	47%	3%
Interbank transactions	230	82	116	-50%	42%
Loans and onlendings	5,202	4,970	5,342	3%	7%
Derivatives	13,556	2,813	4,070	-70%	45%
Subordinated liabilities	6,341	5,266	7,780	23%	48%
Other liabilities	30,861	34,480	69,058	124%	100%
Deferred income	110	130	142	29%	9%
Shareholders'equity	**18,702**	**18,845**	**19,449**	**4%**	**3%**
Non-controlling interest	166	139	780	369%	462%
Total liabilities	**146,334**	**137,646**	**211,806**	**45%**	**54%**

Adjusted Income Statement (unaudited) (in R$ million, unless otherwise stated)	Quarter			1Q 2019 % change to	
	1Q 2018	4Q 2018	1Q 2019	1Q 2018	4Q 2018
Investment Banking	110	86	175	59%	104%
Corporate Lending	171	133	186	9%	39%
Sales & Trading	551	497	436	-21%	-12%
Asset Management	125	279	167	34%	-40%
Wealth Management	104	120	131	26%	10%
Principal Investments	96	328	180	88%	-45%
Participations	(6)	(26)	104	n.a.	n.a.
Interest & Others	160	132	103	-36%	-22%
Total revenues	**1,310**	**1,549**	**1,482**	**13%**	**-4%**
Bonus	(143)	(298)	(170)	19%	-43%
Salaries and benefits	(148)	(156)	(165)	12%	6%
Administrative and other	(205)	(229)	(203)	-1%	-12%
Goodwill amortization	(32)	(40)	(37)	17%	-7%
Tax charges, other than income tax	(44)	(85)	(66)	52%	-22%
Total operating expenses	**(572)**	**(809)**	**(641)**	**12%**	**-21%**
Income before taxes	**739**	**740**	**841**	**14%**	**14%**
Income tax and social contribution	(138)	(188)	(166)	20%	-12%
Net Income	**600**	**552**	**675**	**12%**	**22%**

Income Statement (unaudited) (in R$ million, unless otherwise stated)	Banco BTG Pactual S.A.	
	4Q 2018	1Q 2019
Financial income	2,685	3,226
Financial expenses	(1,617)	(2,597)
Gross financial income	**1,068**	**629**
Other operating income (expenses)	92	296
Operating income (expenses)	**1,159**	**925**
Non-operating income/(expenses)	(3)	28
Income before taxes and profit sharing	**1,156**	**953**
Income and social contribution taxes	(318)	(120)
Statutory profit sharing	(288)	(166)
Non-controlling interest	**3**	**8**
Net income	**552**	**675**

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 - First Quarter 2019

May 09th, 2019 (before market open)

English Conference Call
May 09th, 2019 (Thursday)
12:00 PM (New York) / 01:00 PM (Brasília)
Phone: +1 (412) 317-5446

Code: BTG Pactual

Replay until 15/08: +1 (412) 317-0088

Code: 10119782

Portuguese Conference Call
May 09th, 2019 (Thursday)
10:00 AM (New York) / 11:00 AM (Brasília)
Phone: +55 (11) 3193-8000 / +55 (11) 2188-0155

Code: BTG Pactual

Replay until 15/08: +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.

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