

## Q2 2015 Earnings Call

### Company Participants

- Andre Esteves, Chairman, CEO
- Marcelo Kalim, CFO

### Other Participants

- Jorge Kuri, Analyst
- Maclovio Pina, Analyst
- Tito Labarta, Analyst

### Presentation

#### Operator

Good morning. Welcome to the Second Quarter of 2015 results conference call of BTG Pactual. With us here today we have Mr. Andre Esteves, Mr. Marcelo Kalim, Mr. Joao Dantas and Mr. Pedro da Rocha Lima. We would like to inform you that this event is being recorded. And all participants will be in a listen-only mode during the bank's presentation.

After BTG Pactual's remarks, there will be a question and answer session for investors and analysts, when further instructions will be given. (Operator Instructions)

Today, we have a simultaneous webcast that may be accessed through the website, [www.btgpactual.com/ir](http://www.btgpactual.com/ir). There will be a replay facility for this call for a week; from Aug. 6 through Aug. 12.

Before proceeding, let me mention that this call may contain forward-looking statements relating to the prospects of the business as submits for operating and financial results and those related to the growth prospects of BTG Pactual. These are merely projections and, as such, are based exclusively on the expectations of BTG Pactual's management concerning the future of the business.

Such forward-looking statements depend substantially on changes in market conditions, government regulations, competitive pressures, the performance of the Brazilian economy in the industry among other factors and risks disclosed in BTG Pactual's filed disclosure documents and are therefore subject to change without prior notice.

Now, I'll turn the floor over to Mr. Andre Esteves, who will begin the presentation. Mr. Esteves, please go ahead.

## Andre Esteves {BIO 1939152 <GO>}

Good afternoon, everybody. Thank you for being with us in our earnings call. Well we are very glad to announce the results of Second Quarter. So we have BRL2.47 billion revenues; BRL2.47 billion of revenues. We have BRL1.023 billion of net income. And this translated in shareholders equity of BRL19.8 billion.

So we are glad that these results on revenues and net income were of the highest results since we are a public company. And more; even more important, we achieved it in a challenging economic environment, being one of core markets Brazil. The return on equity of these results is 21%. And net income of BRL1.13 for; per unit. So these are good numbers and in line to what we expect to achieve.

Expenses remain under control. So we had some increase in bonus provision. But we had a little bit less than that in the First Quarter. So it's on the semester; it's in line, expenses. And KPI is up in line to our expectation.

In terms of total assets, we have a reduction of 7% when compared to First Quarter of '15. Total assets say that (BRL209 billion). And our basel ratio was 16.9%, coming from 16.7% on the First Quarter. So these assets reductions translating to a more cautious risk management policy, As I said the economics scene has deteriorated in Brazil. And we need to respond being active in terms of managing the exposure.

So we reduced credit exposure. We reduced private equity exposure. We reduced real estate exposure and global market exposure. So more or less in line to a direction that we had already discussed here in terms of overall exposure to principal investments. And in the case of credit, Marcelo Kalim, our CFO, will explain in more details. But we are in a direction of; of achieving something around two times our equity by the end of the year, which we consider a level that we can; we can play in any economic scenario with good results. We always told you, more or less, that we would keep the credit portfolio between two and three times our equity. So times are more challenging. So we need to be on the lower range of that ratio.

Moving to the next page; page four. Looking at the business on a; on a semester base, I think the results continue to show positive numbers. So BRL4 billion of revenues for the first half of the year; BRL1.877 billion in terms of all net income. And shareholders equity as I had already said, BRL19.8 billion.

So then when you look at the KPIs, they are in line to our guidance for you. So cost to income at 45%, compensation at 25%; exactly at the level that we expect. And net margin at 47%. As you probably saw, we announced (JCP) payments of BRL469.3 million yesterday, to be paid in two weeks.

So moving to the next page, we included a special page in this presentation. This quarter, it's three years from when we went public. So we went public in the Second Quarter of 2012. And we consider an interesting reflection on what we achieved and how was the

development of the company as a public company since then. So we have the four charts here in this page number 5.

First is shareholders' equity evolution. So we moved from BRL12.3 billion to BRL19.8 billion. And this is significant growth. And an IRR of 23.3% of return. If you go to the bottom of; of this side of the page, you have together with this accumulation of equity, we have on the top of that better things. We have BRL2.83 billion of business distributed, including the business that we announced yesterday.

So significant wealth was created here. And an important part of that distributed to shareholders.

Assets under management, moving from BRL132 billion to BRL214 billion. So it's a big increase in three years. So fantastic number. And the same happened, or even better, in wealth management business. So moving from BRL40.8 billion to BRL91.9 billion. So it's more than doubled in three years time.

I think these four charts, they; they are a summary of, in our view, what we consider a very good delivery since the IPO. And especially considering that this scenario was very different from the one that we took the company public. And even so, management had the capability of moving in the direction of the opportunities managed risks and delivered this significant growth and wealth creation.

To conclude my piece as always, I'll do this general comments. And our CFO, Marcelo Kalim, will go in more details in each of the business units. We move to page 6, where we have a general view of each of business units and the same for the semester. So I think results in investment bank were; were quite good. Much higher than the first half. As we said before, we think we'll deliver budget investment bank.

As we always like to say, the; the; the service that we provide changed. But our company's investors continue to need advice to manage their balance sheets to benefit from the opportunities to manage their risks. And I think we have very good; we are very well positioned to provide this to the corporation. So we continue to expect a similar delivery than last year, which is our budget in investment bank; more concentrated in eliminating capital markets but, overall revenues more or less in line.

On corporate lending, also good results. Results were above our; our recurring number that we can see around BRL200 million. Again, we have some additional money coming from good performance in NPL portfolios. It happened in the First Quarter, it's happened this quarter. It's non-recurring revenues. But it's a very good position made by the credit unit. So it's part of our corporate lending business.

Sales and trading results were a little bit lower when you compare to last; last quarter. But that's the nature of the business. We don't see the range of (citizens) rating of variations larger than that. So it's natural in a moment of much higher volatility that we have some impacts on an interim basis. If the month was July, the results would be different. So I

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suggest look at these on a more normalized base as the first half numbers suggest. And that's what we expect for the business.

On asset management and wealth management, no big news here. The business continues to grow. The results in assets management is basically management fees only. And wealth management continues to grow and increase slightly quarter after quarter. The results; we are very glad with the numbers.

And increase to investments, we have after a few quarters of negative results I guess strong results. And it's come basically from big transaction. We sold almost half of our position in Rede D'Or, the largest hospital chain in Brazil. And our net offsetted by; partially offsetted by some additional provisions that would be in (RNF) sector holdings. So that's the increase to investments results.

We had some negative results in global markets and real estate. Not very significant. And we do expect a reversion of both in the next quarters. Interest is nothing special. And when you look at the first half numbers, they translate to a more, I would say normalized direction of our business.

So with these introductions made, I would hand to Marcelo Kalim to go deeper into business units and in the balance sheets and, of course, we'll be ready to answer your questions right after that.

### **Marcelo Kalim** {BIO 16142515 <GO>}

Good afternoon, everyone. Thank you for attending this call. If we can turn to page 8, where we start to talk about our business areas. And the first one is investment banking.

In this quarter, we reached BRL162 million of revenues, which is a significantly strong quarter. And this shows something that we have been saying for the last couple of quarters is that with the business (requirement) that we are seeing in Latin America, which is our core market, the revenues tend to be a little bit more of a lump sum from quarter to quarter because there are fewer transactions.

However, this kind of revenue I think is a statement of the strength of our franchise and our position in the market. We are ranked either number 1 or number 2 in the different categories of M&A, equity, capital markets and (debted) capital markets. So we can expect the same pattern to go on for the next quarter.

From time to time, we are going to have above average revenues. But we remain to feel very optimistic about these lines of business. And we hope to have the same kind of revenue this year as we had last year; as we have been saying the last couple of quarters.

Turning to page 9, we have corporate lending. And here, I think, we have a lot of common (stakes). Some of them Andre already made. But I think we can go a little bit deeper here. We reached BRL302 million of revenue in this area, which is a very significant number.

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And here, this revenue can be split in two parts; one, what we call our recurrent business on the; our credit portfolio; and also, it very strong performance of our NPL portfolio, which may happen or not happen in different quarters. But however the structural business of our corporate lending book is still pretty robust.

The other point I would like to make is that you see that our broader credit portfolio went down from BRL49.1 billion to BRL48.9 billion. And as a matter of fact, it was even lower than that because there is some specific transactions related to interbank loans that we have that are accounted here. But the structural portfolio is somewhat BRL2 billion lower than that.

And you can see as well that the corporate lending business; the dark blue box; went down from BRL43.5 to BRL41.7. As Andre mentioned, that was deliberate on our; a deliberate strategy from our side. We believe that given the current environment of Latin America and Brazil, more specifically, it was more prudent to reduce our exposure.

We had a guideline that we were comfortable on going up to three times our equity for the size of our credit portfolio. But we believe that given the current status of the economic environment, it would be more prudent to go to something around two times our net equity. And probably by the end of the year, we will be very close to the number; probably around 2.1 times our equity; that would be the size of our broader credit portfolio.

However, that doesn't mean that our revenues will decrease, because we are seeing very good opportunities, very good transactions; high quality with very high margins. So that's why we believe our, let's say recurrent business, or the revenues on our credit portfolio, can sustain the more or less BRL200 million of revenues per quarter as we have been seeing in the past. And that was the case this quarter.

So we are very optimistic with this area. As we said, allocating less capital but maintaining the level of revenues that we are seeing.

On page 10, we have the sales and trading business. And for sure, this is a down quarter for us. We reached BRL313 million of revenues. As I said, a down quarter. Well below what we believe is the average. For sure also the First Quarter of this year, it was well above average. And I think that's the nature of our business.

We are seeing very strong flows from our clients. And due to those strong flows, we have high levels of inventory. And even the volatility is normal to have this kind of oscillation. Sometimes the volatility occurs in increments. Sometimes intra-quarter. And in the specific case of this quarter, it's occurred at the end of the quarter.

As a matter of fact if July 1 was still part of the Second Quarter, the picture here would be a little bit different, which leads us to believe that the Third Quarter of the year will be a very strong one for sales and trading and has been through all the year. And more likely than not, we believe that this volatility will average out itself and we are going to have a

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very strong half of the year and on pace to have very good revenues in this line of business.

From desk to desk, our FX and fixed income desks had a very good quarter. Our commodities division suffered from the volatility. But a very strong quarter as well. And the equities division suffered given the markets in Latin America going down for the quarter. But as I said, all of the desks are performing at extremely good levels in terms of flows and profitability and these will show up when we show the results for the year.

Turn to page 11, asset management. We reached BRL269 million of revenues. And the interesting thing to point out here is that this is a pretty stable number. Both compared to First Quarter of this year, BRL270 million of revenue and also the Second Quarter of last year, we had BRL268 million of revenue.

An explanation for that is the same that we had in the First Quarter. Basically, we had no performance fees accrued in this quarter; basically, management fees. And if you look at the size of our assets under management; around BRL215 billion, which is pretty stable from quarter to quarter, you can see this picture very clear.

We believe that in the second half of this year, we'll be able to accrue some performance fees. Our global hedge fund, global emerging markets and (inaudible), which is our flagship fund for the international markets, had a pretty strong July. So we believe if this continues to be the case, we'll be able to accrue some performances throughout the year. So we are more optimistic for the second half of the year in this area as well.

On page 12, we have wealth management. And we are very pleased to show those results. We achieved BRL113 million of revenue; very consistent growth from quarter to quarter, which is something also we have been saying in the last couple of quarters. We are seeing a very good evolution in this business; not only in assets under management which, by the way, were very strong.

Net new money this quarter, BRL3.2 billion of net new money. Assets under management reaching almost BRL92 billion. But also the profile of profitability. We were able to increase the; the; the type of services or funds or management that we give to clients so we can generate more revenues in this area. And we believe this is going to be the case throughout the year as well.

On page 13, we have principal investments. And here, I think we have a lot to talk about. The highlight, of course, is the revenues in our merchant banking unit which reached BRL872 million. Just one comment before I talk about the revenues. If you do remember, last quarter we talked about being very confident that even with a very negative First Quarter, we were optimistic on reaching positive revenues for the year. And I think we have already achieved that in the Second Quarter. So the nature of this business, also it's kind of a lump sum. So when you have an event like we had this year at (inaudible) you have very high returns. So we believe this is going to be the case for the next quarters as well.

So talking about the revenues, the highlight is the investment that we have in Rede D'Or. And here, we have two events. One was the capital increase at Rede D'Or by Carlyle. We marked that in our book as an equity pickup. We didn't mark our stake at the price that Carlyle paid for the capital increase. We'd rather use just our share of gains on the capital increase from Carlyle.

And the second sources of revenue is the sale of part of our stake to GAC. And since we bypassed that, we booked the gain from that sale. It's important to mention that some sales are going to still occur in the Third Quarter of this year. We already announced another sale to GAC and probably there are others to come.

At the end, when all the sales are completed, we are going to be holding probably a little bit more than half of our initial position. And again, just to; to emphasize market at cost to value plus the equity pickup; not market at the value of the transactions that occurred. So probably, if the company continues to perform, we'll be able to monetize that in the future.

Also, we had some markdowns in the private; in the merchant bank portfolio. All of them related to the oil and gas sector. So that's comprised of the BRL872 million of positive revenue.

Talking about global markets, we have BRL111 million of negative revenues. It was a very tough quarter for international markets. But the markets I think show a very different picture through the start of the Third Quarter. As I mentioned, our global hedge fund had a very strong performance in July. And this also reflects the stance of the overall market. And we were able to profit that on our global market initiatives as well.

Real estate, we had a negative BRL253 million of revenue. And this is a direct translation on the situation of the BR property shares. If you do remember also last quarter, we were talking about the offer that we made to acquire the entire stake in BR properties. Unfortunately, this offer didn't go through. However, we remain very positive with the; with the assets of the company or the value creation that probably will occur in the company.

The company is committed to pursue more or less the same strategy that we envisioned when we; we announced this intention to make the offer. Actually, one divestment of the company already occurred. And so the company announced the sale of some portfolio of assets. And others will occur. So as I said, we are very confident that the company pursuing this strategy, a lot of value will be unlocked as the company value. Today, we hold over 30% of the company. So we will be able to profit from that as well.

Now, going to section 2, where we have the expenses. Here I think the highlight that I would like to make is that in a tough economic environment that we are seeing today, it's very important to keep costs under control. And we believe we are doing that. Because if you look at the administrative and other, the cost is pretty stable; BRL227 million compared to (BRL229) million from last quarter, or BRL216million from the same quarter

last year. So it's very important to maintain the costs down. And we believe we are doing that.

The only cost category that went up in a significant way was bonus, which is a direct reflection of the higher revenues that we had this quarter. From the KPI perspective, cost to income ratio is 50% for the quarter, a little bit higher than the usual. But I think it averages out with last quarter's staying at 45% for the first half of the year. And the same story with comp ratio 30%, averaging out with last quarter comprising 25% for the first half of the year, which is very close to what we believe is our long term target.

Moving to the balance sheet on page 17, I think we have some points to talk about here. The first is the decrease in the total assets, which Andre also mentioned coming from BRL224 million to BRL209 million. And this is not only a reduction of leverage of the company but I think a very important structural change that we are implementing our balance sheet. We are not only reducing some usage of the balance sheet, reducing our corporate lending exposure. But I think it's very important to mention that we are strategically reducing our exposure to principal investments.

We decreased our exposure to global markets. We decreased our exposure to private equity or merchant banks. And as I said, as we are (profit) to implement the strategy for the company's (inaudible) will probably be decreasing our exposure to real estate as well. And why we are doing that? We are preparing our balance sheet to absorb the (aside) which we believe is going to occur in the Third Quarter of this year.

So on a structural basis, we are moving capital allocated to principal investments to capital located in the banking business. And we believe we are doing that not only in a very profitable way, as you can see from the revenues. But on a very important point in time; both strategically from a geographical perspective; also from a diversification of fees perspective as well.

We believe this is going to be a very healthy transition in our balance sheet. As I said, we expect this acquisition of BSI to conclude in this quarter, probably September. And in the next quarter when we show the numbers, we'll be able to show a very different picture of our balance sheet. It was already being incorporated the BSI assets.

Moving to page 18, we have our unsecured funding base decreased from 71 to around 69 due to a direct reflection of our less usage of leverage and the; as I said, this is already a great move by our; a strategic move by our (salesforce).

And finally on page 19, we have our basel ratio and (value increase), which remained somewhat stable, increased; the basel ratio increased from 16. 7% to 16. 9%; again, above what we believe is our optimal target. And we have room to incorporate BSI when the conclusion; when the transaction is concluded. And value increase staying stable at 0. 6 compared to 0. 59 from last quarter.

I think this concludes the presentation. And we can open for Q&A. Thank you very much.



## Questions And Answers

### Operator

Thank you. The floor is now open for questions from investors and analysts. (Operator Instructions) Our first question comes from Tito Labarta from Deutsche Bank. Please go ahead.

#### Q - Tito Labarta {BIO 20837559 <GO>}

Hi. Good afternoon. Thank you for the call. A couple of questions. First just on your sales and trading. I know you mentioned; talked a little bit about the volatility in those numbers but if you kind of average things out. But just given the range we saw in the first half of the year from BRL1.1 billion in the First Quarter to BRL300 million this quarter, should we; should we think; so like, the average of those two? Is that how we should look at that going forward? Or, if you could maybe kind of narrow the range a little bit, just given the big variance that happened this quarter.

And also, if you can just talk a little bit more; you know, you said the commodities both, I guess, underperformed a bit. Is that just lower commodity prices? And that's kind of impacting the performance there? If you can maybe give a little bit more color on what happened this quarter.

Then on the second question, I guess, in terms of your; your principal investments. You mentioned you did, I guess, another sale to GIC in terms of you said you'll be positive for the year. I wouldn't expect such a big gain that we saw in the Second Quarter.

But when you're saying positive for the year, if you can maybe kind of quantify what's; the further stake sale you did to GIC and maybe some of the equity pickup that you might expect. If you could maybe just kind of help us how to think about the remaining gains and principal investments for the rest of the year. Thank you.

#### A - Andre Esteves {BIO 1939152 <GO>}

Thank you, Tito, for the questions. Of course, regarding sales and trading, we consider more or less normal course of business. There's naturally some inter-month and interquarter volatility. And it's not related to lower commodities prices. You recollect, I think, we are in a lower commodities price since the last quarter of 2014. And this has been very positive for us.

So you should expect an uncorrelated results in sales and trading as a piece of these results have fewer agents business, other clients face risk management business. So it should be less correlated to market directions. Not only in commodities but also in fixed income currency. Maybe in equities you have a little bit more than that, because generally you have an inventory and you have some effects. So it happens that we have some of these effects. And it happens that we have some; especially some volatility between June and July.

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So you are probably right on your assumption that our normalized results should be something in the middle of the way or maybe even higher than the average of the two quarters. So I'd like to see the first half of the year as a good crop of results; eventually even a little bit higher than that (with our targets).

Regarding the principal investments, we; we specifically we did this. We have the equity pickup from the investments of Carlyle in Rede D'Or. And this was done, basically, in the Second Quarter. Then we sold a piece of our position. And this; this; the results of this sale will conclude probably two-thirds to 7% in the Second Quarter and one-third in the Third Quarter.

So that's the model as our guidance. And; and; and then we will not sell; we don't have the intention, or at least as long as we can see, we don't have the intention. And the total sale of this position should be half of our position at Rede D'Or. And the balance we'll keep in our; in our book market at cost of course is (multi-cap) from Carlyle.

And the result in the Second Quarter was in principal investments or in private equity; inside principal investments was basically these results offset by some additional provisions that would be in certain holdings in the oil and gas sector that totalize something around BRL300 million or a little bit more than that.

**A - Marcelo Kalim** {BIO 16142515 <GO>}

And the current cost of the other investments.

**A - Andre Esteves** {BIO 1939152 <GO>}

And of course, a little bit of carry that you always have.

**Q - Tito Labarta** {BIO 20837559 <GO>}

Great. Thank you. That's very helpful. Just; just one thing to clarify. So on the equity pickup from; from Carlyle. Was that all then recognized in the Second Quarter? Or is there any more of that that you can recognize in the coming quarters?

**A - Andre Esteves** {BIO 1939152 <GO>}

It will be fully; it was recognized when the investment was concluded, which was in the Second Quarter. But it's important to say that the equity pickup is a small part of the game. Right? Because at the end of the day, Carlyle acquisition of Rede D'Or was a total of 7% or 8% of the company. So it's a relatively small stake. So the equity pickup is much less relevant than the final sales, in terms of impact. So you could consider the total impact of the transactions that we are doing. With Rede D'Or, about 7% impact in the Second Quarter and 30% impact in the Third Quarter. So more or less, that's good guidance.

**Q - Tito Labarta** {BIO 20837559 <GO>}

All right. Perfect. Thank you. That's very helpful.

**A - Andre Esteves** {BIO 1939152 <GO>}

Thank you.

## Operator

The next question comes from Jorge Kuri from Morgan Stanley. Please go ahead.

**Q - Jorge Kuri** {BIO 3937764 <GO>}

Hi. Good morning, everyone. Congratulations on the results. I have two questions, if I may. I guess if we can get your overall impressions on how things are moving along in Brazil and what the outlook is for the country overall and, in that context, for your business; especially given that, since we, I guess last conference call we had was when you reported First Quarter numbers.

Back then, there was excitement about Levy being finance minister, the government implementing strong fiscal tightening. And now some of those things have sort of like; to smooth it away; with less fiscal discipline, potential downgrade of the sovereign. So it seems that the unemployment has surpassed anyone's expectations.

And so it seems that much has changed in; in the outlook. And so was wondering if you can help us out, just hearing your view on how things are going to play out. You were cautiously optimistic, I guess, the last time. I was wondering what your feeling is now.

Then my second question is on; on BSI. If you can give us a little bit more detail, update on how things are moving along. If anything has changed in terms of the assets you're going to buy, the size of the accounts, has there been a lot of migration in; during this period; where the transaction has taken longer than anticipated to close. What; did the prices change or not? And overall how; how you see that business. Thank you.

**A - Andre Esteves** {BIO 1939152 <GO>}

Thank you, Jorge, for the questions. Well certainly the scenario deteriorated a little bit from the one that we discussed at the end of the First Quarter. I think we; Brazil; didn't achieve the expected fiscal results. Or apparently will not achieve. On the other hand, a few had some very important adjustment on relative prices. Right?

So if you take energy or; or the currency. We had some big adjustments that create some uncertainty or some volatility or inflationary pressure on the moment that they happen. But they have extremely long term positive for the country. So you see; you already see before the last two weeks (evaluation) that was very aggressively. Important also in the current account. So we are progressing. The adjustments, unfortunately the fiscal adjustment, is not as fast as we can. But I think we will have a better scenario for inflation in 2016; for our current accounts in 2016. And probably at least on the fiscal side, the number is stopping to deteriorate. They are not at the level that we consider the ideal ones. But at least they stop deteriorate.

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Having said that, of course the combination of these uncertainties create a challenging economic scenario. So we will have negative growth this year; probably below 2% negative, which is disappointing results. As we always said since we went public, the bank; it's an alpha player in these markets.

So Brazil; Brazil is not our only market at this stage. It's getting something between 40% and 50% of our business. Before our BSI acquisition, after BSI acquisition, it will be probably below 40% in terms of revenues and earnings, given that we are generating earnings in hard currency and reporting reals.

Having said that, a good crux of what we are doing is our credit portfolio. Right? We always thought that the range should be; of our credit book should be between 2 and 3 times our equity. And we are; we are committing to you to be by the end of the year around 2 times our equity. And we can see that this corporate lending unit is an alpha business. So we don't expect to have losses just because the economy deteriorated.

We think in our size we are a big player. But we still can be an alpha player. We don't need to be together with the economy. We are the opposites. We should use the challenge to search for opportunities. So that's the spirit of what we are doing here. So an important piece of these adjustments was done. And we still have a little bit to happen in the third and Fourth Quarter. But we are pretty clear on the direction that we should do.

And we have a platform that performs also in this scenario. So that's; in reality, if you take since the bank exists, most of the years were more similar to this one than the good years of some time ago. So the scenario is a challenging one economically speaking. But we'll be fully prepared for that. And that's why you see some numbers in the balance sheet moving clearly in these directions. So important reductions in assets, credit portfolio, merchant bank portfolio, real estate. So I think we are being what we are; what we do better, which is active risk management for a more challenging moment of Brazilian economy.

In Latin America, we have a; some deterioration; but nothing close to Brazil. So it's unique to adjust something. But nothing very special. And outside LatAm is normal course of business.

Regarding specifically to BSI, yes, we had some developments this quarter. So we got the approval swiftly in the beginning of the quarter. And this was quite crucial, because together with Brazil; the core regulators, Brazil; just remember we had the approval in the First Quarter.

So; and the approval of the two core regulators, there is a group of regulators that only analyze the case after the two core concludes. So after that, we got the sequence of all the approvals. The most important ones were last week and the previous week.

We got the approval of Singapore, where is our headquarters in Asia. And last week we got; it's not the approval; it's the recommendation; of Bank of France to (ECB). And now

we just have the final step on ECB and no other regulation; regulator globally is pending approval.

So we do expect some announcements in the short term. Our; our view is that we are in a; in a; very close to the finish line of; of this transaction.

**Q - Jorge Kuri** {BIO 3937764 <GO>}

Thank you, Andre. Thank you.

## Operator

(Operator Instructions) The next question comes from Maclovio Pina from Inca Investments. Please go ahead.

**Q - Maclovio Pina** {BIO 16236843 <GO>}

Thank you. Good morning, gentlemen. I'm wondering if you can give some more color on how you calculate bonus. Because I'm; I'm trying to figure out why there was such a big spike. I'm trying to calculate the way you say it in your earnings release. But I'm worried that I'm missing something. And; or else it just jumped too much. Can you please clarify that?

**A - Andre Esteves** {BIO 1939152 <GO>}

Thank you, Mac. I think it's a little bit of a mathematical form. We had first, more revenues. But second, the nature of the revenues that are used for bonus. Right? So in the First Quarter, it had more interest (than another that we don't pay bonus). In the Second Quarter, it has less interest than others in comparison to the rest. I think these two phenomena explain most of the change. But on our normalized days, the semester translates what we expect to pay in terms of bonus as a ratio of; of total revenues. And our guidance for the future continues to be this one. So that's, I think, the objective description.

**Q - Maclovio Pina** {BIO 16236843 <GO>}

Right. But my concern is that even if I take out the interest revenues because obviously there's no bonus there, I still see a big spike in; in the bonus payment. And my concern is that when; when things are going very well, BTG shareholders don't get all the spoils. Part of it goes to the employees. Because I; I totally understand a very stable ratio. But the spike, I'm still trying to understand the nature of it.

**A - Andre Esteves** {BIO 1939152 <GO>}

Okay.

**Q - Maclovio Pina** {BIO 16236843 <GO>}

Even if I take out the interest. And everything else.

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**A - Andre Esteves** {BIO 1939152 <GO>}

Yes. Yes. But of course, the total revenues and the interest are, let's say, the most radical ones. Because, well, revenues; revenues has a direct impact on the number. And the interest means that the pay is zero. But (inter-areas), also we pay different ratios of bonus. So for a corporate lender you pay less bonus than you're paying in principal investments. So some; some; something like that.

So what I explained is most of the phenomena but not all of the phenomena. But the explanation for that is the different ratios that we use on the different areas. But just to be clear, on a normalized way, we don't intend to be different from what we guided you guys, not this year. But last year, the year before. So on a year end basis, you never see something very different. Or at least by far the best, best case is that you will not see anything very different.

So returning what we expect to return, let's say, around 20%. And with some distribution of business units that we expect. And in reality, they happen in a period of; of more than two quarters. You don't have any reason to believe that the overall compensation ratio is different than our guidance or the relative number of last year or the year before. We are very convinced about that. And we don't see any change on that.

Of course, when BSI is incorporated, this will change a little bit. But we'll guide you. Specifically on that, I don't want to anticipate the ratios with BSI. Let's get the deal done first. Then we position all of you in a special; probably in a special (in advance) and guidance.

**Q - Maclovio Pina** {BIO 16236843 <GO>}

Okay.

**A - Andre Esteves** {BIO 1939152 <GO>}

And just to; to be even more structure about that, our equities participation is much more relevant than our bonus participation. So you can be relaxed that for people like me or Kalim or all the other senior partners, the bonus is a small detail in compensation in comparison to our stakes. So different from the global investment banks where CEOs or senior management, they have stakes but they have very small stakes in comparison to their bonus. So here it's a little bit different. So that's, I think, good guidance for you on the quarter and, more structurally, on a long term basis.

**Q - Maclovio Pina** {BIO 16236843 <GO>}

Okay. Okay. So just to be perfectly clear, you're saying essentially that the reason for the spike is; is the mix. And within that mix is; it seems to be the; I don't know if it's abnormally high. But the higher than the past contribution of (private investment). Right?

**A - Andre Esteves** {BIO 1939152 <GO>}

Yes. Yes.

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**Q - Maclovio Pina** {BIO 16236843 <GO>}

Okay.

**A - Andre Esteves** {BIO 1939152 <GO>}

And again, on a normalized it is the 25% ratio will be the same. So it's; on a yearly base, the best, best, best case is that one effect cancels the other. And we don't have any intention of changing that.

**Q - Maclovio Pina** {BIO 16236843 <GO>}

Okay. That's helpful.

**A - Andre Esteves** {BIO 1939152 <GO>}

Yes. Okay? Thank you, Mac.

**Q - Maclovio Pina** {BIO 16236843 <GO>}

Thank you.

Operator. Thank you. This brings us to the end of our question and answer session. I will now return the call to Mr. Andre Esteves for his closing remarks.

**A - Andre Esteves** {BIO 1939152 <GO>}

Well once again, thank you very much for being with us. And thank you for; for investing with us and by (staying) our stock and be our partners, counterparts and clients. So again, thank you very much. Bye-bye.

**Operator**

Thank you. This does conclude today's presentation. You may disconnect your line at this time. And have a nice day.

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