

# MCA Capital

BTG Pactual

*Constellation Challenge 2021*



# Recommendation

**BUY**

Current Price  
BRL 101.5

**52% UPSIDE**

Target Price  
BRL 154.2

*Buy supported by three main theses*

01 Financial  
Deepening

×

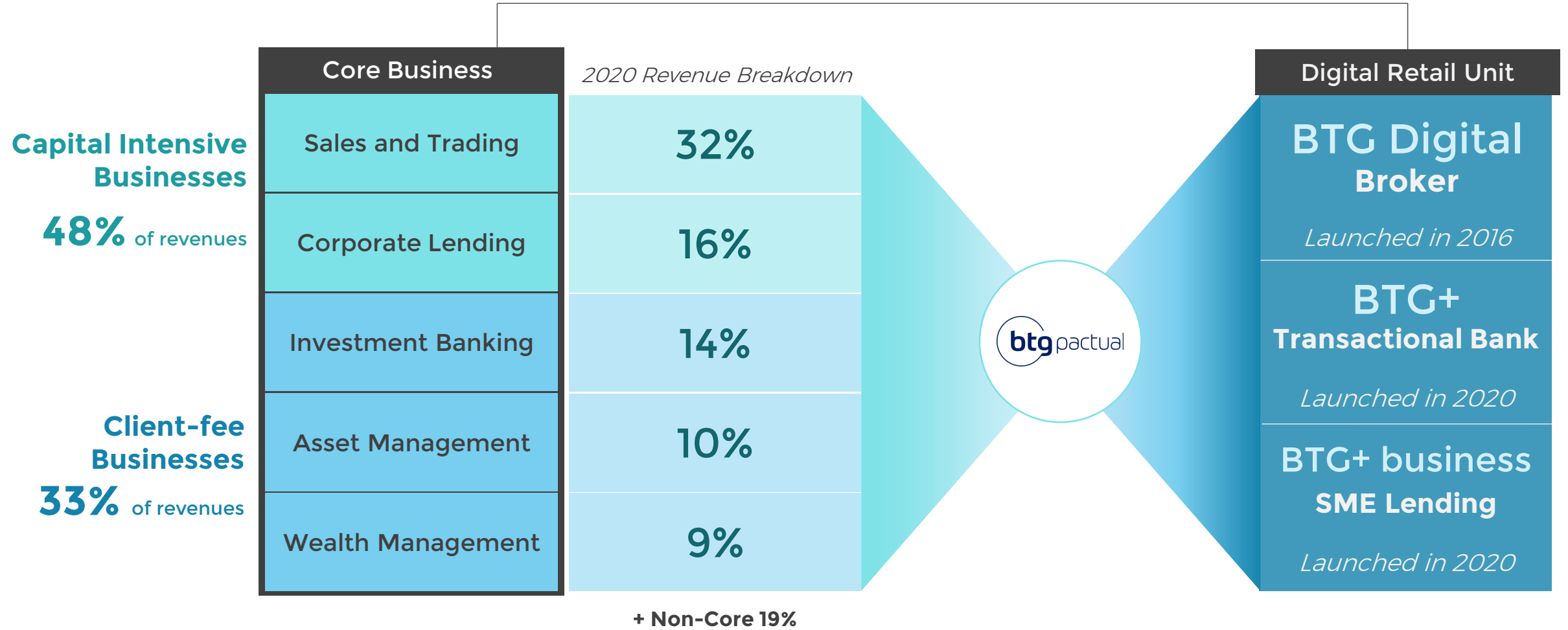
02 Digital  
Retail Unit

×

03 Partnership  
Model

## LatAm's largest Investment Bank is heading into digital retail

BTG Pactual has over 30 years of experience in wholesaling. The next step of the journey is retail.





**BTG is the best surfer to ride this wave**



Digital



Partnership

Financial  
Deepening



btg+

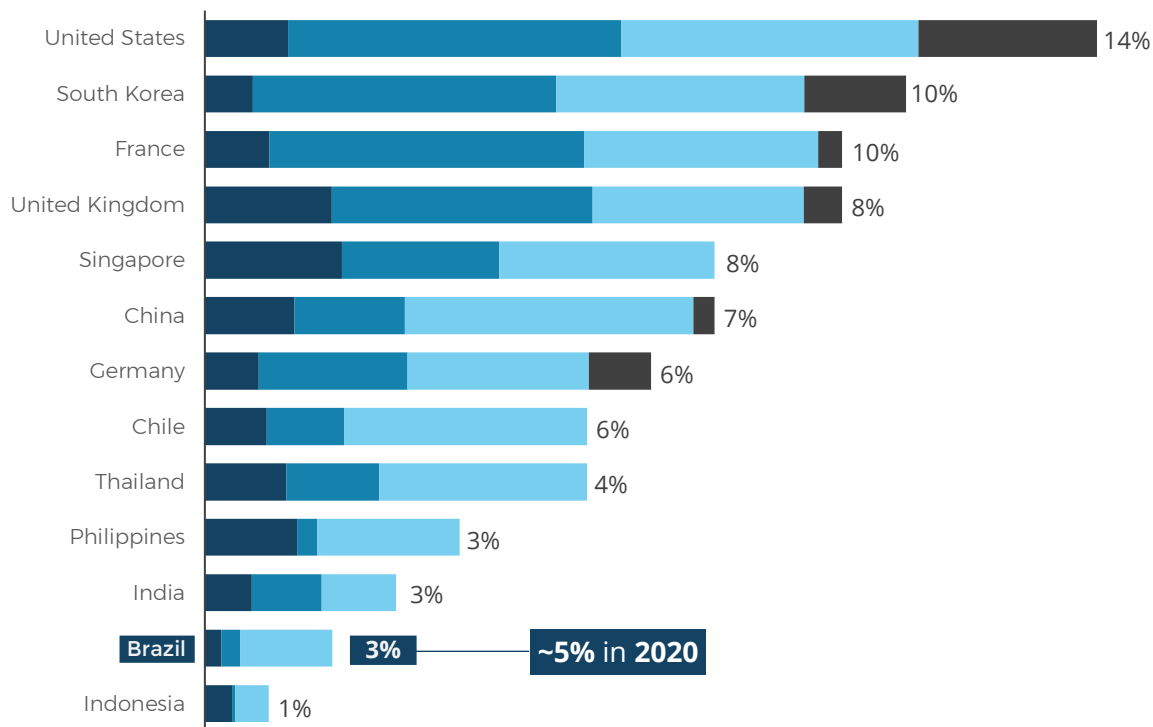
mastercard

# Underdeveloped capital markets are filling space left by public banks

Post-recession Brazil had a legacy of **sub-penetrated capital markets**, with **disproportional public activity**

Financial Depth, % of GDP (2017)

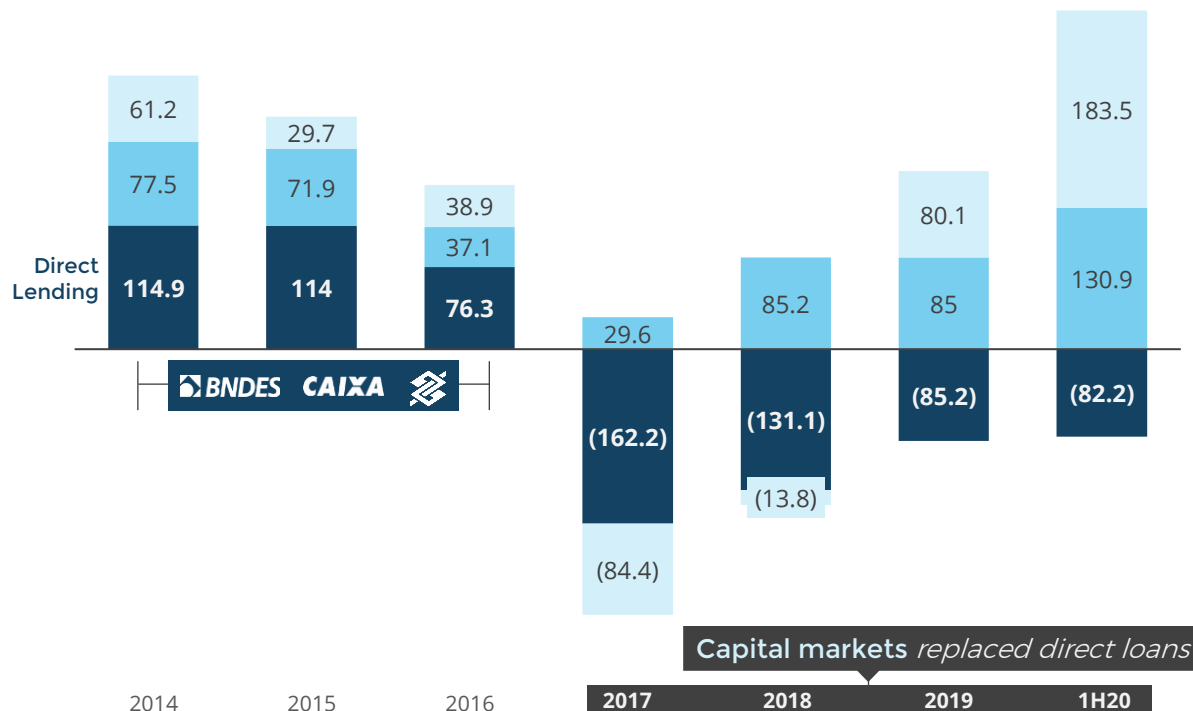
■ Equity ■ Corporate Bonds ■ FI Bonds ■ Securitized Bonds



**Public banks** have since **reduced their exposure**, leaving room for private capital raising

Brazilian Companies Net Capital Raising, R\$ bn

■ Direct Lending ■ Capital Markets ■ Banking Credit



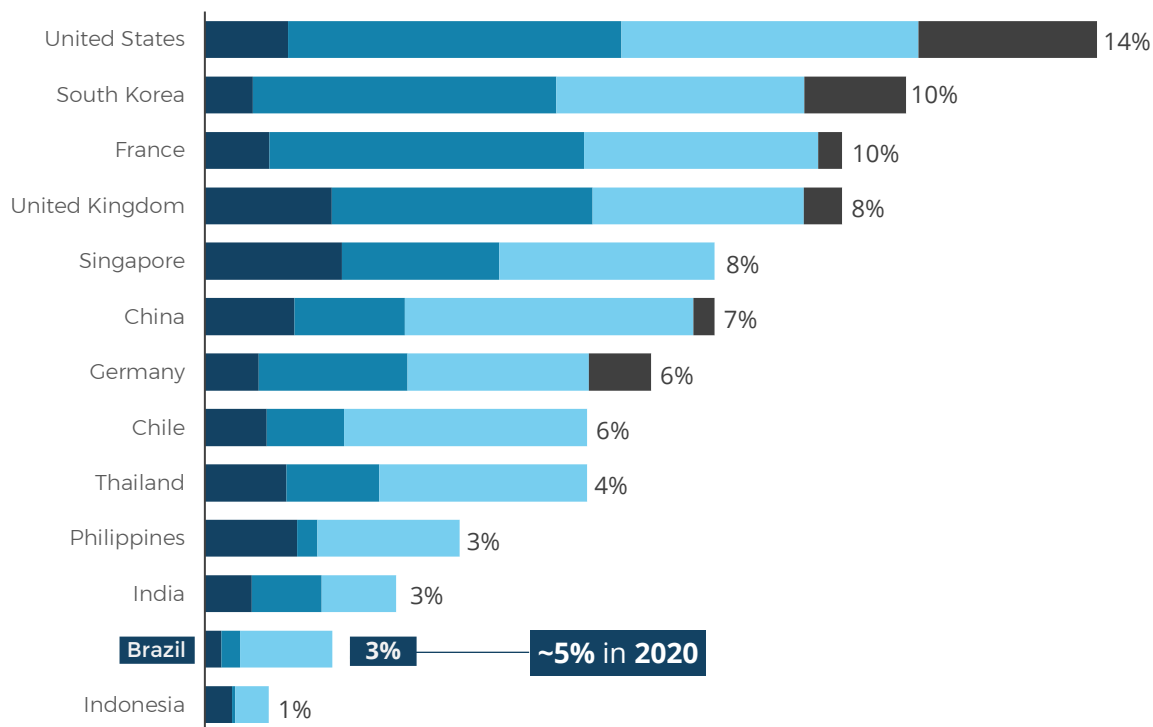
Sources McKinsey, Anbima

# Underdeveloped capital markets are filling space left by public banks

Post-recession Brazil had a legacy of **sub-penetrated capital markets**, with **disproportional public activity**

Financial Depth, % of GDP (2017)

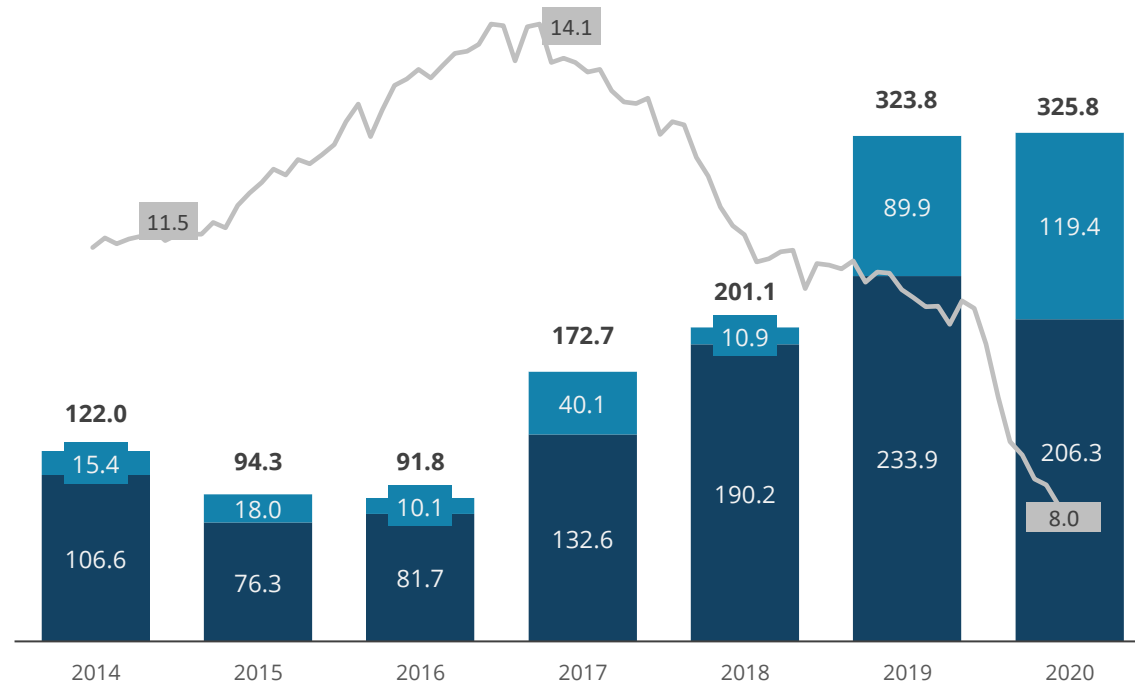
■ Equity ■ Corporate Bonds ■ FI Bonds ■ Securitized Bonds



Lower interest rates drove **credit costs to a plunge**, and they are likely to remain within a **satisfactory range in the future**

Capital Issuance in R\$ bn, and Credit Cost Index (ICC)

■ Bonds Issuance ■ Equity Issuance — ICC (%)

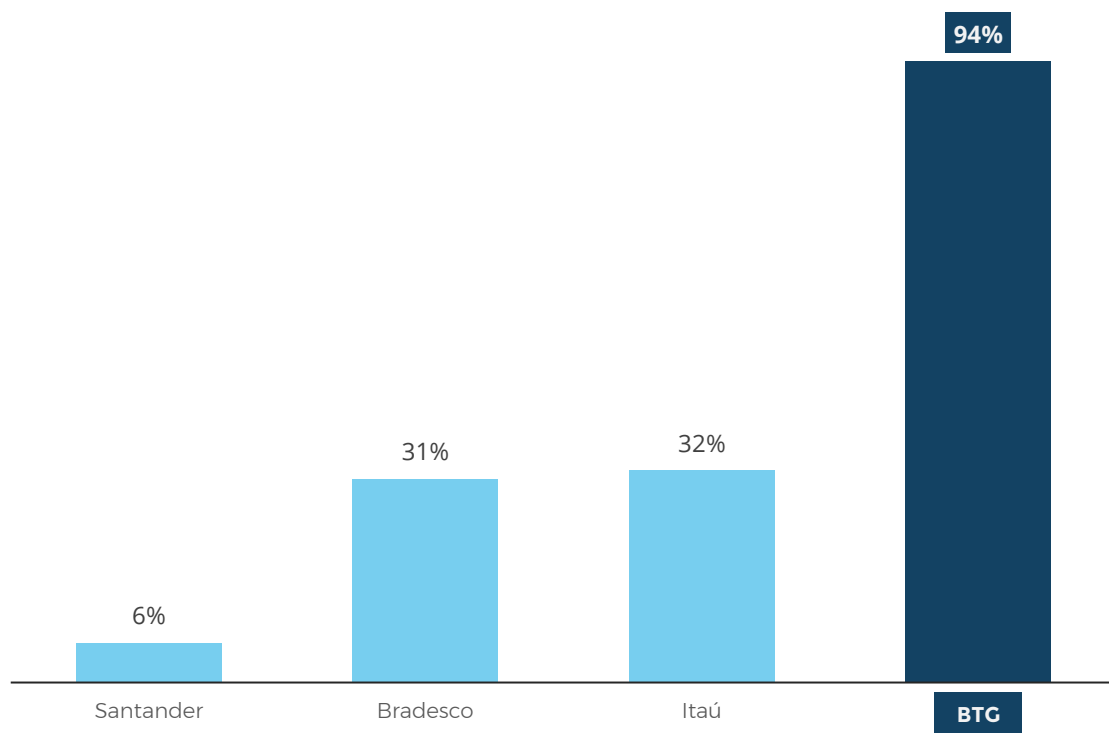


Sources McKinsey, Anbima, Bacen

# Wholesale focus provides BTG with expertise and operational excellence

The wholesale activities account for **just a fraction in retail banks**, while being **BTG's core business**

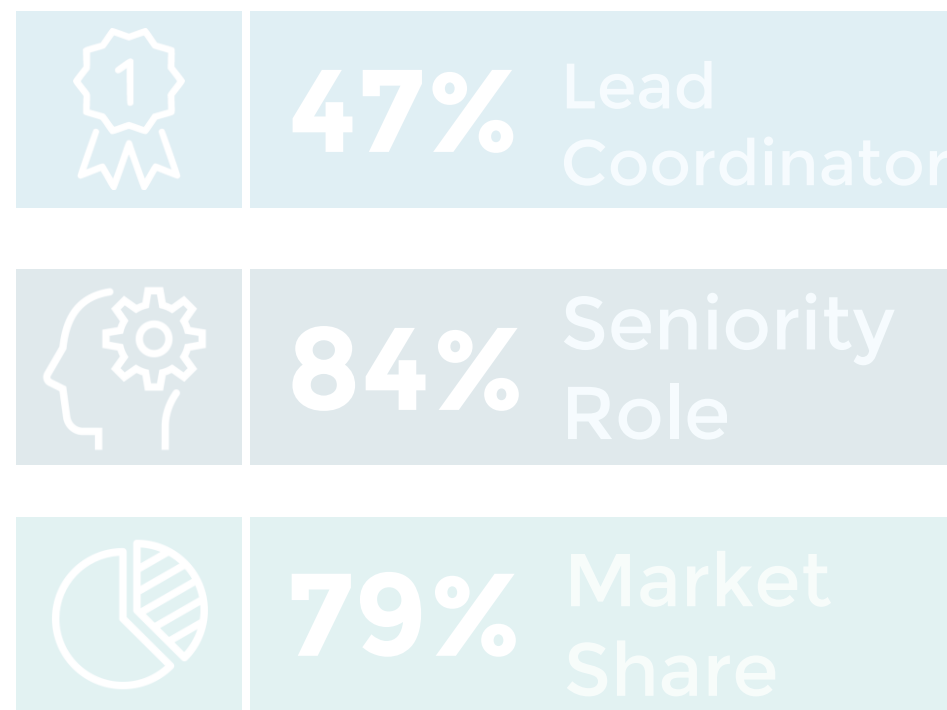
Wholesale Revenue, % of Total (2020)



Sources Dealogic, Company Filings

Wholesale focus justifies its astonishing numbers for **investment banking market share**

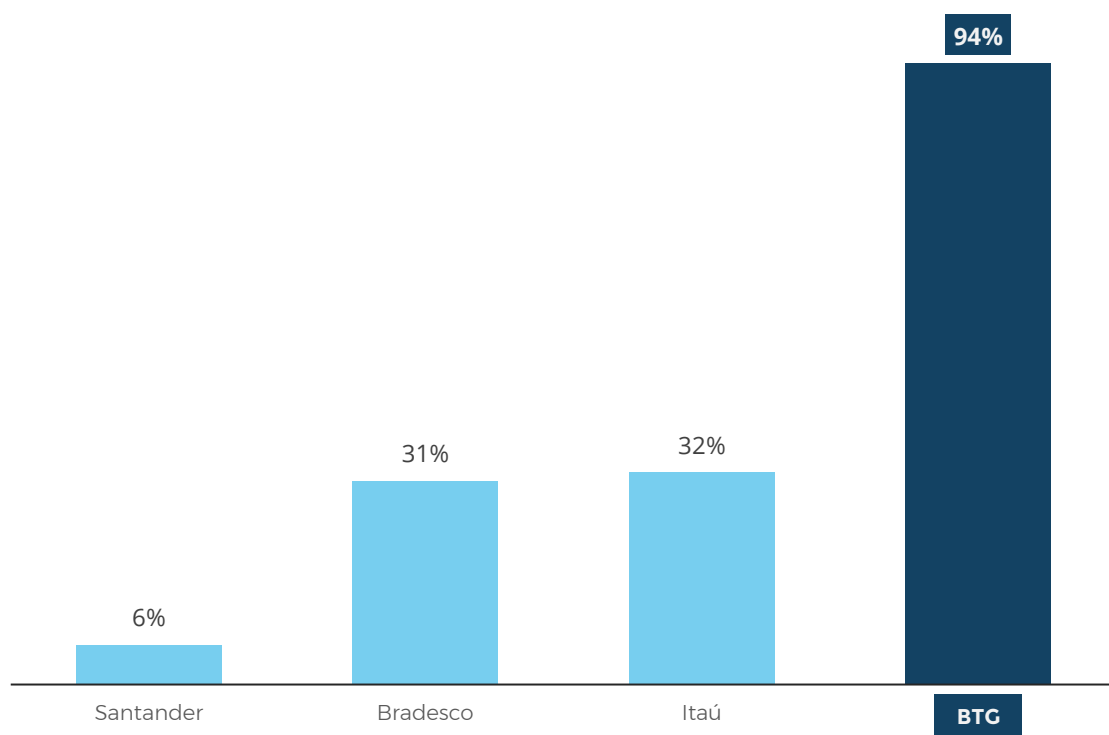
BTG Pactual ECM Roles (by # of Deals), 2020



# Wholesale focus provides BTG with expertise and operational excellence

The wholesale activities account for **just a fraction in retail banks**, while being **BTG's core business**

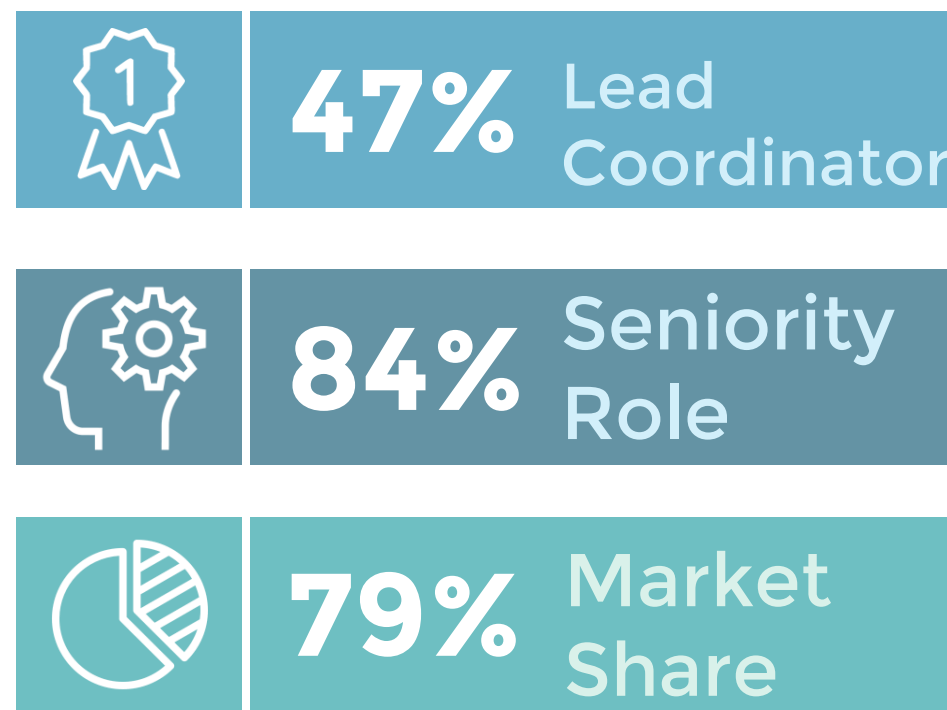
Wholesale Revenue, % of Total (2020)



Sources Dealogic, Company Filings

Wholesale focus justifies its astonishing numbers for **investment banking market share**

BTG Pactual ECM Roles (by # of Deals), 2020

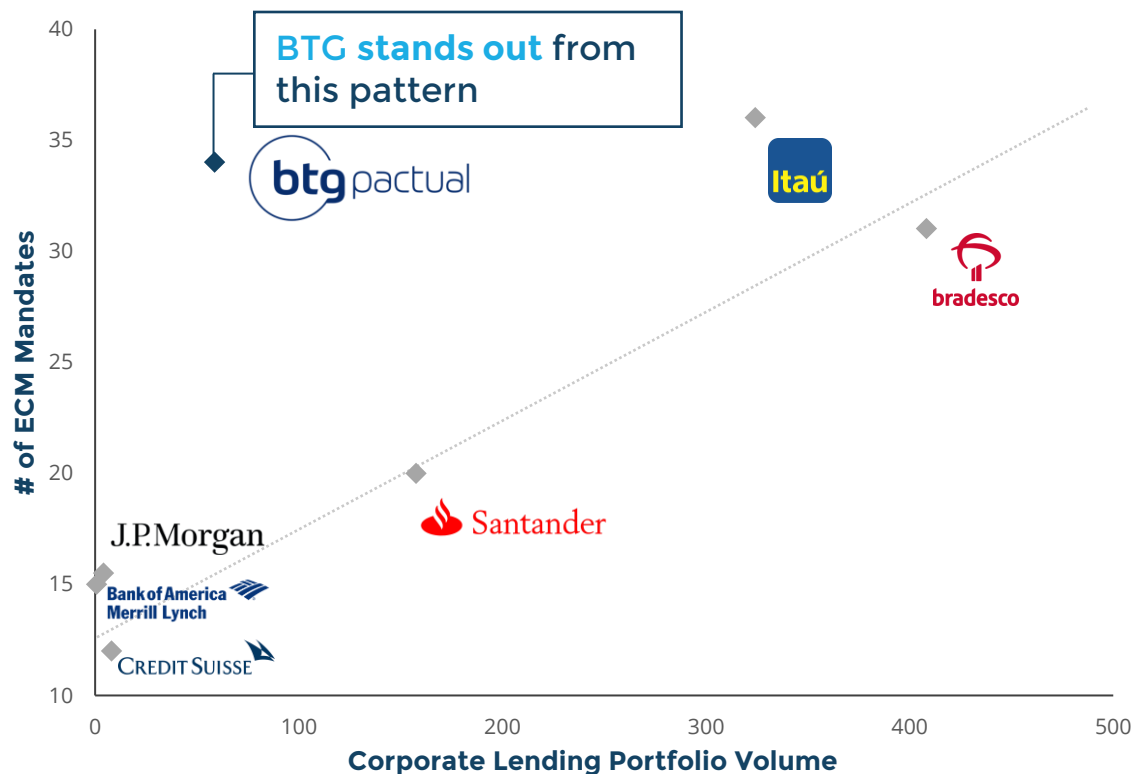




# A smaller credit portfolio highlights a higher-quality service

**2020: Huge presence** in # of ECM mandates **despite a smaller credit portfolio**, which is a deal generator

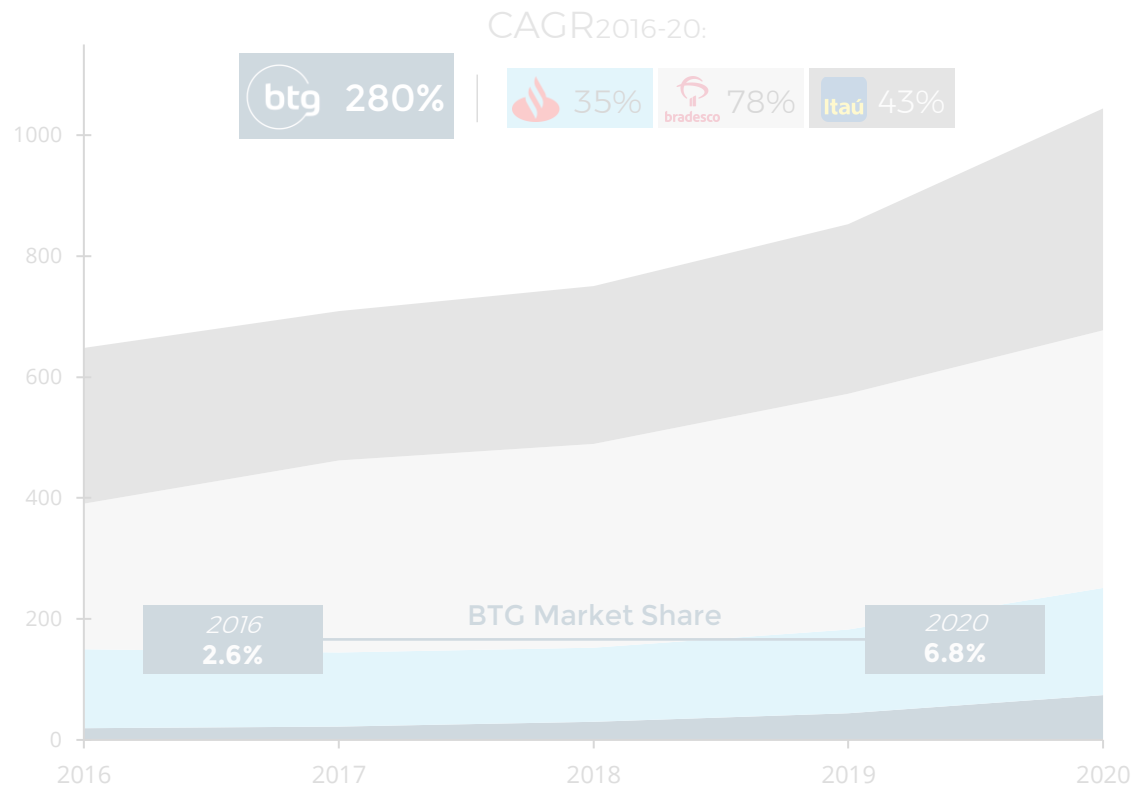
# ECM Mandates (2020) and Credit Portfolio Volume, R\$ bn



Sources Dealogic, Company Filings

Although smaller, BTG's credit portfolio is **growing fast and gaining share**

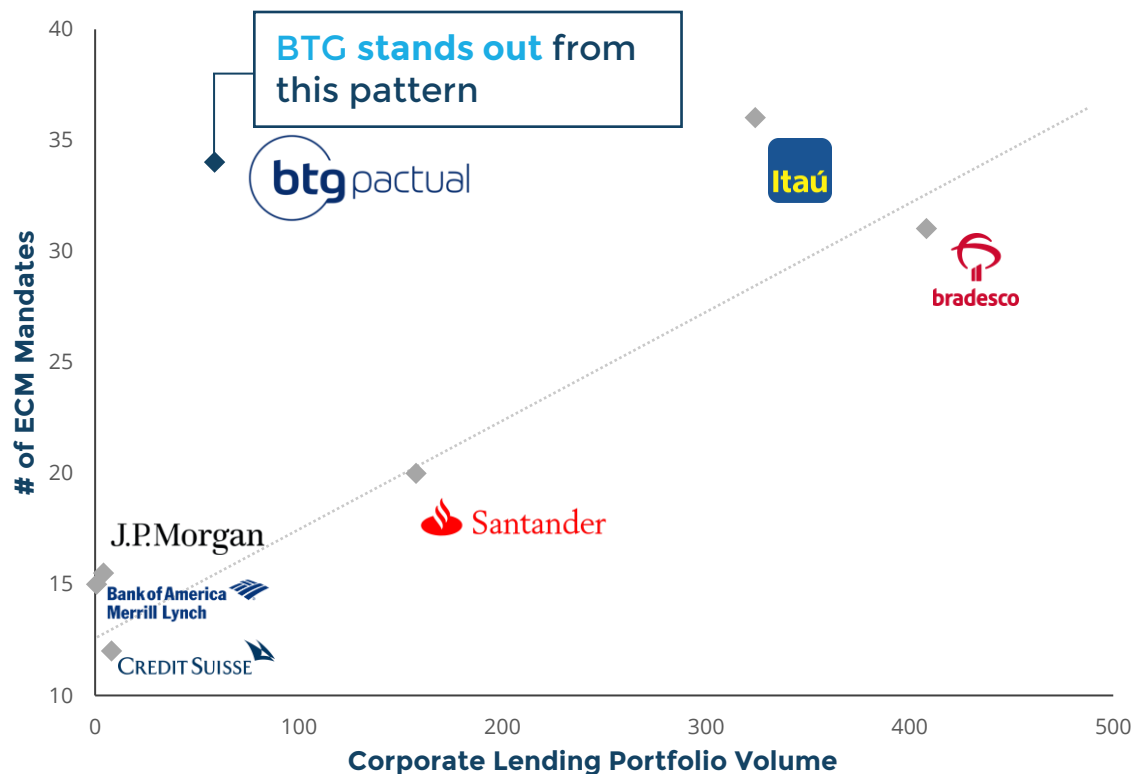
Corporate Lending Portfolio Volume, R\$ bn (2020)



# A smaller credit portfolio highlights a higher-quality service

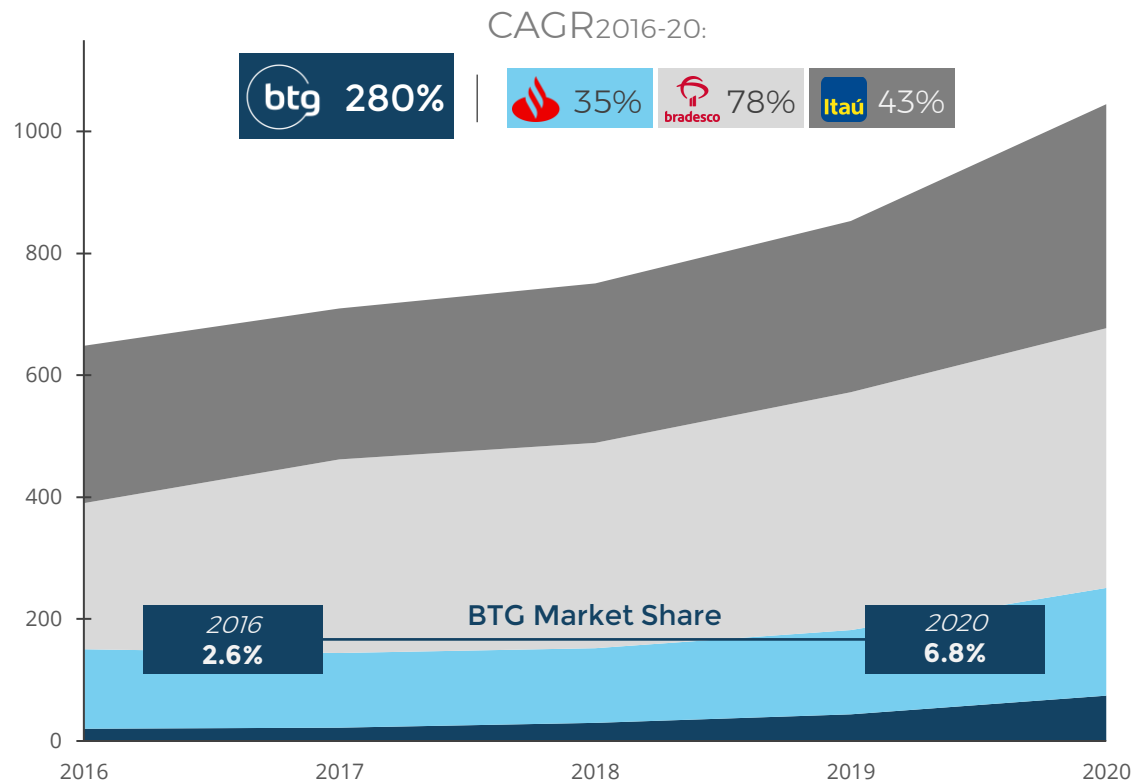
**2020: Huge presence** in # of ECM mandates **despite a smaller credit portfolio**, which is a deal generator

# ECM Mandates (2020) and Credit Portfolio Volume, R\$ bn



Although smaller, BTG's credit portfolio is **growing fast and gaining share**

Corporate Lending Portfolio Volume, R\$ bn (2020)



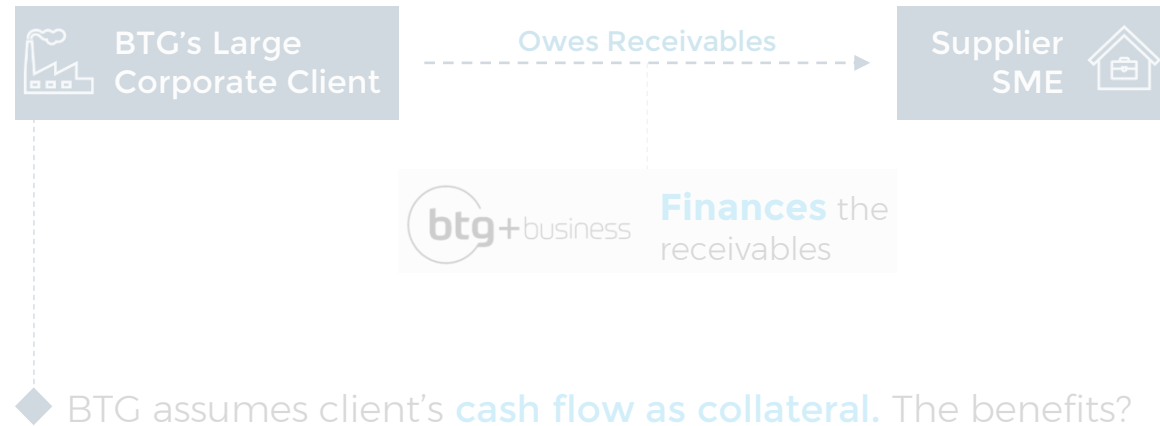
Sources Dealogic, Company Filings

# Corporate Lending: more leverage and higher spreads

BTG's unsecured funding base doubled in 2020



SME Lending: BTG+ business "Risco Sacado" strategy



Time and demand deposits = **cheaper funding** — × — **Diversified base implies less credit risk**

**Low Provisions** + **High Spreads** = **Margin Gains**

Sources Company Filings

# Corporate Lending: more leverage and higher spreads

BTG's unsecured funding base doubled in 2020



SME Lending: BTG+ business "Risco Sacado" strategy



◆ BTG assumes client's cash flow as collateral. The benefits?

Time and demand deposits =  
**cheaper funding**



Diversified base implies  
**less credit risk**

**Low Provisions**



**High Spreads**

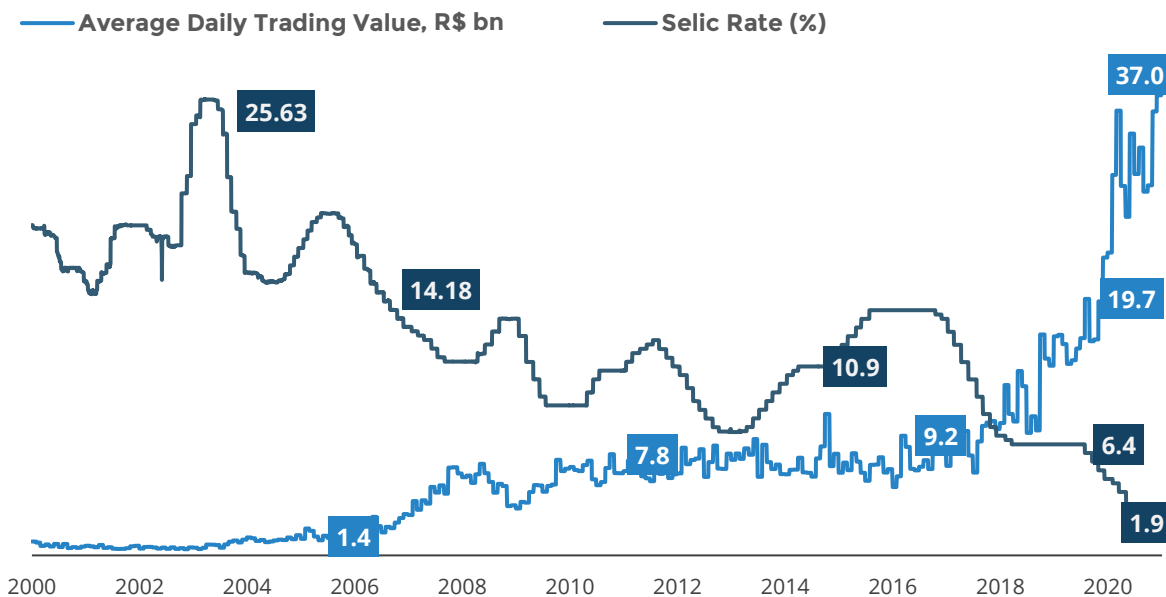


**Margin Gains**

# Greater volume and sophistication mark this new era

Interest rates drop boost the capital markets and surges trading volume...

Selic Rate (%) vs B3 Avg. Trading Value, R\$ bn

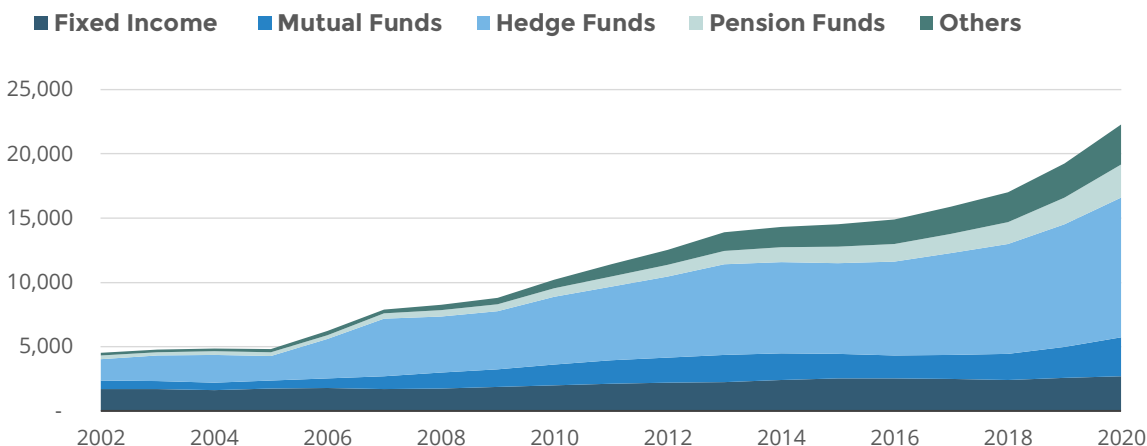


“It doesn't matter if the interest rate is 8.5% or 5.0%, this level is enough to promote enormous sophistication in the capital market, with new management styles and new asset classes”

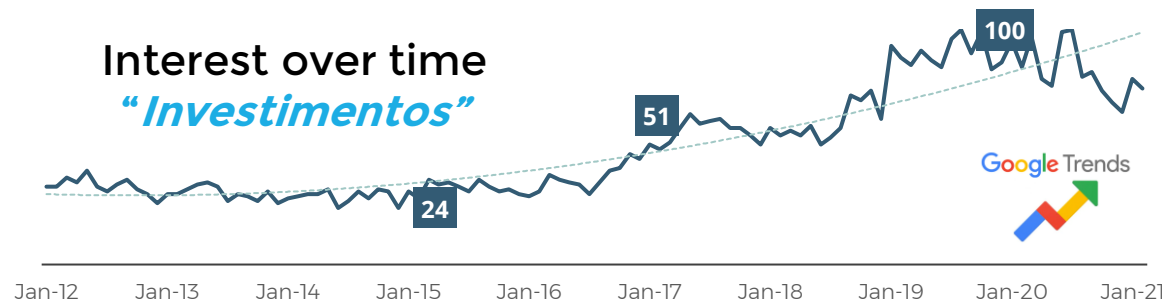
- André Esteves

...meanwhile, there is an increasing search for sophistication and specific management strategies

# of Investment Funds in Brazil



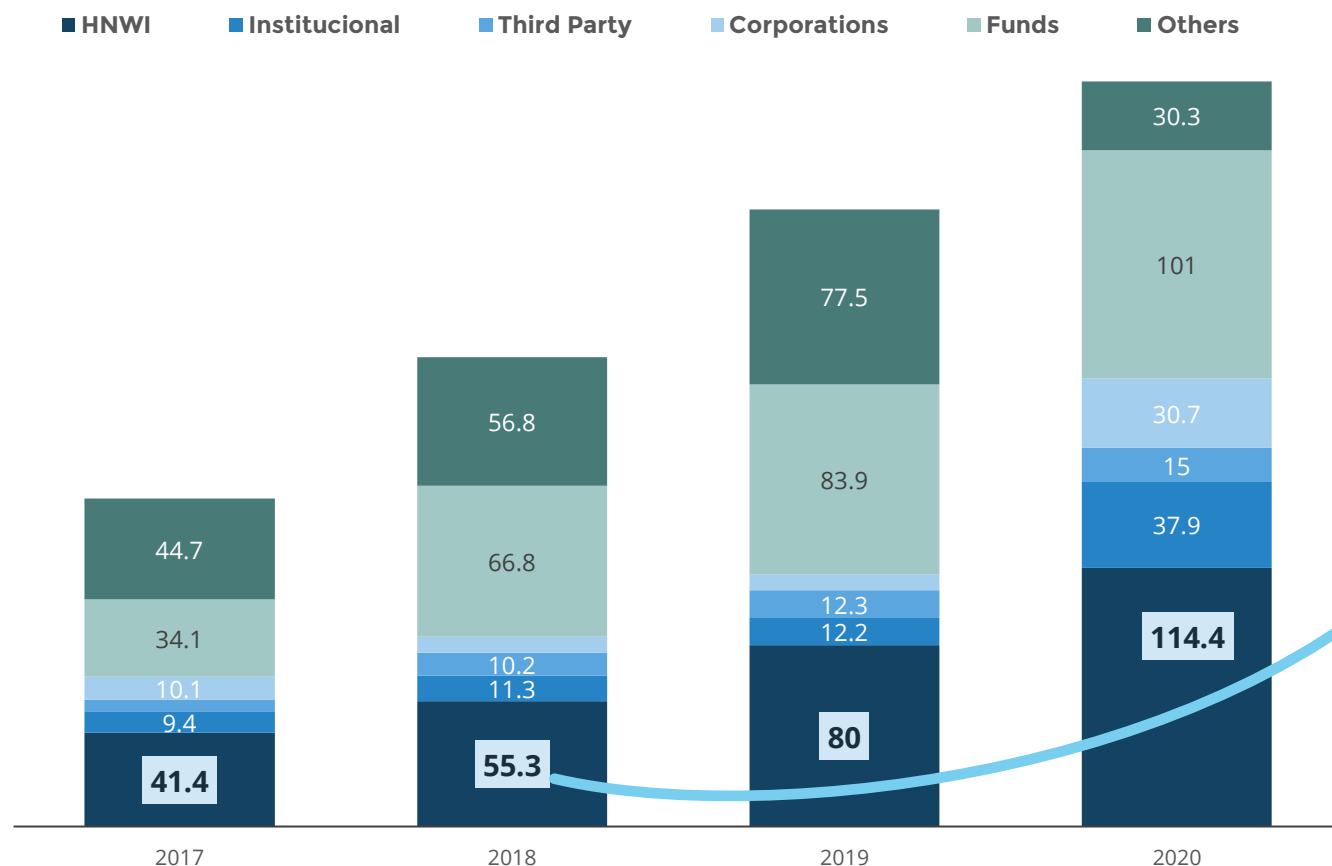
Interest over time  
“Investimentos”



Sources Anbima, Valor Econômico, Google Trends

# As for BTG, AUM is being driven by HNWIs

BTG Assets under Management by Client Mix, R\$ bn



**HNWIs are pushing AuM.**  
 Only in 2020, **HNWI assets grew 43% YoY...**

...but how does BTG create an **attractive environment for HNWIs?**

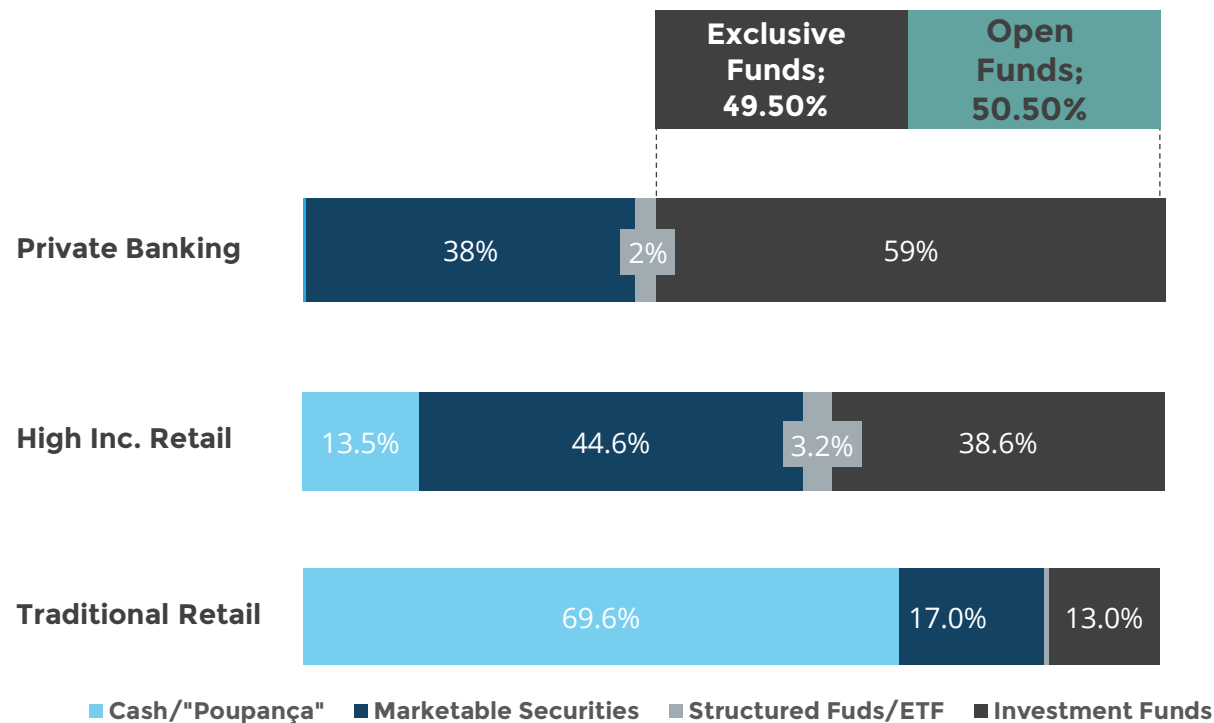
Sources Anbima

# Private Banking positioning: a valuable asset for BTG

Private Bank clients demand **sophisticated and personalized products...**

...which makes **reputation a core asset**, enhancing the advantage of being **recognized as a tier one service**

Asset Class Distribution by Segment, 2020



**Brazil's Best PB Services Overall, 2020**

1st
2nd CREDIT SUISSE 
 3rd

**More than 15 awards in wealth management**

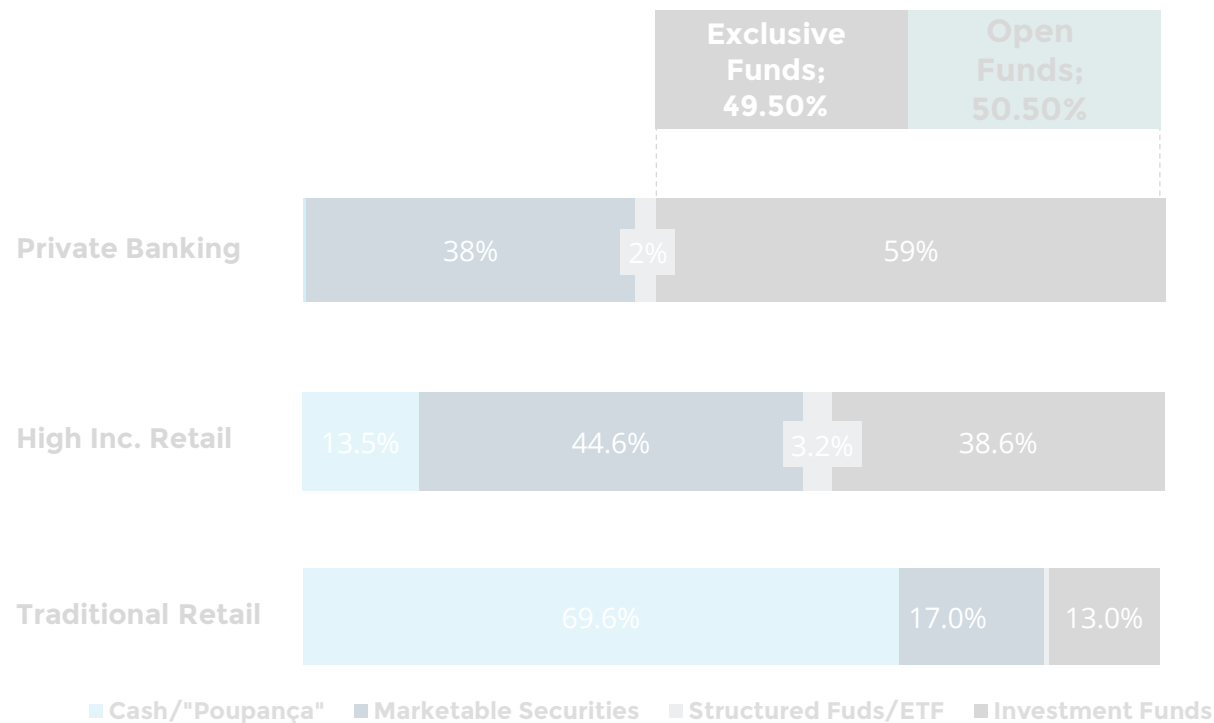
Sources Anbima, Company Filings

# Private Banking positioning: a valuable asset for BTG

Private Bank clients demand **sophisticated and personalized products...**

...which makes **reputation a core asset**, enhancing the advantage of being **recognized as a tier one service**

Asset Class Distribution by Segment, 2020



**EUROMONEY PRIVATE BANKING 2020**

## Brazil's Best PB Services Overall, 2020

1st **btgpactual**      2nd CREDIT SUISSE      3rd **Itaú** ItaúPrivateBank

**btgpactual** More than **15 awards in wealth management**

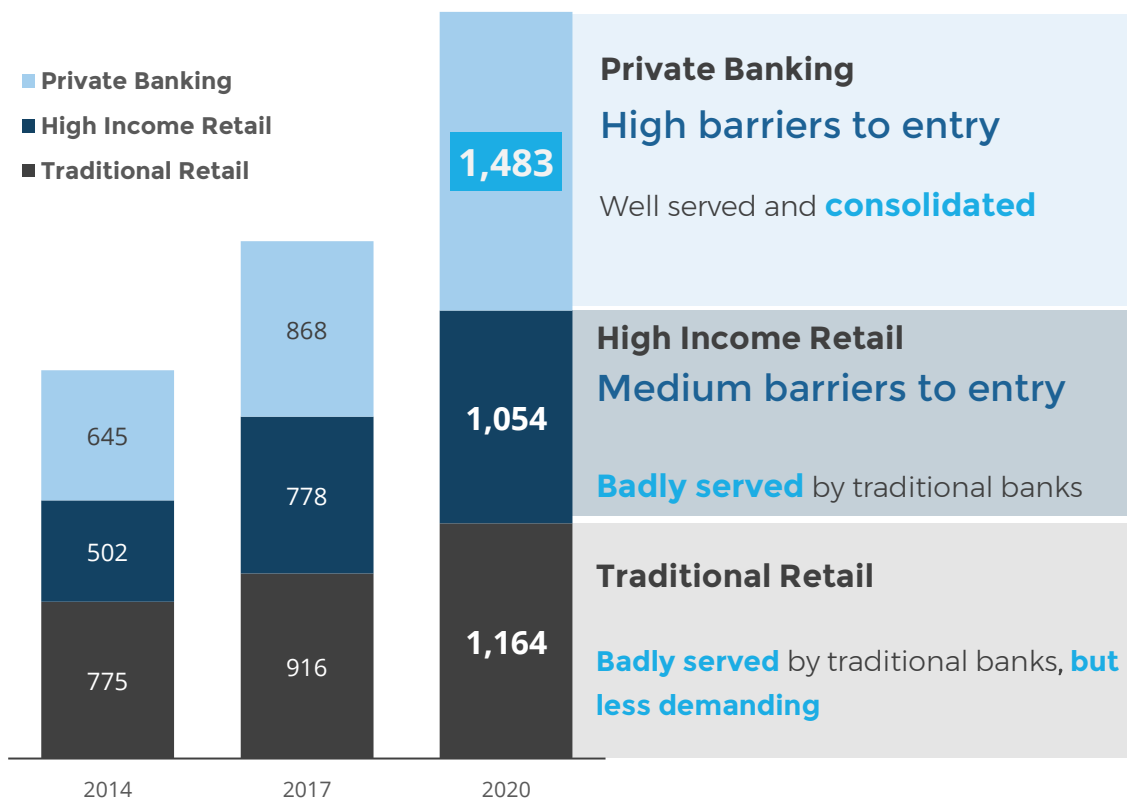
Sources Anbima, Company Filings



# Private Banking: consolidated segment with fierce competition for bankers

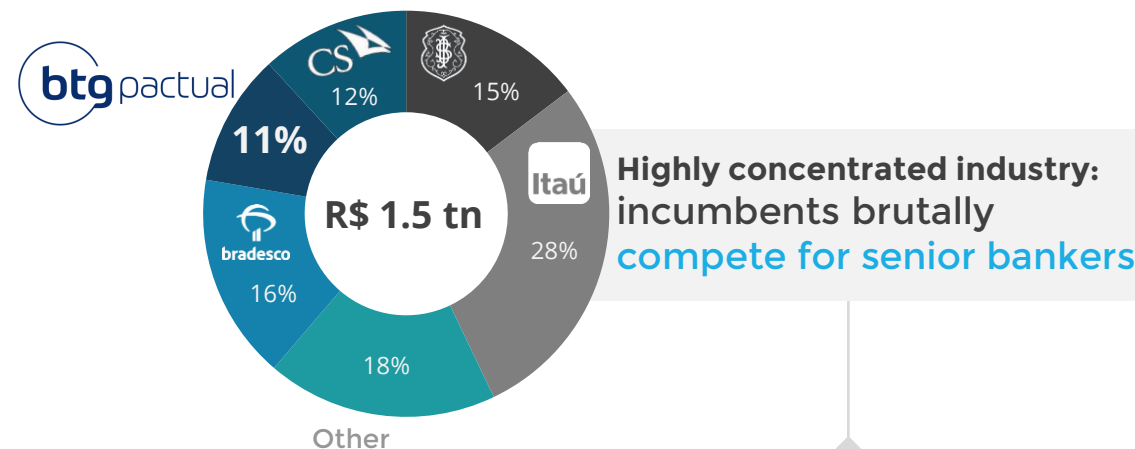
The **wealth management industry** accounts for **R\$ 3.6 trillion**, divided into three main segments

Financial Volume per Segment, R\$ bn



Fierce **competition for senior bankers** in PB, as the custody of assets is closely linked to their **relationship** with the client

Private Banking Market-Share (jan/2020)



**“Rouba Monte”**

**BREAKING: XP Private loses executives to BTG**

**WEALTH JOURNAL: Defection in Credit Suisse fuels 'custody war'**

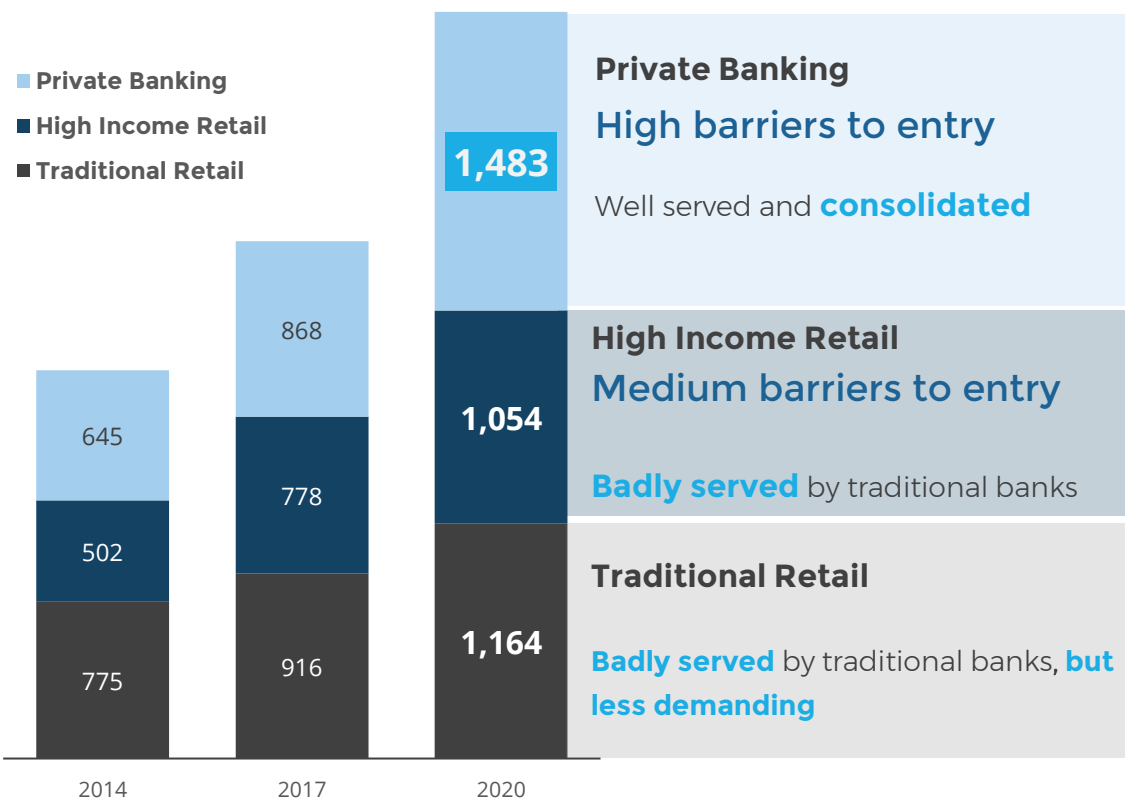
**Brazil Journal**

Sources Anbima, Company Filings, Valor Econômico, Brazil Journal

# Doubling down: betting on a huge addressable market

The **wealth management industry** accounts for **R\$ 3.6 trillion**, divided into three main segments

Financial Volume per Segment, R\$ bn



By targeting **High Income Retail**, BTG almost doubles it's TAM

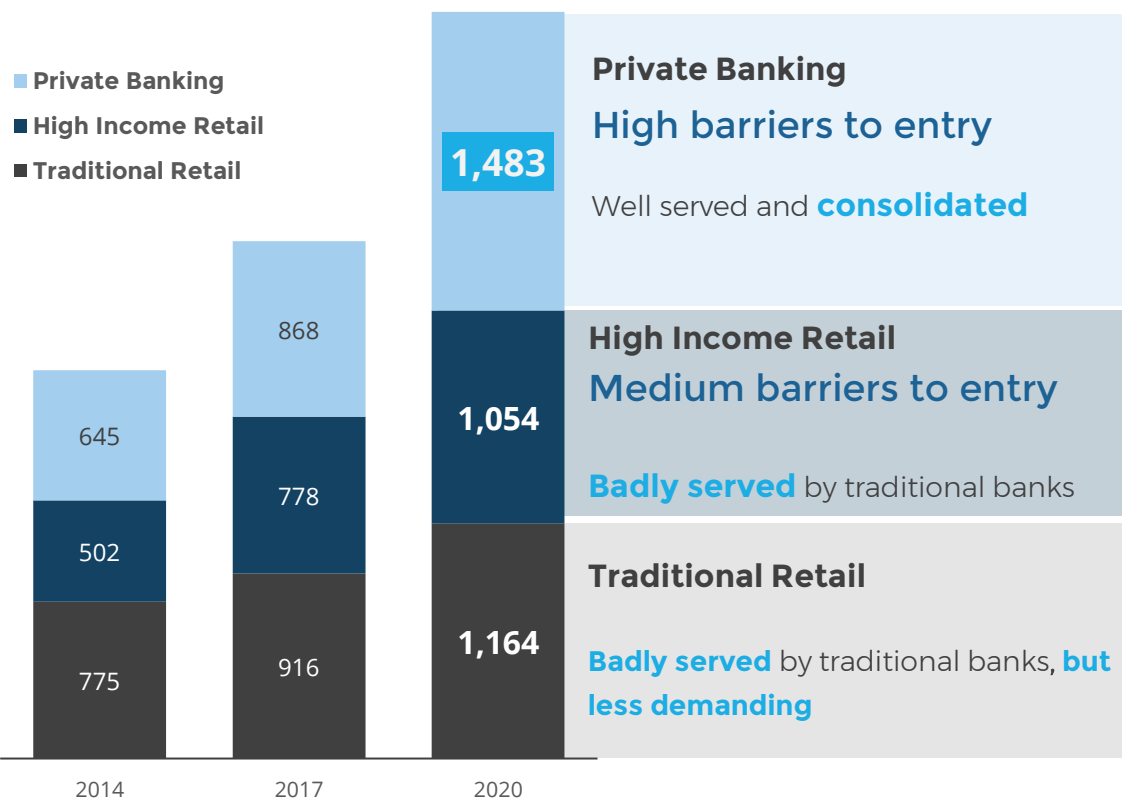


Sources Anbima, Company Filings, Valor Econômico, Brazil Journal

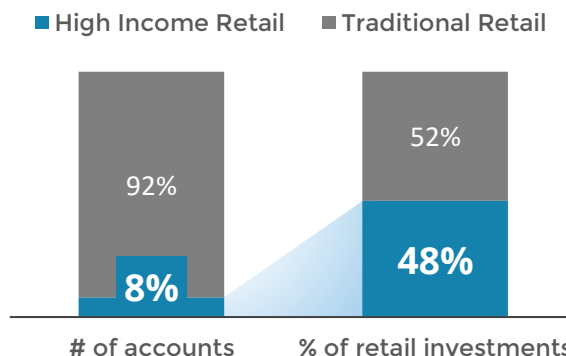
# Doubling down: betting on a huge addressable market

The **wealth management industry** accounts for **R\$ 3.6 trillion**, divided into three main segments

Financial Volume per Segment, R\$ bn



By targeting **High Income Retail**, BTG almost doubles it's TAM



BTG reaches **48%** of the **retail market** by targeting the **8%** high-income accounts

Sources Anbima, Company Filings, Valor Econômico, Brazil Journal



Financial Deepening



**A winner strategy in digital retail**



Partnership

Digital



# Independent Financial Advisors suit clients' needs better than managers

## Investment Market Dynamics Value Chain



But what do **clients seek** from **advisors**?

- 1 Wide range of **products**
  - 2 **User Experience**
  - 3 **Close and quality advice**
- |   |                                 |
|---|---------------------------------|
| <b>Banks:</b><br>(High Income Segments) | <b>~ 400</b><br>clients/manager |
| <b>IFAs:</b>                            | <b>~ 100</b><br>clients/advisor |
- IFAs provide closer advisory**

Sources Our Analysis, Field Research

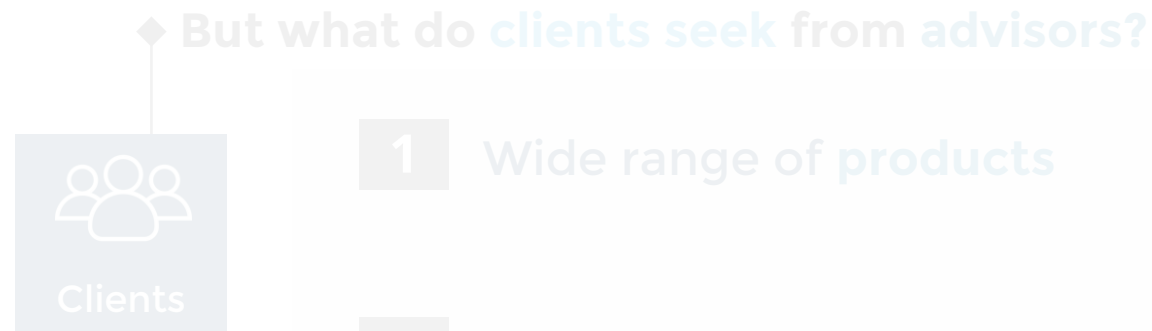
# Independent Financial Advisors suit clients' needs better than managers

## Investment Market Dynamics

Value Chain

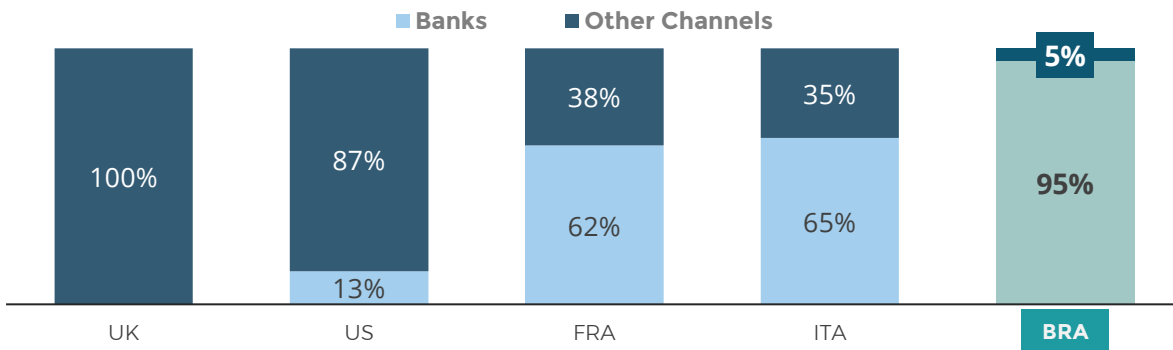


Offers a wide range of **Financial Products**



**Banks** have been **losing share to brokers**, following a **trend** observed in **international markets**

Mutual Funds Assets by Distribution Channel, 2018



- 1 Wide range of products
- 2 User Experience
- 3 Close and quality advice
  - Banks: ~ 400<sup>1</sup> clients/manager (High Income Segments)
  - IFAs: ~ 100 clients/advisor

IFAs provide closer advisory

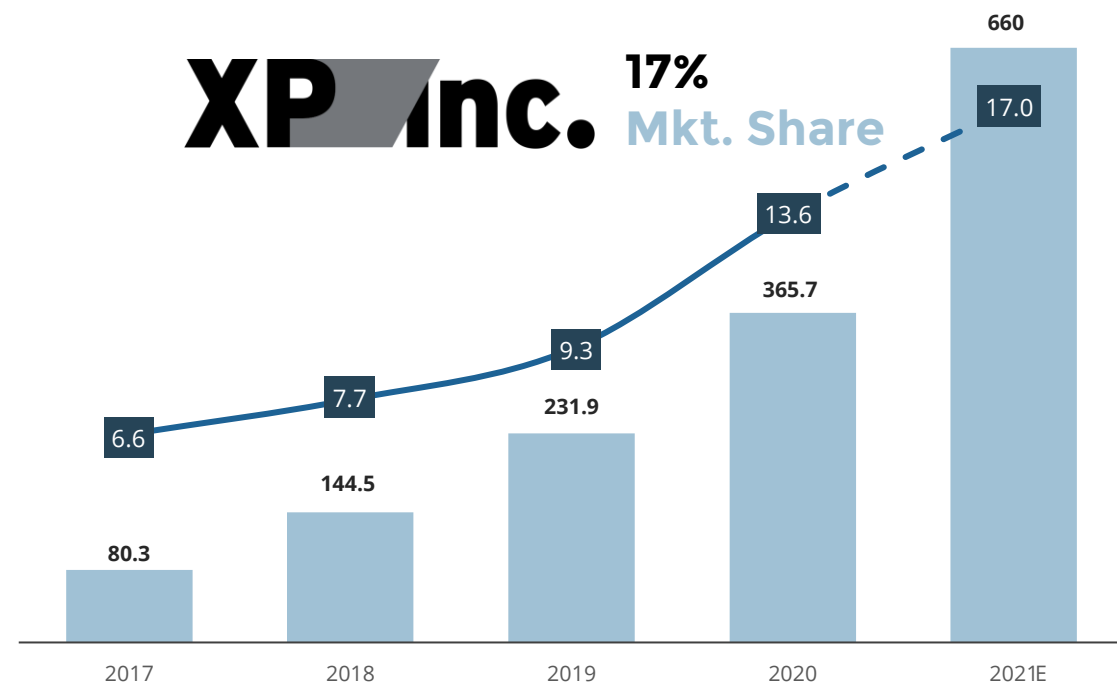
Sources Our Analysis, Field Research

# IFAs: a central expansion pillar, hampered by regulation

The **major non-bank player is XP Investimentos**, which had its expansion based on a large **growth of the IFAs network**

Financial Volume per Segment, R\$ bn

XP AuC (R\$ Bn) Registered IFAs in Brazil (thousands)



Sources Ancord, Company Filings, CVM, Bloomberg, Our Analysis

CVM 497 establishes



No possibility of **capitalist partner**

But its **likely to change**. What then?

Brazil is likely to experience the same **IFA offices expansion** as:



Publicly listed offices



Firms that focus on consolidating IFA market

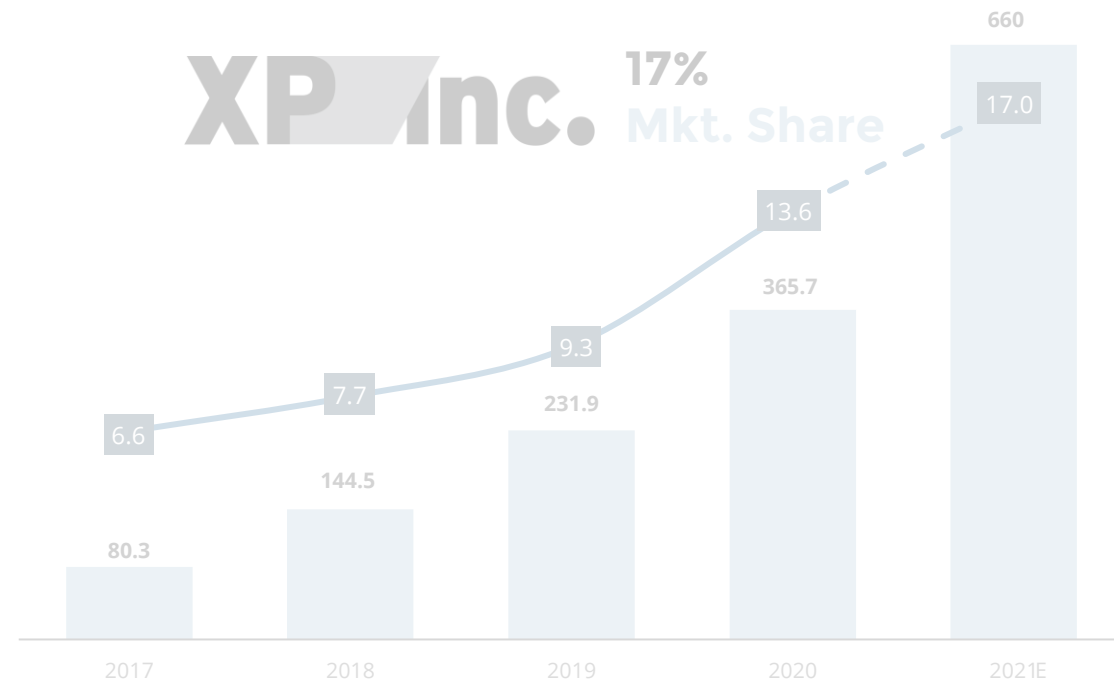


# IFAs: a central expansion pillar, hampered by regulation

The **major non-bank player is XP Investimentos**, which had its expansion based on a large **growth of the IFAs network**

Financial Volume per Segment, R\$ bn

■ XP AuC (R\$ Bn) — Registered IFAs in Brazil (thousands)



Sources: Ancord, Company Filings, CVM, Bloomberg, Our Analysis

CVM 497 establishes



No possibility of **capitalist partner**



But its **likely to change**. What then?

Brazil is likely to experience the same **IFA offices expansion as:**



Publicly listed offices

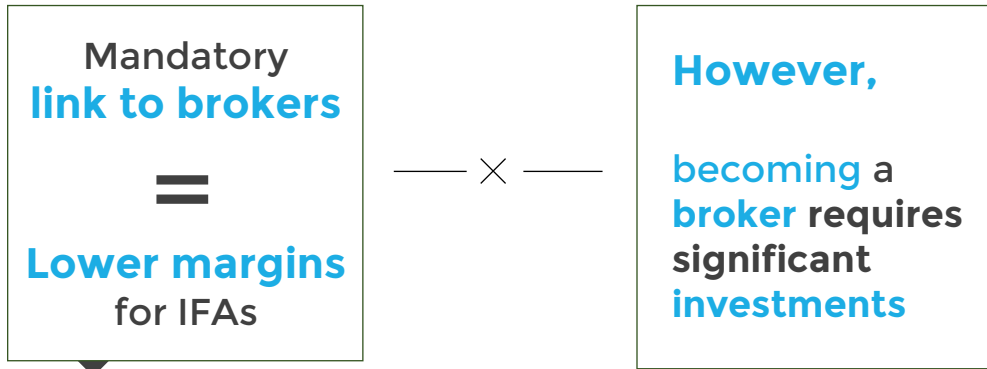


Firms that focus on consolidating IFA market





# A unique value proposition to catch the big fish



- Acquisition of a 49% stake in 09/2020
- In the process of becoming a broker



## BTG tackles the IFA office's will to become a broker

- 1 White-Label Broker as a Service infrastructure
- 2 Support to become a broker
- 3 Investment, with purchase of a stake in the office



- Acquisition of stake in 09/2020
- In the process of being recognized to become a Securities Distributor (DTVM)



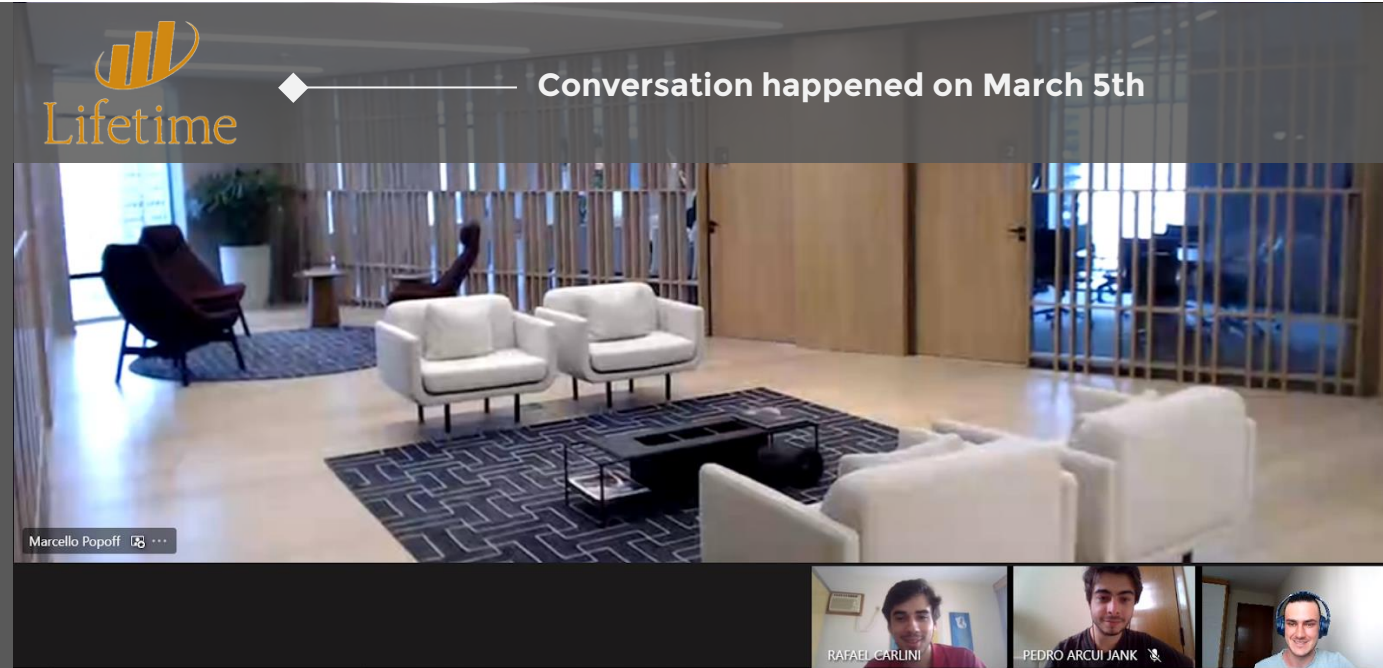
# Who can best tell us about competition for offices? IFAs themselves

## We went "out" on field, and talked to **39 IFA offices...**

btgpactual —x— **22** offices

xp investimentos —x— **16** offices

Safrá —x— **1** office



◆ ...However, **only 9% considered** the possibility of **becoming a broker** a long-term goal



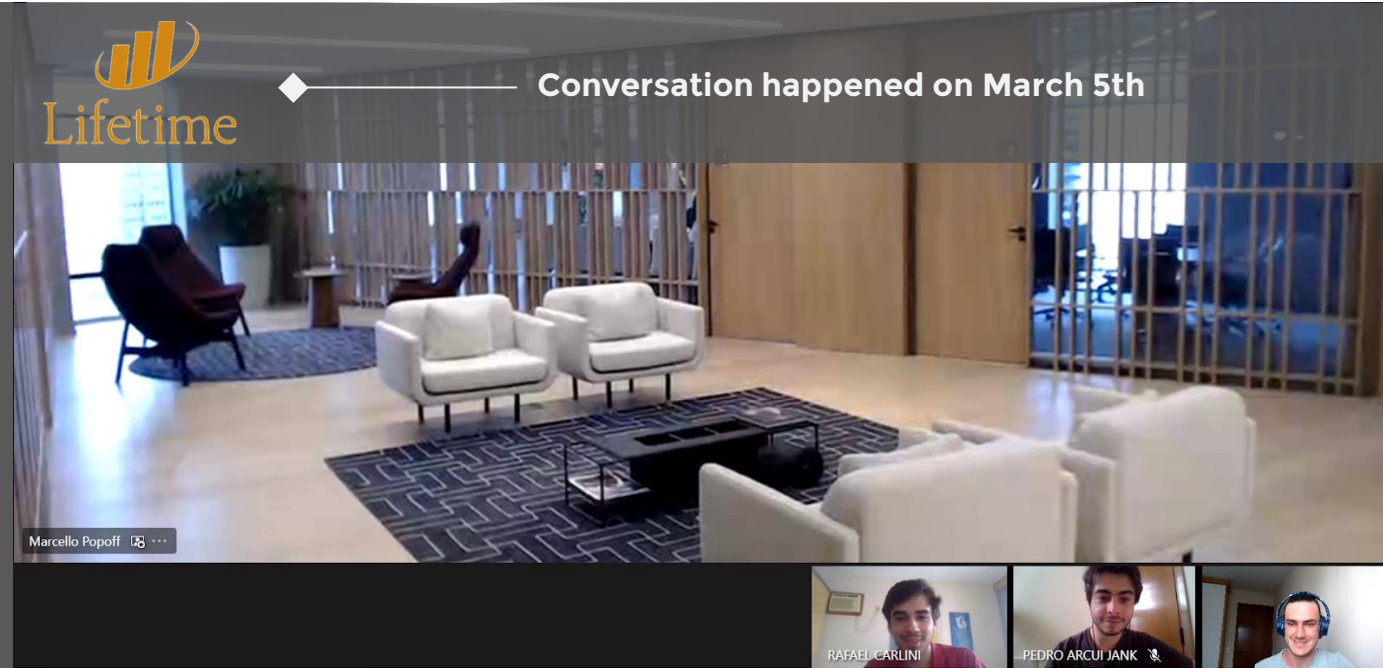
# Who can best tell us about competition for offices? IFAs themselves

## We went "out" on field, and talked to **39 IFA offices...**

btgpactual —x— **22** offices

xp investimentos —x— **16** offices

Safrá —x— **1** office



◆ ...However, **only 9% considered** the possibility of **becoming a broker** a long-term goal



### What is the main **strategy** for **expanding BTG Digital** then?

# BTG's weapon: attracting sophisticated IFAs



## Sophisticated IFAs

Meet sophisticated demands    HNWI    Corporate Service    Explore Cross-sell    Better-certified professionals



## Standard IFAs

Focus on broad income ranges    Aims to expand the customer base    Focus on distributing investment products

Sources Field Research

# BTG's weapon: attracting sophisticated IFAs



## Sophisticated IFAs

Meet sophisticated demands    HNWI    Corporate Service    Explore Cross-sell    Better-certified professionals



## Standard IFAs

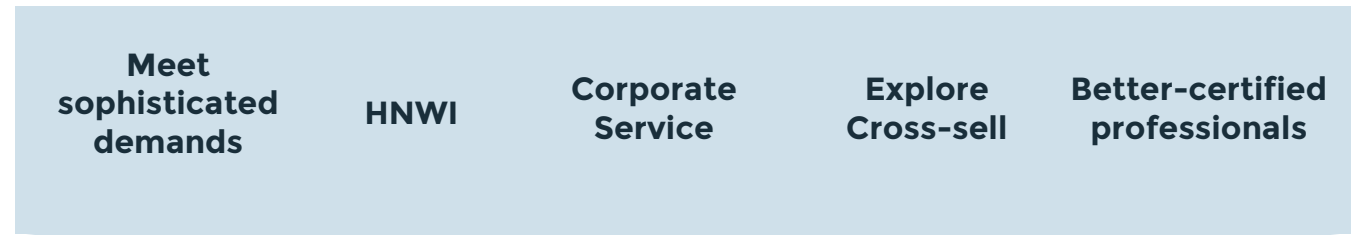
Focus on broad income ranges    Aims to expand the customer base    Focus on distributing investment products

Sources Field Research

# BTG's weapon: attracting sophisticated IFAs



## Sophisticated IFAs



Much greater added value for BTG Pactual



Concentrate a large part of the market's assets in a small number of IFAs

Sources Field Research



# BTG's weapon: attracting sophisticated IFAs



## Sophisticated IFAs



Products



Technology



Relationships



Customer value proposition



We found that 4 main factors matter when choosing a broker



Much greater added value for BTG Pactual



Concentrate a large part of the market's assets in a small number of IFAs

Sources Field Research

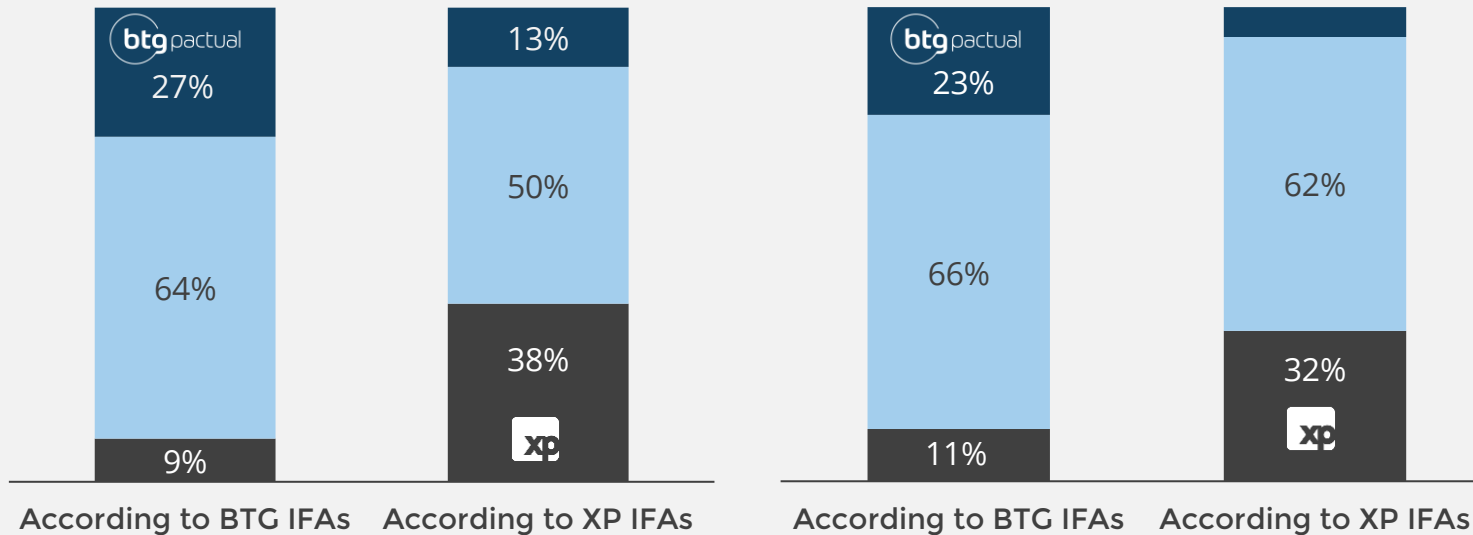
# Which player stands out when it comes to **product** and **technology**?

Which player stands out in each criterion?

■ *XP > BTG* ■ *BTG = XP* ■ *BTG > XP*

## Products

## Technology



*However...*

**86%** of the advisors interviewed believe that **both product and technology will become commodities in the near future**

The product portfolio is quite **similar in scope**, with some minor variations

**XP is still slightly ahead in tech**, but **BTG is getting there**



# Relationships: open channel between advisors and bank executives

In our research, we clearly perceive the **unique relationship** that BTG maintains with the IFAs

 cordier | Conversation happened on 04/03

“BTG provides total **openness to speak with the Heads of the IBD, with Sallouti, or whoever we need.** For us, this is an important asset!”

- Marcel Góes, Partner at Cordier Investimentos



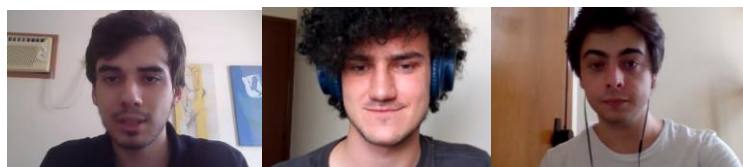
 Lifetime | Conversation happened on 05/03

“BTG is very humble in **hearing suggestions to improve processes** and learn from the advisors’ know-how”

- Marcello Popoff, Partner at Lifetime Investimentos



## Access to the investment bank allows for a distinct value proposition



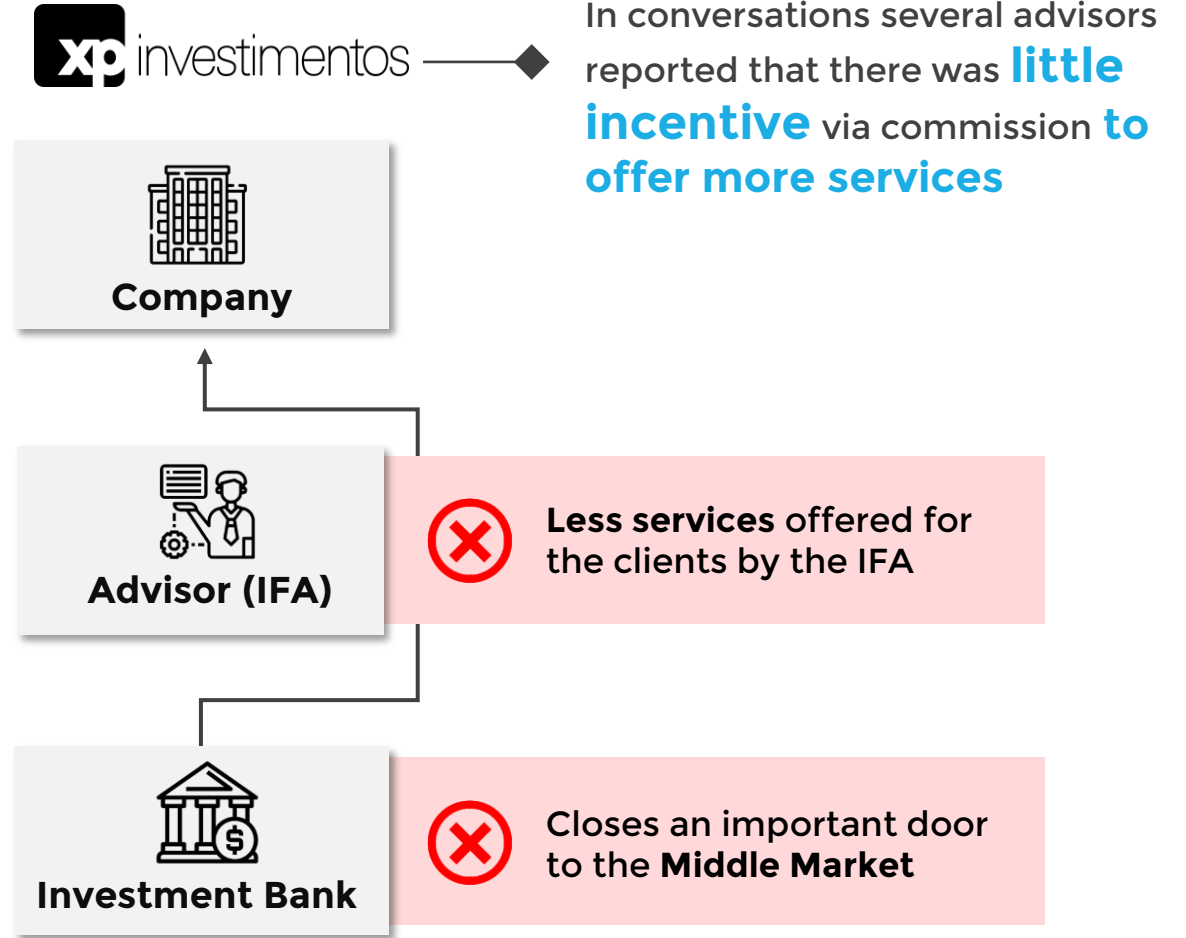
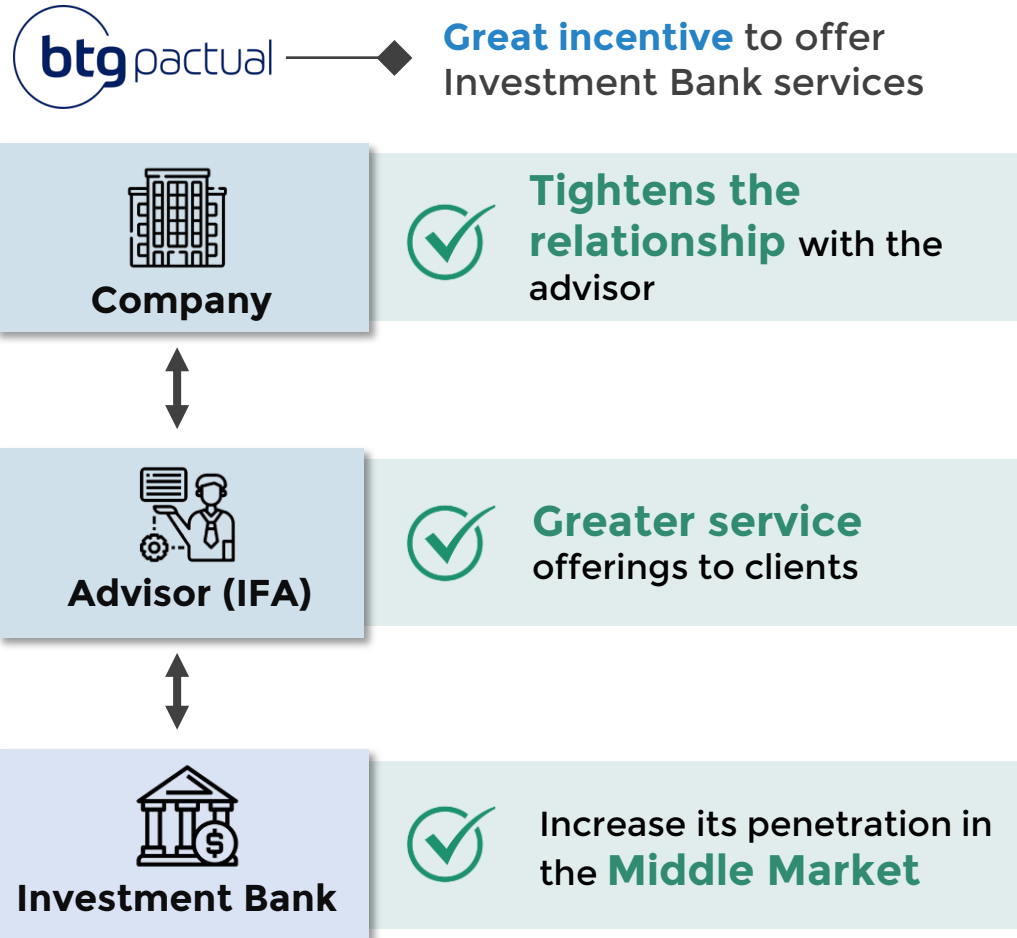
**BLACKBRIDGE**  
FINANCIAL

Fernando, from BlackBridge, told us of a case in which **his client needed corporate solutions**, and **he immediately called BTG Pactual**:

*“I'm taking a client to the bank, it would be nice if **André Esteves attended the meeting**”*

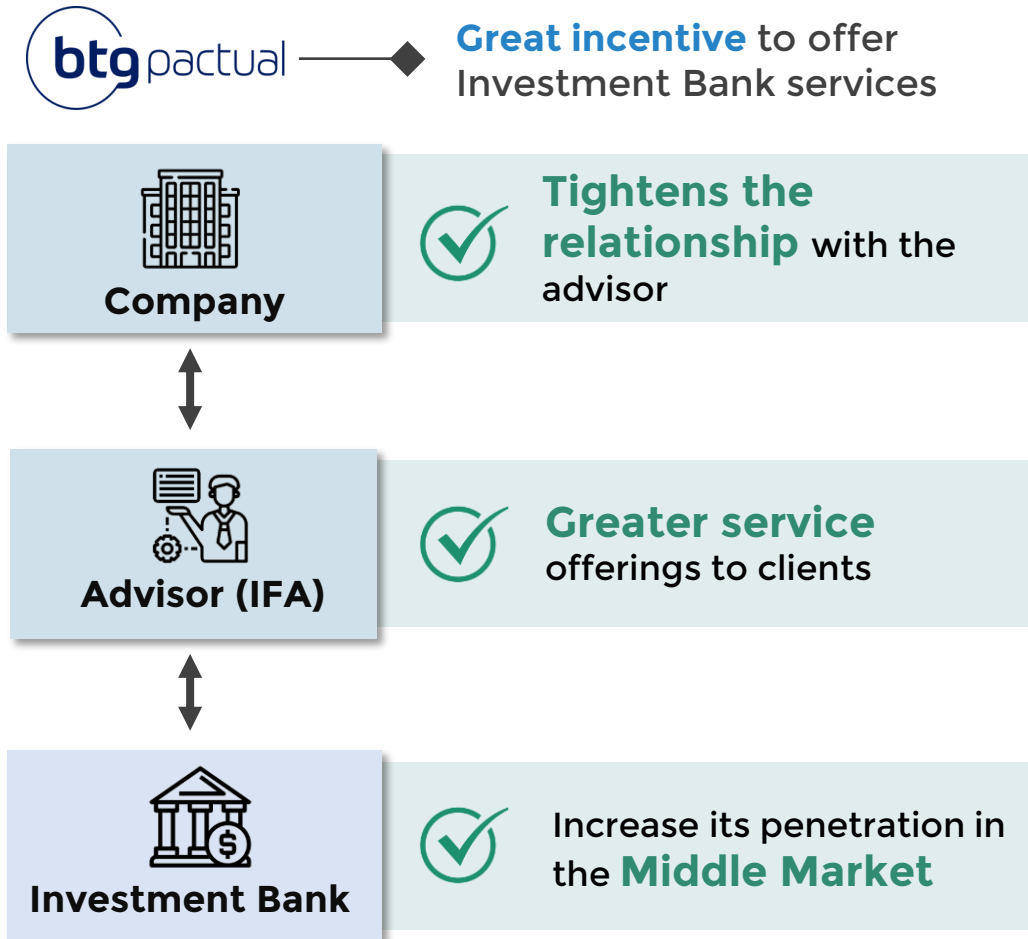
The meeting took place on January 5th and **Esteves was present**. Today the **client** is already **connected to 3 areas of the bank**, and thinking about **structuring an IPO** for his company.

By encouraging **cross-sell**, BTG benefits **all stakeholders** in the value chain



Sources Our Analysis, Field Research

By encouraging **cross-sell**, BTG benefits **all stakeholders** in the value chain



In short:



The result? BTG is much more **efficient at capturing cross-sell opportunities**

Sources Our Analysis, Field Research

# The private proposal also generates leads in the common base

## Sophisticated IFAs



## Standard IFAs



Private proposal and investment bank structure naturally attract standard IFAs



Fiercer competition due to XP long-term positioning on retail

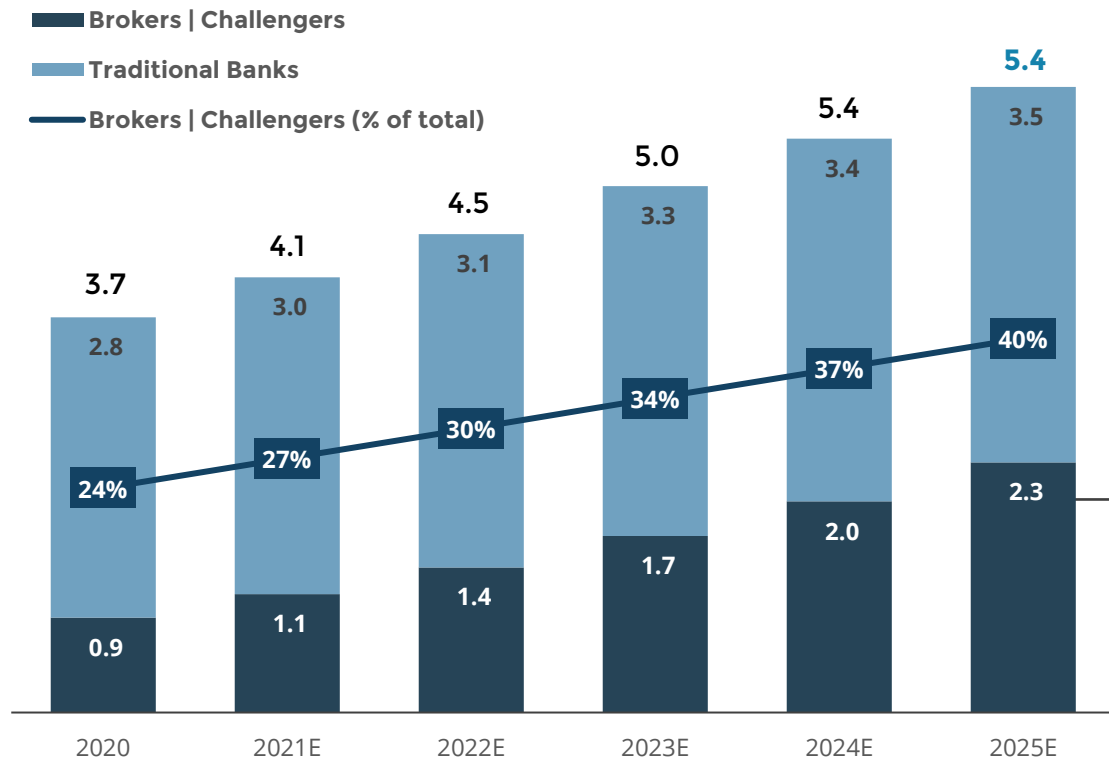
Sources Our Analysis, Field Research

# Is there a clear winner? Yes... and there are two!

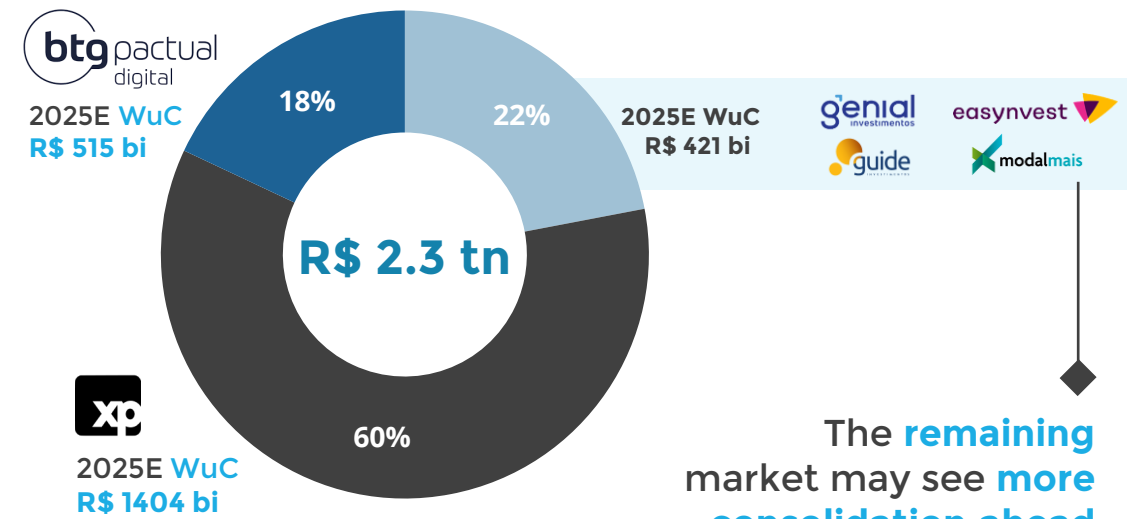
**Brokers** are expected to **continue concentrating investments** and **gaining market share** in the coming years

Within the projected market size, **both BTG and XP reach bold levels of WuC** leaving some room for other non-bank players

Brazilian Investment Market, R\$ tn



Brokers/Challengers WuC Market Share (2025E)



The **remaining** market may see **more consolidation** ahead

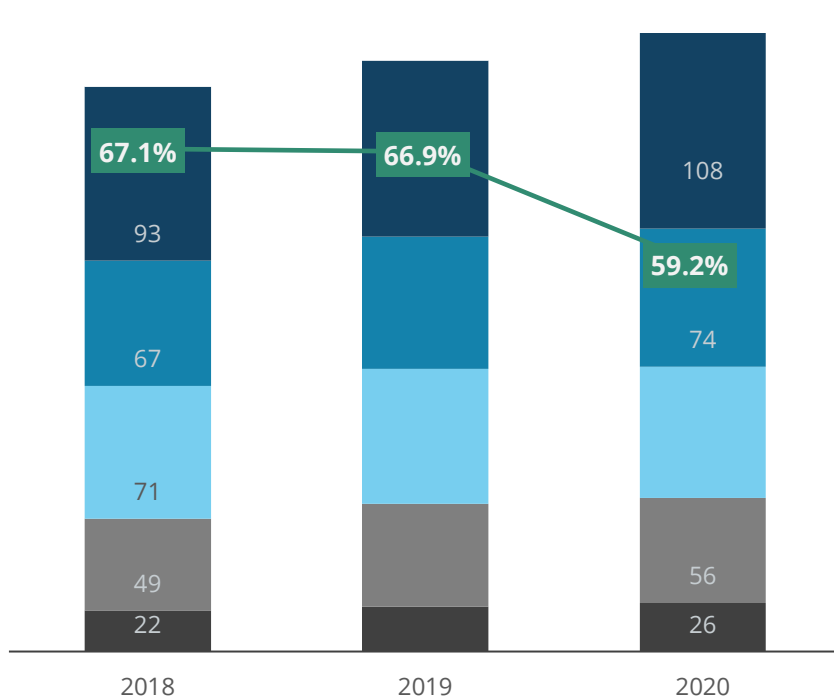
Sources Anbima, Oliver Wyman, Our Analysis

# Open Banking: traditional banks' nightmare

Retail banks enjoy **current account concentration**, penetrating the whole economy through **long-lasting relationships**

Five largest banks, # checking accounts (millions)

■ Santander ■ Itaú ■ Bradesco ■ Banco do Brasil ■ Caixa  
 — Five largest banks, % of total



What explains the checking account concentration?

- 1 Data monopoly**  
 — results in...
- 2 High switching costs**  
*Financial Costs*   
*Effort Costs*
- 3 Lofty retention rates**  
 — providing banks with...

The **monopoly** is coming to an end with **Open Banking**



Clients **cheaply** seek for the **best services**

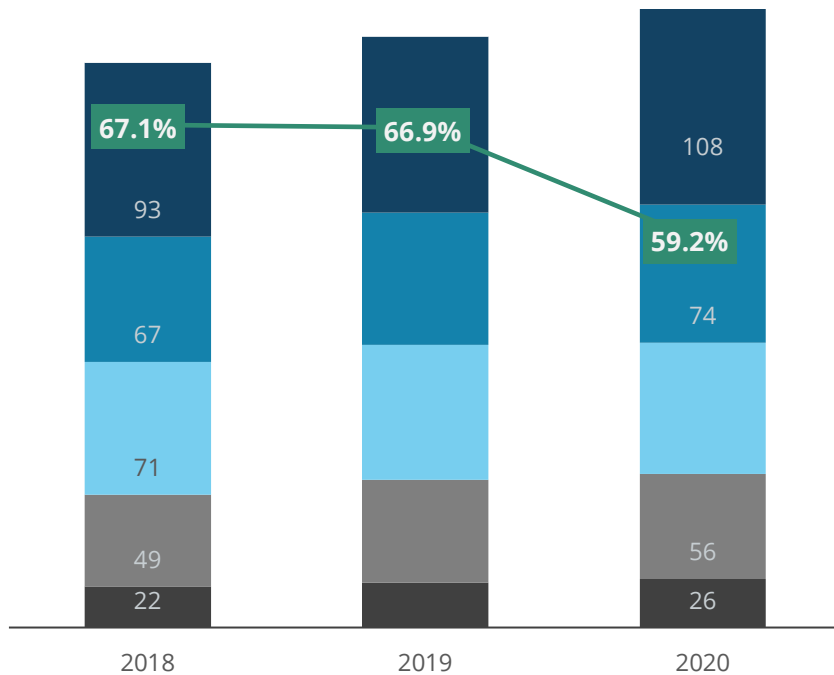
Sources Company Filings, Bacen

# Open Banking: traditional banks' nightmare

Retail banks enjoy **current account concentration**, penetrating the whole economy through **long-lasting relationships**

Five largest banks, # checking accounts (millions)

■ Santander ■ Itaú ■ Bradesco ■ Banco do Brasil ■ Caixa  
 — Five largest banks, % of total



What explains the checking account concentration?

- 1 Data monopoly**  
*results in...*
- 2 High switching costs**  
*Financial Costs*   
*Effort Costs*
- 3 Lofty retention rates**  
*providing banks with...*

The **monopoly** is coming to an end with **Open Banking**

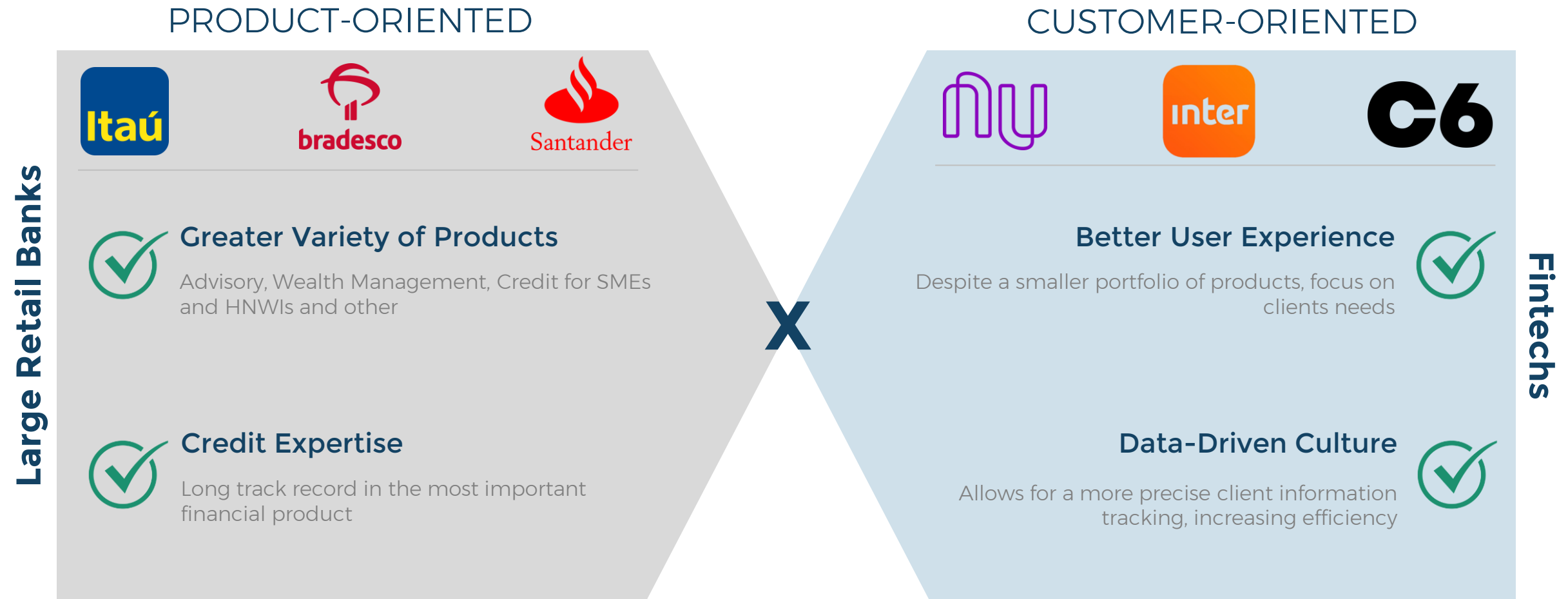


Clients **cheaply** seek for **the best services**

Sources Company Filings, Bacen



# Banks vs Fintechs: which business model **best serves** the **average client**?

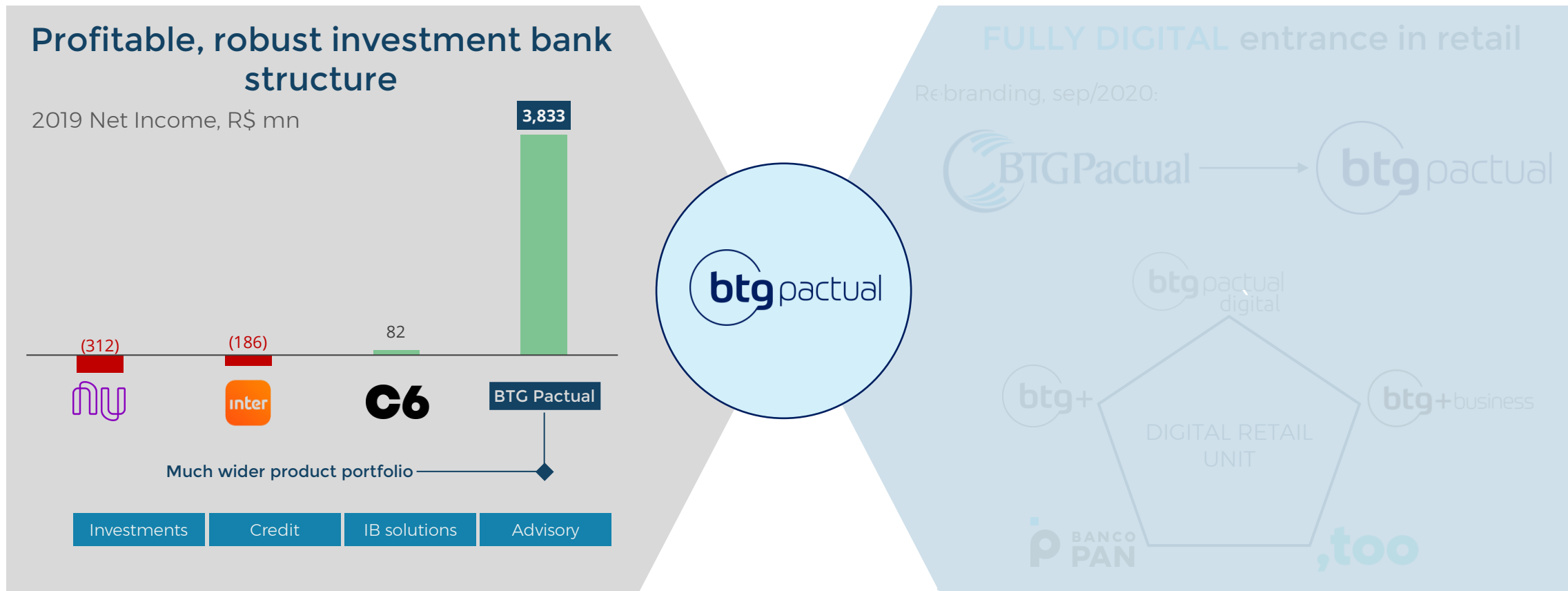


Sources Company Filings, Our Analysis

# Being able to combine both worlds is key

## PRODUCT-ORIENTED

## CUSTOMER-ORIENTED



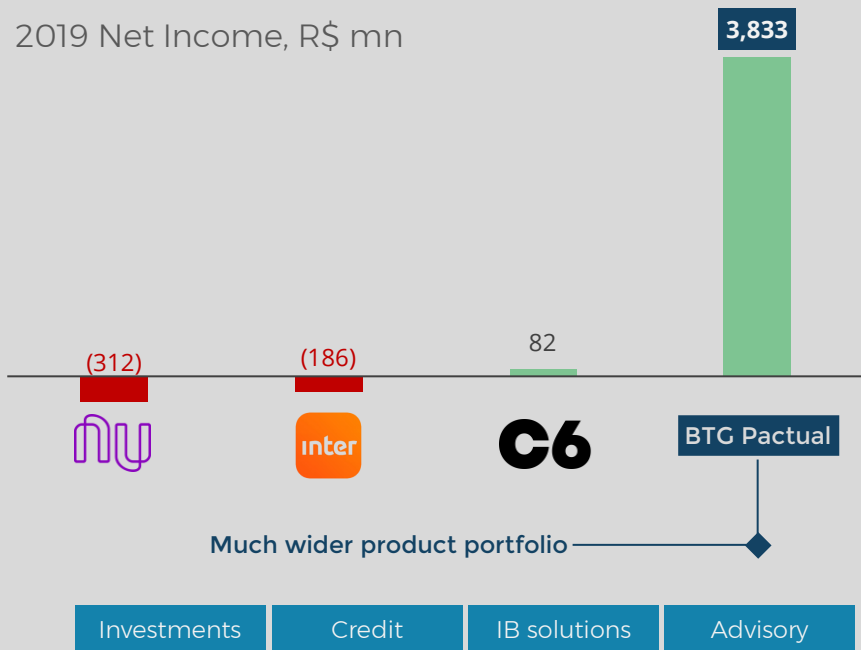
Sources Company Filings, Our Analysis

# Being able to combine both worlds is key

## PRODUCT-ORIENTED

Profitable, robust investment bank structure

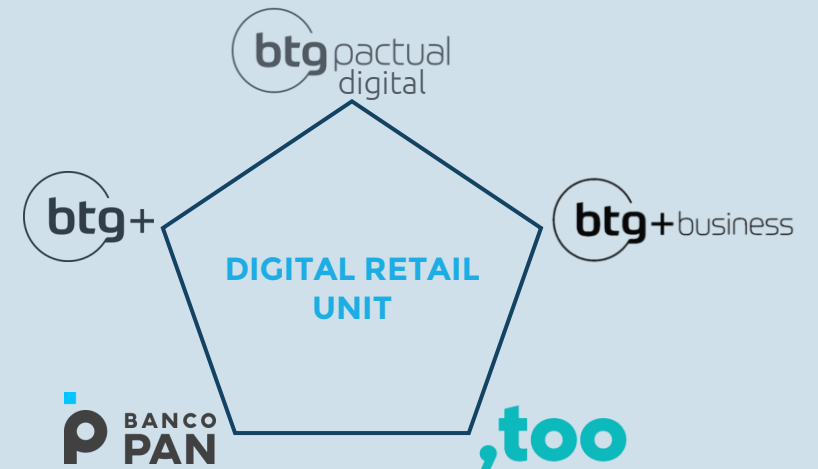
2019 Net Income, R\$ mn



## CUSTOMER-ORIENTED

FULLY DIGITAL entrance in retail

Rebranding, sep/2020:

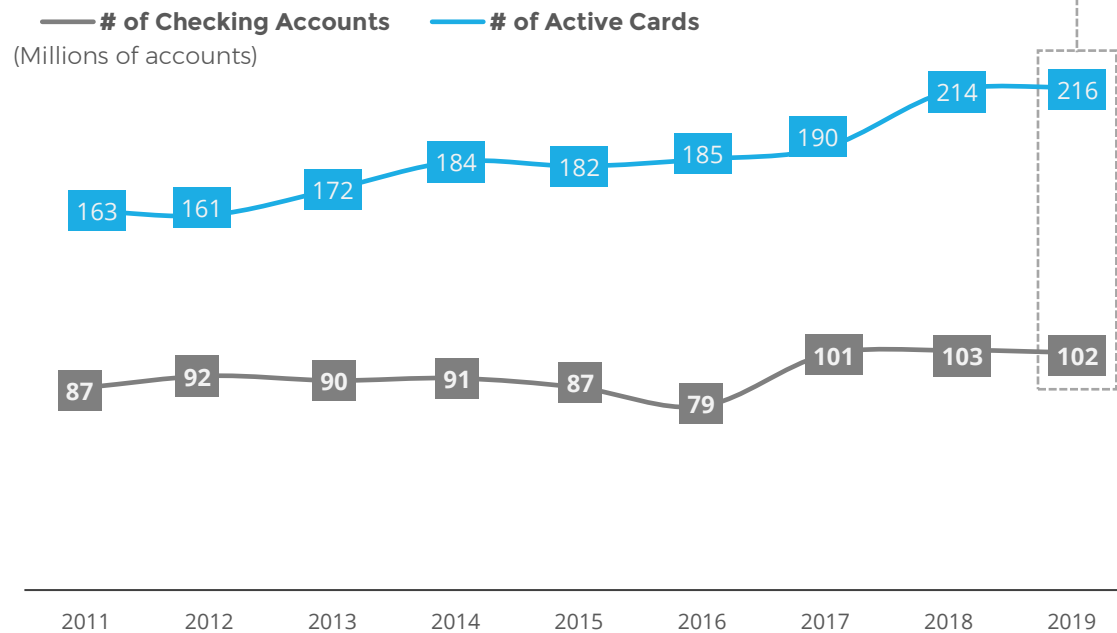


Sources Company Filings, Our Analysis

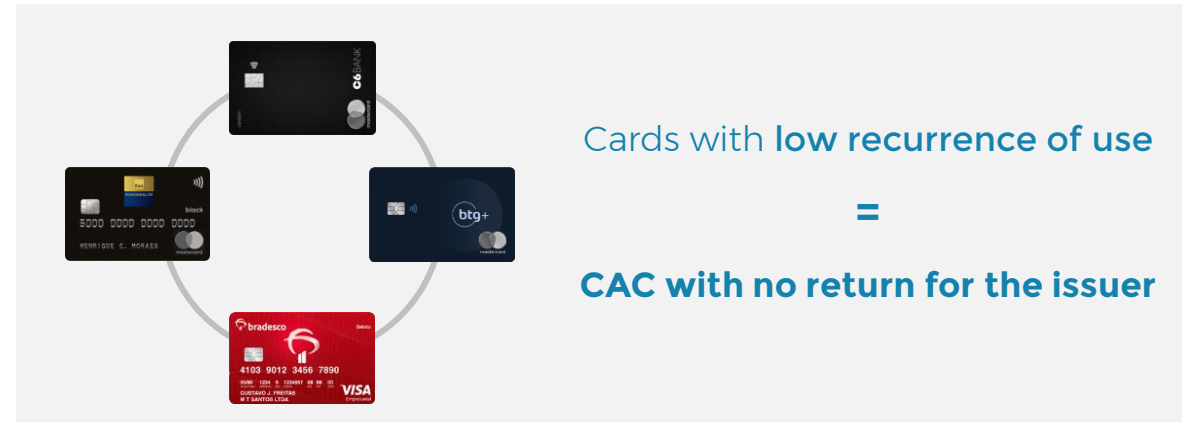
# BTG+: adoption is relatively easy. The tricky part is recurrence of use

Brazilians historically have on average **around two cards** per checking **account**

$$2019: \frac{\text{\# of Active Cards}}{\text{\# of Checking Accounts}} = 2.2x$$



Reaching clients is **not** the issue...



...generating **recurrence of use is!**

**We firmly believe BTG+ will not have any trouble regarding recurrence of use**

Sources Company Filings, Bacen

*Why?*

# Stickiness: highly integrated platforms create a feedback cycle

We tested the new digital products, and were impressed by the platforms' integrability

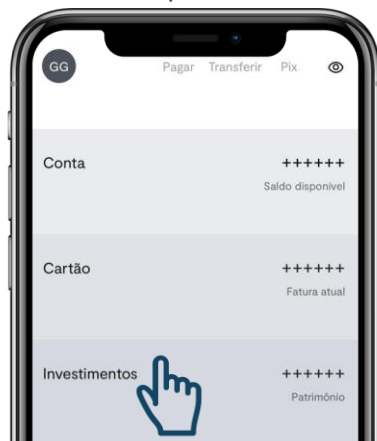


## Main point of integration of BTG's digital platforms



Extremely intuitive, two-touch redirection:

BTG+ platform



1st Touch

BTG+ platform



2nd Touch

BTG Digital platform



You are now in the BTG Digital platform

Current Account

Investments

Sources Our Analysis

# Stickiness: highly integrated platforms create a feedback cycle

## ECOSYSTEM



## SWITCHING COSTS



Sources Our Analysis

# Stickiness: highly integrated platforms create a feedback cycle

## ECOSYSTEM



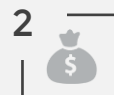
## SWITCHING COSTS: Create ecosystem stickiness

LOW



1 Enters through **lower switching costs**-platform: **BTG+**

HIGH



2 Finds himself in a **layer in which migration is more costly** than the one through which he entered: **BTG Digital**

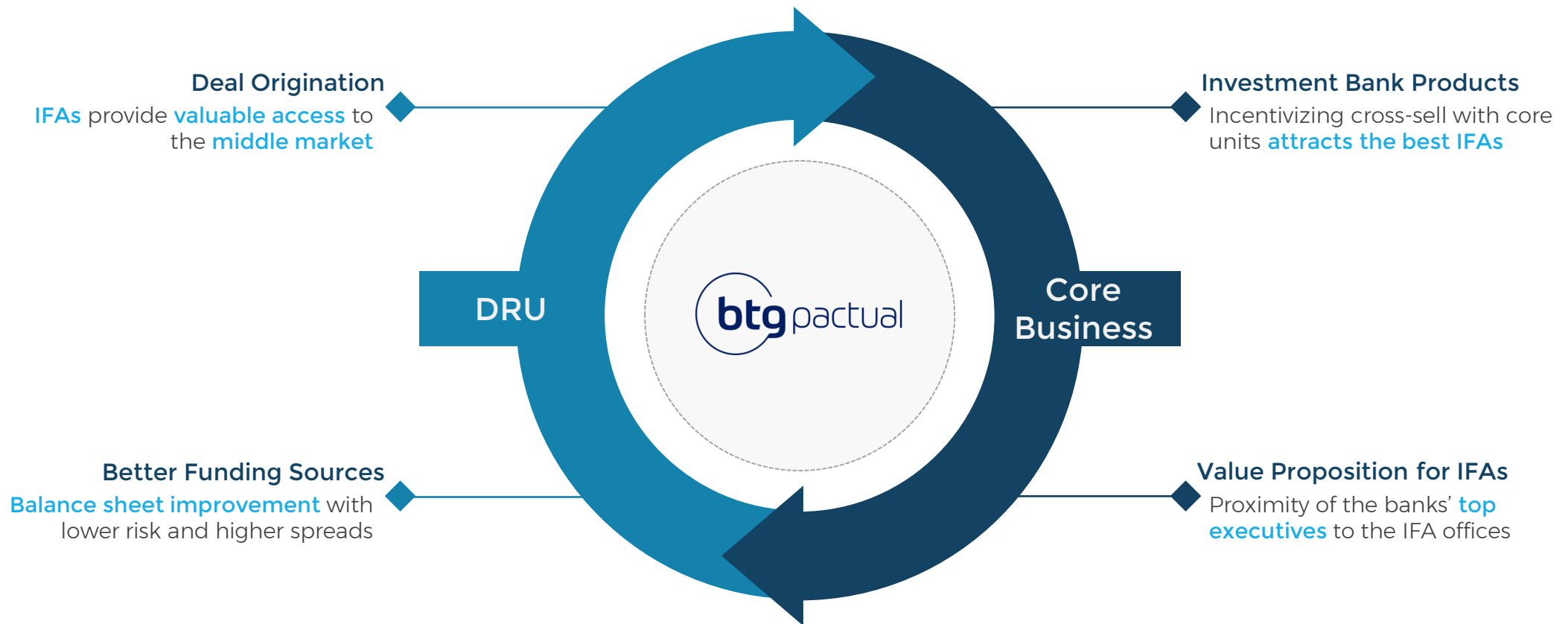


3 **Customer stickiness is generated**

Sources Our Analysis

# An even larger feedback cycle: investment and digital bank synergies

**BTG's long-term strategy in our view:** have its robust investment bank structure to push DRU growth, and vice-versa



Sources Our Analysis





Financial Deepening



Digital



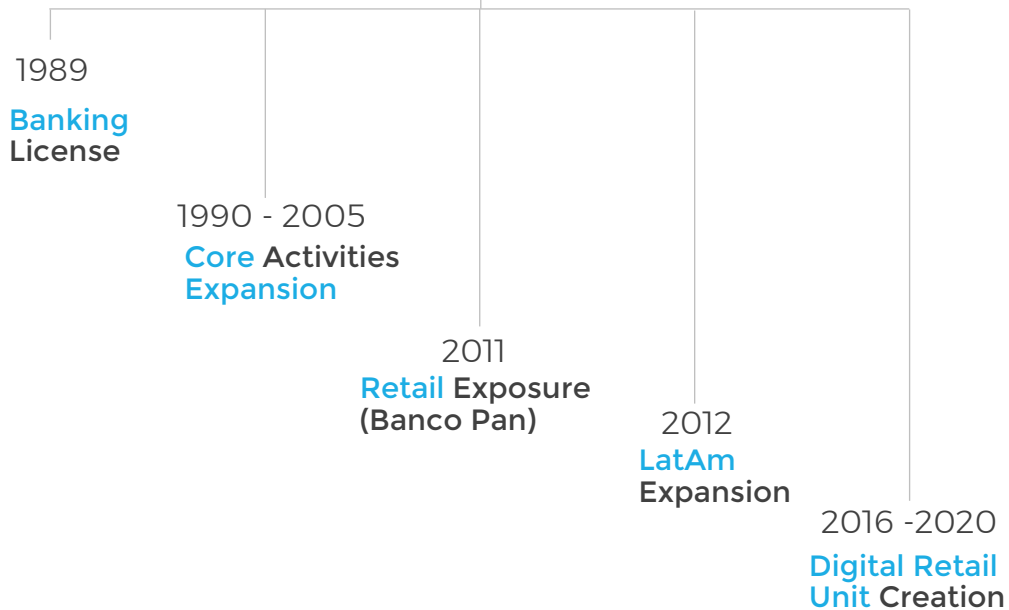
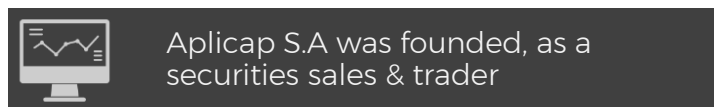
**The partnership model is  
key to support growth**

Partnership



# BTG's key to success: business scope expansion

What started as a small proprietary desk in 1983...



...became an industry leader with global penetration

Sources Company Filings

# BTG's key to success: business scope expansion

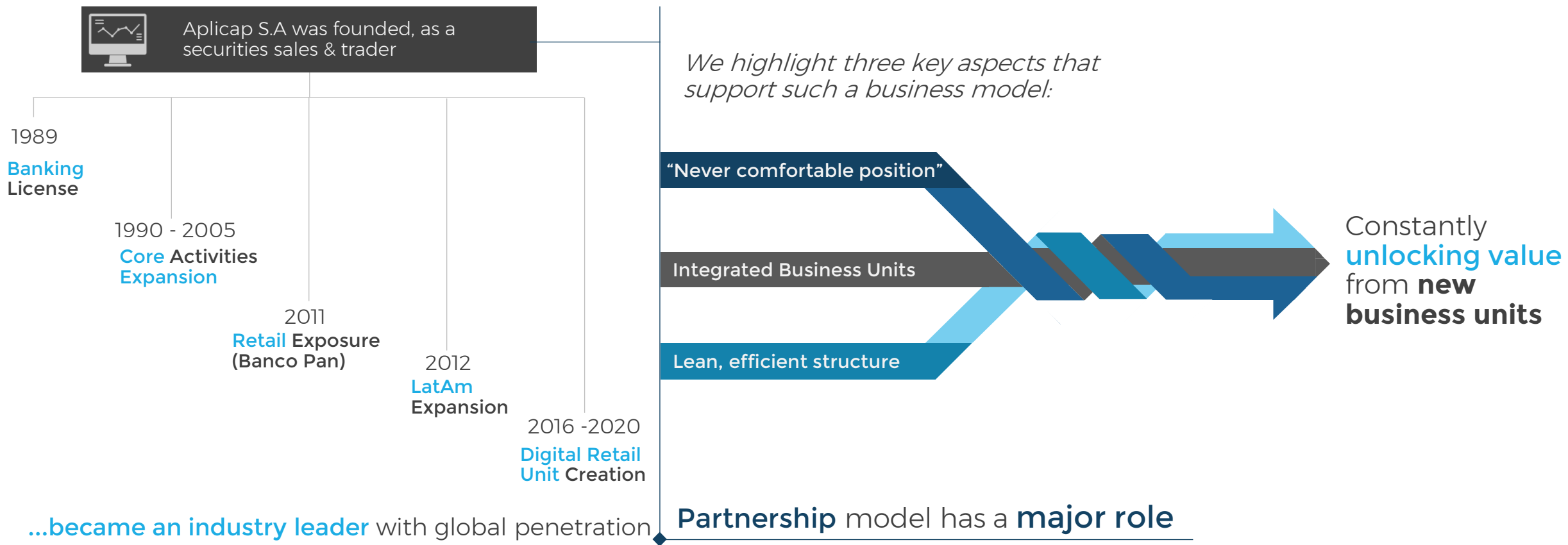
What **started as a small proprietary desk** in 1983...



Sources Company Filings

# BTG's key to success: business scope expansion

What started as a small proprietary desk in 1983...



Sources Company Filings

# Agressive model that keeps every partner sharp

Never in a comfortable position

Integrated Business Units

Lean, efficient structure



...but sell shares at the **lowest of two values** if they want to leave:

- 1 Book Value
- 2 Market Value

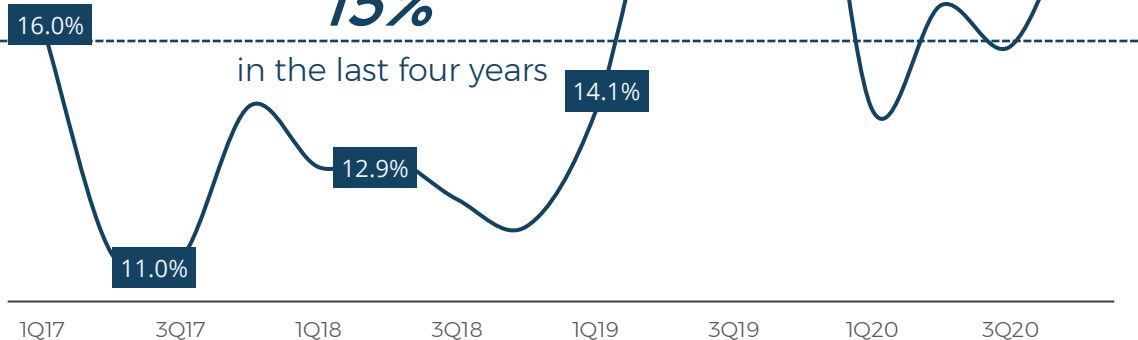
Or if they have to:  
Any partner can be asked to leave anytime

Partners enter the vehicle at **Book Value**...

Positions increase alongside **ROE**, which averaged

**15%**

in the last four years



Sources Company Filings, Brazil Journal

# Agressive model that keeps every partner sharp

Never in a comfortable position

Integrated Business Units

Lean, efficient structure



...but sell shares at the **lowest of two values** if they want to leave:

1 Book Value

2 Market Value

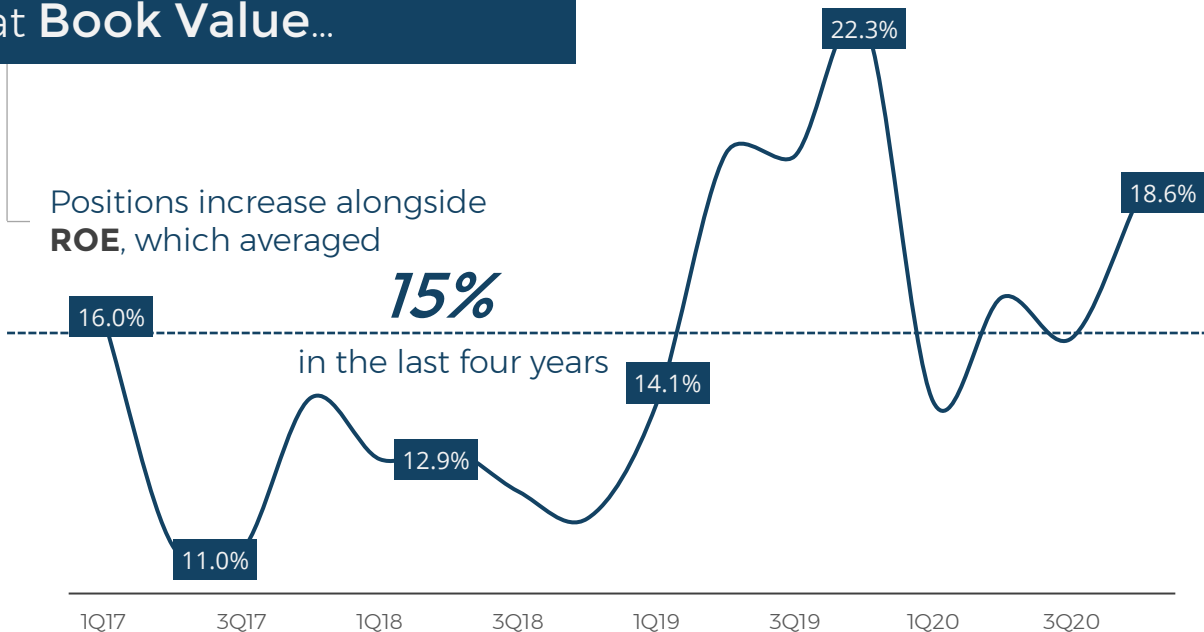
Or if they have to:  
Any partner can be asked to leave anytime

Partners enter the vehicle at **Book Value**...

Positions increase alongside ROE, which averaged

**15%**

in the last four years



If it suddenly drops lower than 1x Book, Partners have **huge incentive to reverse the situation**

**2017:**  
**Brazil Journal**  
**BTG perde Arida, e sócios reclamam de 'algemas'**

2Q17 average Mkt. Cap to Book **0.73x**

Sources Company Filings, Brazil Journal

# Agressive model that keeps every partner sharp

Never in a comfortable position

Integrated Business Units

Lean, efficient structure



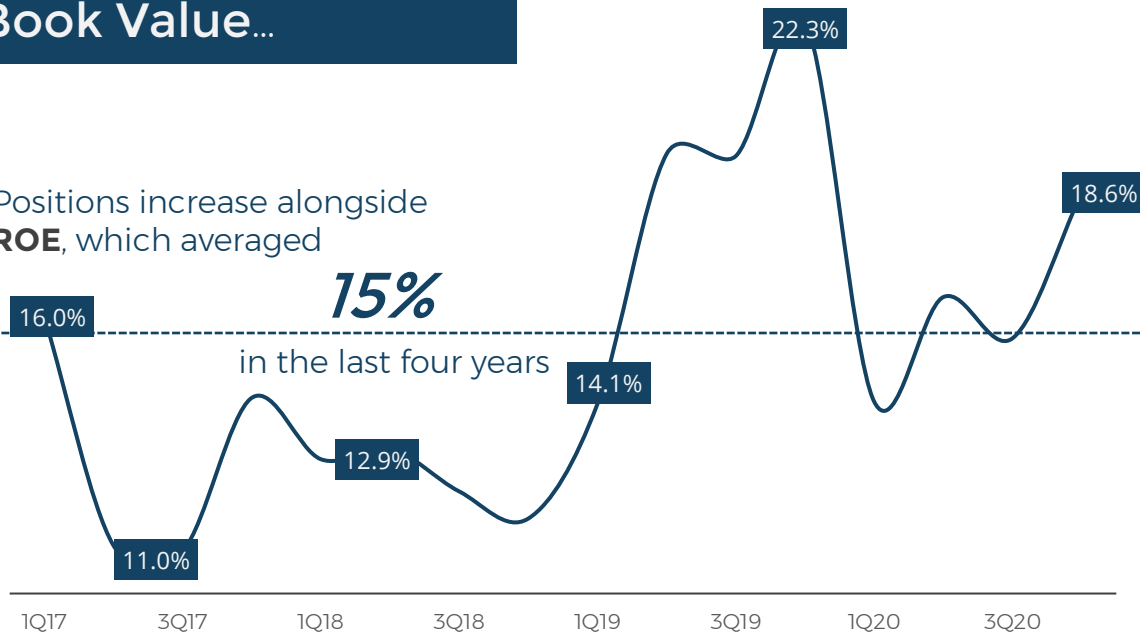
This keeps partners from jumping off the boat during tough times

Partners enter the vehicle at **Book Value**...

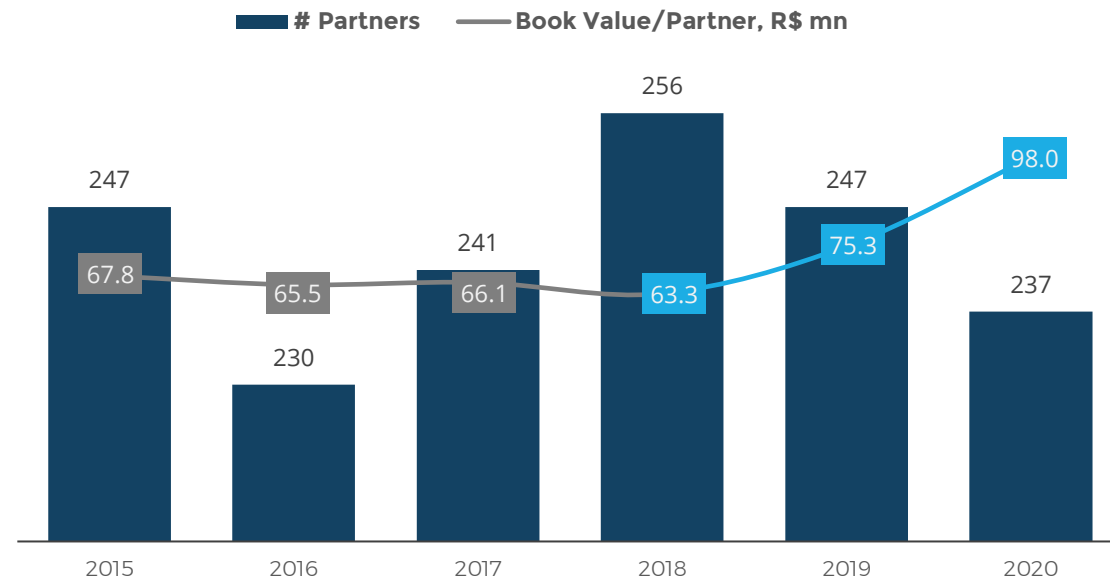
Positions increase alongside ROE, which averaged

**15%**

in the last four years



Those who stayed in the bank after the slumps enjoyed higher returns on their equity:



Sources Company Filings

# The partnership model promotes integration between areas

Never in a comfortable position

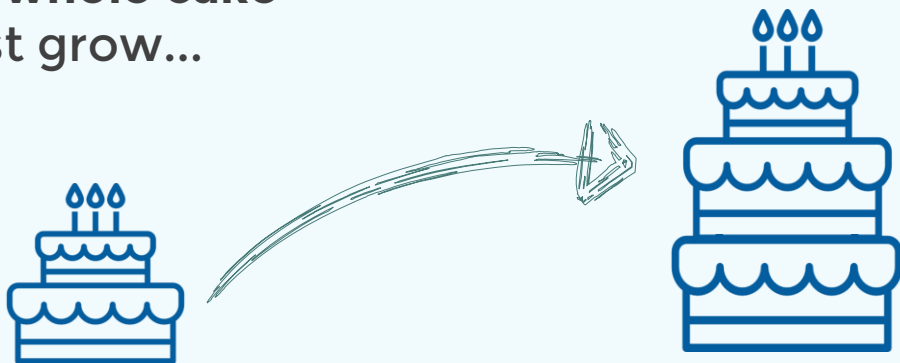
Integrated Business Units

Lean, efficient structure



What is the **main incentive** regarding **partners compensation**?

The **whole cake** must grow...



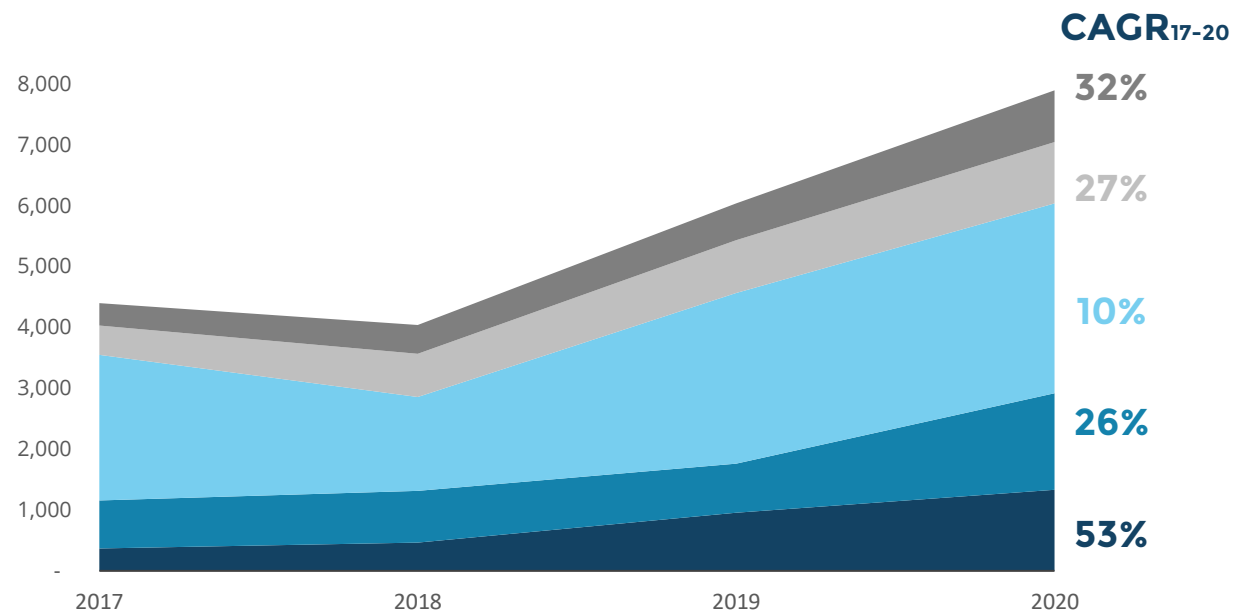
...and not just the slice



As a result, cross-selling allows for **healthy, homogeneous long-term growth**

Revenue by Business Unit, R\$ mn

■ Investment banking ■ Corporate lending ■ S&T ■ Asset management ■ Wealth management



Sources Company Filings

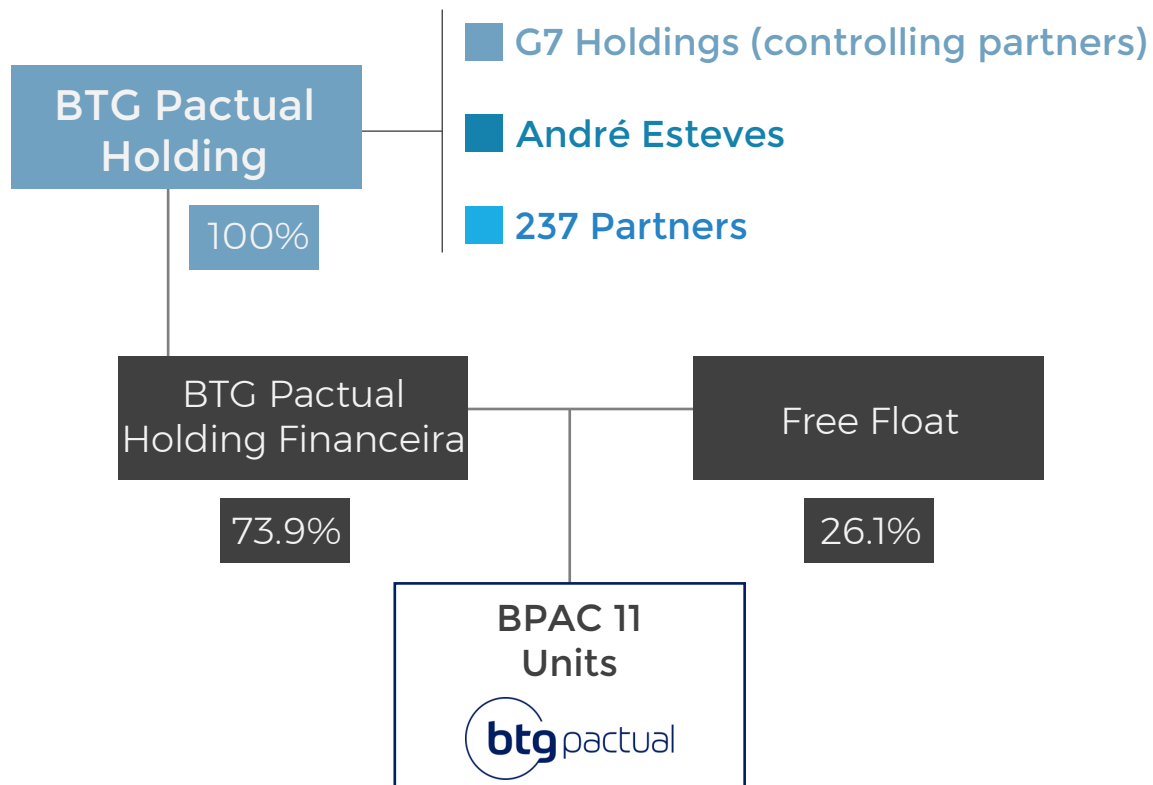


# Concentrated voting power means **efficient** decision taking

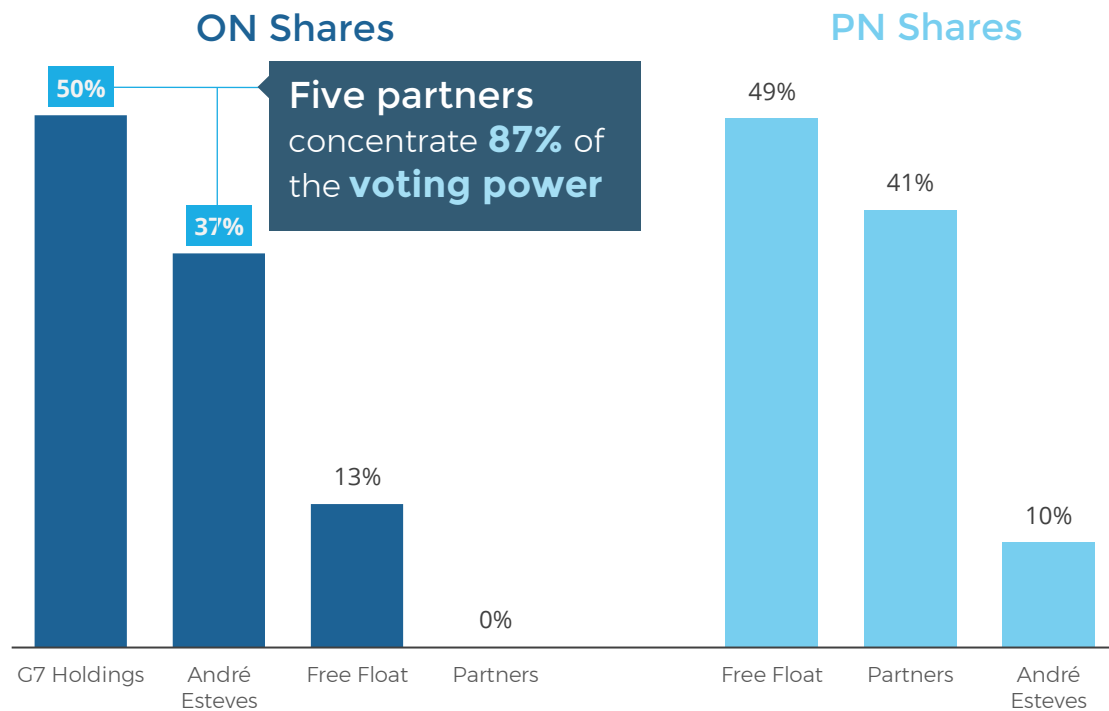
Never in a comfortable position

Integrated Business Units

Lean, efficient structure



Having the **bank's Senior Partners controlling the company** allows for **efficiently** prevailing the **best ideas**



Sources Company Filings

# Highly experienced senior partners choose the best future successors



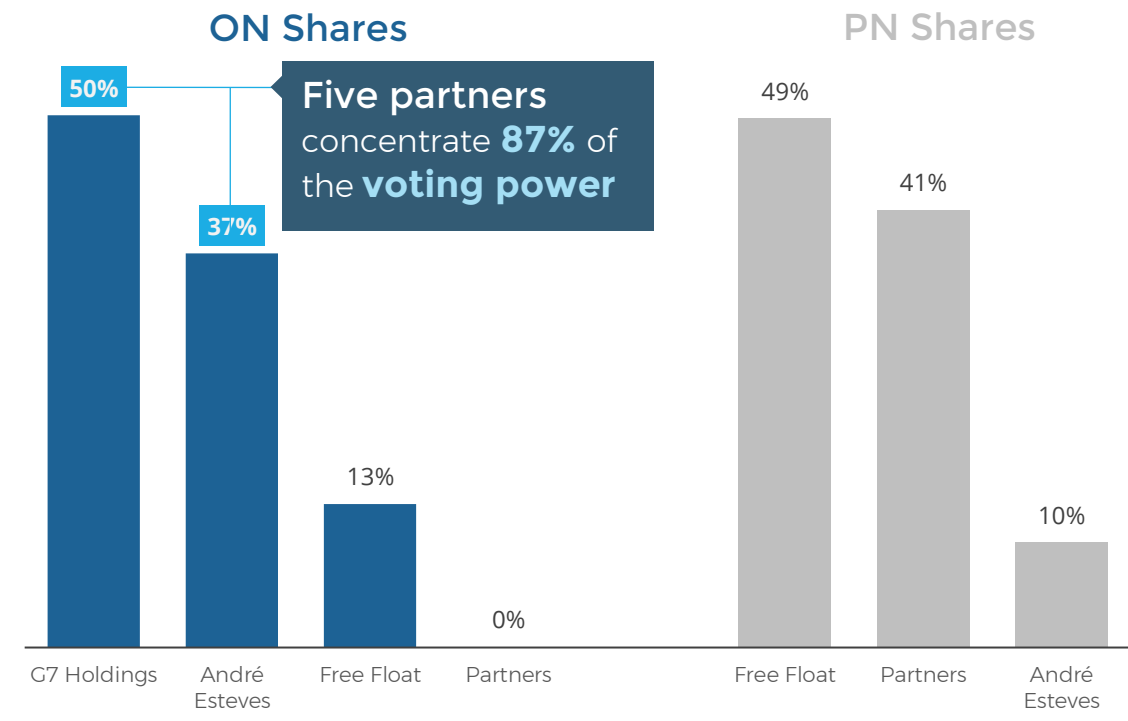
“In the long-run, the success of a Partnership depends on sticking to meritocracy. [...] **It is all about human capital**”\*

To understand the partnership from the inside, we talked to former partner and founder **Pêrsio Arida**

*Video conversation took place on March 15th*

*Sources Company Filings, Field Research. \*Full quote available in the appendix*

Having the bank's Senior Partners controlling the company allows for efficiently prevailing the best ideas



# Highly experienced **senior partners choose** the best future **successors**



“In the long-run, the success of a Partnership depends on sticking to meritocracy. [...] **It is all about human capital**”\*

To understand the partnership from the inside, **we talked to** former partner and founder **Pécisio Arida**

*Video conversation took place on March 15th*

*Sources Company Filings, Field Research. \*Full quote available in the appendix*

A **super qualified** team from the **start**...

|                  |                         |
|------------------|-------------------------|
| André Esteves    | Roberto Sallouti        |
| Antonio Porto    | James Oliveira          |
| Marcelo Kalim    | Pécisio Arida           |
| Emmanuel Hermann | <b>2008 Controllers</b> |



...and an **exceptional choice** of new partners...

|                |                         |
|----------------|-------------------------|
| André Esteves  | Roberto Sallouti        |
| Antonio Porto  | Renato Santos           |
| Guilherme Paes | <b>2021 Controllers</b> |



...guarantee the bank's **robustness** and **resilience**

# Highly experienced **senior partners choose** the best future **successors**



“In the long-run, the success of a Partnership depends on sticking to meritocracy. [...] **It is all about human capital**”\*

*About the 2015 credibility crisis, Pécisio told us:*

“It is the **only case in banking history** that I know of in which a bank **suffers from a full-fledged bank run and survives without being bailed out** by Central Bank or regulatory entities.”

To understand the partnership from the inside, **we talked to** former partner and founder **Pécisio Arida**

*Video conversation took place on March 15th*

Sources Company Filings, Field Research. \*Full quote available in the appendix

# Talent magnet: the partnership attracts great minds



We had a **conversation** with **a major international bank's Vice Chairman**, in which he said:

“BTG is well regarded by those who **do not want to be in a rigid and bureaucratic place**, which is why it attracts great people as partners”

# Partners perpetuate the bank's culture in new ventures

In our **conversations with employees**, we found that the partners are committed to **bringing the bank's culture to all new ventures**



**Guilherme Gomes**  
Executive Director | BTG Pactual Colombia  
*Conversation happened on 23/02*



**Rafael Dringoli**  
Associate Partner | BTG Pactual Chile  
*Conversation happened on 25/02*



*"The acquisition of Bolsa y Renta was due to an exceptional matching of culture and long-term vision"*  
- Guilherme Gomes

*"Several partners came here from Brazil, and today we have already managed to align the culture in Chile with what we practice in Brazil"*  
- Rafael Dringoli

Sources Company Filings, Field Research



# The franchise has spread to many markets. How will it break into the digital?



## Amos Genish

Head of Digital Retail Unit

“Consumers expect from their banks the same experience they have with FAAMG”



A telecom guru



However, incumbent banks lack the digital mindset that fintechs enjoy...

...and ambitions aren't modest:

6th largest retail bank in Brazil

1st option of IFAs and Investors

4.5 million customers in 2023

Sources Company Filings, Youtube Video featuring Amos Genish: "Crescimento do segmento digital em bancos"

# The franchise has spread to many markets. How will it break into the digital?



## Amos Genish

Head of Digital Retail Unit

“Consumers expect from their banks the same experience they have with FAAMG”



A telecom guru



However, incumbent banks lack the digital mindset that fintechs enjoy...

...and ambitions aren't modest:

6th largest retail bank in Brazil

1st option of IFAs and Investors

4.5 million customers in 2023

They don't have the digital DNA. But they have the entrepreneur one.  
*The partnership has always led partners to expand their usual job description*

Sources Company Filings, Youtube Video featuring Amos Genish: "Crescimento do segmento digital em bancos"





Financial Deepening



Digital



Partnership

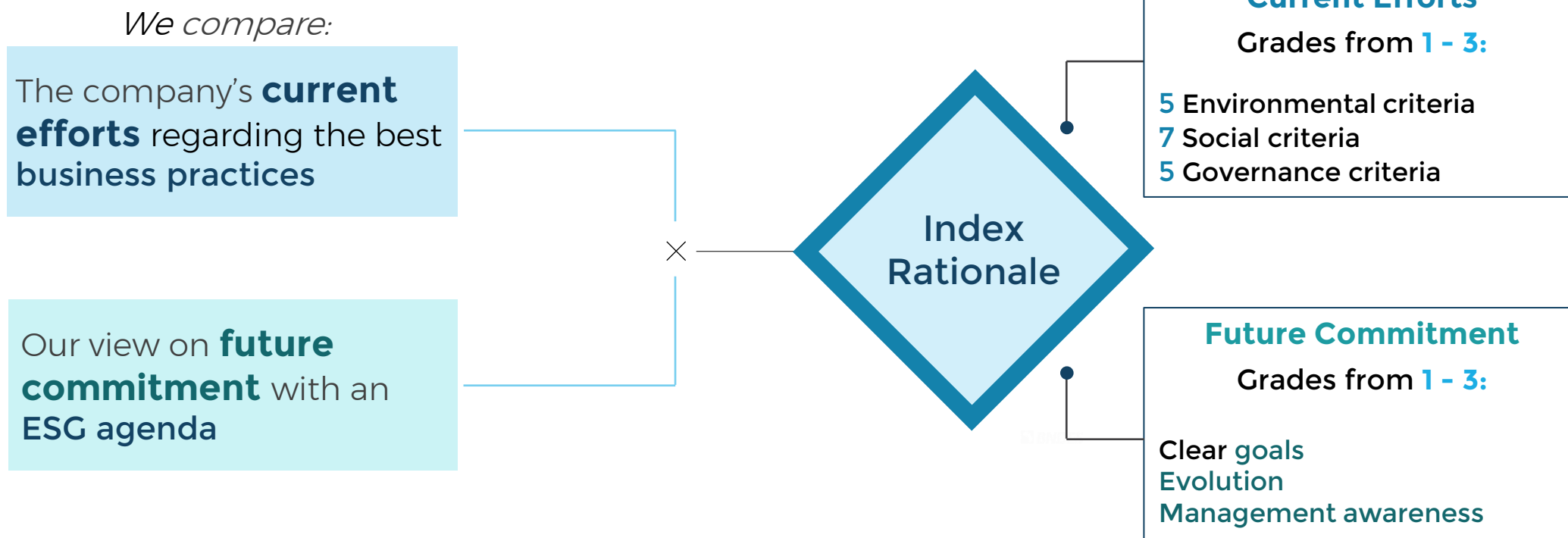
ESG

**Does BTG adopt the best business practices?**



# How aligned is BTG with the best business practices?

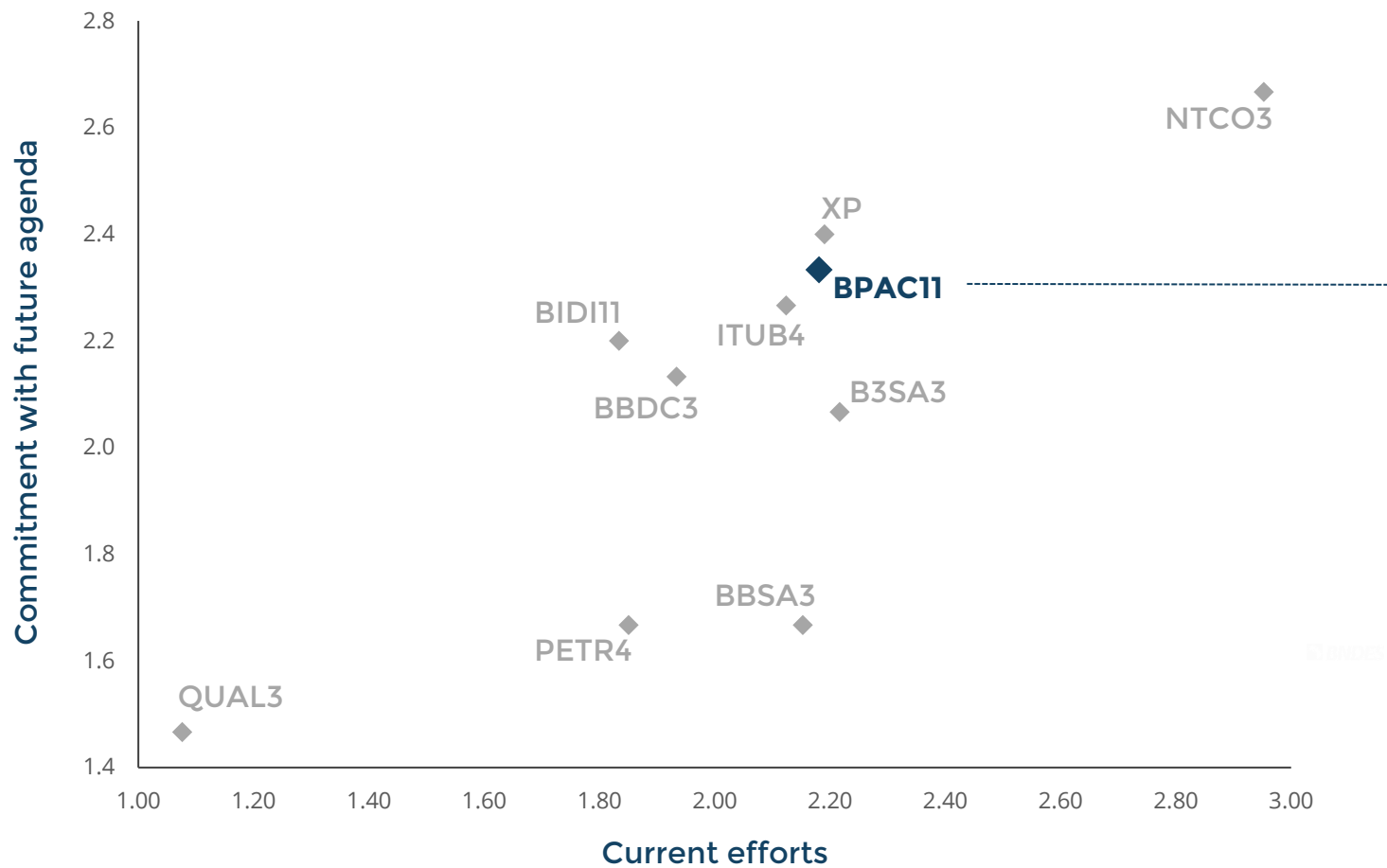
We ranked multiple companies through an original index to assess how aligned they are with generating stakeholder value



Sources Companies Annual Reports, Self Elaboration

# How aligned is BTG with the best business practices?

We ranked multiple companies through an original index to assess how aligned they are with generating stakeholder value



BTG is well positioned. Highlights:

- Environmental**  
ESG committee has clear goals that are aligned with its products
- Social**  
Relevant efforts regarding education
- Governance**  
Past credibility crisis is being mitigated with strict actions



ESG Benchmarks

Sources Companies Annual Reports, Self Elaboration



Financial Deepening



Digital



Partnership

## Financials & Valuation

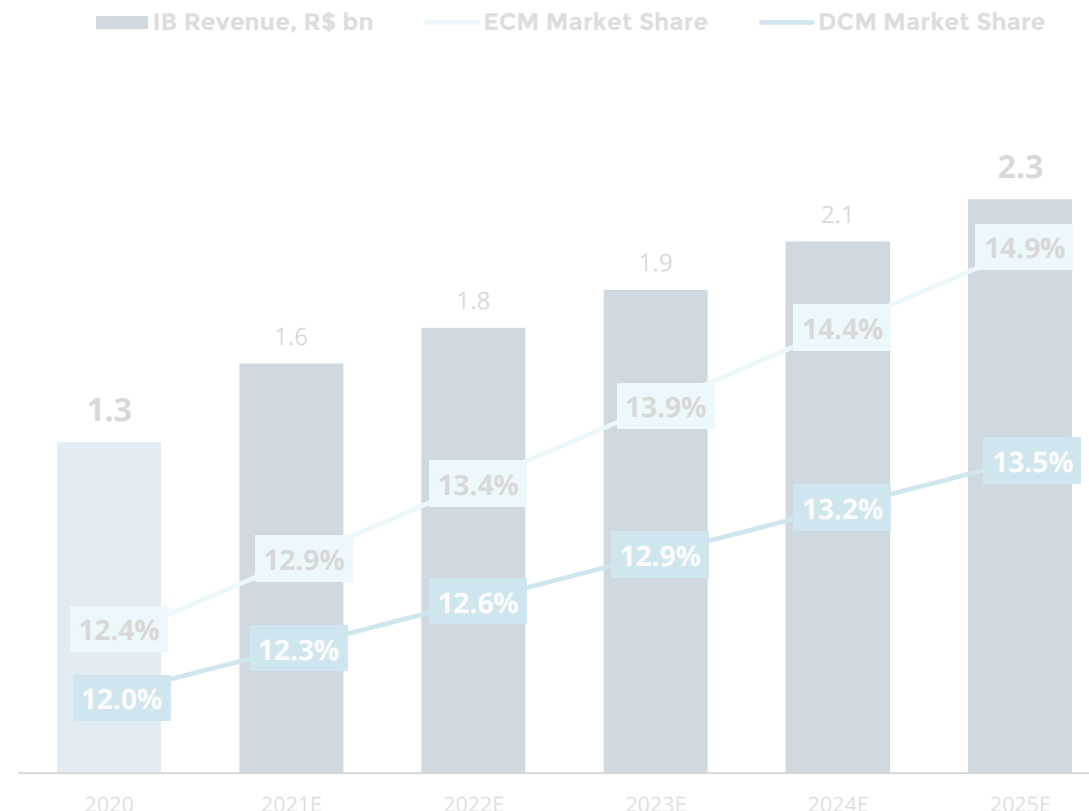
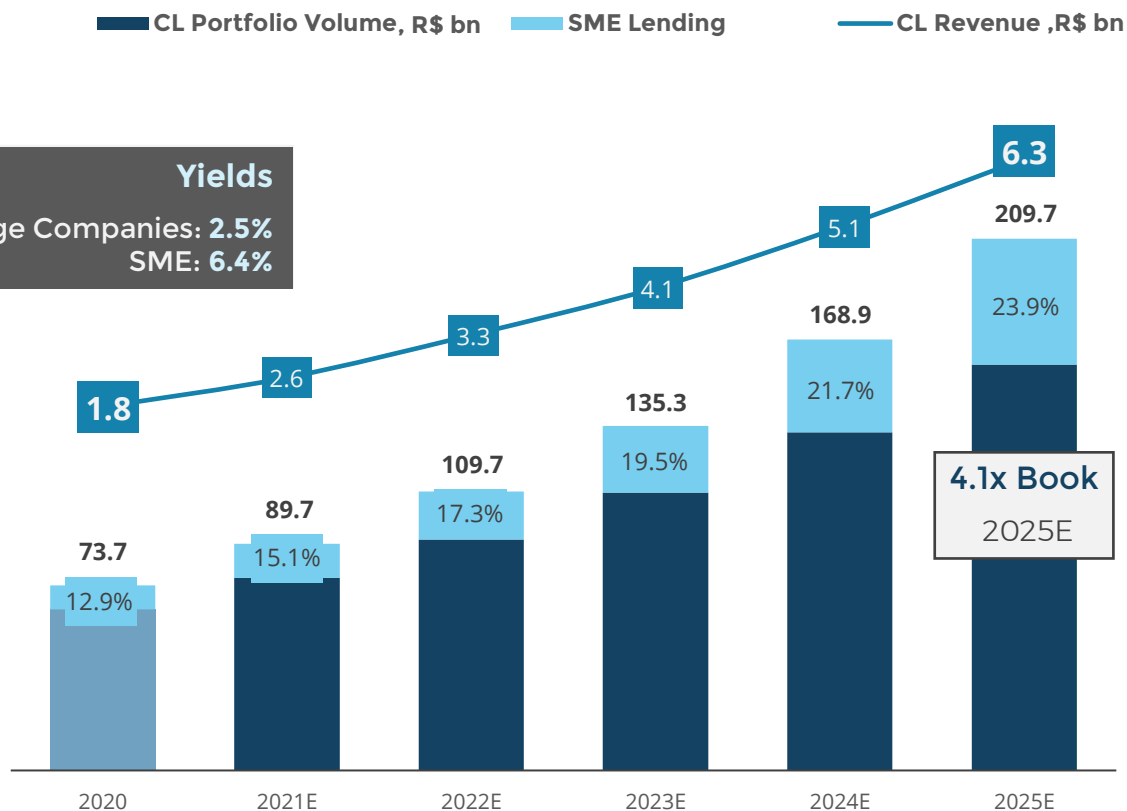
**How do our theses translate into numbers?**

The logo for btg+ is displayed on a dark blue background. It consists of the lowercase letters 'btg+' in a white, sans-serif font, enclosed within a white circular outline.The Mastercard logo is partially visible on the bottom right of the image. It features two overlapping circles, one gold and one silver, with the word 'mastercard' written in a white, lowercase, sans-serif font below them.

# Core Business highlights: cross-selling is likely to drive CL and IB revenue

**Corporate Lending main assumption: 4.1x book leverage** by 2025 due to a growing base of **unsecured funding**

A **closer relationship to large corporates** is the most relevant driver for future **IB** revenue, generating **market share gains**



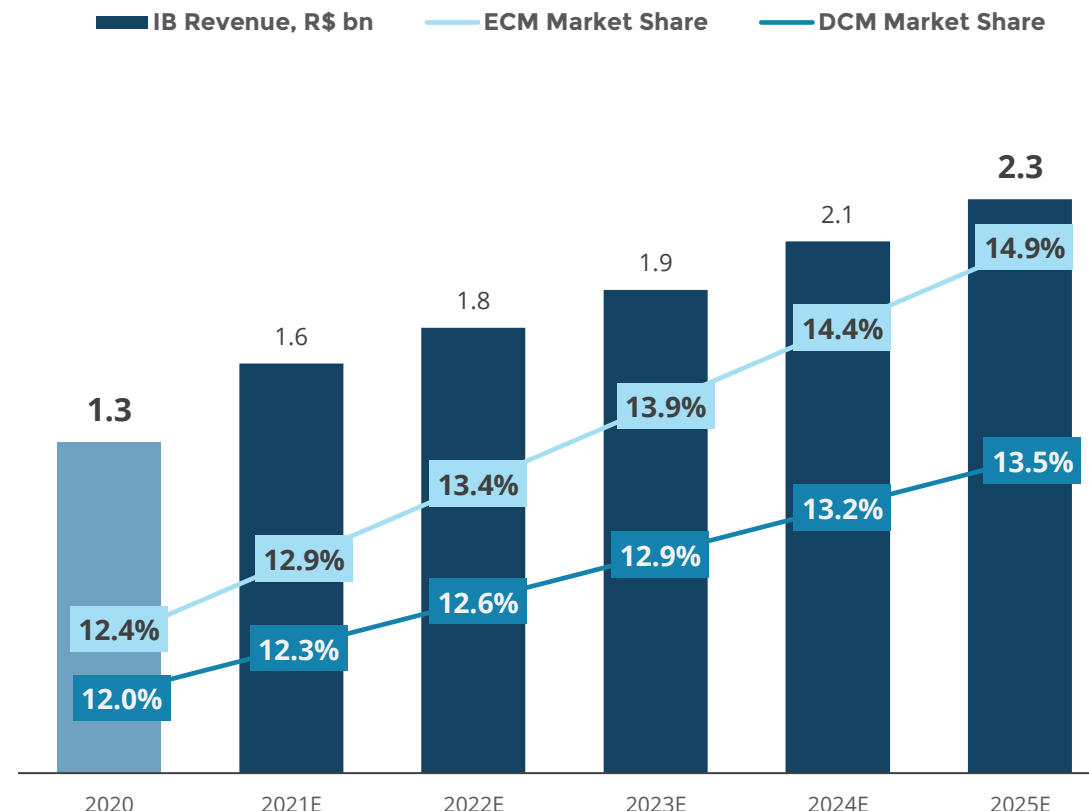
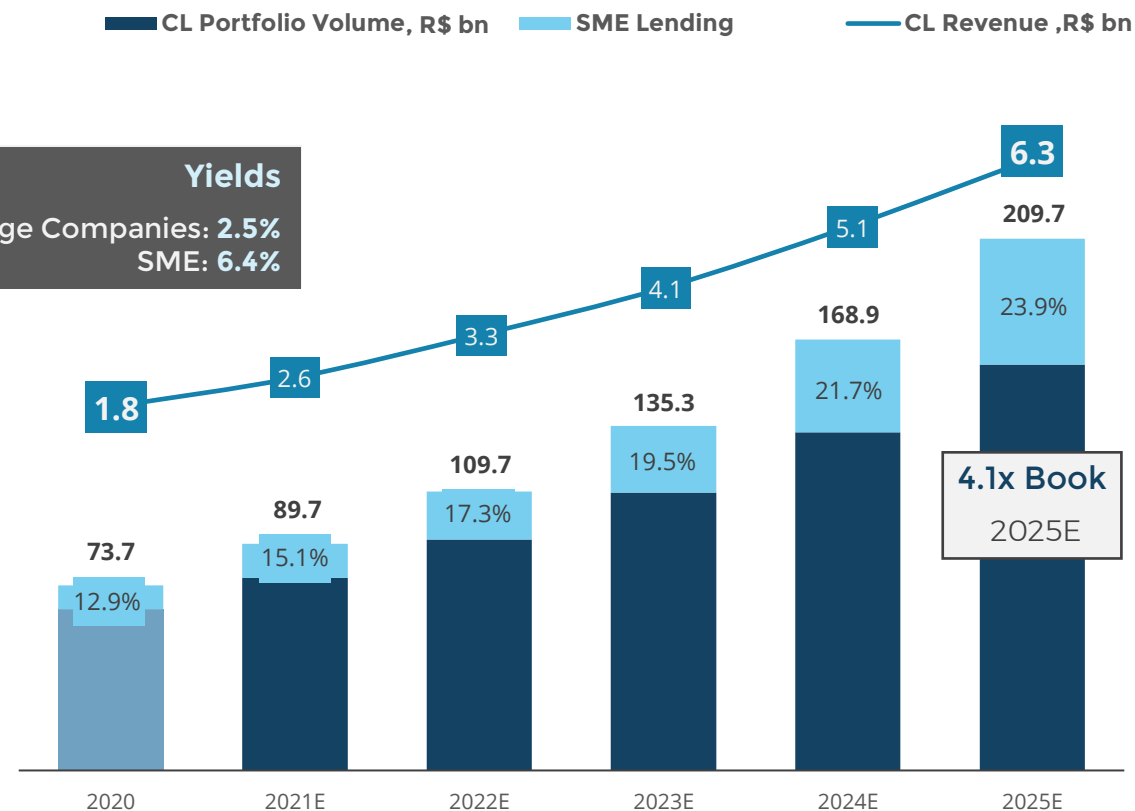
**Yields**  
Large Companies: 2.5%  
SME: 6.4%

Sources Our Analysis

# Core Business highlights: cross-selling is likely to drive CL and IB revenue

**Corporate Lending main assumption: 4.1x book leverage** by 2025 due to a growing base of **unsecured funding**

A **closer relationship to large corporates** is the most relevant **driver** for future **IB** revenue, generating **market share gains**

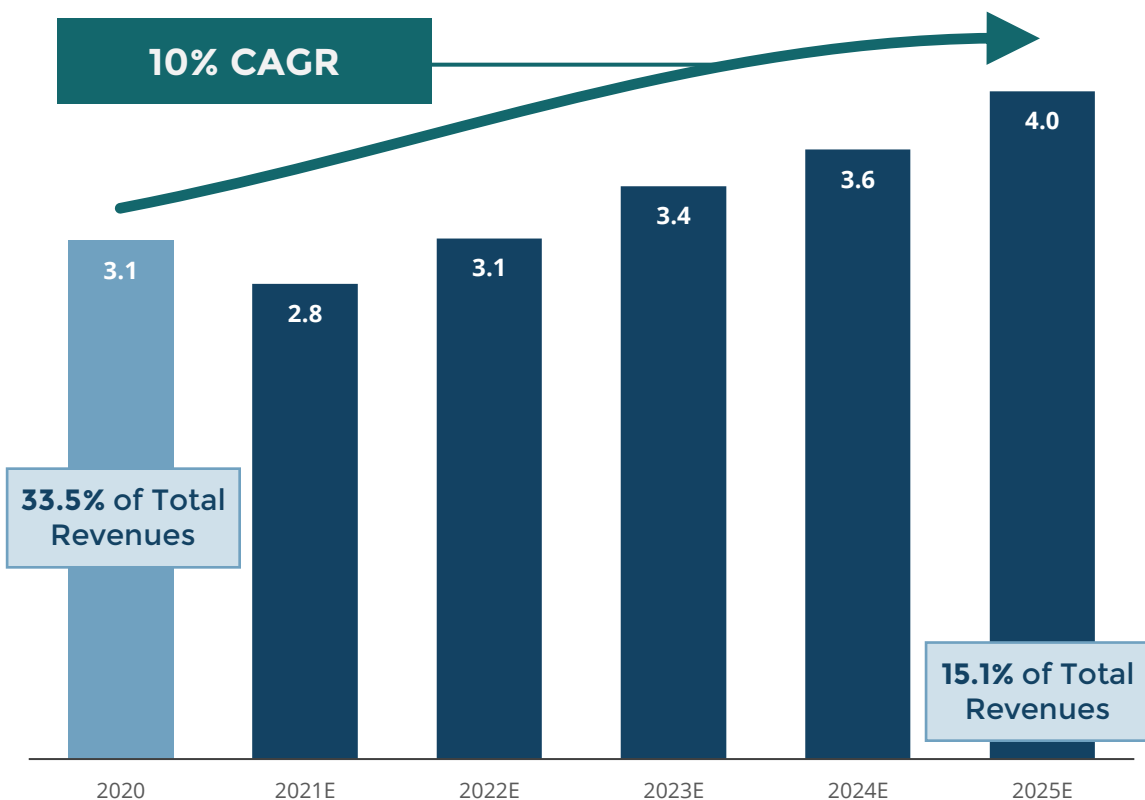


Sources Our Analysis

# We discount S&T revenue growth due to insertion in retail

2020 was an excellent year, but we expect even greater revenues from 2023 onwards

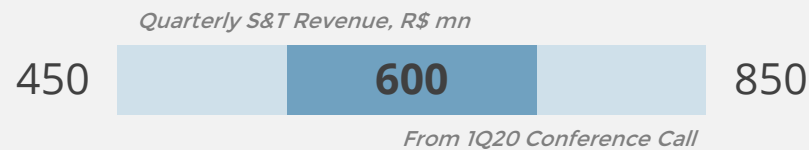
Sales and Trading Revenue, R\$ bn



Sources Our Analysis

## How do we forecast sales and trading revenue?

We take the average guidance for quarterly revenue...



...then we think of an annual growth rate as

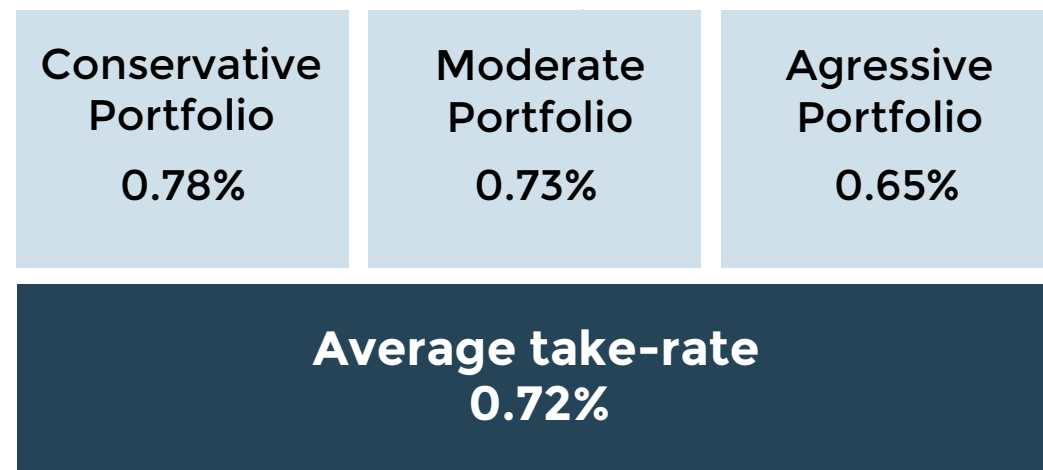
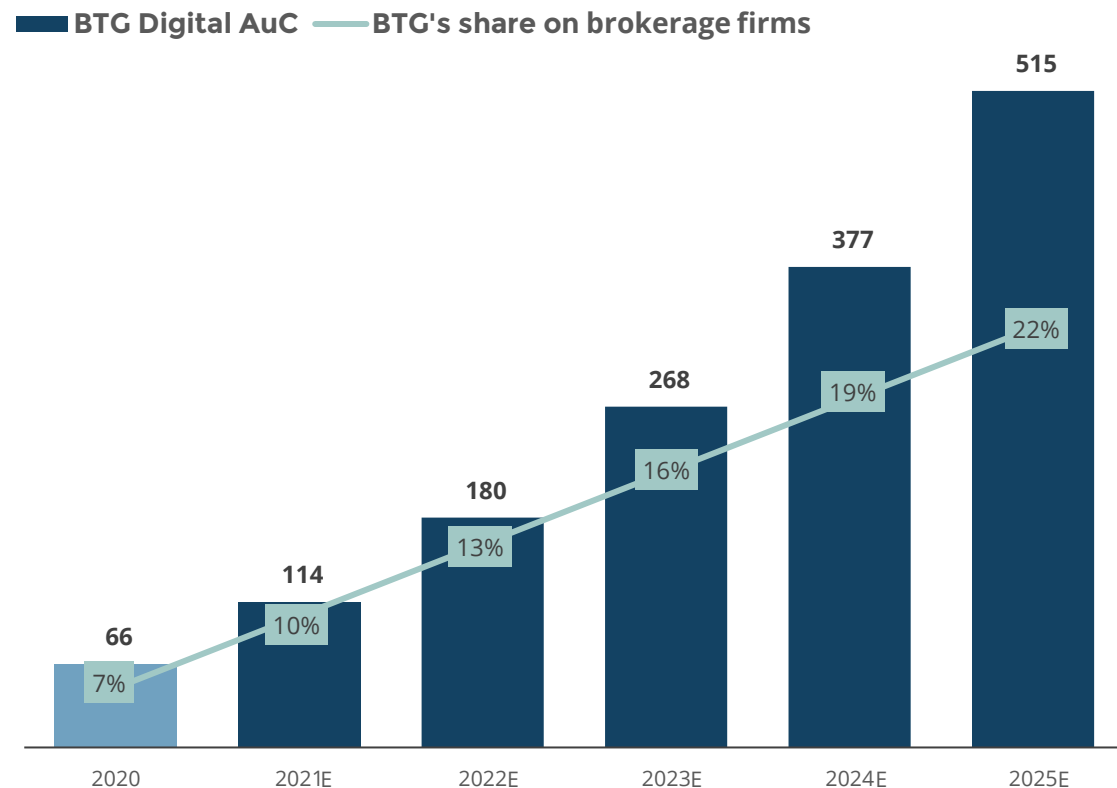


Due to insertion in retail, and consequent expected reduction in VaR

# BTG Digital will reach R\$ 515 bn by 2025

BTG Digital is set to **increase its share among brokerage institutions**

We built **3 investment portfolios** based on different investor profiles and estimated a fair **take-rate** for each



or 1.13% before IFA expenses

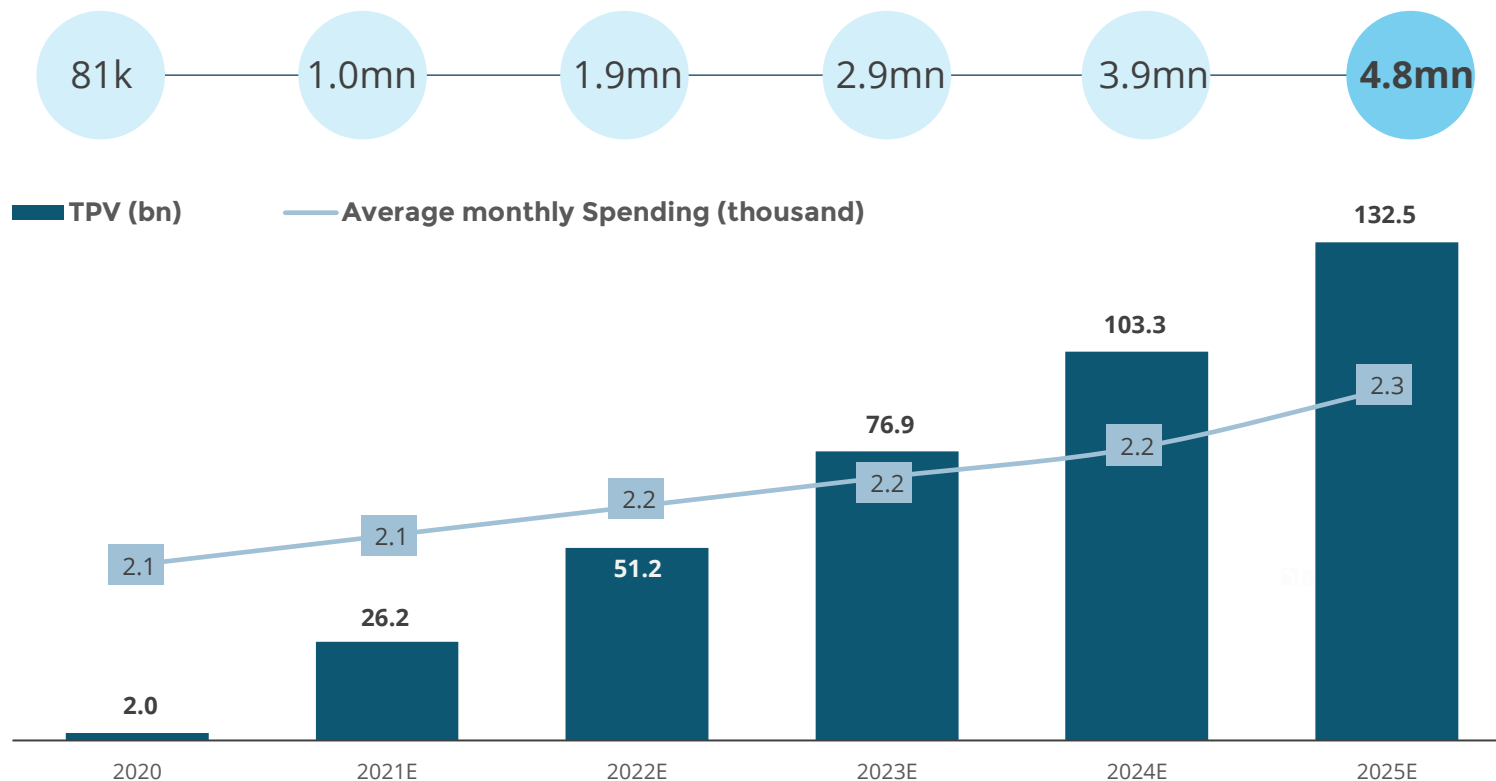
Sources Our Analysis



# BTG+ will reach 4.8 million customers and R\$900 million annual profit

We use a **bottom-up approach** to estimation, starting from the expected **number of clients** that BTG + should reach

#Clients



### Other key assumptions:

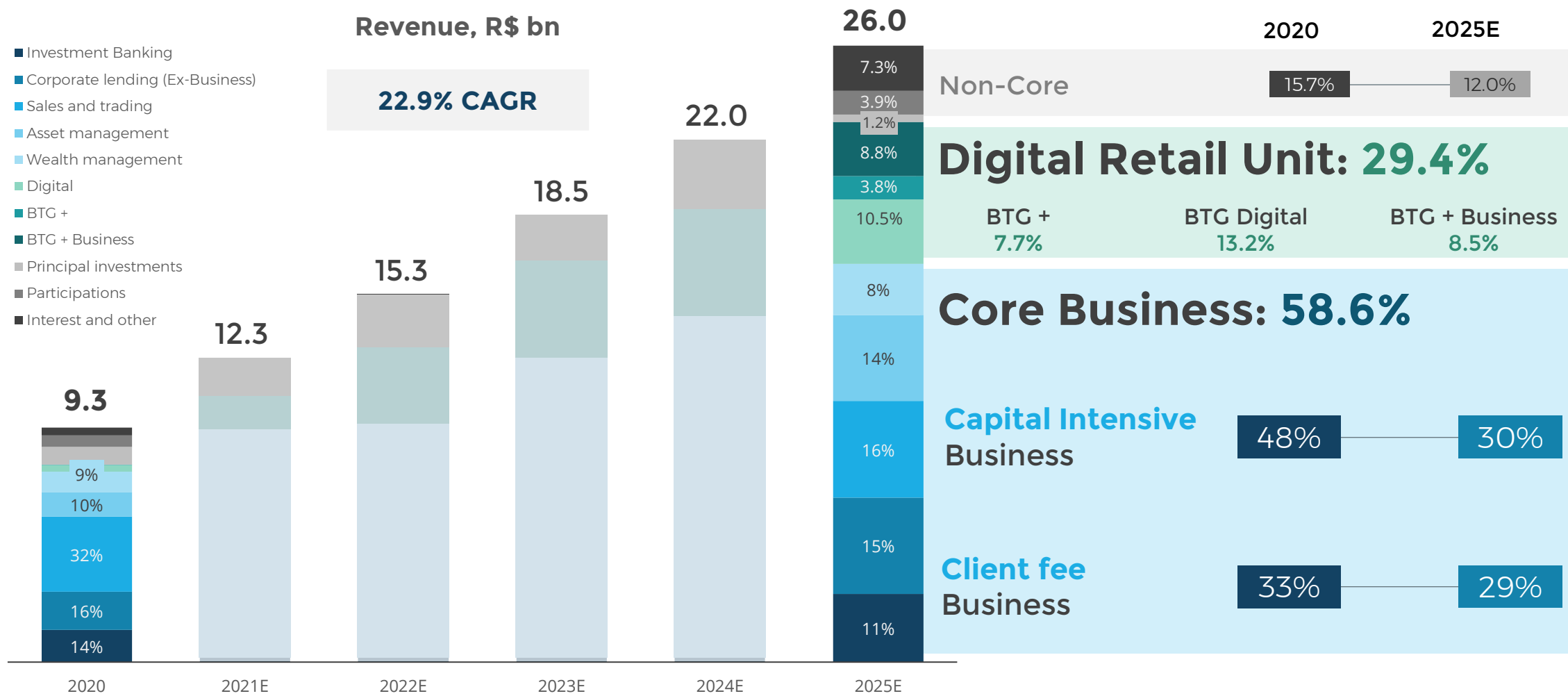
1.5% of revolving over TPV

1.1% Net Interchange

10% BTG+ Premium Penetration

Sources Our Analysis

# How does BTG look like five years from now?



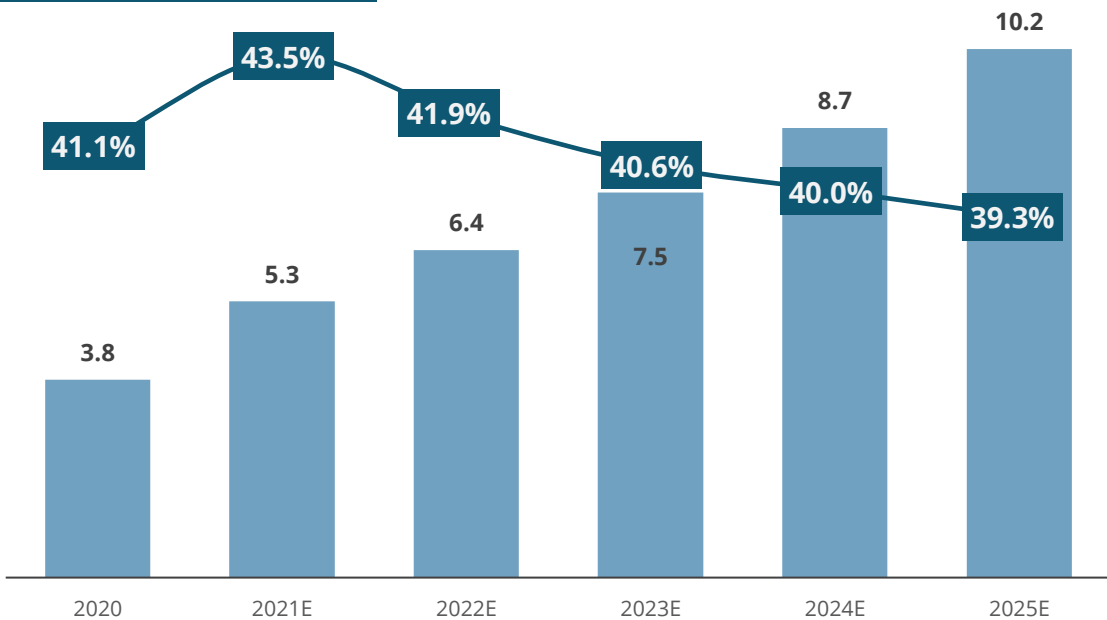
Sources Our Analysis

# We also believe in improvements regarding **efficiency** and **bottom lines**

**Efficiency Ratio:** the bank will gain significant efficiency due to an **asset light expansion**

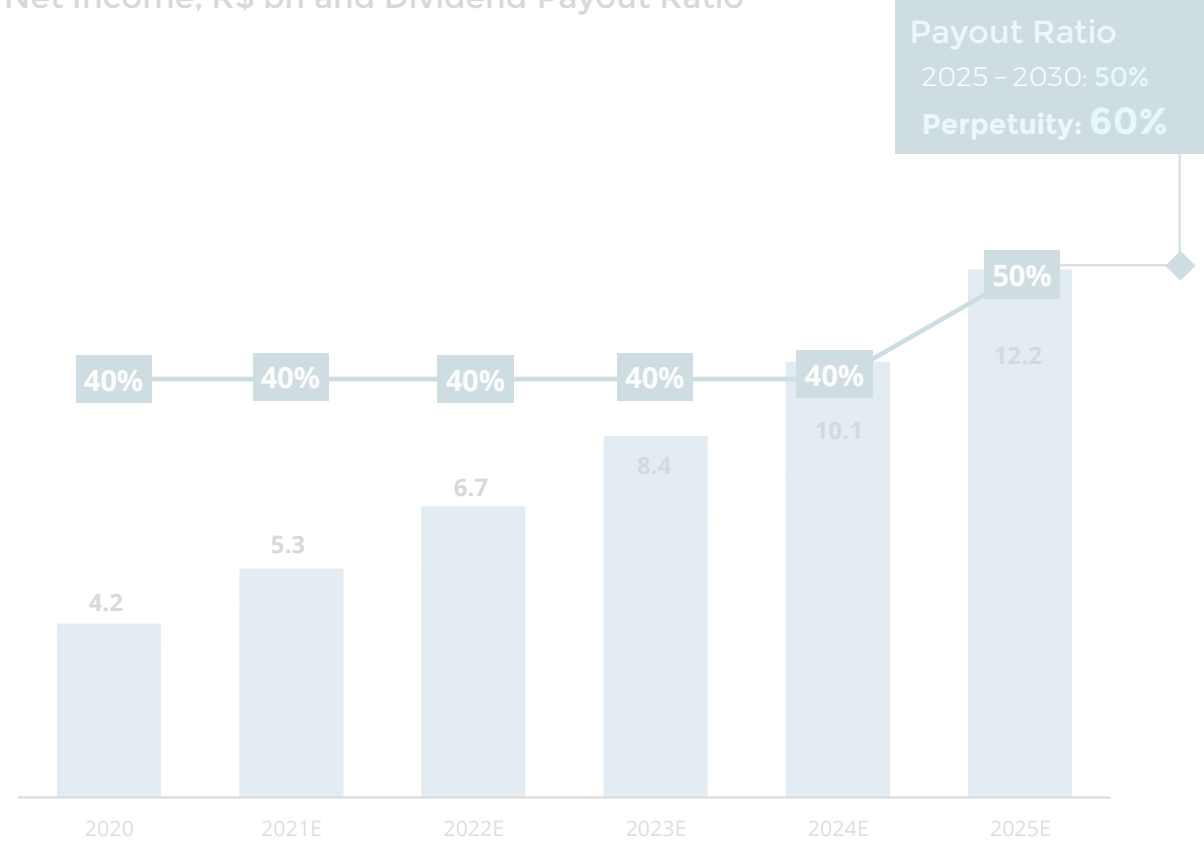
OpEx, R\$ bn and Efficiency Ratio

Asset-light expansion is **cost-efficient**



Expenses control + Diminishing need of reinvestments in the long-term = **higher payout ratio in perpetuity**

Net Income, R\$ bn and Dividend Payout Ratio



Payout Ratio  
2025 - 2030: 50%  
Perpetuity: **60%**

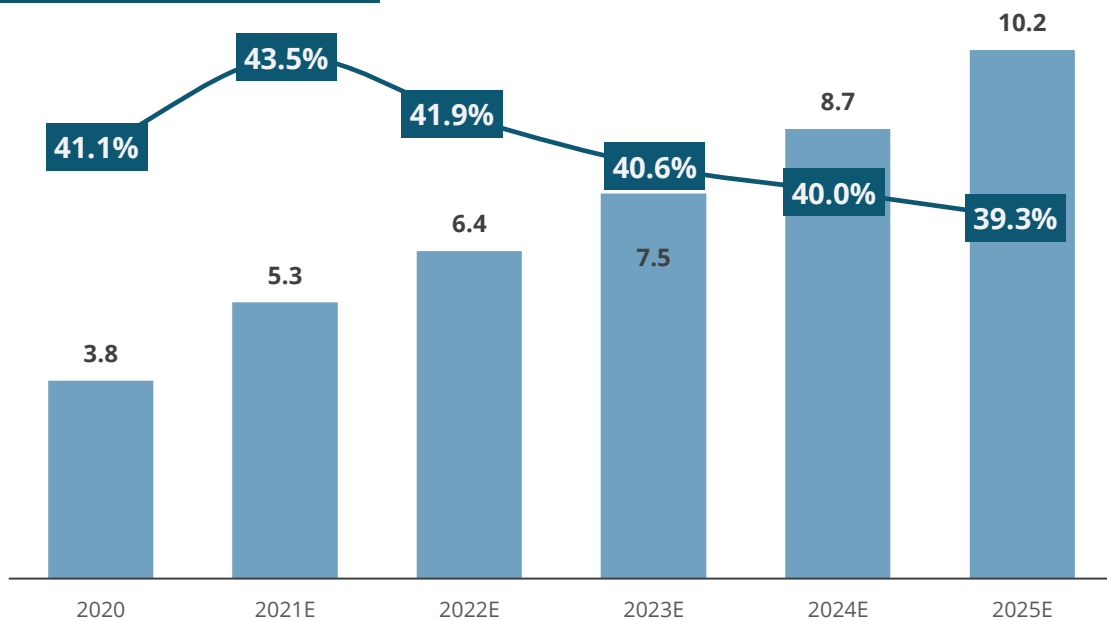
Sources Our Analysis

# We also believe in improvements regarding **efficiency** and **bottom lines**

**Efficiency Ratio:** the bank will gain significant efficiency due to an **asset light expansion**

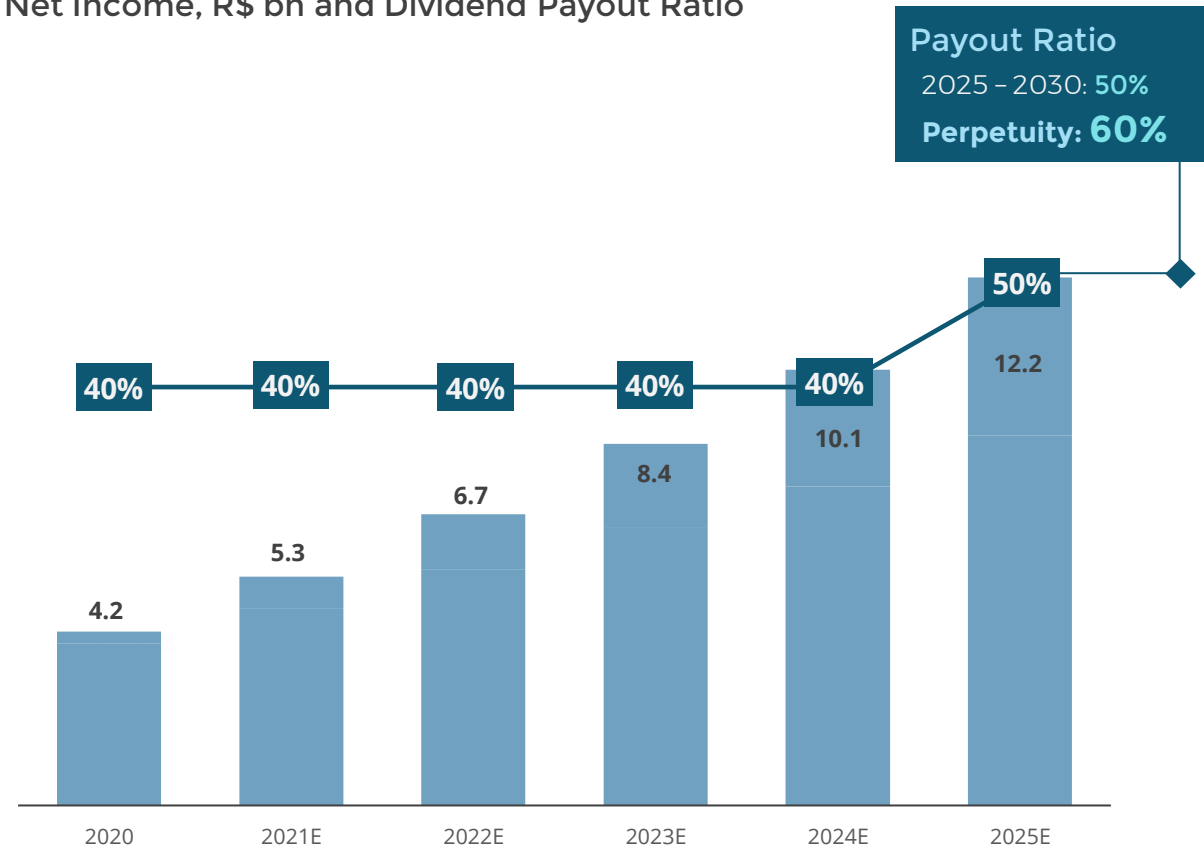
OpEx, R\$ bn and Efficiency Ratio

Asset-light expansion is **cost-efficient**



Expenses control + Diminishing need of reinvestments in the long-term = **higher payout ratio in perpetuity**

Net Income, R\$ bn and Dividend Payout Ratio

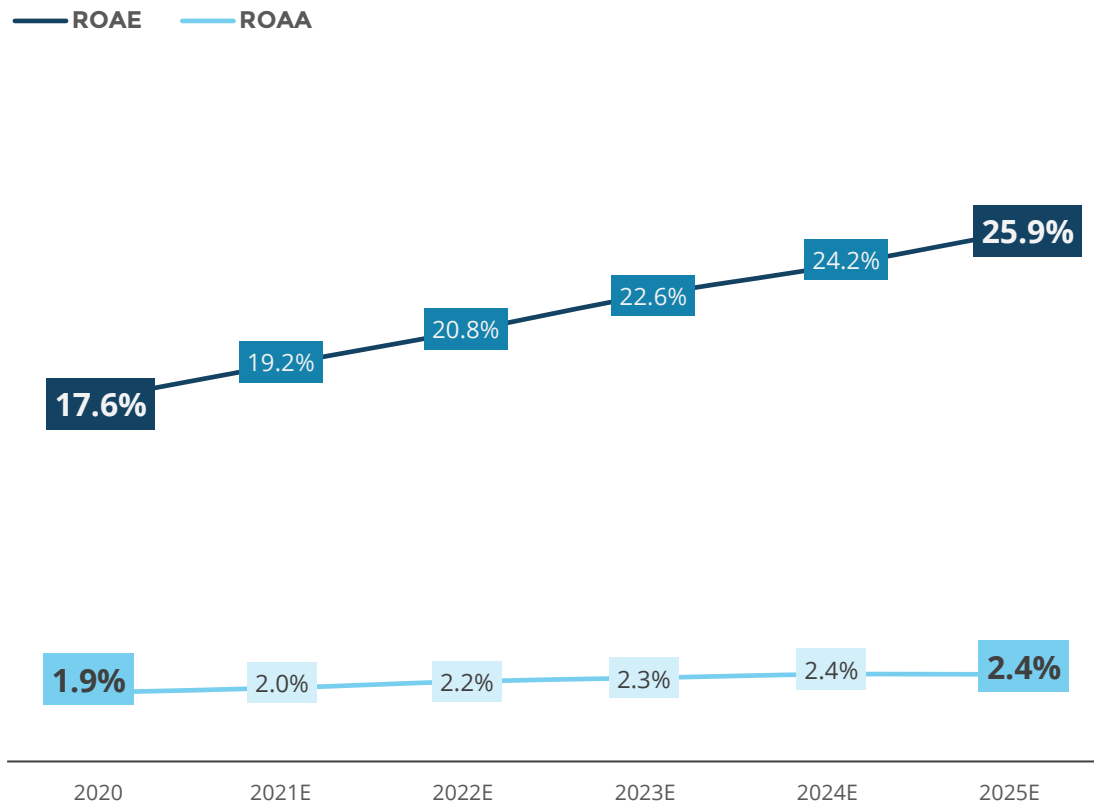


**Payout Ratio**  
2025 - 2030: 50%  
Perpetuity: **60%**

Sources Our Analysis

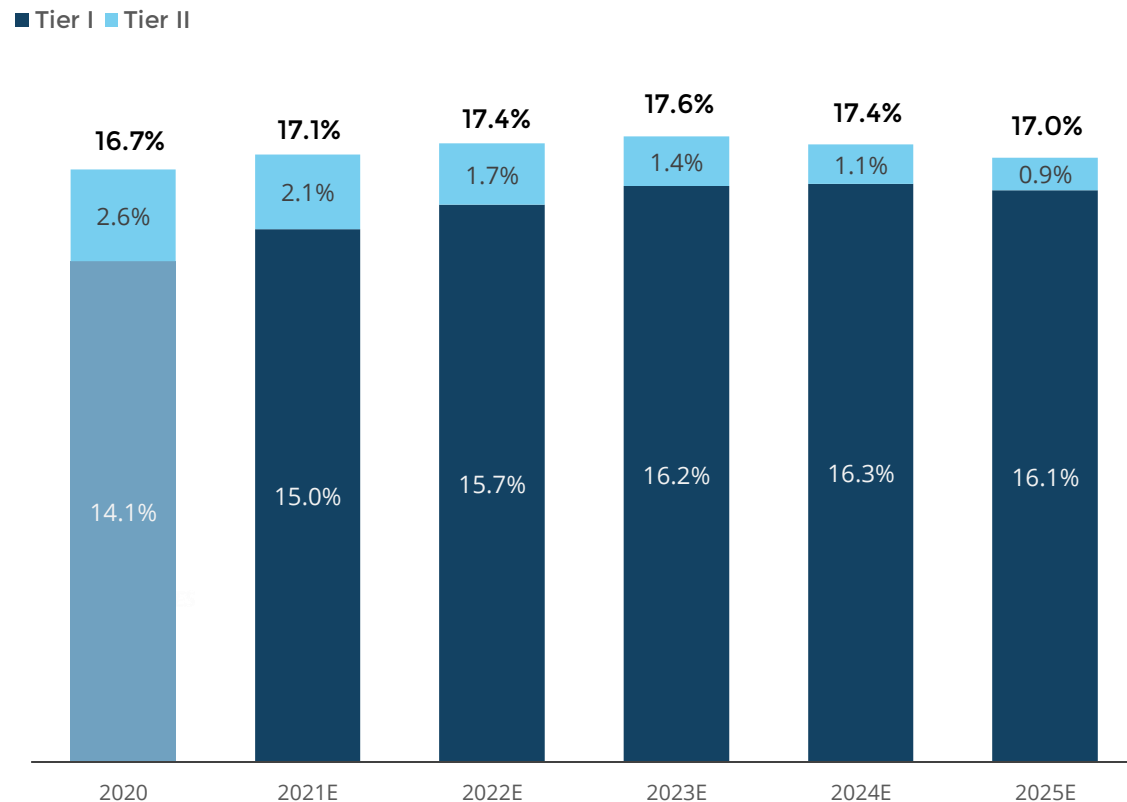
# The result: attractive returns combined with a healthy balance sheet

As a consequence of an **asset-light expansion** and **DRU scalability**, we forecast **attractive ROAA and ROAE...**



... and a **healthy balance sheet** with highly **comfortable levels of capitalization**

Basel Index



Sources Our Analysis

# SOTP valuation: R\$ 154.2 price target with a 52% upside

After all, how much is BPAC11 worth?

Our **Sum of The Parts** Valuation

For each business unit, we calculate the fair Equity Value using the DDM method

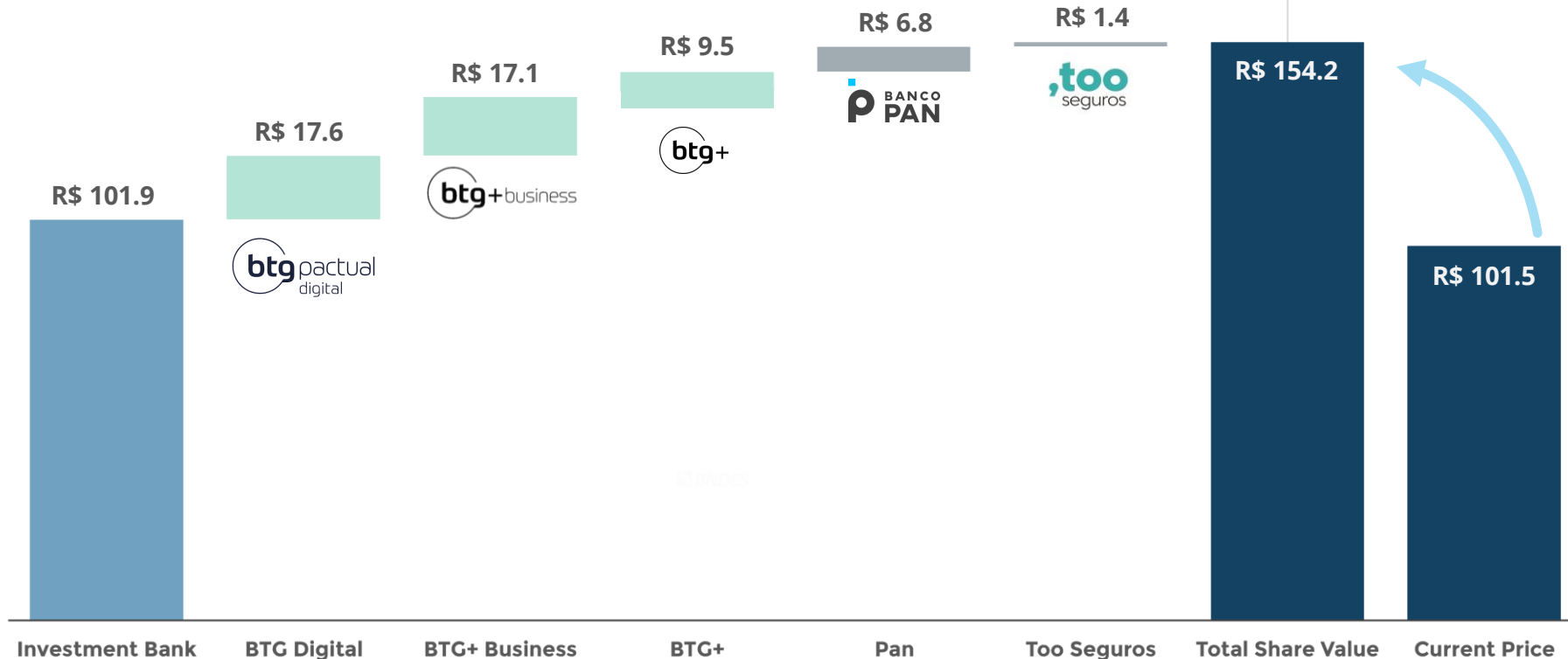
We assume, in general:

$K_e = 11.92\%$

$g_{(Perpetuity)} = 7.00\%$

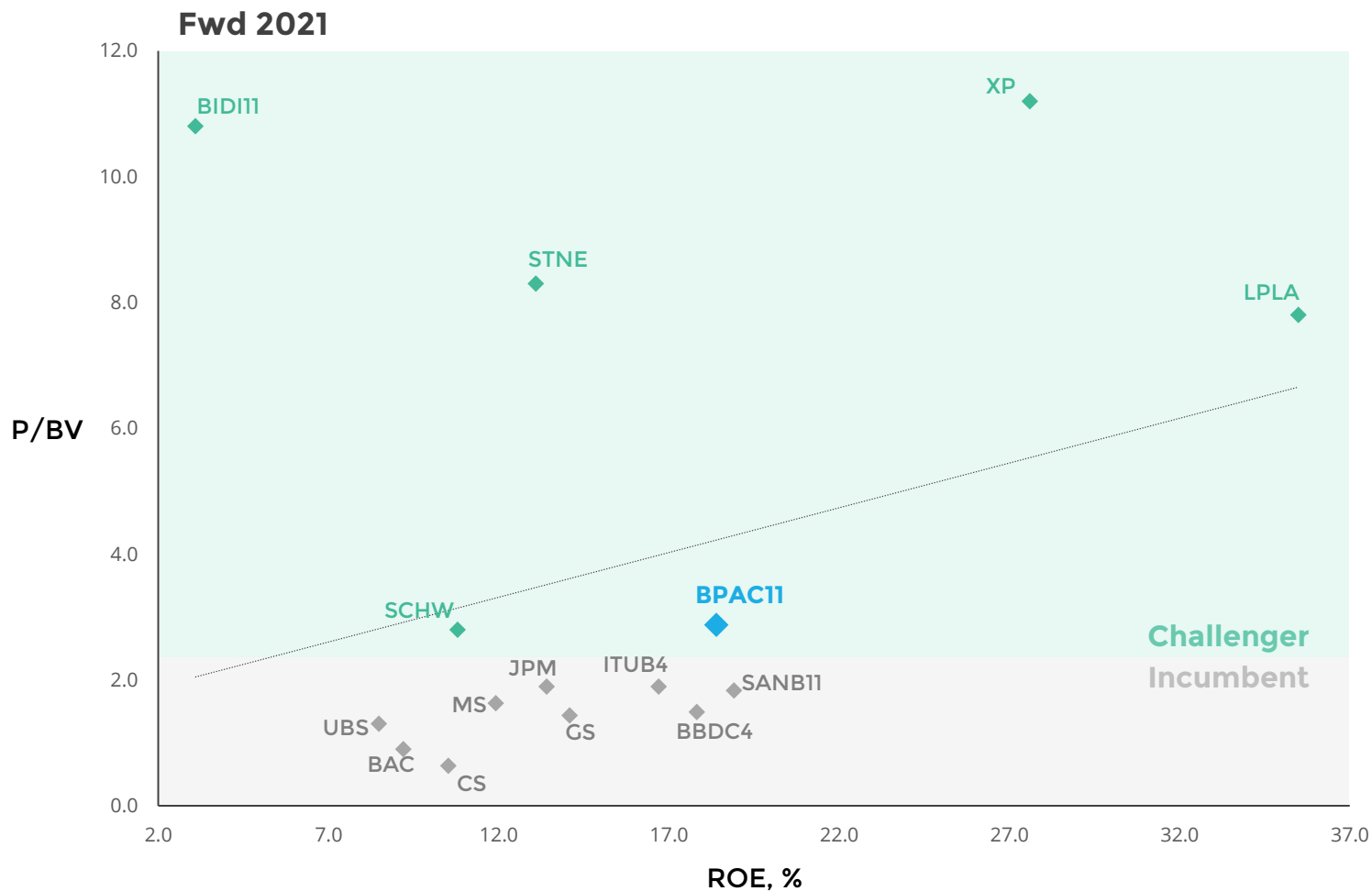
Resulting from assuming a **ROE of 17.5% and payout ratio of 60% in perpetuity (2030)**

We believe in an **upside of 52%**



Sources Our Analysis

We see BPAC11 as a **unique growth story** for Brazilian banks



BPAC11 trades **similarly to incumbent banks...**

...despite a much more **attractive growth story...**

... leading us to believe that **the stock is underpriced**

Sources Bloomberg, Our Analysis

# Would you be a BTG Pactual shareholder?

**Diversified and integrated** business units...

...driven by **Financial Deepening** trends...

...and an **exceptional Partnership** model!

Yes!





# Q&A

## MCA Capital



# Presentation Index



## Cover

## Our Theses

## BTG at a Glance

### First Thesis: Financial Deepening

*Capital Markets Development*  
*Blue Ocean for Wholesaling*  
*Investor' Side: Reallocation*  
*Wealth Industry: A New Era*

### Second Thesis: Digital

*Retail Disruption*  
*Distribution: Quality Niche*  
*Clients: Ecosystem Stickiness*  
*Core-Digital Synergies*

### Third Thesis: Partnership

*Key to the Past Success*  
*Inside the Partnership*  
*Perpetuating the Culture*  
*No Digital DNA, No Problem*

### ESG

*Our ESG Index*

### Financials & Valuation

*Business Unit: Core Business*  
*Business Unit: DRU*  
*Financial Indicators*  
*SOTP Valuation*

### Conclusion

# Appendix



## 1. Digital Retail Unit (exc. Pan and Too)

- [1.1 COVID-19 impact on Digital Banks](#)
- [1.2 Field Research: IFAs](#)
- [1.3 IFA's clients migration: Our estimates](#)
- [1.4 IFAs: Geographical Distribution \(XP vs. BTG\)](#)
- [1.5 Case Study: Tangerine](#)
- [1.6 BTG Advisors](#)
- [1.7 BTG Digital: International Peers](#)
- [1.8 BTG Digital: take-rate estimation](#)
- [1.9 BTG Digital: AuC estimates](#)
- [1.10 BTG Digital sensibility analysis](#)
- [1.11 Field Research: digital banks](#)
- [1.12 Mosaico: creating an ecosystem](#)
- [1.13 Open Banking: Kinvo](#)
- [1.14 The startups bank](#)
- [1.15 Banco XP](#)
- [1.16 How much does a client pays in fees?](#)

## 2. ESG Analysis

- [2.1 Our ESG Index: Grades and criteria](#)
- [2.2 Our ESG Index: Detailed examples](#)
- [2.3 What does ESG commitment means?](#)

## 3. Partnership and governance

- [3.1 Field Research: Pérsio Arida](#)
- [3.2 Case Study: Better Than Goldman?](#)
- [3.3 Management Description](#)
- [3.4 Shareholder's Structure](#)

## 4. Core Business

- [4.1 Industry Dynamics](#)
- [4.2 Investment Banking: incentive fees](#)
- [4.3 Sales and Trading: drivers](#)
- [4.4 Sales and Trading: risk appetite](#)
- [4.5 Asset Management positioning](#)
- [4.6 Corporate Lending: Portfolio Maturity](#)
- [4.7 SMEs: an attractive market](#)
- [4.8 Unsecured Funding](#)
- [4.9 BTG+ Business](#)
- [4.10 Latin America Expansion](#)

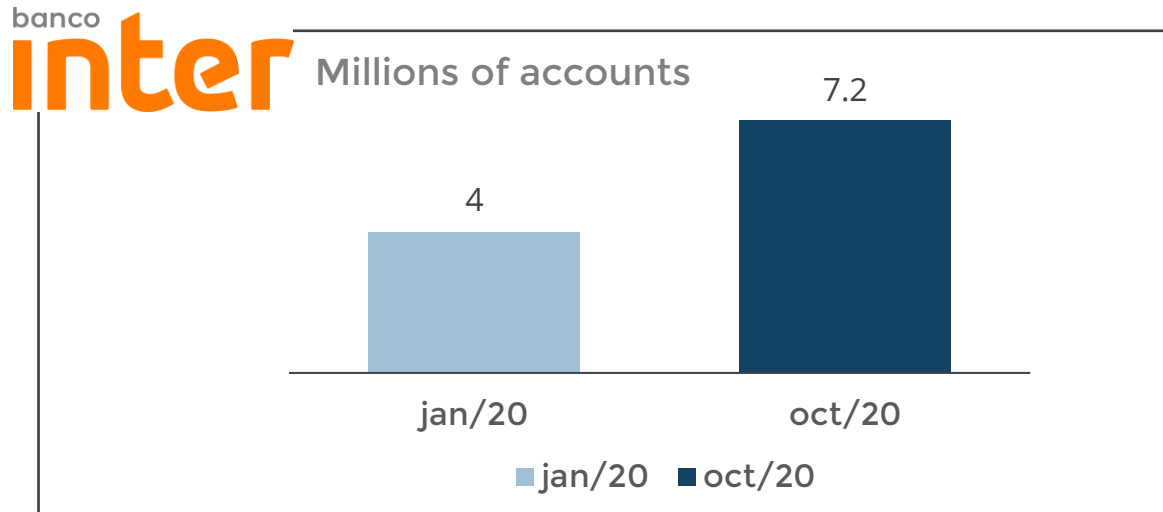
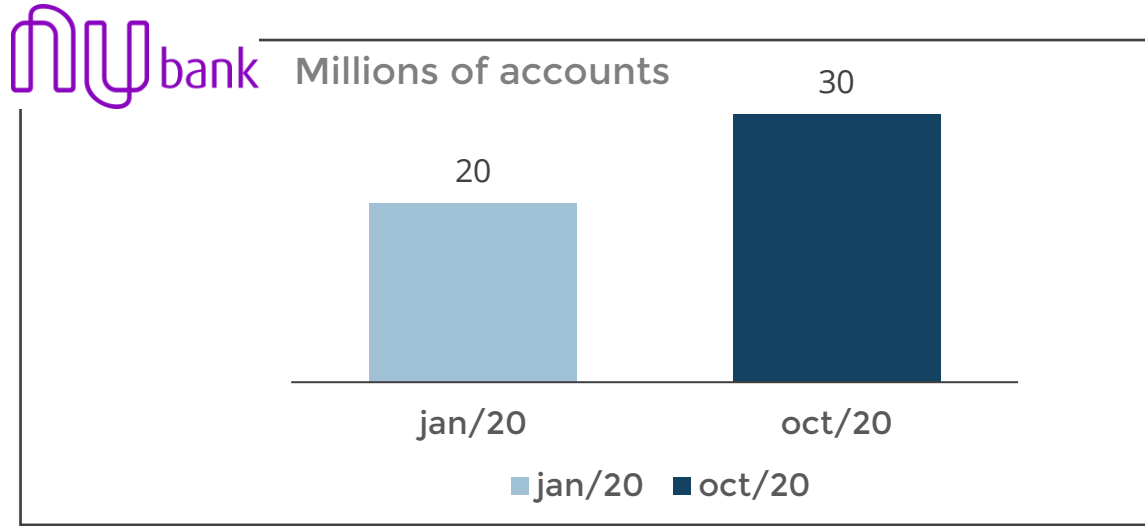
## 5. Participations and others

- [5.1 Banco Pan](#)
- [5.2 Too Seguros](#)
- [5.3 Principal Investments](#)

## 6. Financials

- [6.1 Summarized Income Statement](#)
- [6.2 Revenues Breakdown](#)
- [6.3 Investment Banking](#)
- [6.4 Corporate Lending](#)
- [6.5 Sales and Trading](#)
- [6.6 Asset Management](#)
- [6.7 BTG+](#)
- [6.8 BTG Digital](#)
- [6.9 Banco Pan](#)
- [6.10 Balance Sheet Ratios](#)
- [6.11 Core Valuation – DDM](#)
- [6.12 AM and PB Modelling Rationale](#)
- [6.13 BTG+ Business](#)
- [6.14 Equity value](#)
- [6.15 Implied and Exit Multiples](#)
- [6.16 Justified P/BV](#)
- [6.17 Sanity Check on P/BV](#)
- [6.18 Sensitivity Analysis](#)
- [6.19 Risks to our Valuation](#)

# Coronavirus crisis has accelerated trends in financial deepening



## S&P Global Market Intelligence

◆ Avg. **40-50% growth** in digital banks in the first semester of 2020

In order to maintain the pace of growth, the competition to **increase product offerings and loyalty** becomes more fierce

## Our field research with IFAs

In order to fully understand the expansion of BTG's B2B network, **we made contact with several IFAs. We reached them by email, phone and social media**, and the conversation with each one lasted an average of **30 minutes**.

**We conducted the conversations in a very free structure, but some questions were asked in common to the advisors:**

What is the average ticket?

What made you change platforms? (in the case of those who migrated)

How was the migration process? How many percent migrated in the first few months? (in the case of those who migrated)

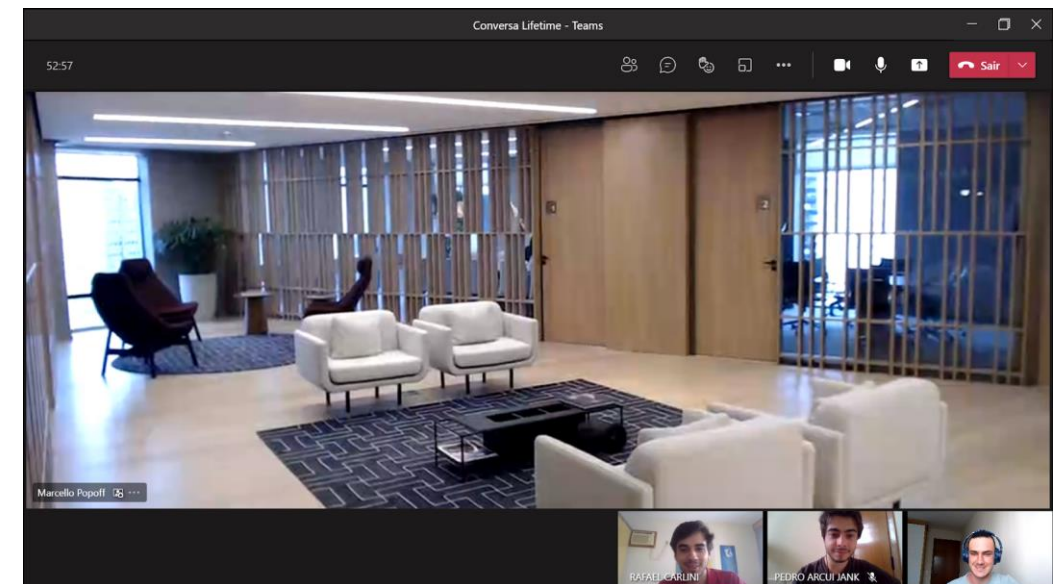
Have you received proposals from competing brokers?

How is the incentive for Cross Sell?

What favors XP the most? And BTG?

What is your perception about the competition in product variety and platform technology?

**With the research, we could see a clear distinction between common and sophisticated advisors!**



*The physical structure of Lifetime, which Marcello showed us, exemplifies the Private proposal of the IFAs that BTG seeks.*

In BTG's tactics, migration is not a nightmare... our data proves it

What drives higher migration?



After all, how much of the assets is expected to migrate?

*Sophisticated IFAs*

**Avg. 82% of AuC**

migrated in the first months after  
(based on 7 IFAs experience)

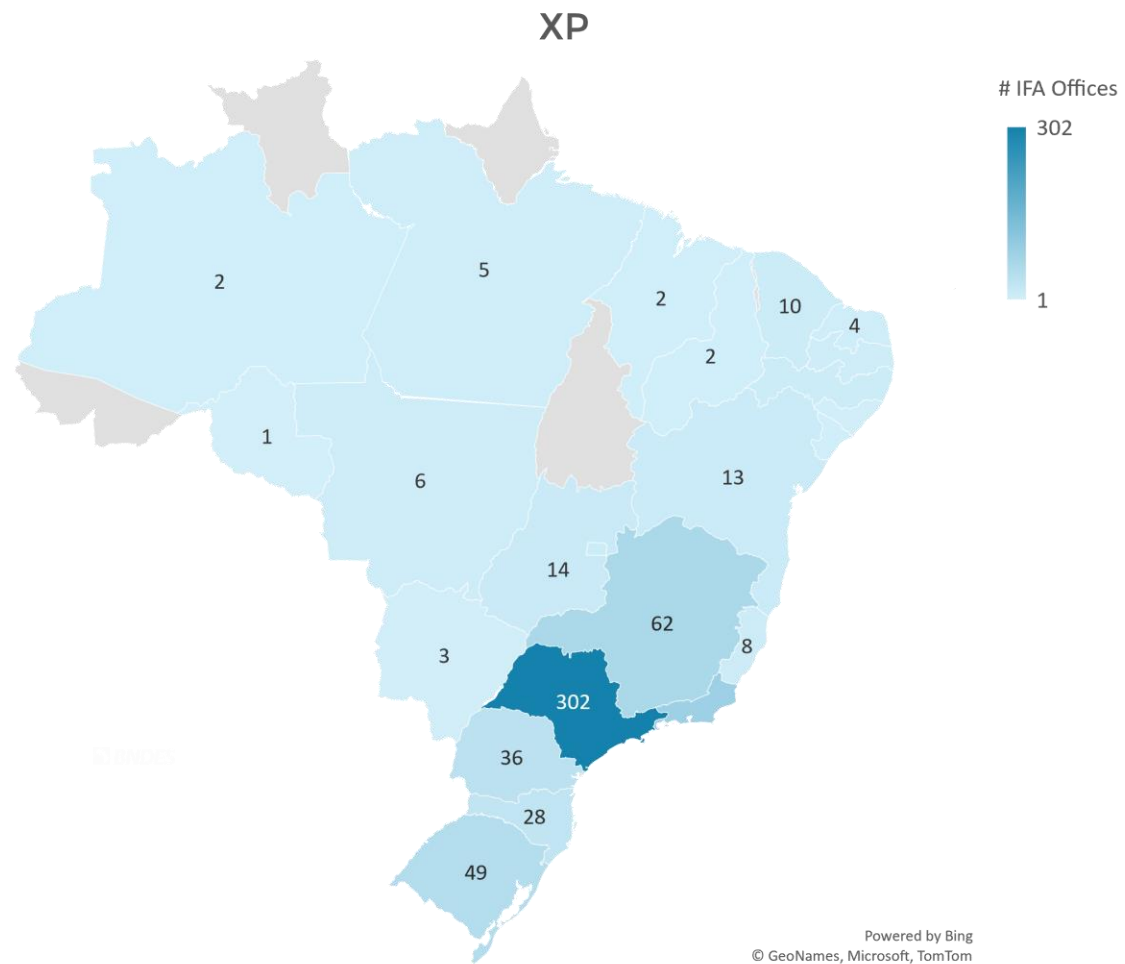
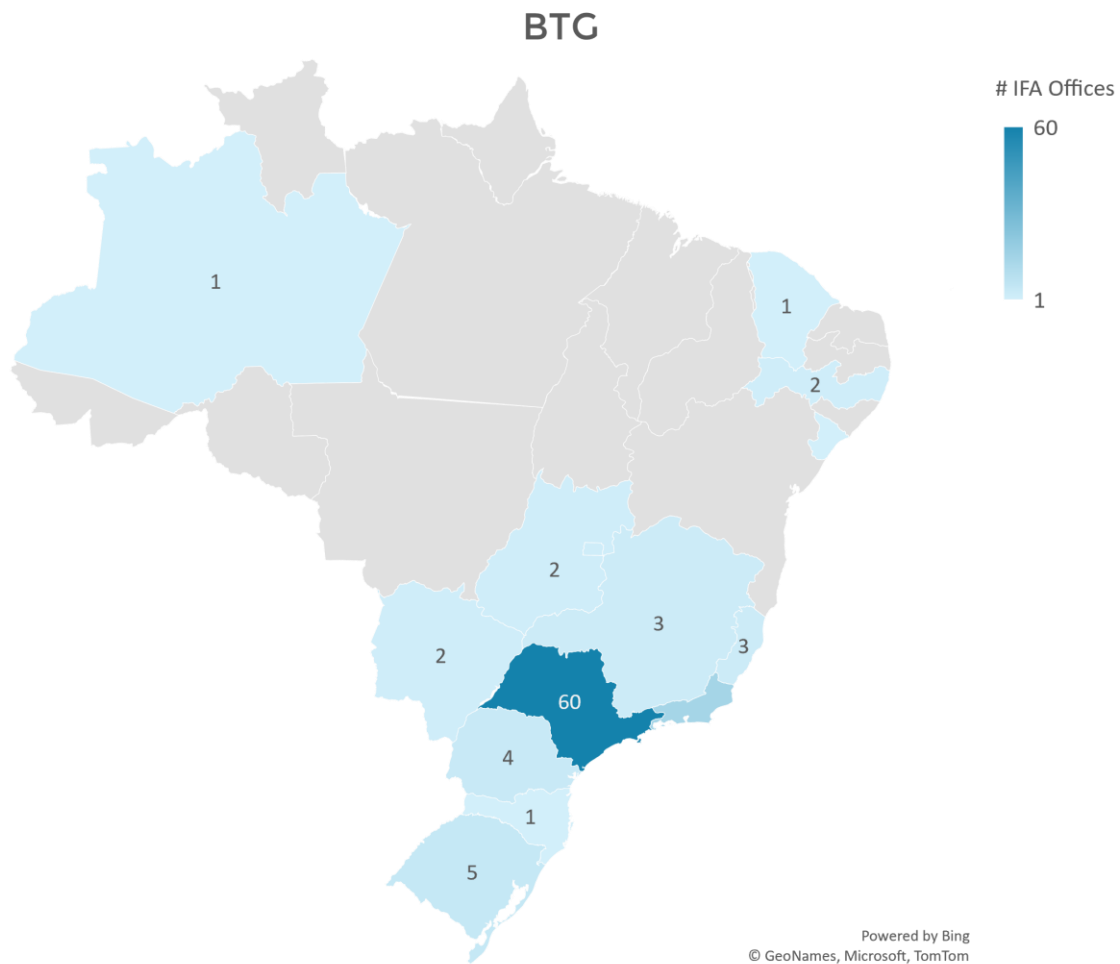
*Common IFAs*

**Avg. 44% of AuC**

expected to migrate in the first months after  
(in the hypothesis of migration)

We expect even higher migration rates as BTG consolidates its brand in retail

# IFAs offices: geographical distribution, XP vs BTG





## Case Study: Tangerine Growth and the need of physical contact



5 large brick-and-mortar banks

Despite a successful **100% digital proposal**, Tangerine needed **alternative solutions** for customers whose **trust depended on contact**

“We understand that having some **physical presence** is **important to some people**. People still say to us, ‘I really like what Tangerine stands for, but I’m not a customer, because the **lack of physical presence makes me uncomfortable**.”



**Peter Aceto, CEO**



**41%** Brazilians **trust the bank manager** to invest



## BTG Advisors: a hybrid strategy

With the acquisition of Ourinvest, *BTG Advisors* was created, BTG's Proprietary IFA



Employees are remunerated in two ways:



Comissions on investments, **as IFAs**



Salaries and banefits, **as BTG employees**

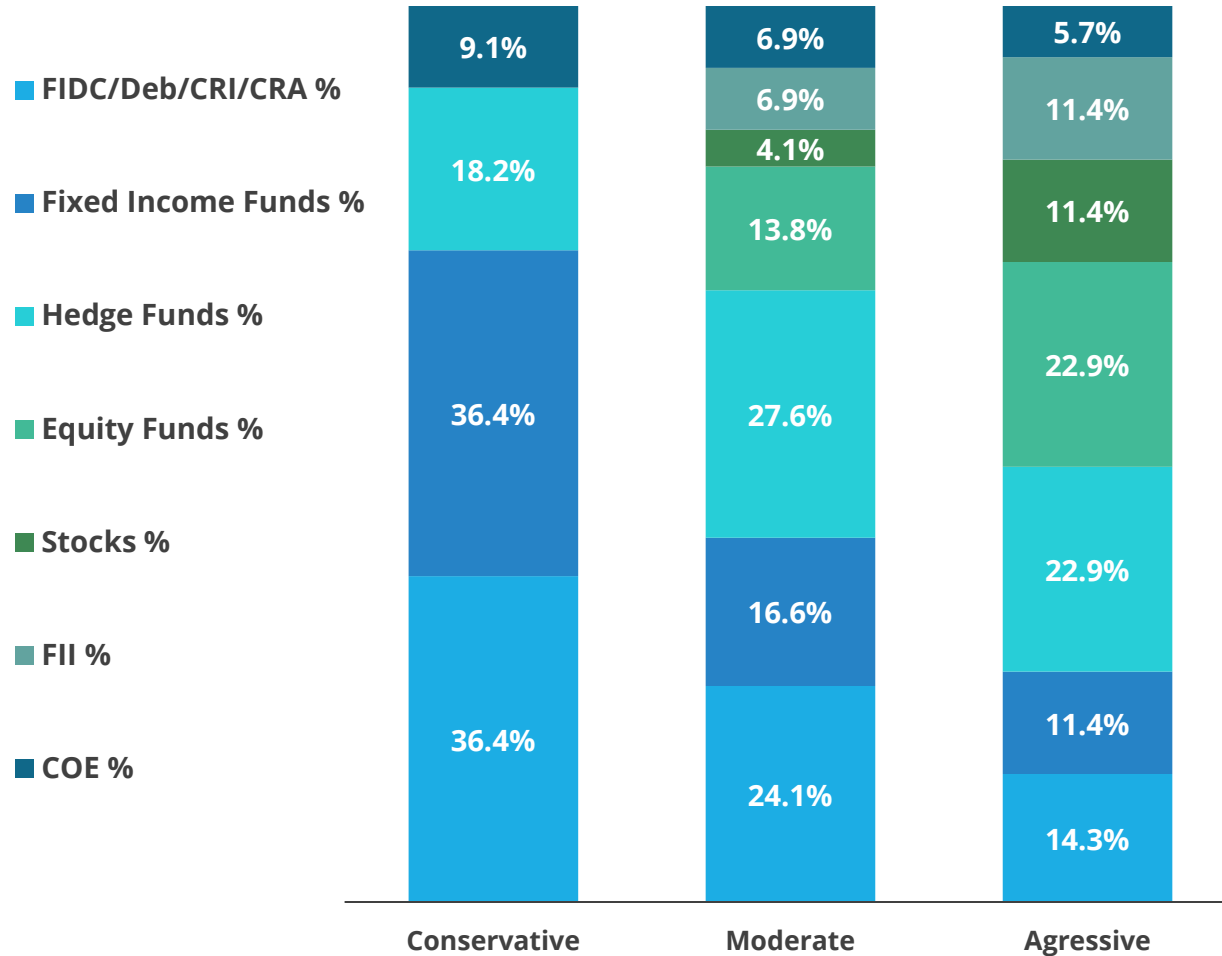
**We got the following insights about BTG Advisors:**

- It is a good strategy to **compete with the other large Private Banks**, as it attracts clients with not so high assets, and who are dissatisfied with the traditional molds
- It ends up having greater integration with the bank's traditional Wealth products than the other IFAs, **an employee told us that Advisors is like a "Private Jr" at BTG**
- **Good option for those who** want to migrate to the IFAs' service model but **are not confident enough to work with advisors outside major banks**

## BTG Digital: International Peers Comparison

| Company                  | AuM 2021 (USD Bn) | Revenue (USD Mn) | ROA (%)      | EBT Margin   | Net Income Margin | Payout       | Growth YoY AuM Last 5 Years | P/E 2021E   | P/E 2022E   | Beta       | Accounts | Market Cap (USD Bn) | Market Cap per Client (USD) | Country   | Market Cap (% AuM) |
|--------------------------|-------------------|------------------|--------------|--------------|-------------------|--------------|-----------------------------|-------------|-------------|------------|----------|---------------------|-----------------------------|-----------|--------------------|
| E*Trade (Acquired by MS) | 677               | 2886             | 0.43%        | 45,70%       | 33,1%             | 14,5%        | 30%                         | 16,0        | -           | -          | 7226791  | 9,4                 | 1300,72                     | USA       | 1,39%              |
| Charles Schwab           | 6759,0            | 11691            | 0.17%        | 36,8%        | 28,2%             | 33,8%        | 60%                         | 21,6        | 20,8        | 1,1        | 29600000 | 116,3               | 3929,05                     | USA       | 1,72%              |
| LPL Financial            | 903,1             | 5872             | 0.65%        | 10,7%        | 8,0%              | 78,7%        | 18%                         | 17,8        | 15,4        | 1,3        | 6000000  | 8,6                 | 1431,67                     | USA       | 0,95%              |
| Hargreaves Lansdown      | 145,6             | 771              | 0.53%        | 68,7%        | 56,7%             | 42,9%        | 10%                         | 25,2        | 28,1        | 0,7        | 1412000  | 14,1                | 9971,53                     | UK        | 9,67%              |
| Quilter                  | 149,8             | 469              | 0.31%        | 21,2%        | 19,1%             | 66,2%        | 5%                          | 16,1        | 14,1        | 1,2        | 900000   | 5,0                 | 5601,56                     | UK        | 3,37%              |
| Integratin               | 57,4              | 150              | 0.26%        | 51,5%        | 42,4%             | 62,5%        | 10%                         | 32,3        | 28,2        | 0,6        | 191900   | 2,5                 | 13131,84                    | UK        | 4,39%              |
| XP Inc                   | 125,4             | 7598             | 1.15%        | 30,1%        | 25,8%             | -            | 60%                         | 53,8        | 41,1        | 1,7        | 2645000  | 27,9                | 10555,77                    | BR        | 22,26%             |
| <b>BTG (2021)</b>        | <b>21,8</b>       | <b>123</b>       | <b>0.57%</b> | <b>50,0%</b> | <b>36,0%</b>      | <b>40,0%</b> | <b>-</b>                    | <b>39,7</b> | <b>25,0</b> | <b>1,5</b> |          | <b>3,0</b>          |                             | <b>BR</b> | <b>13,93%</b>      |
| Average                  | 1104,9            | 3695             | 0,51%        | 39,3%        | 31,2%             | 48,4%        | 28%                         | 27,8        | 24,7        | 1,2        | 6853670  | 23,4                | 6560,30                     |           | 7,21%              |

The alignment of BTG's metrics with that of major, more consolidated international players indicates that **our assumptions in general are sustainable**



Based on fee data for each type of product, and portfolios for each investor profile, we estimate an average of BTG's Take Rate, considering a rebate in which 60% is for the bank and 40% for the IFA

| Conservative Portfolio | Moderate Portfolio | Aggressive Portfolio |
|------------------------|--------------------|----------------------|
| <b>0,78%</b>           | <b>0,73%</b>       | <b>0,65%</b>         |

**Average take-rate**  
**0,72%**  
or 1,13% before IFA expenses

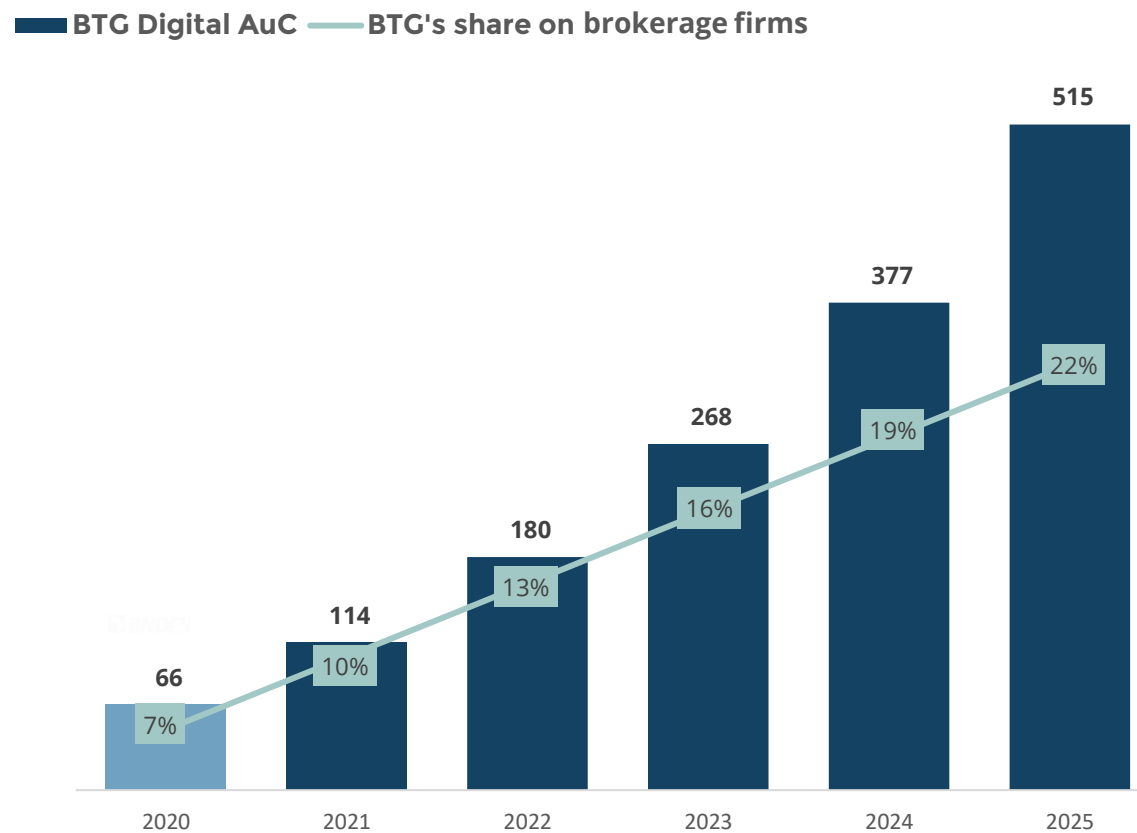
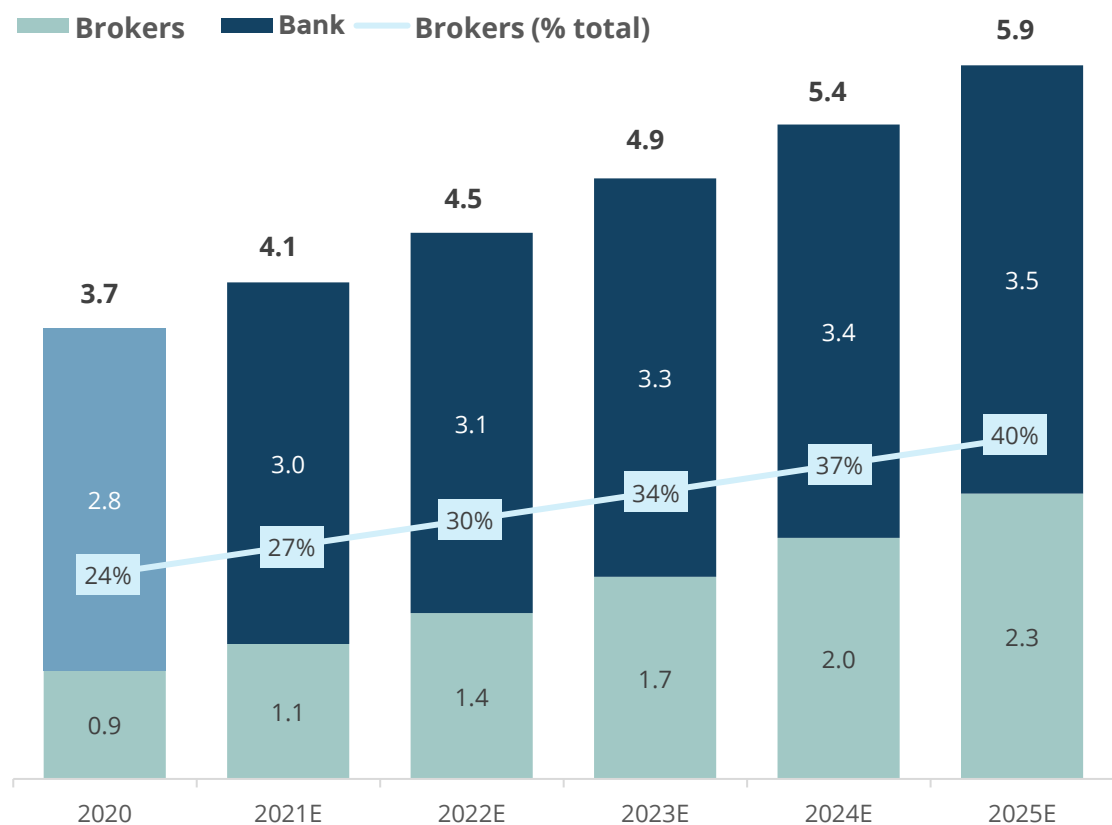
By estimating the take-rate in this way, we can get a more accurate idea of how **BTG's earnings are affected as:**

- changes occur in the **composition of investor profiles**
- changes occur in the **composition of B2B and B2C**
- changes occur regarding **specific products in the portfolio**

## BTG Digital will reach more than R\$ 500 bn AuC in 2025

Our estimates indicate that non-bank institutions are expected to account for 40% of the investment market by 2025...

...and BTG Digital is set to increase its share among brokers and non-bank Institutions



## Sensibility Analysis: BTG Digital

### BTG Digital Sensibility Analysis – Additional Value on BPAC11 Unit (Base Scenario = R\$ 17.64)

|                 |       | Efficiency Rate 2021E |       |       |       |       |       |
|-----------------|-------|-----------------------|-------|-------|-------|-------|-------|
|                 |       | 17,64                 | 30%   | 40%   | 50%   | 60%   | 70%   |
| Take Rate 2021E | 0,52% |                       | 17,00 | 14,87 | 12,74 | 10,61 | 8,47  |
|                 | 0,57% |                       | 18,63 | 16,30 | 13,96 | 11,63 | 9,29  |
|                 | 0,62% |                       | 20,27 | 17,73 | 15,19 | 12,64 | 10,10 |
|                 | 0,67% |                       | 21,90 | 19,16 | 16,41 | 13,66 | 10,92 |
|                 | 0,72% |                       | 23,54 | 20,59 | 17,64 | 14,68 | 11,73 |
|                 | 0,77% |                       | 25,17 | 22,02 | 18,86 | 15,70 | 12,55 |
|                 | 0,82% |                       | 26,81 | 23,45 | 20,08 | 16,72 | 13,36 |
|                 | 0,87% |                       | 28,44 | 24,87 | 21,31 | 17,74 | 14,18 |
|                 | 0,92% |                       | 30,08 | 26,30 | 22,53 | 18,76 | 14,99 |

Efficiency Rate Fixed in 50% 2021E, linearly decreasing to 40% until 2025E

Take Rate is keep flat throughout our forecast horizon. We see it as a equilibrium of two main forces:

- Increasing competition and negative effects on ROA
- Increasing participation of B2C channel for BTG Digital

|   |     | Efficiency Rate 2021E |       |       |       |       |       |
|---|-----|-----------------------|-------|-------|-------|-------|-------|
|   |     | 17,64                 | 30%   | 40%   | 50%   | 60%   | 70%   |
| Market Share 2025 Among Challengers/Brokers | 14% |                       | 15,09 | 13,20 | 11,31 | 9,41  | 7,52  |
|   | 16% |                       | 17,20 | 15,05 | 12,89 | 10,73 | 8,57  |
|   | 18% |                       | 19,32 | 16,89 | 14,47 | 12,05 | 9,63  |
|   | 20% |                       | 21,43 | 18,74 | 16,05 | 13,37 | 10,68 |
|   | 22% |                       | 23,54 | 20,59 | 17,64 | 14,68 | 11,73 |
|   | 24% |                       | 25,65 | 22,43 | 19,22 | 16,00 | 12,79 |
|   | 26% |                       | 27,76 | 24,28 | 20,80 | 17,32 | 13,84 |
|   | 28% |                       | 29,87 | 26,13 | 22,38 | 18,64 | 14,89 |
|   | 30% |                       | 31,98 | 27,97 | 23,96 | 19,96 | 15,95 |

Take Rate Fixed in 0.72%

## Digital Banking Apps: our tests and conclusions



**How does each app stand out?**

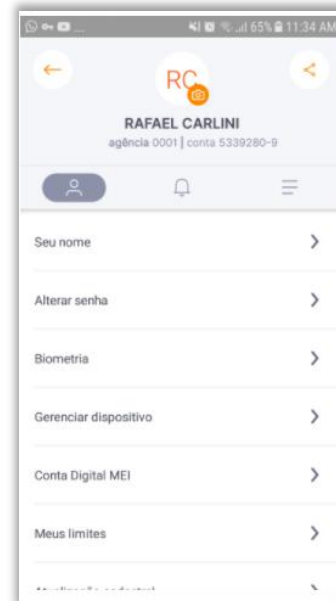
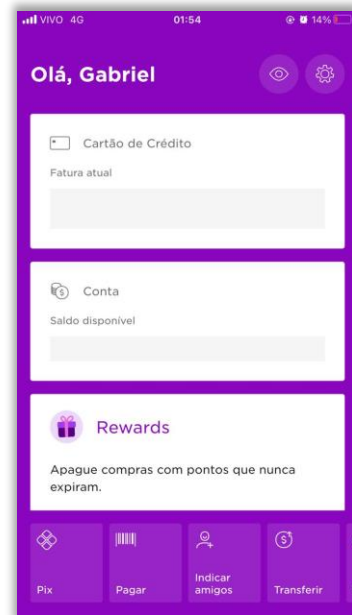
*BTG Digital results in a more robust investment platform*

*Best rating when it comes to support and service*

*Impressive range of products in the ecosystem*

*Good Benefits Platform, with a well-developed loyalty program*

*Good financing products for vehicles, real estate and others*



## Digital Banking Apps: our tests and conclusions



**How does each app stand out?**

*BTG Digital results in a more robust investment platform*

*Best rating when it comes to support and service*

*Impressive range of products in the ecosystem*

*Good Benefits Platform, with a well-developed loyalty program*

*Good financing products for vehicles, real estate and others*

Overall, they provide a very **satisfying user experience** and a **wide range of products...**

**...however**, in the long term we believe BTG Digital stands out for some main reasons

**i) Integration with BTG Digital**

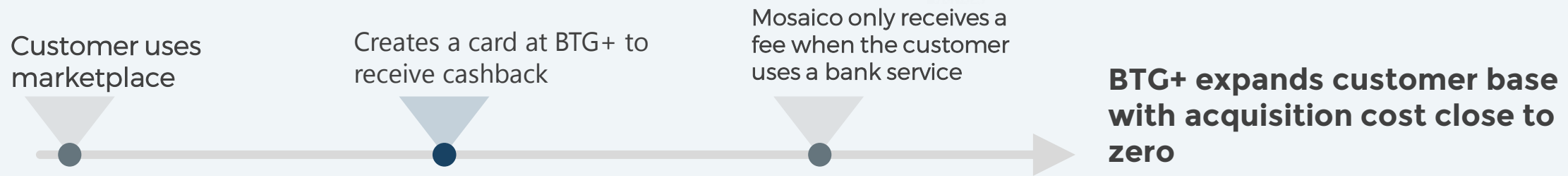
**ii) BTG makes acquisitions with enormous agility;**

**manages to bring complementary services much more easily;**

**and it remains close to numerous technological initiatives that may represent good options and competitive advantages in the medium term.**

***Competitors either do not have the same firepower, or they are too inert to do so***

# Value generation through an exceptional partnership: BTG & Mosaico





## BTG and XP are getting ready for Open Banking

The logo for Kinvo, featuring the word "kinvo" in a lowercase, rounded, grey font.

◆ 700 thousand users  
R\$120 bi in wallets  
consolidated

Acquired by  in mar/21

The logo for Flipper, featuring the word "FLIPPER" in a bold, blue, uppercase font with a stylized orange and yellow graphic element below the 'P'.

◆ 120 thousand users  
R\$ 12 bi in wallets  
consolidated (sep/20)

Acquired by  in sep/20

### What is behind these recent acquisitions?

- The **last stage of open banking** - which will allow for better integration of investments - scheduled for the end of the year, according to the **Central Bank's schedule**.
- Both BTG and XP anticipate the movement and invest in businesses that **benefit from this change** while **complement retail**.

## | BTG Pactual: the startups bank



### BTG Pactual Side

How does BoostLAB meet both side needs simultaneously?

### Startup Side

- Customer Base Expansion**

By getting close to the initial stages of these startups, BTG can offer initial services to the company, such as credit
- Cross-selling with ECM and DCM**

As these startups grows, they will probably demand new services that BTG can also offer, such as IPO's and M&A's advisory
- Equity Investment Opportunities**

Although this is not the final objective, BTG Pactual can invest in the company. So far, the investment bank has made five deals

- Boosting Business Expansion**

The chosen startup, can easily boost their business with the support and resources of the investment bank
- Broadening Horizons**

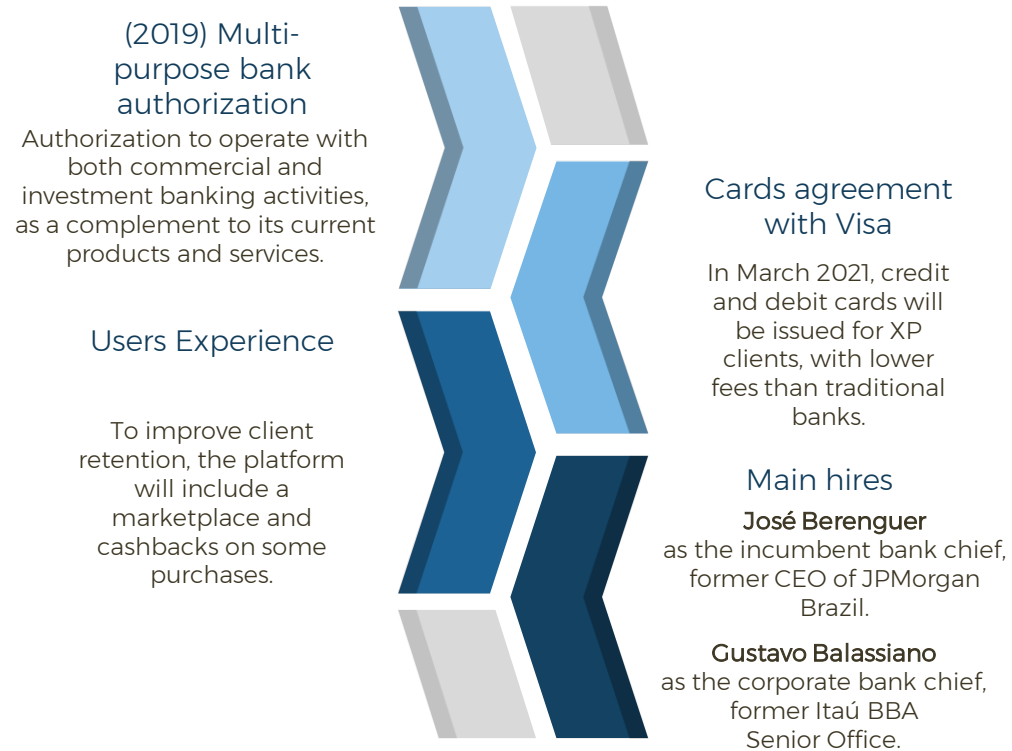
One of the strengths of boostLAB is the network that the startup will have access to, from top bank executives to all kind of investors
- Being the best solution**

This group of startups does not attract large investment banks, as they interested in larger companies

# Banco XP: A Threat to Traditional Banks

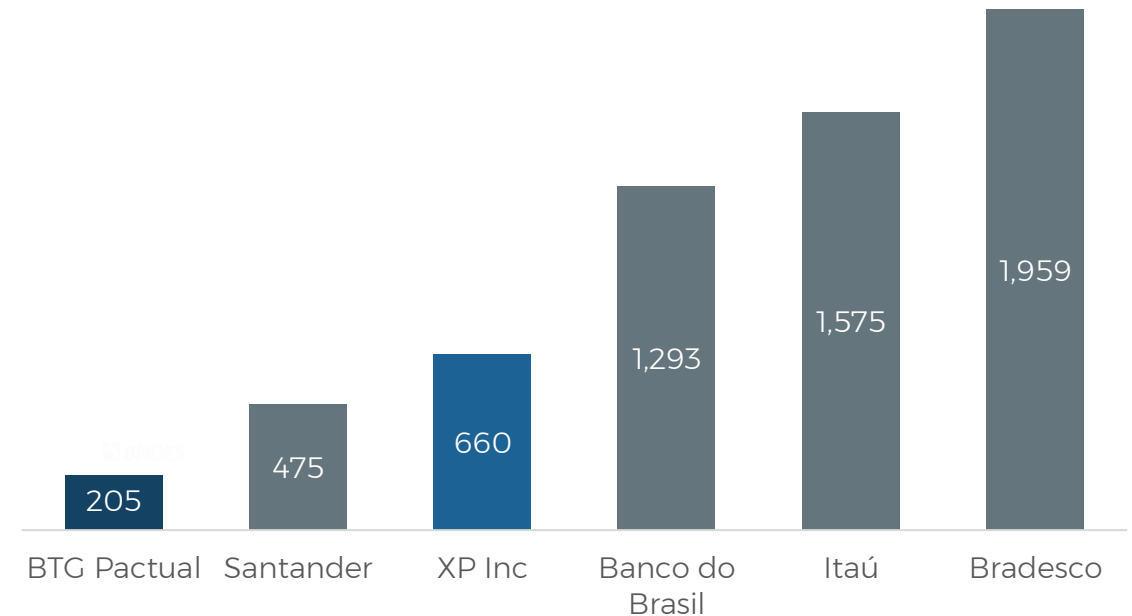
Banco XP main goal is to provide a full customer experience to its clients in a unified digital platform, trying to expand AuC.

Banco XP evolution



It can compete with BTG's DRU over AuC market share, but they have stronger common enemies right now, large traditional banks.

2021 Total AuC (R\$ bn)



## How much does an average digital client **pays in fees and interest?**



Supposing an average custody of **R\$300k** per client

Custody (avg. fee): **0.5%-1.0%** / year

Paid in fees for the broker:  
**R\$ 3000 / year** or **R\$ 125 / month**



Monthly TPV/Client: **R\$2100**

Interchange Fees: **1.1% (Avg. credit and debit)**-> **R\$23.1**

Revolving: **1.5% of TPV**  
 Interest Paid: **10% monthly**  
 Interest: **R\$ 3.15**

BTG Premium (optionality): **29,90**

Paid in fees, int. and additional services:  
**R\$26.5**

## Building Our ESG Index

| Question/Feature   | BPACT1     | ITUB4      | BBDC3      | BBAS3      | B3SA3      | XP         | NTCO3      | PETR3      | QUAL3      | BIDI4      | Average     |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| <b>E1</b> Does the company have a well-defined environmental responsibility policy, with relevant purposes?  | 3          | 3          | 3          | 2          | 2          | 3          | 3          | 3          | 0          | 2          | 2,40        |
| <b>E2</b> Is the company a signatory to pacts with major global institutions? And sectoral? Does it associate environmental responsibility with the products and services offered? | 2          | 3          | 3          | 3          | 1          | 1          | 3          | 3          | 0          | 2          | 2,10        |
| <b>E3</b> Is the company transparent about its practices? How are ESG disclosures?   | 2          | 2          | 2          | 3          | 3          | 1          | 3          | 3          | 0          | 1          | 2,00        |
| <b>E4</b> Are there well-defined goals for the coming years? Are they ambitious? Have they been fulfilled historically?  | 3          | 2          | 3          | 2          | 1          | 2          | 3          | 2          | 0          | 3          | 2,10        |
| <b>E5</b> Is there a clear waste management policy? Has it evolved in this aspect?   | 2          | 2          | 3          | 3          | 3          | 2          | 3          | 1          | 0          | 2          | 2,10        |
| <b>E Score</b>   | <b>2,4</b> | <b>2,4</b> | <b>2,8</b> | <b>2,6</b> | <b>2</b>   | <b>1,8</b> | <b>3</b>   | <b>2,4</b> | <b>0</b>   | <b>2</b>   | <b>2,14</b> |
| <b>S1</b> Position of the company in complaint/problem resolution rankings, such as ReclameAqui  | 3          | 3          | 2          | 2          | 3          | 3          | 3          | 1          | 2          | 2          | 2,40        |
| <b>S2</b> Customer Focused culture   | 3          | 3          | 2          | 2          | 3          | 3          | 3          | -          | 2          | 3          | 2,67        |
| <b>S3</b> Initiatives to promote diversity in the company  | 1          | 2          | 2          | 1          | 1          | 2          | 3          | 1          | 1          | 0          | 1,40        |
| <b>S4</b> Participation of women in leadership positions in the company  | 1          | 1          | 1          | 2          | 2          | 2          | 3          | 2          | 2          | 2          | 1,80        |
| <b>S5</b> Employees' perception of the company (Source: Glassdoor)   | 2          | 3          | 2          | 2          | -          | 3          | 3          | 2          | 1          | 1          | 2,11        |
| <b>S6</b> Talent attraction: career opportunities and remuneration   | 3          | 3          | 2          | 2          | 2,5        | 3          | 2          | 2,5        | 2          | 1,5        | 2,35        |
| <b>S7</b> Does the company seek to make donations and investments in projects focused on the community?  | 2          | 3          | 3          | 2          | 2          | 2          | 3          | 2          | 0          | 1          | 2,00        |
| <b>S Score</b>   | <b>2,1</b> | <b>2,6</b> | <b>2,0</b> | <b>1,9</b> | <b>2,3</b> | <b>2,6</b> | <b>2,9</b> | <b>1,8</b> | <b>1,4</b> | <b>1,5</b> | <b>2,1</b>  |

## Building Our ESG Index

|                  | Question/Feature   | BPACT1      | ITUB4       | BBDC3       | BBAS3       | B3SA3       | XP          | NTCO3       | PETR3       | QUAL3       | BIDI4       | Average     |
|------------------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>G1</b>        | Board Composition: is there i) at least 20% of women, ii) 1/3 of independent members or iii) any ESG-specialist member in the board? | 2           | 1           | 1           | 2           | 1           | 0           | 3           | 1           | 2           | 1           | 1,40        |
| <b>G2</b>        | Does the company have any corruption-related scandals recorded in the past? Have they done anything to change their practices?       | 1           | 3           | 1           | 1           | 3           | 3           | 3           | 1           | 2           | 3           | 2,10        |
| <b>G3</b>        | B3 Governance Level  | 2           | 1           | 1           | 3           | 3           | 3           | 3           | 2           | 2           | 2           | 2,20        |
| <b>G4</b>        | Does the company have strong and clear value propositions? Are they innovation-led?  | 3           | 1           | 1           | 1           | 2           | 3           | 3           | 1           | 1           | 2           | 1,80        |
| <b>G5</b>        | What are the company policies regarding control and minority shareholder protection?   | 2           | 1           | 1           | 3           | 3           | 2           | 3           | 2           | 2           | 2           | 2,10        |
| <b>G Score</b>   |  | <b>2,0</b>  | <b>1,4</b>  | <b>1,0</b>  | <b>2,0</b>  | <b>2,4</b>  | <b>2,2</b>  | <b>3,0</b>  | <b>1,4</b>  | <b>1,8</b>  | <b>2,0</b>  | <b>1,9</b>  |
| <b>ESG Score</b> |  | <b>2,18</b> | <b>2,12</b> | <b>1,93</b> | <b>2,15</b> | <b>2,22</b> | <b>2,19</b> | <b>2,95</b> | <b>1,85</b> | <b>1,08</b> | <b>1,83</b> | <b>2,05</b> |
|                  | <b>Future Commitment</b>   |             |             |             |             |             |             |             |             |             |             |             |
| <b>FC1</b>       | Management Awareness   | 2,2         | 2,0         | 2,2         | 1,4         | 2,2         | 2,8         | 3,0         | 1,6         | 1,4         | 2,4         | 2,12        |
| <b>FC2</b>       | Clear Goals  | 2,6         | 2,4         | 2,0         | 2,0         | 1,2         | 2,4         | 2,8         | 2,2         | 1,0         | 1,6         | 2,02        |
| <b>FC3</b>       | Evolution  | 2,2         | 2,4         | 2,2         | 1,6         | 2,8         | 2,0         | 2,2         | 1,2         | 2,0         | 2,6         | 2,12        |
| <b>FC Score</b>  |  | <b>2,3</b>  | <b>2,3</b>  | <b>2,1</b>  | <b>1,7</b>  | <b>2,1</b>  | <b>2,4</b>  | <b>2,7</b>  | <b>1,7</b>  | <b>1,5</b>  | <b>2,2</b>  | <b>2,1</b>  |

## Our ESG Index: Environmental Criteria Examples

| Question/Feature   | BPAC11  | BBDC3  | NTCO3   |
|--|---|--|---|
| <b>E1</b> Does the company have a well-defined environmental responsibility policy, with relevant purposes?  | It has an ESG committee, discloses a clear environmental agenda policy, and applies the agenda to the services offered  | It has an ESG Committee, discloses a clear environmental agenda policy, and applies the agenda to the services offered             | It has a clear and publicized policy of accountability for environmental impact, education and support for programs on the ESG theme                          |
| <b>E2</b> Is the company a signatory to pacts with major global institutions? And sectoral? Does it associate environmental responsibility with the products and services offered? | Signatory to the Global Compact and CDP, it participates in sectorial initiatives such as those of Febraban, ANBIMA and Investors for CLIMA. Despite adopting environmental criteria for some of its products, they are not yet a wide range of bank products | Signatory to global and sectoral initiatives. It considers ESG assessment when granting credit and is used to classify Risk Taking | Participates in responsibility initiatives at the global and sectoral level, and ensures that products guarantee the least possible impact on the environment |
| <b>E3</b> Is the company transparent about its practices? How are ESG disclosures?   | Has report released according to GRI standards, but does not have an external audit   | Has report released according to GRI and IIRC standards, but does not have an external audit                                       | Has report following the GRI standards and audited by KPMG  |
| <b>E4</b> Are there well-defined goals for the coming years? Are they ambitious? Have they been fulfilled historically?  | Integrates the main material goals with the bank's values, such as customer integrity and protection. It could have clearer goals for the evolution of these issues, but it is still quite satisfactory   | Ambitious goals, such as 100% use of renewable energy and cancellation of carbon emissions   | It establishes clear and ambitious targets for the management of environmental impact, such as the case of generating business in Pan-Amazon                  |
| <b>E5</b> Is there a clear waste management policy? Has it evolved in this aspect?   | It recycles more than 3 tons of waste annually, and has important environmental certifications in the establishments. There is a lack of clarity in the dimensions of the waste produced, and in the recycling targets for the coming years                   | It has a clear recycling and reuse policy. It stands out for its positive evolution in the reduction of waste produced             | It has ambitious resource utilization initiatives, and has evolved at a rapid pace  |

## Our ESG Index: Social Criteria Examples

| Question/Feature  | BPAC11   | BBDC3  | NTCO3  |
|---|--|--|--|
| <b>S1</b> Position of the company in complaint/problem resolution rankings, such as ReclameAqui         | BTG Digital is very well evaluated by customers, resolves most complaints, RA1000 seal. BTG (non-digital) is rated slightly below, but based on fewer reviews.     | Scores in line with sector average   | -  |
| <b>S2</b> Customer Focused culture  | Customer focus is one of the four pillars of the company's strategic focus. Culture evident both in the investment bank and in the BTG Digital activities.         |  | First place in the EXAME / IBRC ranking for customer care. Consumer centric culture has been highlighted for over 10 years and consolidated in the company.                                    |
| <b>S3</b> Initiatives to promote diversity in the company   | Programs for female attraction (Inside BTG Pactual). Little mention is made of diversity in other areas.   | Sustainability and Diversity Committee with participation of exercise groups and minority representation subgroups. 26.5% black employees and recognition in external rankings for inclusion | Selection commitment of 50% of black university students in the internship program and 50% of finalists in selection processes are women.  |
| <b>S4</b> Participation of women in leadership positions in the company                                 | Around 11% percent of women in director positions and 23% in management. Little variation since 2017.  | Despite holding female leadership events, only 5% of the executive directors are women and the bank does not report participation in management positions.                                   | Women represent 55.9% of managers and 41% of directors and vice presidents.  |
| <b>S5</b> Employees' perception of the company (Source: Glassdoor)                                      | Remuneration and meritocracy favor the score. On the other hand, the low quality of life penalizes the company, in the view of employees (2,6/5 vs 3,8/5 avg.)     | Based on employee reviews available on Glassdoor   | Emphasis on diversity and quality of life  |
| <b>S6</b> Talent attraction: career opportunities and remuneration                                      | Remuneration above the market average and a large variable percentage linked to goals. Meritocratic culture and good development opportunities within the company. | Not offers so much opportunities of career evolving and of assuming leadership positions in a broad scope of the bank's areas  | Based on employee reviews available on Glassdoor   |
| <b>S7</b> Does the company seek to make donations and investments in projects focused on the community? | Education is one of BTG's investment focuses, with support for several institutions (Lar das crianças da CIP, Instituto História, Proa, among others).             | Fundação Bradesco, with a budget of 680 million annually, serves 46,321 students per year. Bradesco Volunteer Portal encourages employee actions.  | Instituto Natura is present in 20 brazillian states and reached approximately one million students (elementary and high school). Investment was R \$ 38 million in 2019 (only 0.1% of revenue) |

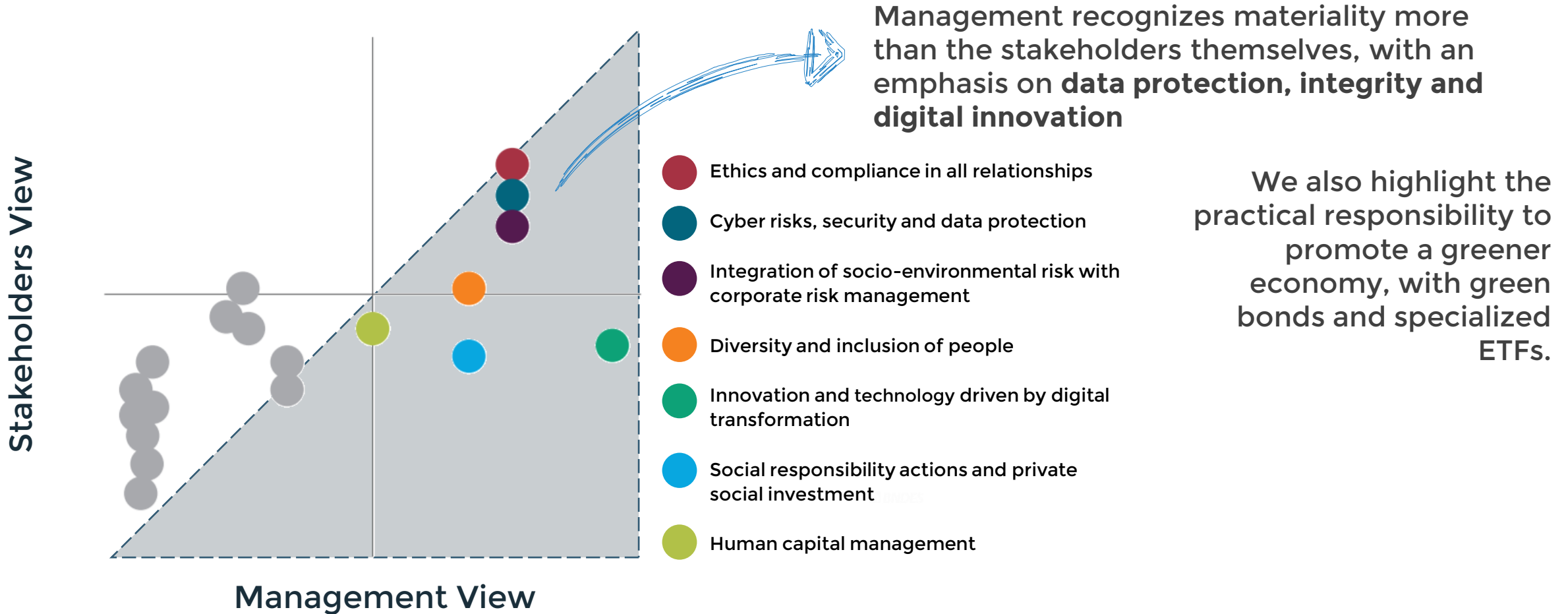


## Our ESG Index: Governance Criteria Examples

| Question/Feature   | BPACT1  | BBDC3   | NTCO3   |
|--|---|---|---|
| <b>G1</b> Board Composition: is there i) at least 20% of women, ii) 1/3 of independent members or iii) any ESG-specialist member in the board? | (ii) and (iii)  | (ii)  | (i), (ii) and (iii)   |
| <b>G2</b> Does the company have any corruption-related scandals recorded in the past? Have they done anything to change their practices?       | Despite the credibility crisis in 2015, the bank has shown great efforts to reduce risks related to governance  | Bradesco has a track record on corruption-related scandals regarding some of its past top executives. The recurrence of those cases gives an impression of little improvement regarding integrity | There have never been cases of corruption, there are values that contribute to this not happening                 |
| <b>G3</b> B3 Governance Level  | B3 Nível 2  | B3 Nível 1  | B3 Novo Mercado   |
| <b>G4</b> Does the company have strong and clear value propositions? Are they innovation-led?  | A strong culture highlights BTG's core values and characteristics. Management has shown great alignment with innovation, hence the DRU development strategy | Highly bureaucratic with almost no focus on innovation  | Transparency is one of the company's core values, which is coherent with its excellent services to final customer |
| <b>G5</b> What are the company policies regarding control and minority shareholder protection?   | Senior Partner André Esteves holds around 40% of voting shares. However, the bank has shown alignment with minority shareholders                            | Minorities have little protection granted by the bank's social status   | Minorities have several protection rights granted by B3 Novo Mercado  |

BTG Index

# What does ESG Commitment means?



## Our meeting with Pêrsio Arida

We had a call with Pêrsio Arida, to understand in detail what the Partnership is like from the inside, and what to expect from its future.

### He told us about:

- ❑ His career in the private sector, and a little bit of relationships with BTG colleagues;
- ❑ The creation of BTG, and the purchase of Pactual;
- ❑ The origin of the bank's name;
- ❑ The replacement of the partners who left and how important this is for Partnership;
- ❑ The day-to-day life during the credibility crisis of 2015.

The conversation took place on March 15, and we contacted Persio with the help of FGV professors.

### (All citations were authorized)

"In the long-run, the success of a Partnership depends on sticking to meritocracy. The problem is that there is no purely objective evaluation of merit. The Partnership model helps to avoid individual idiosyncrasies as all partners have a voice in selecting new partners and electing the ones to run it. It helps but does not ensure success. It is all about human capital. In the modern world, capital is not a constraint."

"It is the only case in banking history that I know of in which a bank suffers from a full-fledged bank run and survives without being bailed out by Central Bank or regulatory entities."

## | Trade-off: maintaining the partnership model or going public?

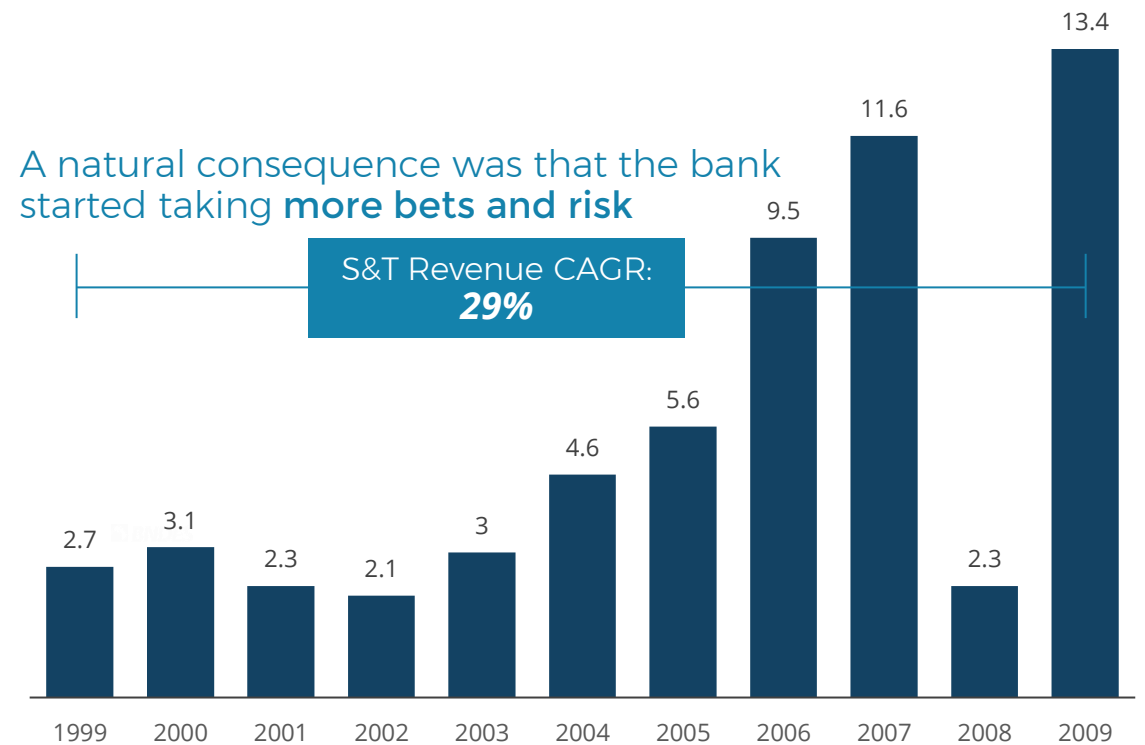
In the 80's, **american Investment Banks** started to **dismantle their partnership culture** when they went public



One exception remained a partnership model:

**Goldman Sachs**  
IPO in 1999

What followed for Goldman Sachs was a success: **astronomic profit growth** in the **post-IPO decade**  
Goldman Sachs Net Income, US\$ bn



## However, the GS partnership grew bloated. Is BTG destined to the same?

Since the IPO in 1999, Goldman Sachs partnership has lost its allure, and is now being forced to shrink

**Goldman Sachs**

|             | Partner's Profit Pool | # Partners | Profit/Partner     |
|-------------|-----------------------|------------|--------------------|
| <b>1999</b> | US\$ 400 mn           | 220        | <b>US\$ 1.8 mn</b> |
| <b>2020</b> | US\$ 500 mn           | 550        | <b>US\$ 0.9 mn</b> |

More than **doubled** its size, which forced the CEO to take measures:

**THE WALL STREET JOURNAL.**

**Goldman Sachs's Partnership Is Shrinking**

CEO David Solomon is culling upper ranks he feels have grown bloated

“To make it special, it’s got to feel like it’s a high-quality group of people”

“There has been some creep over time”

**“Partners don’t retire”**

- As said by a GS employee



“Taps on the shoulder” are more frequent, allowing for **size control**

Executives: The maximum representation of BTG strong culture

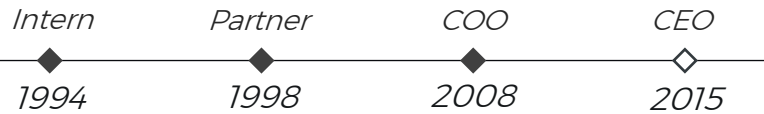


**Roberto Sallouti**

Chief Executive Officer



Bachelor of Economics



Esteves' right-hand man since the beginning of his trajectory

Prize

**WORLD FINANCE**  
Banker of The Year 2018  
Latin America

Board Member at

Some members of the board of directors

20 years or more at BTG Pactual



**André Lopes Dias**

Executive Director  
Pactual since 1997



**Mariana Cardoso**

CCO  
Pactual since 1996



**Marcelo Flora**

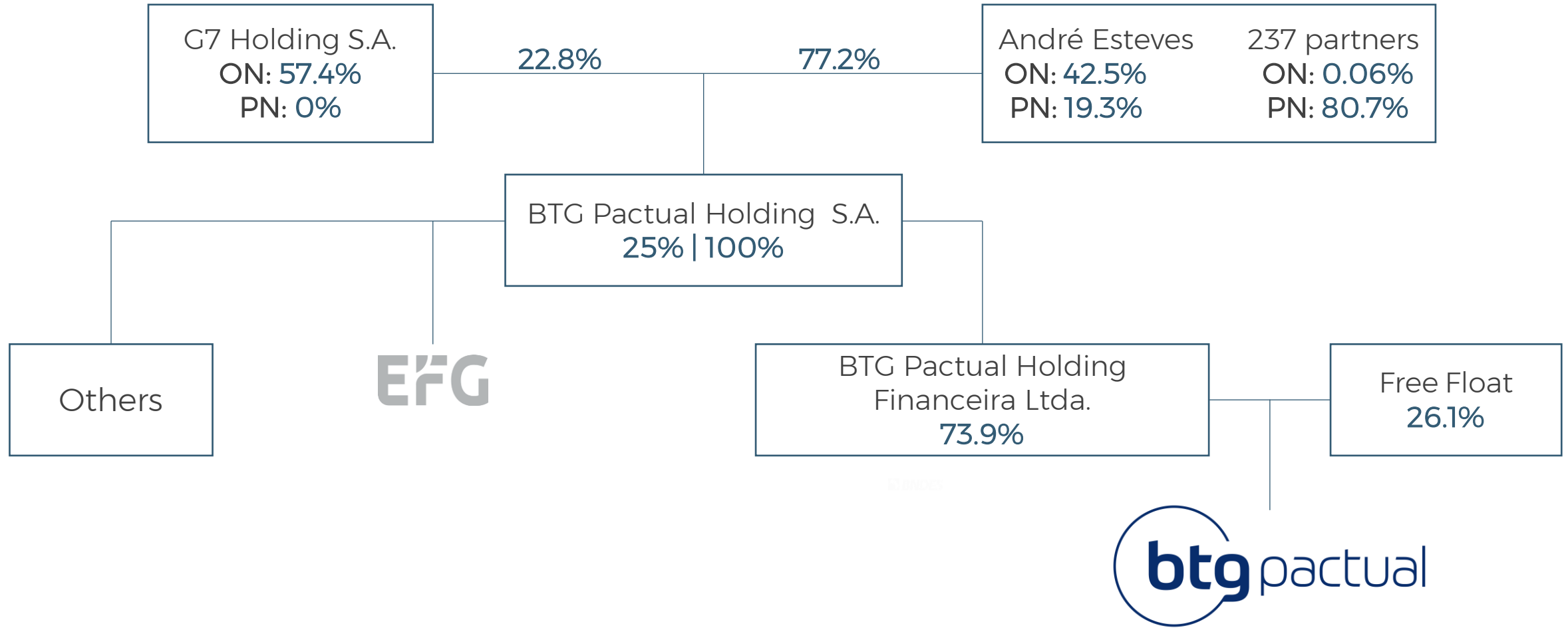
Executive Director  
Pactual since 2000



**Iuri Rapoport**

Executive Director  
Pactual since 1995

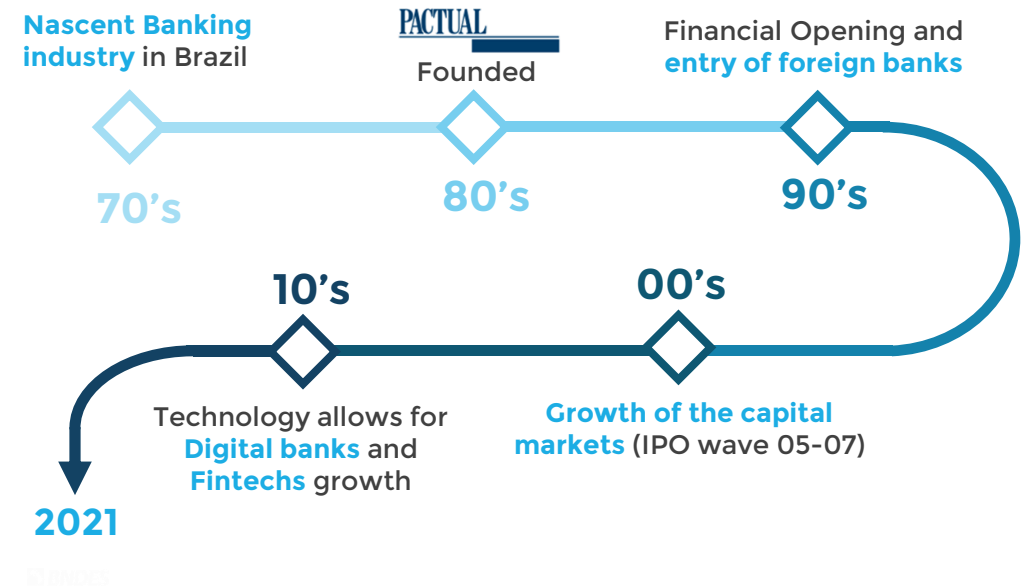
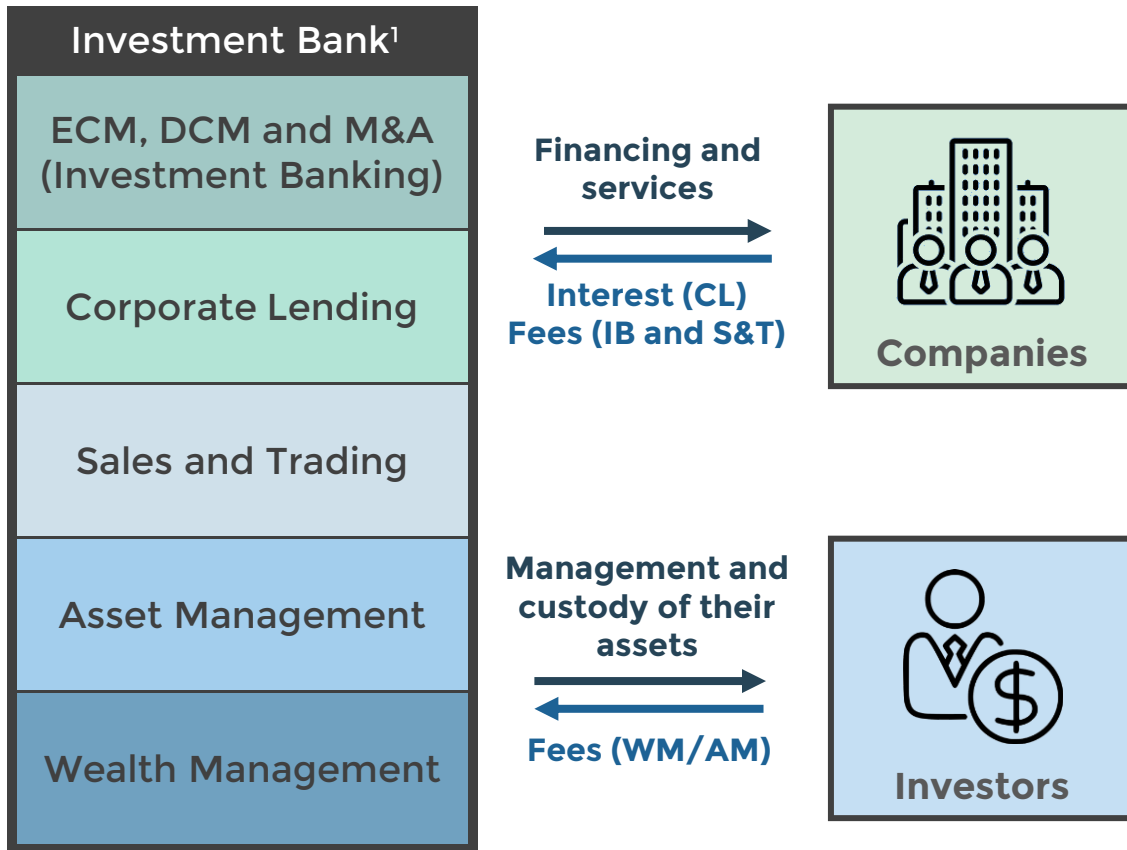
# BTG Pactual Shareholder's Structure



## Industry dynamics

Investment banks allow **companies and investors** to access the **capital markets**, besides taking care of other business needs

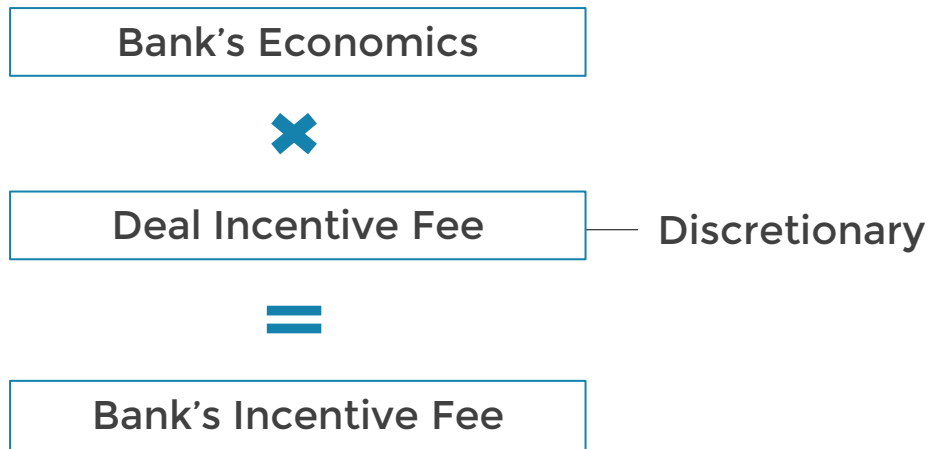
Simplified Dynamics





# Investment Banking: incentive fees indicate the quality of service

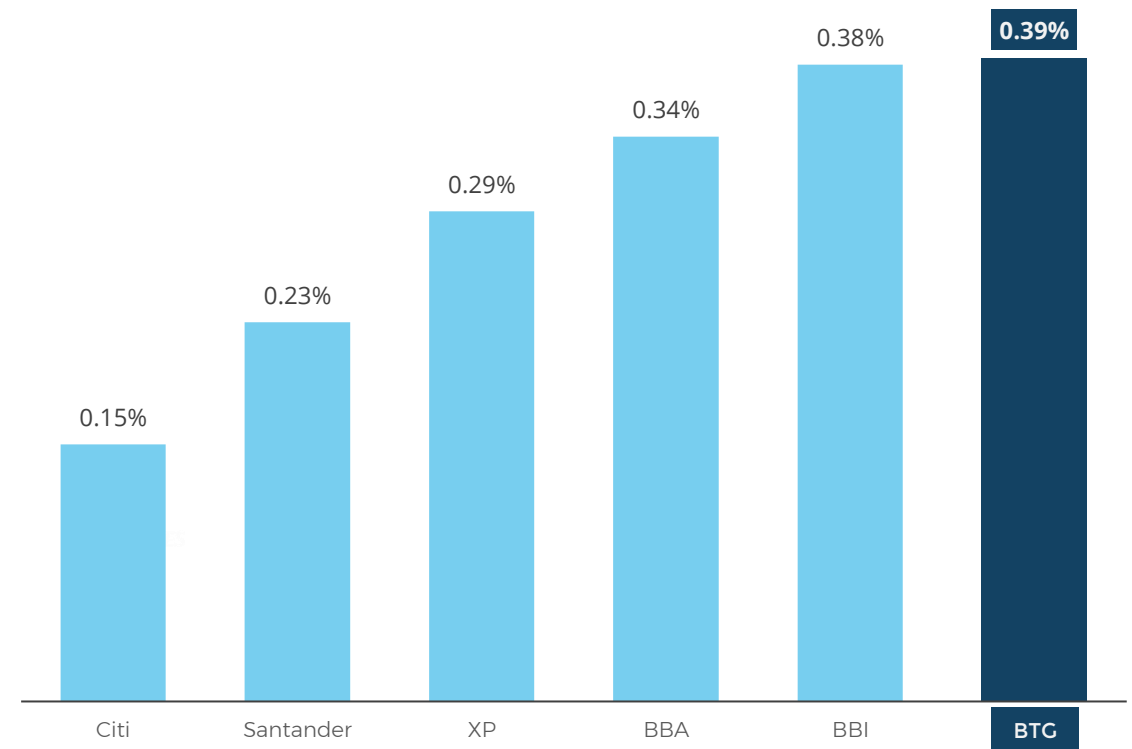
We calculated each **bank's average incentive fee** for the last 30 ECM deals:



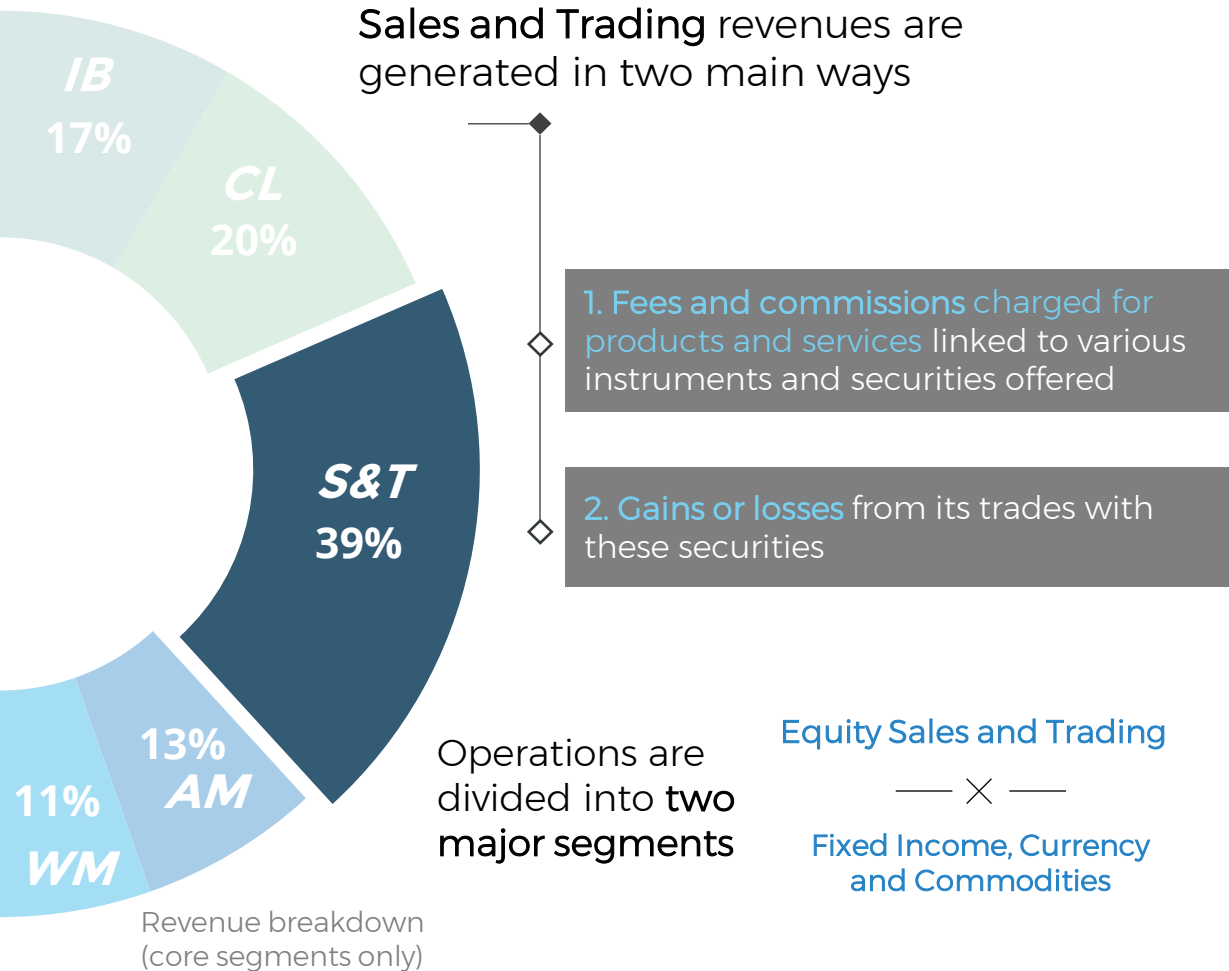
Does BTG receives higher incentive fees on average, which could explain its industry leadership?

Yes. Companies **discretionarily pay BTG more** than they pay other banks


Average Incentive Fees, Last 30 ECM deals as of March 3<sup>rd</sup>



# Sales and Trading



We believe the **growth of S&T** will be driven by



**Higher volume of transactions**



**Solid relationship with customers across the bank**



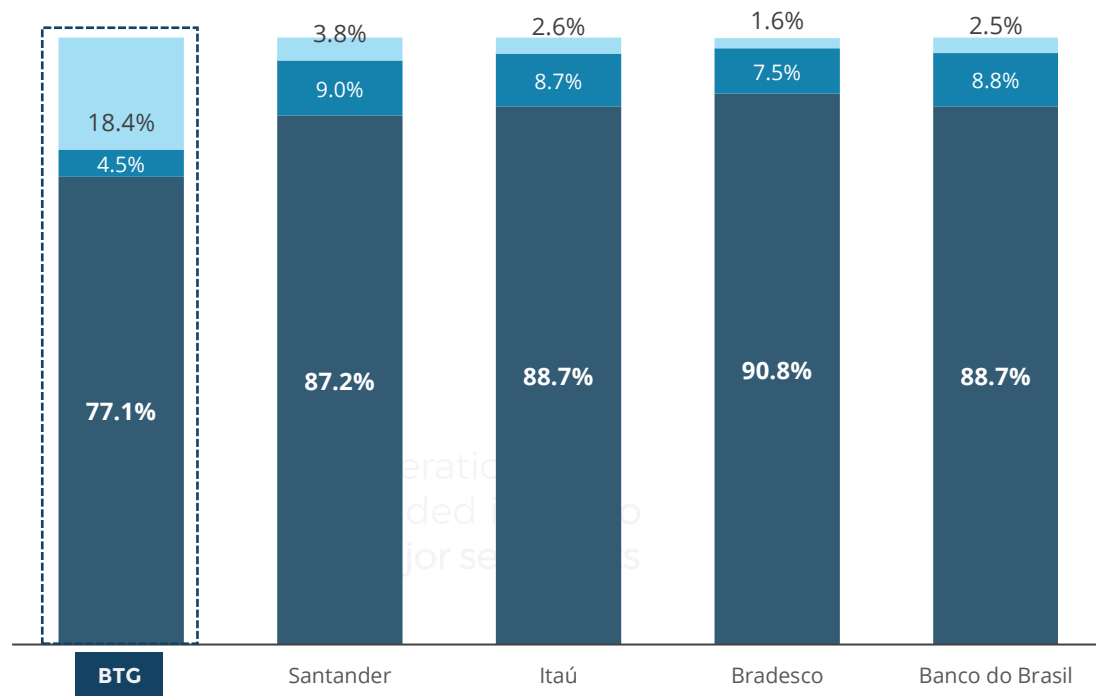
**Good use of volatility**

# Sales and Trading and Risk Appetite

The **risk-taking culture** and the S&T expertise make BTG a bank with **more diversified risks**

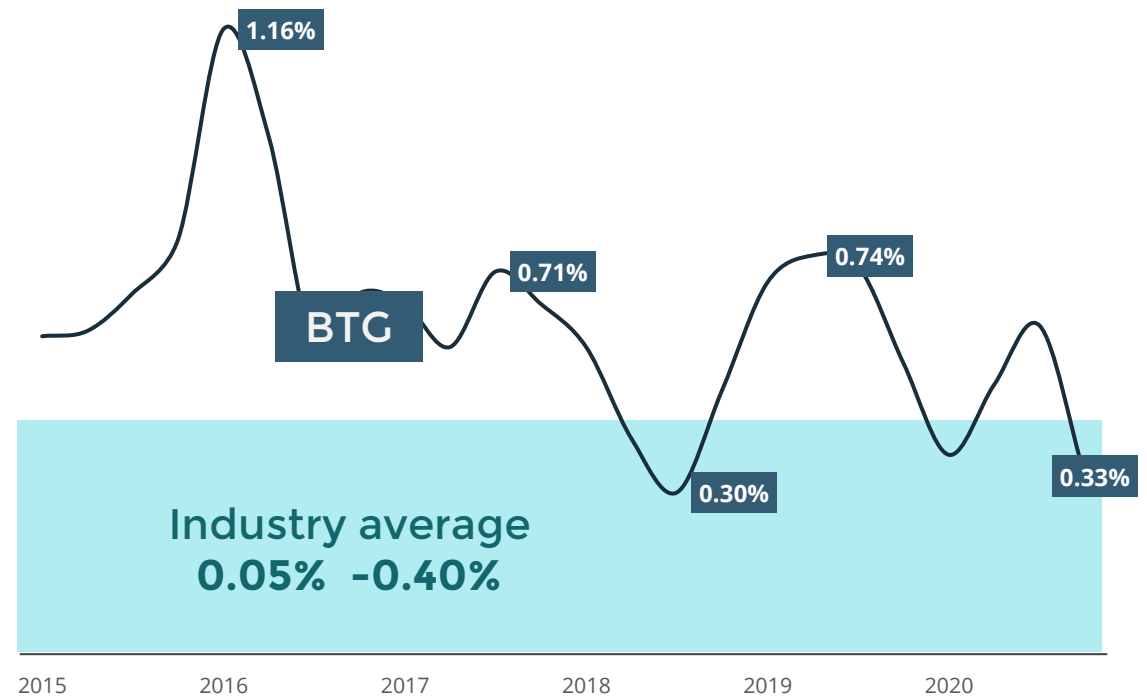
Comparison of Risk Weighted Assets (RWA), 2020

■ Credit Risk ■ Operational Risk ■ Market Risk



**Value at Risk** shows us the most daring position of BTG, which historically brought **higher returns in relation to the others**

BTG Value at Risk (%)



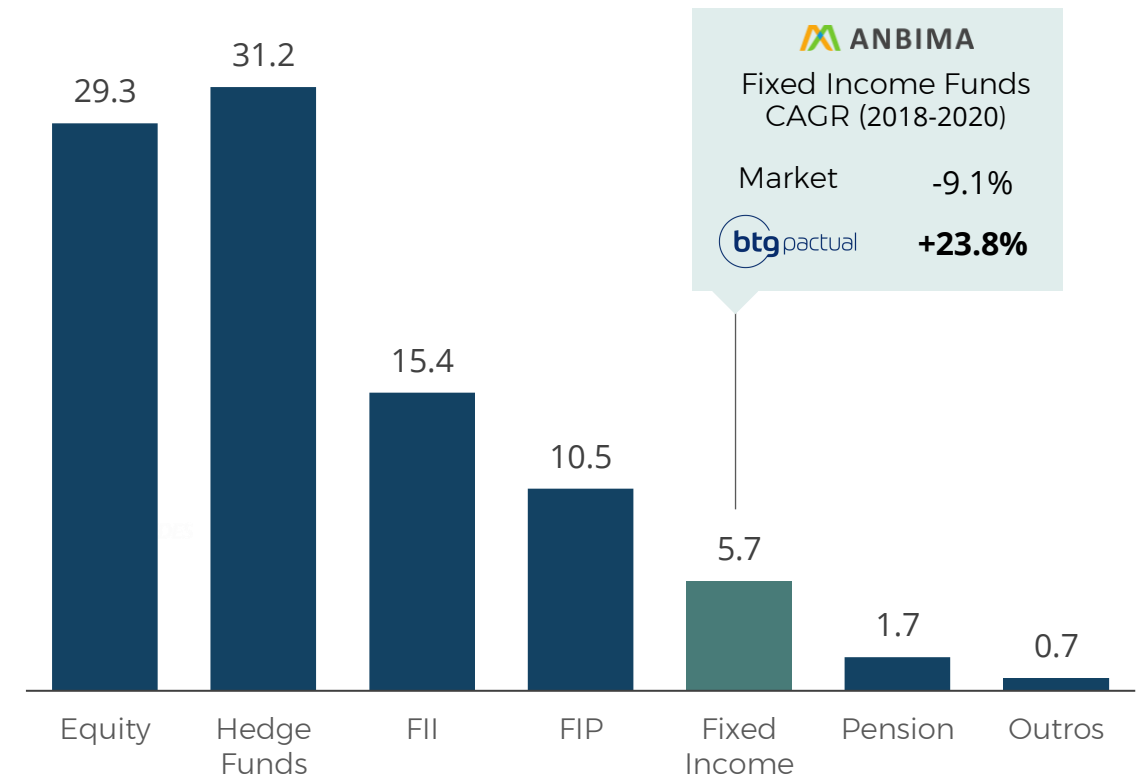
## Asset management

**High exposure** to the **fastest growing class of funds: equity** (29% CAGR 16-20) and **hedge** (10.1% CAGR 16-20)

|                    | AuM (R\$ bn) | Fixed Income | Equity     | Hedge Funds | Pension   | Others (Incl. FIP) |
|--------------------|--------------|--------------|------------|-------------|-----------|--------------------|
| Banco do Brasil    | 1173         | 64%          | 5%         | 3%          | 25%       | 3%                 |
| Itaú Unibanco      | 752          | 48%          | 7%         | 19%         | 24%       | 2%                 |
| Bradesco           | 529          | 43%          | 3%         | 10%         | 41%       | 2%                 |
| Caixa              | 412          | 63%          | 6%         | 8%          | 22%       | 1%                 |
| Santander          | 295          | 55%          | 3%         | 21%         | 20%       | 1%                 |
| <b>BTG Pactual</b> | <b>144</b>   | <b>19%</b>   | <b>19%</b> | <b>32%</b>  | <b>1%</b> | <b>30%</b>         |
| Safra              | 106          | 41%          | 8%         | 29%         | 19%       | 2%                 |
| Credit Suisse      | 101          | 14%          | 3%         | 69%         | 5%        | 9%                 |

Contrary to the market trend, we observe **positive inflows even in the declining fixed income class**

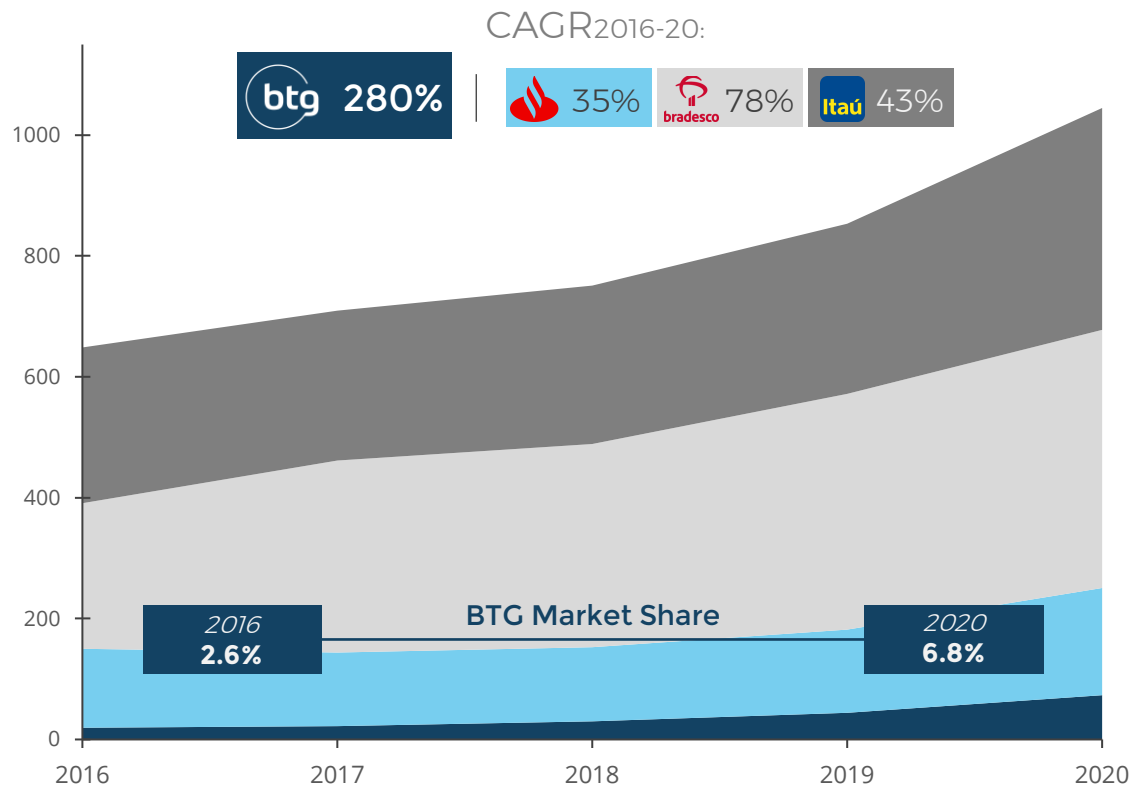
Assets Inflow Oct/19-Dec/20, R\$ bn



# Corporate Lending

After a large sale of the credit portfolio in 2015, **BTG** has done an excellent job **recovering volume and market share**

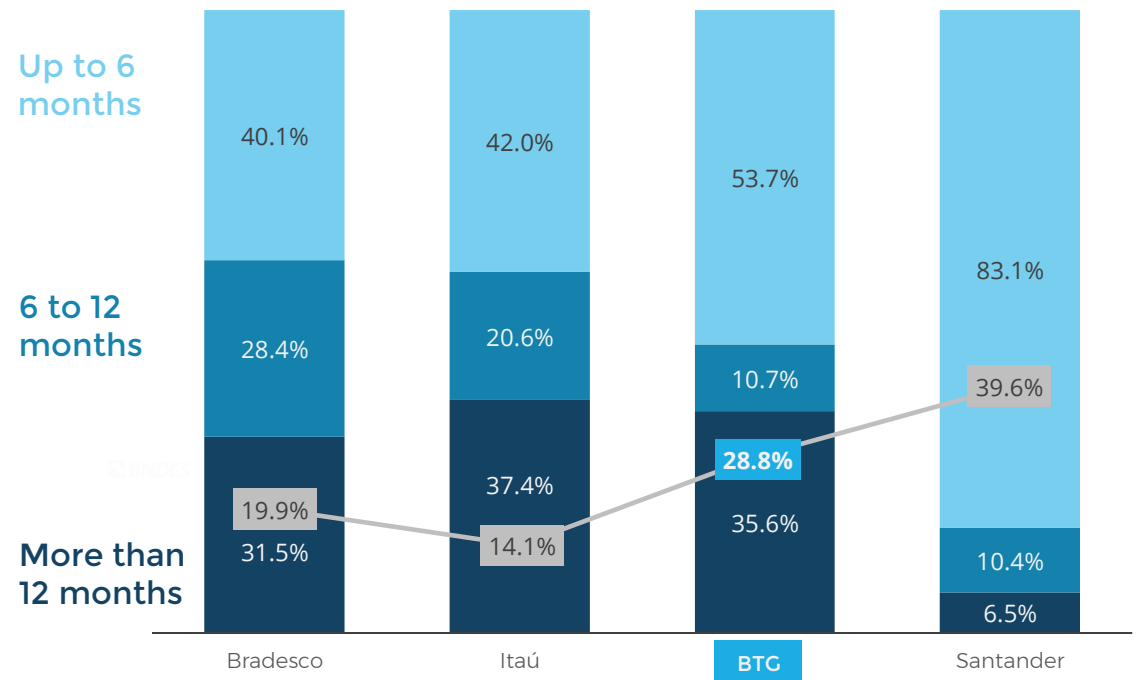
Corporate Lending Portfolio Volume, R\$ bn



By having a **longer maturity** portfolio than most retail banks, BTG enjoys **very decent yields**

Portfolio Maturity and Average Interest Rates

— Interest Rates, 10/02/21 - 18/02/21



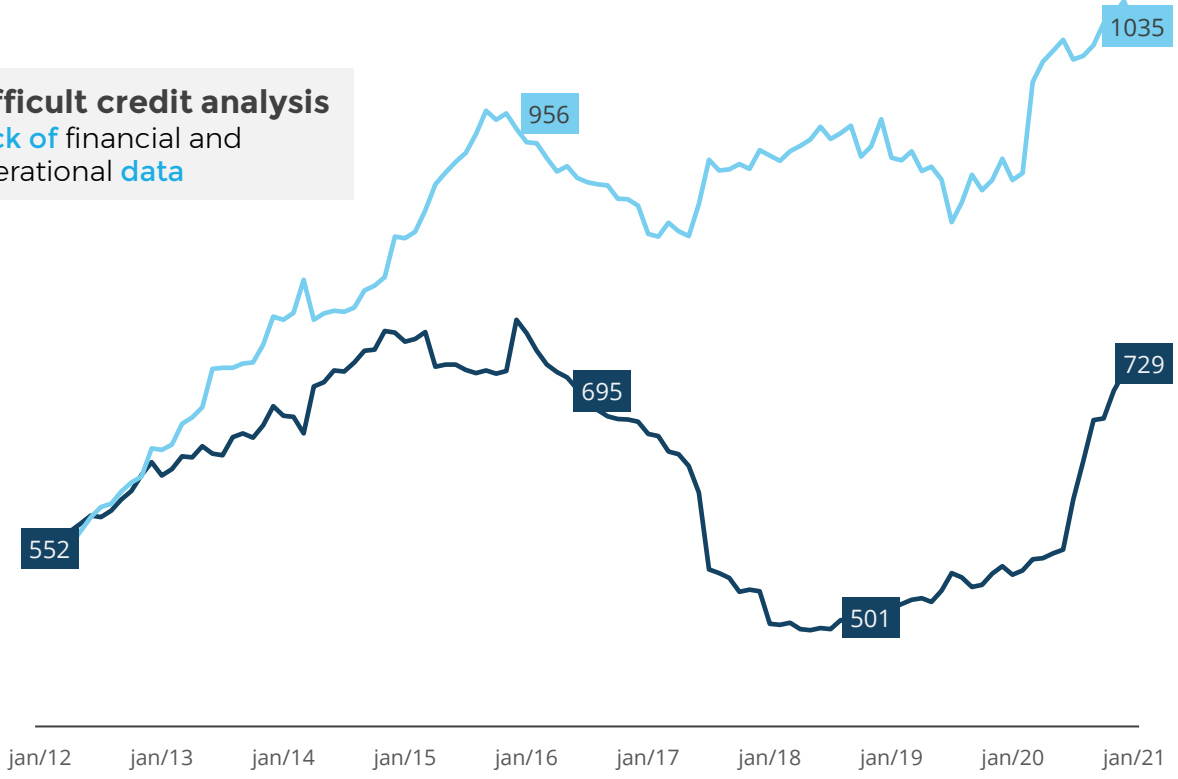
# SME Lending: operational advantages enable margin gains

SME: **default risk** and **difficulty of credit analysis** limits banks' lending appetite...

Credit Balance by Company Size, R\$ bn

— SME — Large Corporates

**Difficult credit analysis**  
Lack of financial and operational data



...enhancing the need to operate with **alternative strategies** coupled to the use of **technology**

BTG+ business "Risco Sacado" strategy



◆ BTG Assumes client's **cash flow as collateral**. The benefits?

1 **Reduced** Default **Risk**

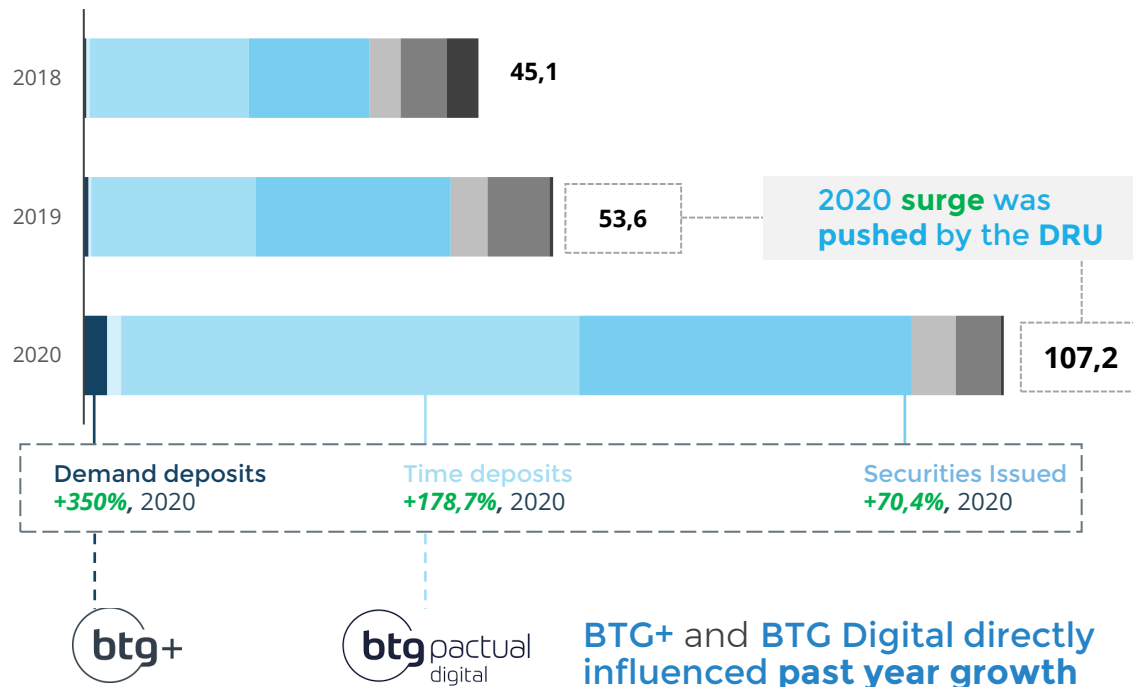
2 Which, in turn, allows for **lower provisions**

**Low Provisions** + **High Spreads** = **Margin Gains**

# An even larger feedback cycle: investment and digital bank synergies

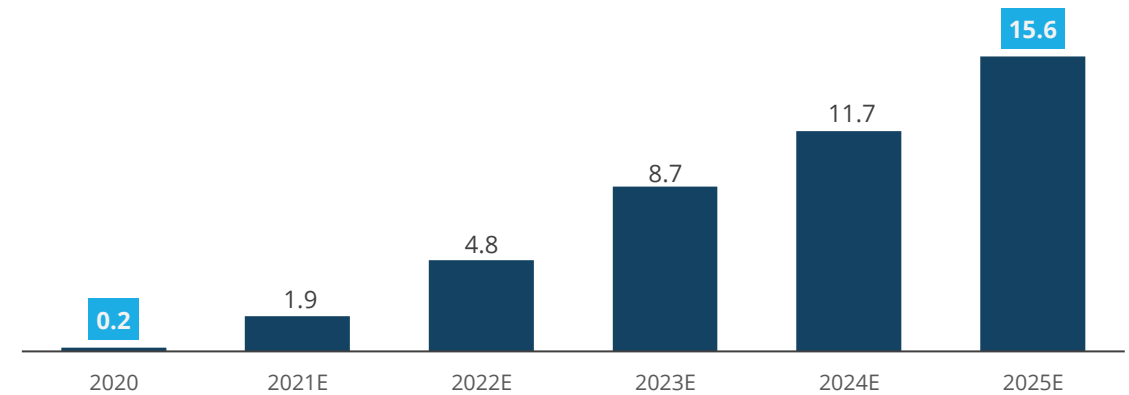
Remember how **unsecured funding** allows for **more leverage** because it's **cheaper** and **reduces credit risk**?

Unsecured Funding Base, R\$ bn



Taking **BTG+** by itself into account, we see **significant flight to quality** regarding **funding volume**

BTG+ Loan Book, R\$ bn



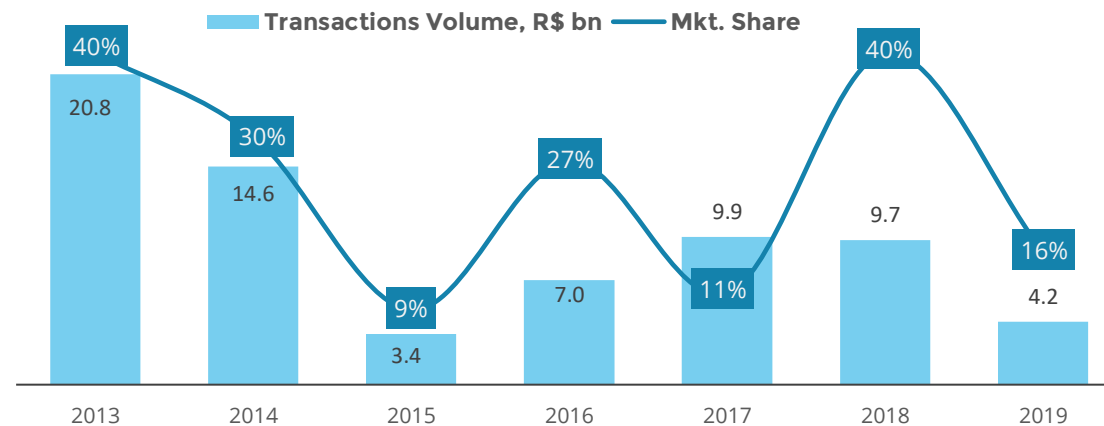
**Corporate Lending Division: directly benefited**  
 Cheaper Funding = **Better Spreads**  
 Diversified Funding = **Lower Credit Risk**

**Investment Banking Division: indirectly benefited**  
 A larger CL Portfolio strengthens BTG's relation with the industry **generating more mandates**

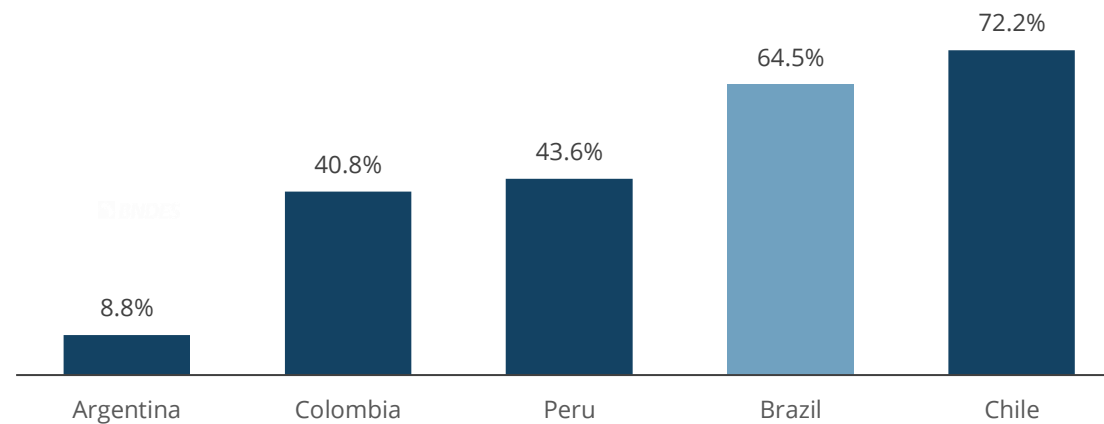
## LatAm operations



LatAm (exc. Brazil) **ECM** market and BTG market share



Companies **mkt. cap to GDP**, 2019





## LatAm operations



### Key LatAm operation numbers

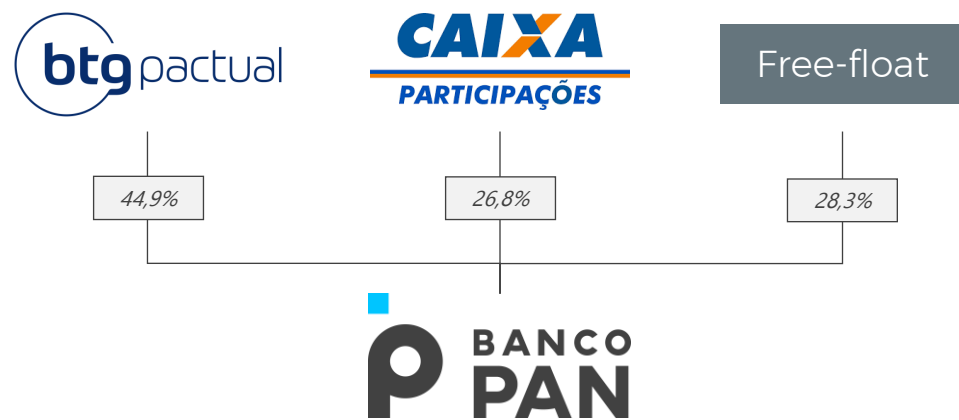
- 1 **~15% of loan book**
- 2 **~586 employees, 3Q20**
- 3 **ROE:**  
Chile ~15 – 17%  
Colombia ~10 – 15%

Talking to employees from Chile and Colombia, we had a clear vision: **BTG follows the same path it traced in Brazil, in markets similar to what Brazil was a few years ago.** It becomes easier then to apply a well-defined tactic, and this gives us confidence in the success of the expansion.

# Banco Pan's Synergy with BTG Pactual

BTG exchange top managers with Banco Pan, trying to replicate the partnership program success.

Ownership structure

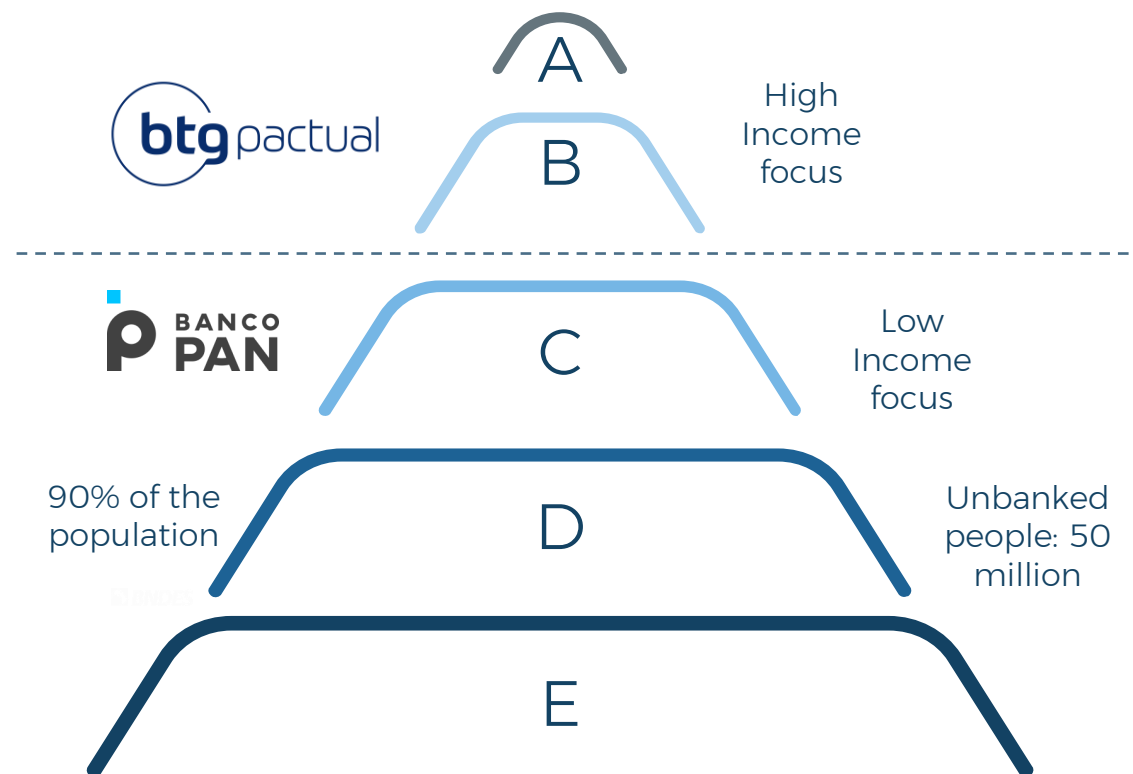


Board members nominated by BTG Pactual

- Amos Genish, Chairman (Head of BTG's DRU)
- Roberto Sallouti (CEO of BTG)
- Sérgio Cutolo
- Alexandre Camara

Banco Pan complements BTG Pactual's strategy, providing exposure to low-income retail, with a huge TAM

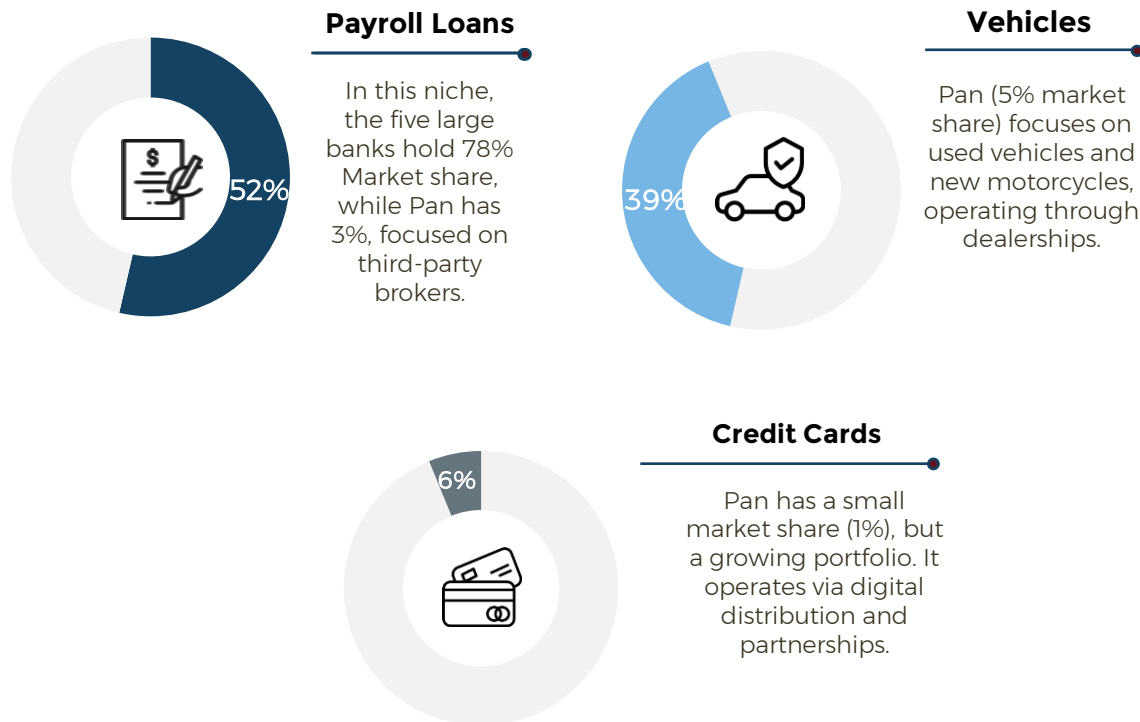
Income classes synergy



# Growing Credit Operation

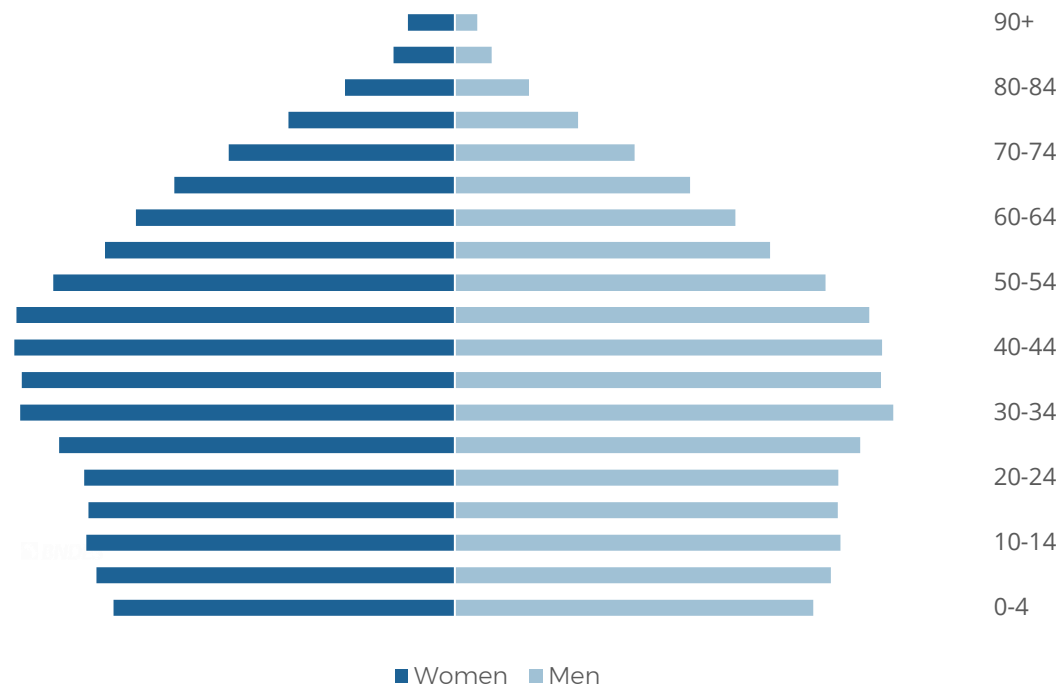
Pan's revenues rely mostly on two retail businesses, but it already has a solid track-record in both operations

## Loan Book Origination



More than 80% of Banco Pan's origination comes from the social security retirees (INSS) niche, that should expand as population ages

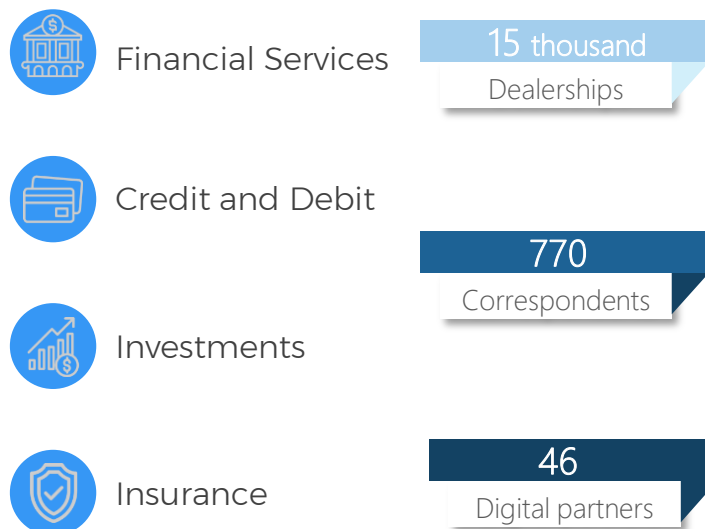
## 2030E Brazilian Demographic Pyramid



# Ready-to-Scale Digital Bank

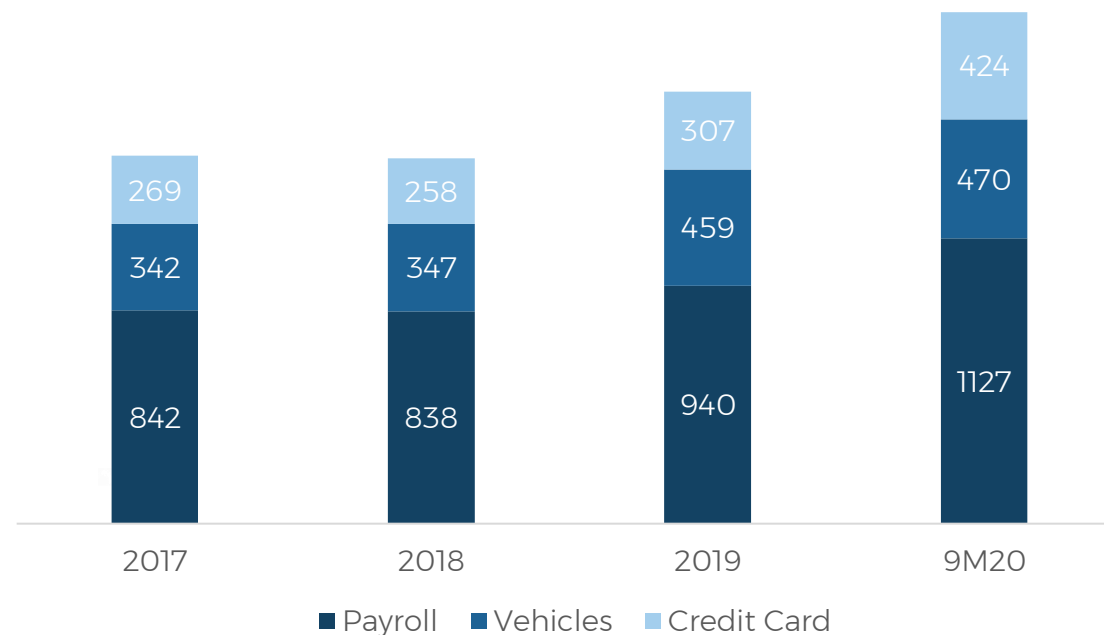
Banco Pan has launched its digital platform in early 2019, and currently operates in an omnichannel structure focused on B2B

Omnichannel structure



The digital platform has already been responsible for a increase in loan origination, due to reduced costs and better fraud prevention

Average Monthly Credit Origination



## Banco Pan Competition

Banco Pan has an edge over other major players, since it does not depend on some threatened fee-based income streams

### Fee-based industry comparison

|  | Revenue from fees in 2019 | % of Total Revenue | Main Products (fee-based)                |
|--|---------------------------|--------------------|--|
|  | R\$ 0,4 bn                | 9%                 | Credit Operations, Credit Cards          |
|  | R\$ 19 bn                 | 28%                | Cards, Current Account                   |
|  | R\$ 34 bn                 | 31%                | Cards, Current Account, Asset Management |
|  | R\$ 30 bn                 | 34%                | Current Account, Asset Management        |
|  | R\$ 2,0 bn                | 27%                | Cards, Current Account                   |

Credit should remain the main client retention tool, a product in which Banco Pan has more expertise than any competitor

### Digital Banks industry comparison

|  | Revenue (2019) | Number of Clients | Core Products (total)                     |
|--|----------------|-------------------|---|
|  | R\$ 4,5 bn     | 6 mn              | Payroll, Auto Loans, Credit Card          |
|  | R\$ 1,0 bn     | 7 mn              | Credit Card, Investments, Mortgage        |
|  | R\$ 188 mn     | 3 mn              | Credit Card, Investments, Current Account |
|  | \$ 2,8 bn      | 30 mn             | Credit Card                               |
|  | R\$ 2,0 bn     | 3,5 mn            | Credit Card, Current Account              |

# Too Seguros: A Good Cross Sell Optionality

Though insurance should not be BTG's main strategy, Too Seguros may leverage the bank's growth by diversifying its products pool

After 2018 Pan Seguros rebranding, in an attempt to optimize its portfolio and reduce costs, Too has shown higher ROE

Once called Pan Seguros, a segment of Banco Pan, Too Seguros is an insurance company that provides its products through partners' retail channels.



### Insurance Products

- Vehicles
- Life
- Home equity
- Financial

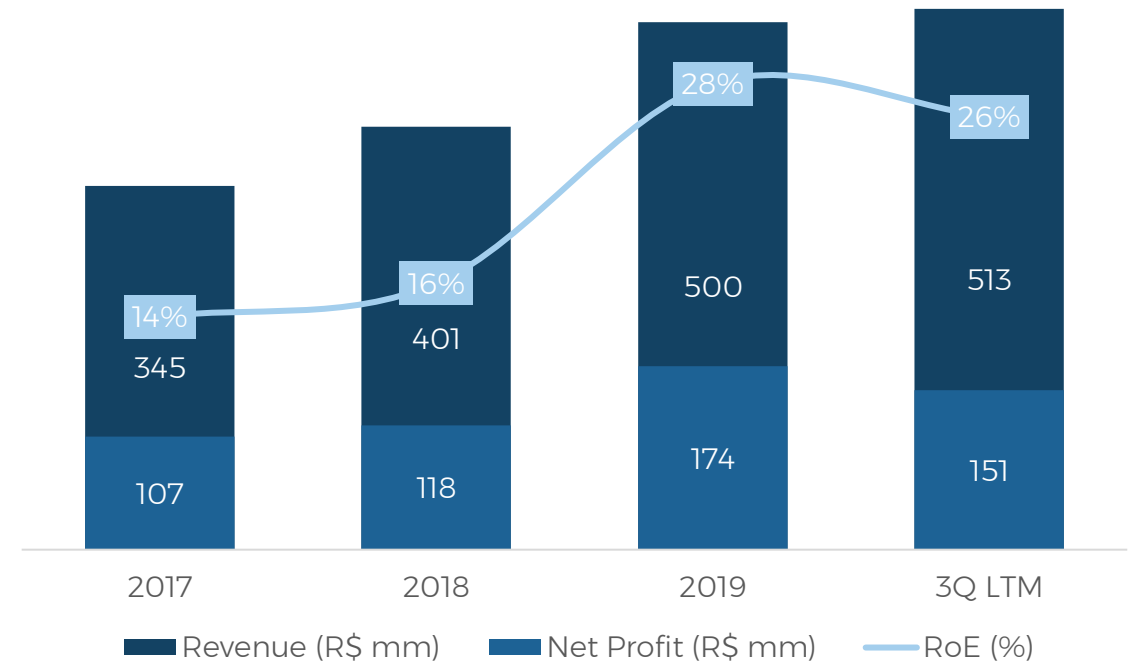


- Sold Pan Seguros operation in 2014 to focus on credit services.
- Still have a deal with Too Seguros to provide insurance in its digital platform.
- Offering credit is Banco Pan main strength, but increasing cross-sell in insurance may be a hidden opportunity.



- Owns 51% of Too Seguros.
- DRU have synergies with Too Seguros, as it may offer complementary products.
- In this sense, BTG may have an optionality to create an one-stop-shop platform.

Too Seguros results



## Principal Investments: slow exit outlook

Two assets, opportunistically acquired by BTG, account for most of Principal Investment revenues

- ◆ BTG acquired a **50% stake** from Petrobras in 2013
- ◆ Company owns **energy assets** in Africa, mostly Nigeria
- ◆ Cash flows **hedged** from oil-price fluctuations
- ◆ **R\$2,5bn book value**

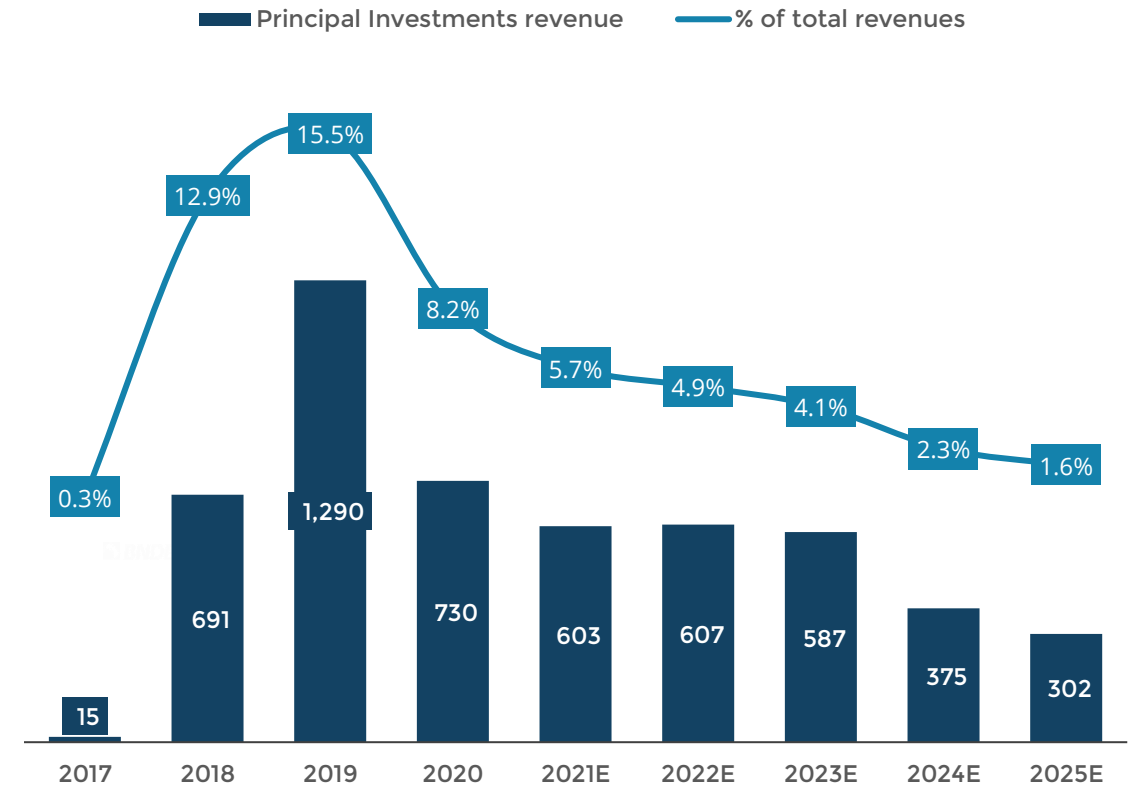


- ◆ Loan **receivables converted** into 50% stake in 2015, **currently at 23%**
- ◆ **Integrated** power generation company using **natural gas**
- ◆ Successful turnaround, reaching **R\$1bn profit** in 2020, **48% CAGR** from 2015
- ◆ **R\$4,3bn** market value, booked at **R\$3,7bn**



We expect BTG to be diluted with time, with revenues associated losing relevance in the big picture of the bank

BTG's Principal Investments revenues



## Summarized Income Statement

| Income Statement             |          | 2020           | 2021E          | 2022E          | 2023E           | 2024E           | 2025E           |
|------------------------------|----------|----------------|----------------|----------------|-----------------|-----------------|-----------------|
| Total Revenue                | [R\$ mn] | 9,304          | 12,294         | 15,134         | 18,335          | 21,759          | 26,027          |
| Operational Expenses         | [R\$ mn] | (3,828)        | (5,343)        | (6,337)        | (7,452)         | (8,700)         | (10,232)        |
| % Efficiency Ratio           | [%]      | 41.1%          | 43.5%          | 41.9%          | 40.6%           | 40.0%           | 39.3%           |
| <b>Earnings Before Taxes</b> | [R\$ mn] | <b>5,475.3</b> | <b>6,951.3</b> | <b>8,797.5</b> | <b>10,883.0</b> | <b>13,059.3</b> | <b>15,794.3</b> |
| Tax Expense                  | [R\$ mn] | (3,828.2)      | (5,343)        | (6,337)        | (7,452)         | (8,700)         | (10,232)        |
| <b>Net Income</b>            | [R\$ mn] | <b>4,233.9</b> | <b>5,324.5</b> | <b>6,743.9</b> | <b>8,355.3</b>  | <b>10,054.0</b> | <b>12,185.0</b> |
| Payout Ratio                 | [%]      |                | 40%            | 40%            | 40%             | 40%             | 50%             |
| Dividends                    | [R\$ mn] |                | 2129.8         | 2697.6         | 3342.1          | 4021.6          | 6092.5          |
| # Shares Outstanding         | [Mn]     |                | 904.2          | 904.2          | 904.2           | 904.2           | 904.2           |
| <b>DPS</b>                   | [R\$]    |                | <b>2.4</b>     | <b>3.0</b>     | <b>3.7</b>      | <b>4.4</b>      | <b>6.7</b>      |
| <b>EPS</b>                   | [R\$]    |                | <b>5.9</b>     | <b>7.5</b>     | <b>9.2</b>      | <b>11.1</b>     | <b>13.5</b>     |



| Revenue Breakdown                           |          | 2020           | 2021E           | 2022E           | 2023E           | 2024E           | 2025E           |
|---|----------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Total Revenue</b>                        |          | <b>9.928,7</b> | <b>12.306,1</b> | <b>15.161,0</b> | <b>18.379,0</b> | <b>21.822,5</b> | <b>26.110,4</b> |
| Core-Business                               |          | 7.898,1        | 8.901,2         | 10.183,4        | 11.686,7        | 13.394,0        | 15.465,8        |
| <i>% of total</i>                           |          | 80%            | 72%             | 67%             | 64%             | 61%             | 59%             |
| Investment Banking                          | [R\$ mi] | 1.327          | 1.504           | 1.601           | 1.709           | 1.865           | 2.002           |
| <i>% of total</i>                           |          | 13%            | 12%             | 11%             | 9%              | 9%              | 8%              |
| Corporate Lending (Ex-SME)                  | [R\$ mi] | 1.591          | 1.872           | 2.269           | 2.723           | 3.307           | 3.990           |
| <i>% of total</i>                           |          | 16%            | 15%             | 15%             | 15%             | 15%             | 15%             |
| Sales & Trading                             | [R\$ mi] | 3.117          | 2.844           | 3.110           | 3.421           | 3.638           | 4.013           |
| <i>% of total</i>                           |          | 31%            | 23%             | 21%             | 19%             | 17%             | 15%             |
| Asset Management                            | [R\$ mi] | 1.013          | 1.659           | 1.973           | 2.358           | 2.817           | 3.346           |
| <i>% of total</i>                           |          | 10%            | 13%             | 13%             | 13%             | 13%             | 13%             |
| Wealth Management (excluding BTG Pactual D) | [R\$ mi] | 850            | 1.023           | 1.230           | 1.476           | 1.768           | 2.115           |
| <i>% of total</i>                           |          | 9%             | 8%              | 8%              | 8%              | 8%              | 8%              |
| Digital Retail Unit (Ex-Pan and Too)        |          | 625,2          | 1.801,5         | 2.849,0         | 4.110,5         | 5.634,3         | 7.482,9         |
| BTG Digital                                 | [R\$ mi] | 290            | 650             | 1.062           | 1.613           | 2.320           | 3.211           |
| <i>% of total</i>                           |          | 3%             | 5%              | 7%              | 9%              | 11%             | 12%             |
| BTG+ Business                               | [R\$ mi] | 303            | 733             | 986             | 1.308           | 1.723           | 2.242           |
| <i>% of total</i>                           |          | 3%             | 6%              | 7%              | 7%              | 8%              | 9%              |
| BTG+  | [R\$ mi] | 33             | 419             | 801             | 1.190           | 1.591           | 2.030           |
| <i>% of total</i>                           |          | 0%             | 3%              | 5%              | 6%              | 7%              | 8%              |
| Others                                      |          | 1.405,4        | 1.603,3         | 2.128,6         | 2.581,8         | 2.794,2         | 3.161,7         |
| Participations                              |          | 730            | 603             | 607             | 587             | 375             | 302             |
| <i>% of total</i>                           |          | 7%             | 5%              | 4%              | 3%              | 2%              | 1%              |
| Interest and other                          |          | 313            | 548             | 971             | 1.325           | 1.605           | 1.869           |
| <i>% of total</i>                           |          | 3%             | 4%              | 6%              | 7%              | 7%              | 7%              |
| Principal investments                       |          | 362            | 453             | 550             | 670             | 814             | 991             |
| <i>% of total</i>                           |          | 4%             | 4%              | 4%              | 4%              | 4%              | 4%              |

## Our Investment Banking Division Forecasts

| Investment Banking                  |                 | 2020         | 2021E        | 2022E        | 2023E        | 2024E        | 2025E        |
|-------------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>M&amp;A</b>                      |                 |              |              |              |              |              |              |
| Volume of Transactions              | [R\$ mn]        | 126.675      | 82.339       | 85.632       | 89.914       | 95.309       | 101.981      |
| Growth YoY                          | [%]             | 425,0%       | 0,0%         | 4,0%         | 5,0%         | 6,0%         | 7,0%         |
| <b>M&amp;A Revenues</b>             | <b>[R\$ mn]</b> | <b>1.267</b> | <b>906</b>   | <b>942</b>   | <b>989</b>   | <b>1.048</b> | <b>1.122</b> |
| Growth YoY                          | [%]             |              | -28,5%       | 4,0%         | 5,0%         | 6,0%         | 7,0%         |
| <b>ECM</b>                          |                 |              |              |              |              |              |              |
| Ibovespa Growth YoY                 | [%]             | 2,9%         | 9,32%        | 9,32%        | 9,32%        | 9,32%        | 9,32%        |
| Listed Companies mkt. cap. % of GDP | [%]             | 76,0%        | 88,0%        | 100,0%       | 112,0%       | 124,0%       | 136,0%       |
| Equities Issuance growth, YoY       | [%]             | 10,4%        | 9,6%         | 6,5%         | 5,0%         | 3,8%         | 2,8%         |
| BTG ECM Market Share                | [%]             | 12,4%        | 12,9%        | 13,4%        | 13,9%        | 14,4%        | 14,9%        |
| BTG Equities Issuance Volume        | [R\$ mn]        | 12355        | 14082        | 15588        | 16982        | 18265        | 19437        |
| <b>ECM Revenues</b>                 | <b>[R\$ mn]</b> |              | <b>296</b>   | <b>327</b>   | <b>357</b>   | <b>384</b>   | <b>408</b>   |
| Growth YoY                          | [%]             |              |              | 10,7%        | 8,9%         | 7,6%         | 6,4%         |
| <b>DCM</b>                          |                 |              |              |              |              |              |              |
| Bonds Emission as % of GDP          | [%]             | 2,9%         | 3,0%         | 3,2%         | 3,3%         | 3,5%         | 3,6%         |
| Bonds Emission Volume               | [R\$ mn]        | 206          | 223          | 239          | 256          | 273          | 291          |
| BTG Bond Issuance Volume            | [R\$ mn]        |              | 27485        | 30161        | 33017        | 36063        | 39306        |
| <b>DCM Revenues</b>                 | <b>[R\$ mn]</b> |              | <b>302</b>   | <b>332</b>   | <b>363</b>   | <b>433</b>   | <b>472</b>   |
| Growth YoY                          | [%]             |              |              | 9,7%         | 9,5%         | 19,2%        | 9,0%         |
| <b>Total (ECM+DCM+M&amp;A)</b>      |                 |              |              |              |              |              |              |
| Volume of transactions              | [R\$ mn]        | 151.552      | 109.985      | 115.750      | 122.432      | 130.157      | 139.091      |
| <b>Total revenues</b>               | <b>[R\$ mn]</b> | <b>1.327</b> | <b>1.504</b> | <b>1.601</b> | <b>1.709</b> | <b>1.865</b> | <b>2.002</b> |
| Growth YoY                          | [%]             | 39,9%        | 13,3%        | 6,5%         | 6,7%         | 9,1%         | 7,3%         |
| Avg Transaction Value M&A           | [R\$ mn]        | 3334         | 1598         | 1654         | 1720         | 1789         | 1860         |
| Deals M&A                           | #               | 38           | 52           | 52           | 52           | 53           | 55           |
| Avg Transaction Value ECM           | [R\$ mn]        | 325          | 307          | 317          | 330          | 343          | 357          |
| Deals ECM                           | #               | 40           | 46           | 49           | 51           | 53           | 54           |
| Avg Transaction Value DCM           | [R\$ mn]        | 184          | 231          | 239          | 248          | 258          | 269          |
| Deals DCM                           | #               | 68           | 59           | 61           | 63           | 64           | 66           |
| <b>Total Number of Deals</b>        | <b>#</b>        | <b>146</b>   | <b>156</b>   | <b>162</b>   | <b>166</b>   | <b>171</b>   | <b>175</b>   |

## Our Corporate Lending Forecasts

| Corporate Lending              |                 | 2020         | 2021E        | 2022E        | 2023E        | 2024E        | 2025E        |
|--------------------------------|-----------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Portfolio Volume/Book Value    | [x]             | 2,76         | 3,01         | 3,26         | 3,51         | 3,81         | 4,11         |
| Expanded Portfolio             | [R\$ mn]        | 73.700       | 89.563       | 109.740      | 135.284      | 168.895      | 209.709      |
| Growth YoY                     | [%]             | 68%          | 22%          | 23%          | 23%          | 25%          | 24%          |
| <b>SME</b>                     |                 |              |              |              |              |              |              |
| % of total volume              | [%]             | 12,9%        | 15,1%        | 17,3%        | 19,5%        | 21,7%        | 23,9%        |
| SME portfolio volume           | [R\$ mn]        |              | 13.515       | 18.974       | 26.367       | 36.634       | 50.100       |
| Yield                          | [%]             |              | 6,37%        | 6,07%        | 5,77%        | 5,47%        | 5,17%        |
| <b>SME Revenues</b>            | <b>[R\$ mn]</b> |              | <b>733</b>   | <b>986</b>   | <b>1.308</b> | <b>1.723</b> | <b>2.242</b> |
| Growth YoY                     | [%]             |              | 142,3%       | 34,5%        | 32,7%        | 31,7%        | 30,1%        |
| <b>Large companies</b>         |                 |              |              |              |              |              |              |
| Avg. Loan Portfolio            | [R\$ mn]        |              | 74.874       | 83.407       | 99.841       | 120.589      | 145.935      |
| Yield                          | [%]             |              | 2,50%        | 2,50%        | 2,50%        | 2,50%        | 2,50%        |
| <b>Large companies revenue</b> | <b>[R\$ mn]</b> | <b>1.591</b> | <b>1.872</b> | <b>2.269</b> | <b>2.723</b> | <b>3.307</b> | <b>3.990</b> |
| Growth YoY                     | [%]             | 95,5%        | 17,7%        | 21,2%        | 20,0%        | 21,4%        | 20,7%        |
| <b>Total Revenues</b>          | <b>[R\$ mn]</b> |              | <b>2.605</b> | <b>3.255</b> | <b>4.031</b> | <b>5.030</b> | <b>6.232</b> |
| <b>Portfolio Yield</b>         | <b>[%]</b>      | <b>2,71%</b> | <b>3,19%</b> | <b>3,27%</b> | <b>3,29%</b> | <b>3,31%</b> | <b>3,29%</b> |

From the Spread ICC data of the Banking Economics Report (BCB), we estimate a ratio between the Yield of SMEs and that of Large companies of 2.55x

It decreases as competition and credit supply increase

## Our Sales and Trading Forecasts

| Sales & Trading            |          | 2020  | 2021E | 2022E | 2023E | 2024E | 2025E |
|----------------------------|----------|-------|-------|-------|-------|-------|-------|
| Average by quarter         | [R\$ mn] | 779   | 711   | 777   | 855   | 909   | 1.003 |
| Target Equity Growth       | [%]      |       | 13,9% | 13,9% | 14,5% | 10,8% | 14,8% |
| Discount for VaR Reduction | [%]      |       | 4,5%  | 4,5%  | 4,5%  | 4,5%  | 4,5%  |
| S&T Revenues               | [R\$ mn] | 3.117 | 2.844 | 3.110 | 3.421 | 3.638 | 4.013 |
| Growth YoY                 | [%]      |       | -8,8% | 9,4%  | 10,0% | 6,3%  | 10,3% |

We followed the bank's Guidance, from 1Q20, for a quarterly average revenue between R\$ 450 and 800 million.

We grow revenue annually at the Equity growth rate minus a 4.5% discount.

We did this because we believe that VaR will be reduced in proportion to Equity, with expansion to retail, and thus the returns of the Sales and Trading division will not grow in proportion to Equity.

We are aware, however, that it is an area of difficult predictability.

## Our Asset Management Forecasts

| Asset Management |          | 2020           | 2021E          | 2022E          | 2023E          | 2024E          | 2025E          |
|------------------|----------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>AUM + AUA</b> | [R\$ mn] | <b>300.156</b> | <b>353.922</b> | <b>418.283</b> | <b>494.170</b> | <b>580.968</b> | <b>678.897</b> |
| Growth YoY       | [%]      | 9,95%          | 17,91%         | 18,18%         | 18,14%         | 17,56%         | 16,86%         |
| Net New Money    | [R\$ mn] | 63.700         | 54.028         | 56.628         | 62.742         | 69.184         | 75.526         |
| <b>AUM</b>       | [R\$ mn] | <b>165.456</b> | <b>191.277</b> | <b>226.347</b> | <b>269.781</b> | <b>320.795</b> | <b>379.658</b> |
| AUM, % total     | [%]      | 55,1%          | 54,0%          | 54,1%          | 54,6%          | 55,2%          | 55,9%          |
| AUM revenue      | [R\$ mn] | 1410,3         | 1645,8         | 1961,7         | 2351,5         | 2809,1         | 3337,3         |
| ROA              | [%]      | 0,85%          | 0,86%          | 0,87%          | 0,87%          | 0,88%          | 0,88%          |

|              |          |                  |                  |                  |                  |                  |                  |
|--------------|----------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>AUA</b>   | [R\$ mn] | <b>134.700,0</b> | <b>162.645,6</b> | <b>191.935,7</b> | <b>224.388,7</b> | <b>260.173,4</b> | <b>299.238,5</b> |
| AUA, % total | [%]      | 44,9%            | 46,0%            | 45,9%            | 45,4%            | 44,8%            | 44,1%            |
| NNM          | [R\$ mn] |                  | 27.945,6         | 29.290,1         | 32.453,0         | 35.784,7         | 39.065,1         |
| Average fee  | [%]      | 0,0079%          | 0,0079%          | 0,0061%          | 0,0029%          | 0,0029%          | 0,0029%          |
| Revenue      | [R\$ mn] | 10,7             | 12,9             | 11,7             | 6,5              | 7,6              | 8,7              |

|              |  |        |        |        |        |        |        |
|--------------|--|--------|--------|--------|--------|--------|--------|
| AUM, % total |  | 55,1%  | 54,0%  | 54,1%  | 54,6%  | 55,2%  | 55,9%  |
| AUM revenue  |  | 1410,3 | 1645,8 | 1961,7 | 2351,5 | 2809,1 | 3337,3 |
| ROA          |  | 0,85%  | 0,86%  | 0,87%  | 0,87%  | 0,88%  | 0,88%  |

## Our Asset Management Forecasts

| Asset Management                   |          | 2020     | 2021E    | 2022E    | 2023E    | 2024E     | 2025E     |
|------------------------------------|----------|----------|----------|----------|----------|-----------|-----------|
| Fixed income AUM                   | [R\$ mi] | 28.405   | 32.050   | 37.679   | 45.250   | 54.757    | 66.380    |
| Funds return                       | [%]      | 3,80%    | 3,25%    | 6,50%    | 7,75%    | 8,00%     | 8,00%     |
| Average management fee             | [%]      | 0,2%     | 0,2%     | 0,2%     | 0,2%     | 0,2%      | 0,2%      |
| Fixed income revenue               | [R\$ mi] | 68,2     | 76,9     | 90,4     | 108,6    | 131,4     | 159,3     |
| Equity AUM                         |          | 33.565,8 | 40.720,4 | 50.209,0 | 62.069,0 | 76.277,2  | 93.034,1  |
| Funds return                       | [%]      | 10,43%   | 9,88%    | 13,13%   | 14,38%   | 14,63%    | 14,63%    |
| Average management fee             | [%]      | 1,20%    | 1,2%     | 1,2%     | 1,2%     | 1,2%      | 1,2%      |
| Equity revenue                     | [R\$ mi] | 402,8    | 488,6    | 602,5    | 744,8    | 915,3     | 1116,4    |
| Hedge funds AUM                    |          | 53.063,4 | 61.528,8 | 73.002,3 | 87.222,5 | 103.965,9 | 123.349,1 |
| Funds return                       | [%]      | 8,43%    | 7,88%    | 11,13%   | 12,38%   | 12,63%    | 12,63%    |
| Average management fee             | [%]      | 1,20%    | 1,2%     | 1,2%     | 1,2%     | 1,2%      | 1,2%      |
| Hedge fund revenue                 | [R\$ mi] | 636,8    | 738,3    | 876,0    | 1046,7   | 1247,6    | 1480,2    |
| Other (FIPs, LatAm and Global) AUM |          | 50.421,9 | 56.977,6 | 65.457,0 | 75.239,9 | 85.794,3  | 96.894,8  |
| Funds return                       | [%]      | 7,30%    | 6,75%    | 10,00%   | 11,25%   | 11,50%    | 11,50%    |
| Average management fee             | [%]      | 0,60%    | 0,6%     | 0,6%     | 0,6%     | 0,6%      | 0,6%      |
| Hedge fund revenue                 | [R\$ mi] | 302,5    | 341,9    | 392,7    | 451,4    | 514,8     | 581,4     |

Obs: all fees are after rebate

## Our BTC+ Forecasts

| BTG+  |                    | 2020        | 2021E        | 2022E        | 2023E          | 2024E          | 2025E          |
|---|--------------------|-------------|--------------|--------------|----------------|----------------|----------------|
| # Clients                                   |                    | 80,522.0    | 1,024,417.6  | 1,968,313.2  | 2,912,208.8    | 3,856,104.4    | 4,800,000.0    |
| Growth (%)                                  |                    |             | 1172%        | 192%         | 148%           | 30%            | 20%            |
| Average monthly Spending                    | R\$ thousand       | 2.1         | 2.1          | 2.2          | 2.2            | 2.2            | 2.3            |
| Growth (%)                                  |                    |             | 2%           | 30%          | 20%            | 3%             | 3%             |
| Total Spending                              | R\$ million        | 2,029.2     | 26,225.1     | 51,176.1     | 76,882.3       | 103,343.6      | 132,480.0      |
| Total Credit Portfolio                      | R\$ million        | 223.2       | 2,884.8      | 5,629.4      | 8,457.1        | 11,367.8       | 14,572.8       |
| Growth (%)                                  |                    |             | 1192%        | 95%          | 50%            | 34%            | 28%            |
| % of Revolving over Credit Card spending    | 1.5%               | 30.4        | 393.4        | 767.6        | 1,153.2        | 1,550.2        | 1,987.2        |
| <b>Net Interest Income - NII</b>            | <b>R\$ million</b> | <b>36.2</b> | <b>467.3</b> | <b>912.0</b> | <b>1,370.0</b> | <b>1,841.6</b> | <b>2,360.8</b> |
| % of portfolio                              |                    | 10%         | 10%          | 10%          | 10%            | 10%            | 10%            |
| Cost of Funding                             |                    | (0.9)       | (12.9)       | (39.6)       | (71.3)         | (101.1)        | (131.2)        |
| 110% of CDI                                 | 110.0%             | 3%          | 3%           | 5%           | 6%             | 7%             | 7%             |
| Growth (%)                                  |                    |             | 1291%        | 208%         | 80%            | 42%            | 30%            |
| Provisions                                  | 5.0%               | (11.2)      | (144.2)      | (281.5)      | (422.9)        | (568.4)        | (728.6)        |
| <b>NII after costs of funding &amp; PDD</b> |                    | <b>24.1</b> | <b>310.2</b> | <b>590.9</b> | <b>875.9</b>   | <b>1,172.1</b> | <b>1,501.0</b> |
| Net Interchange (1.1%)                      | 1.1%               | 22.3        | 288.5        | 562.9        | 845.7          | 1,136.8        | 1,457.3        |
| Tax Income                                  | 8.7%               | (1.9)       | (25.1)       | (49.0)       | (73.6)         | (98.9)         | (126.8)        |
| Loyalty Cost                                | 0.8%               | (16.2)      | (209.8)      | (409.4)      | (615.1)        | (826.7)        | (1,059.8)      |
| BTG+ Premium (monthly)                      | 29.9               | 4.3         | 55.1         | 105.9        | 156.7          | 207.5          | 258.3          |
| Net Fees                                    |                    | 8.5         | 108.7        | 210.5        | 313.8          | 418.7          | 529.0          |
| Total Revenue                               |                    | 32.6        | 419.0        | 801.4        | 1,189.7        | 1,590.7        | 2,030.0        |
| Operational Cost                            |                    | (29.3)      | (251.4)      | (320.5)      | (416.4)        | (556.8)        | (710.5)        |
| <b>EBT</b>                                  |                    | <b>3.3</b>  | <b>167.6</b> | <b>480.8</b> | <b>773.3</b>   | <b>1,034.0</b> | <b>1,319.5</b> |
| Income Taxes                                |                    | (0.8)       | (41.9)       | (120.2)      | (193.3)        | (258.5)        | (329.9)        |
| % tax rate                                  |                    | 25%         | 25%          | 25%          | 25%            | 25%            | 25%            |
| <b>Net Income</b>                           |                    | <b>2.4</b>  | <b>125.7</b> | <b>360.6</b> | <b>580.0</b>   | <b>775.5</b>   | <b>989.6</b>   |
| Growth (%)                                  |                    |             | 5048%        | 187%         | 61%            | 34%            | 28%            |

# Our BTG Digital Forecasts

|   | Unit     | 2021E   | 2022E    | 2023E    | 2024E    | 2025E     | 2026E     | 2027E     | 2028E     | 2029E     | 2030E     |
|---|----------|---------|----------|----------|----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Projection - Digital</b>                                 |          |         |          |          |          |           |           |           |           |           |           |
| <b>BTG Pactual Digital (Projections through Mkt. Share)</b> |          |         |          |          |          |           |           |           |           |           |           |
| <b>Brazil Investment Assets</b>                             |          | 4,070   | 4,477    | 4,925    | 5,368    | 5,851     | 6,378     | 6,952     | 7,577     | 8,259     | 9,003     |
| <b>Growth YoY</b>   |          | 10.0%   | 10.0%    | 10.0%    | 9.0%     | 9.0%      | 9%        | 9%        | 9%        | 9%        | 9%        |
| Bank  |          | 2,963   | 3,116    | 3,270    | 3,393    | 3,511     | 3,580     | 3,633     | 3,667     | 3,678     | 3,601     |
| <b>% in Banks</b>   |          | 73%     | 70%      | 66%      | 63%      | 60%       | 56%       | 52%       | 48%       | 45%       | 40%       |
| Non-Bank  |          | 1,107   | 1,361    | 1,655    | 1,975    | 2,340     | 2,798     | 3,318     | 3,910     | 4,581     | 5,402     |
| BTG' Mkt Share  |          | 10.3%   | 13.3%    | 16.2%    | 19.1%    | 22%       | 22%       | 22%       | 22%       | 22%       | 22%       |
| <b>WuM Digital</b>  |          | 114.5   | 180.4    | 267.6    | 377.0    | 514.9     | 615.5     | 730.0     | 860.2     | 1,007.8   | 1,188.3   |
| Growth YoY  |          | 73.6%   | 57.6%    | 48.3%    | 40.9%    | 36.6%     | 19.5%     | 18.6%     | 17.8%     | 17.2%     | 17.9%     |
| <b>Results</b>  |          |         |          |          |          |           |           |           |           |           |           |
| WuM   | [R\$ bn] | 114.5   | 180.4    | 267.6    | 377.0    | 514.9     | 615.5     | 730.0     | 860.2     | 1,007.8   | 1,188.3   |
| Expected Take Rate  | %        | 0.72%   | 0.72%    | 0.72%    | 0.72%    | 0.72%     | 0.72%     | 0.72%     | 0.72%     | 0.72%     | 0.72%     |
| Revenues  | [R\$ mi] | 649.53  | 1,061.61 | 1,612.75 | 2,320.50 | 3,210.84  | 4,069.35  | 4,843.79  | 5,724.66  | 6,724.85  | 7,906.25  |
| <b>Efficiency Ratio</b>                                     | %        | 50%     | 47.50%   | 45.00%   | 42.50%   | 40%       | 40%       | 40%       | 40%       | 40%       | 40%       |
| Costs   | [R\$ mi] | (324.8) | (504.3)  | (725.7)  | (986.2)  | (1,284.3) | (1,627.7) | (1,937.5) | (2,289.9) | (2,689.9) | (3,162.5) |



## Our BTC Digital Forecasts

|                  |          |              |              |              |              |             |             |             |             |             |             |
|------------------|----------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| EBT              | [R\$ mi] | 324.77       | 557.35       | 887.01       | 1,334.29     | 1,926.51    | 2,441.61    | 2,906.27    | 3,434.80    | 4,034.91    | 4,743.75    |
| Tax Rate         | %        | 28%          | 28%          | 28%          | 28%          | 28%         | 28%         | 28%         | 28%         | 28%         | 28%         |
| Net Income       | [R\$ mi] | 233.83       | 401.29       | 638.65       | 960.69       | 1,387.08    | 1,757.96    | 2,092.52    | 2,473.05    | 2,905.14    | 3,415.50    |
| Margin           | %        | 36%          | 38%          | 40%          | 41%          | 43%         | 43%         | 43%         | 43%         | 43%         | 43%         |
| Dividend Payout  | %        | 40%          | 40%          | 40%          | 40%          | 50%         | 50%         | 50%         | 50%         | 50%         | 50%         |
| Dividends        | [R\$ mi] | 93.53        | 160.52       | 255.46       | 384.27       | 693.54      | 878.98      | 1,046.26    | 1,236.53    | 1,452.57    | 1,707.75    |
| <b>Valuation</b> |          | <b>2021</b>  | <b>2022</b>  | <b>2023</b>  | <b>2024</b>  | <b>2025</b> | <b>2026</b> | <b>2027</b> | <b>2028</b> | <b>2029</b> | <b>2030</b> |
| Dividends        | [R\$ mi] | 93.53        | 160.52       | 255.46       | 384.27       | 693.54      | 878.98      | 1,046.26    | 1,236.53    | 1,452.57    | 1,707.75    |
| Growth YoY       | %        |              | 71.6%        | 59.1%        | 50.4%        | 80.5%       | 26.7%       | 19.0%       | 18.2%       | 17.5%       | 17.6%       |
| PV of Dividends  | [R\$ mi] | 85.61        | 131.22       | 186.60       | 250.72       | 404.30      | 457.82      | 486.91      | 514.00      | 539.50      | 566.72      |
| Discount Period  | #        | 0.79         | 1.79         | 2.79         | 3.79         | 4.79        | 5.79        | 6.79        | 7.79        | 8.79        | 9.79        |
| EPS              | [R\$]    | 0.26         | 0.44         | 0.71         | 1.06         | 1.53        | 1.94        | 2.31        | 2.73        | 3.21        | 3.78        |
| P/E Multiple     | X        | <b>39.74</b> | <b>24.97</b> | <b>16.60</b> | <b>11.50</b> | <b>9.07</b> | <b>7.62</b> | <b>6.45</b> | <b>5.49</b> | <b>4.67</b> |             |

## Banco Pan

| Banco Pan                            |          | 2020      | 2021E     | 2022E     | 2023E     | 2024E     | 2025E     |
|--------------------------------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Income Statement (Highlights)</b> |          |           |           |           |           |           |           |
| Net Interest Income                  | [R\$ mi] | 5.368,1   | 5.977,2   | 6.885,6   | 7.971,8   | 9.265,9   | 10.806,9  |
| Provision for Loan Losses            | [R\$ mi] | (1.431,4) | (1.905,2) | (2.194,7) | (2.540,9) | (2.953,4) | (3.444,6) |
| Other Operating Income               | [R\$ mi] | 482,3     | 514,0     | 547,7     | 583,7     | 622,1     | 663,0     |
| Administrative Expenses              | [R\$ mi] | (2.950,9) | (3.273,4) | (3.633,2) | (4.047,0) | (4.518,6) | (5.053,9) |
| Other Expenses                       | [R\$ mi] | 888,0     | 791,0     | 1.030,8   | 1.335,6   | 1.713,3   | 2.184,5   |
| Operational Result                   | [R\$ mi] | 888,0     | 791,0     | 1.030,8   | 1.335,6   | 1.713,3   | 2.184,5   |
| Net Income                           | [R\$ mi] | 655,6     | 522,1     | 680,4     | 881,5     | 1.130,8   | 1.441,8   |
| Net Margin                           | [%]      | 12,2%     | 8,7%      | 9,9%      | 11,1%     | 12,2%     | 13,3%     |
| <b>Loans</b>                         |          |           |           |           |           |           |           |
| Loans                                | [R\$ mi] | 28.907,5  | 33.073,2  | 38.100,0  | 44.110,2  | 51.270,5  | 59.797,4  |
| Vehicle Financing                    | [R\$ mi] | 11.140    | 13.034    | 15.249    | 17.842    | 20.875    | 24.424    |
| Payroll Loans                        | [R\$ mi] | 15.129    | 17.096    | 19.319    | 21.830    | 24.668    | 27.875    |
| Credit Card                          | [R\$ mi] | 1.772     | 2.357     | 3.135     | 4.170     | 5.546     | 7.376     |
| Others                               | [R\$ mi] | 866       | 586       | 397       | 269       | 182       | 123       |

## Key Ratios

| Reported Balance Sheet Ratios      |        | 2020    | 2021E   | 2022E   | 2023E   | 2024E   | 2025E   |
|------------------------------------|--------|---------|---------|---------|---------|---------|---------|
| Assets                             | BRL mn | 251.393 | 298.399 | 328.922 | 388.681 | 462.802 | 548.247 |
| Expanded Credit Portfolio          |        | 73.700  | 89.563  | 109.740 | 135.284 | 168.895 | 209.709 |
| YoY                                |        | 68,3%   | 21,5%   | 22,5%   | 23,3%   | 24,8%   | 24,2%   |
| Assets - Expanded Credit Portfolio |        | 177.693 | 208.836 | 219.182 | 253.397 | 293.906 | 338.538 |
| YoY                                |        | 21%     | 18%     | 5%      | 16%     | 16%     | 15%     |
| Equity                             | BRL mn | 26.681  | 30.382  | 34.593  | 39.611  | 43.904  | 50.403  |
| ROE annualized                     |        | 17,6%   | 18,7%   | 20,8%   | 22,6%   | 24,2%   | 25,9%   |
| ROA annualized                     |        | 1,9%    | 1,9%    | 2,2%    | 2,3%    | 2,4%    | 2,4%    |
| Asset / Equity                     |        | 9,2x    | 9,8x    | 9,5x    | 9,8x    | 10,5x   | 10,9x   |
| RWA                                | BRL mn | 156.914 | 190.688 | 233.646 | 288.032 | 359.594 | 446.491 |
| Capital tier I                     | BRL mn | 22.088  | 28.360  | 36.381  | 46.378  | 58.180  | 71.748  |
| Common equity tier I               | BRL mn | 21.710  |         |         |         |         |         |
| Additional tier I                  | BRL mn | 377     |         |         |         |         |         |
| Deductions                         | BRL mn | -       |         |         |         |         |         |
| Capital tier II                    | BRL mn | 4.045   | 4.045   | 4.045   | 4.045   | 4.045   | 4.045   |
| Deductions                         | BRL mn |         |         |         |         |         |         |
| Reference equity                   | BRL mn | 26.133  | 32.405  | 40.426  | 50.423  | 62.225  | 75.793  |
| Basel ratio                        |        | 16,7%   | 17,0%   | 17,3%   | 17,5%   | 17,3%   | 17,0%   |
| Tier I                             |        | 14,1%   | 14,9%   | 15,6%   | 16,1%   | 16,2%   | 16,1%   |
| Tier II                            |        | 2,6%    | 2,1%    | 1,7%    | 1,4%    | 1,1%    | 0,9%    |

## Core Valuation - DDM

|              | Discount Period |           |           |           |           |           |           |           |           |           |
|--------------|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Date         | 30-Dec-21       | 31-Dec-22 | 31-Dec-23 | 31-Dec-24 | 31-Dec-25 | 31-Dec-26 | 31-Dec-27 | 31-Dec-28 | 31-Dec-29 | 31-Dec-30 |
| Time (years) | 0.79            | 1.79      | 2.79      | 3.79      | 4.79      | 5.79      | 6.79      | 7.79      | 8.79      | 9.79      |

|                          | Core Valuation - DDM |              |              |              |              |              |              |              |              |              |                 | DDM           | Share Price   | G (5-10)<br>G | 15.0%<br>7.0% |
|--------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|---------------|---------------|---------------|---------------|
|                          | 2021                 | 2022         | 2023         | 2024         | 2025         | 2026         | 2027         | 2028         | 2029         | 2030         | Perpetuity      |               |               |               |               |
| <b>Net Income</b>        | 4,328                | 5,155        | 6,061        | 6,923        | 8,019        | 9,222        | 10,605       | 12,196       | 14,026       | 16,129       | <b>17,258.5</b> |               |               |               |               |
| Payout                   | 40.0%                | 40.0%        | 40.0%        | 40.0%        | 50.0%        | 50.0%        | 50.0%        | 50.0%        | 50.0%        | 50.0%        | 60%             |               |               |               |               |
| <b>Dividends (BRL m)</b> | <b>1,731</b>         | <b>2,062</b> | <b>2,424</b> | <b>2,769</b> | <b>4,010</b> | <b>4,611</b> | <b>5,303</b> | <b>6,098</b> | <b>7,013</b> | <b>8,065</b> | <b>10,355</b>   |               |               |               |               |
| <b>Ke</b>                |                      |              |              |              |              |              |              |              |              |              |                 |               |               |               |               |
| 10.0%                    | 1,606                | 1,739        | 1,859        | 1,929        | 2,540        | 2,655        | 2,776        | 2,901        | 3,033        | 3,171        | 135,710         | 159,918       | 176.85        |               |               |
| 10.5%                    | 1,601                | 1,725        | 1,835        | 1,897        | 2,485        | 2,586        | 2,691        | 2,800        | 2,914        | 3,033        | 111,269         | 134,836       | 149.12        |               |               |
| 11.0%                    | 1,595                | 1,711        | 1,812        | 1,864        | 2,432        | 2,519        | 2,610        | 2,703        | 2,801        | 2,902        | 93,149          | 116,099       | 128.39        |               |               |
| 11.5%                    | 1,589                | 1,697        | 1,790        | 1,833        | 2,380        | 2,455        | 2,532        | 2,610        | 2,692        | 2,777        | 79,233          | 101,588       | 112.35        |               |               |
| 12.0%                    | 1,584                | 1,684        | 1,767        | 1,802        | 2,329        | 2,392        | 2,456        | 2,521        | 2,588        | 2,658        | 68,252          | 90,034        | 99.57         |               |               |
| 12.5%                    | 1,578                | 1,670        | 1,746        | 1,772        | 2,280        | 2,331        | 2,383        | 2,435        | 2,489        | 2,544        | 59,399          | 80,627        | 89.17         |               |               |
| 13.0%                    | 1,573                | 1,657        | 1,724        | 1,742        | 2,232        | 2,272        | 2,312        | 2,352        | 2,394        | 2,436        | 52,135          | 72,829        | 80.54         |               |               |
| <b>11.92%</b>            | <b>1,585</b>         | <b>1,686</b> | <b>1,771</b> | <b>1,807</b> | <b>2,337</b> | <b>2,402</b> | <b>2,468</b> | <b>2,535</b> | <b>2,605</b> | <b>2,676</b> | <b>69,833</b>   | <b>91,704</b> | <b>101.42</b> |               |               |

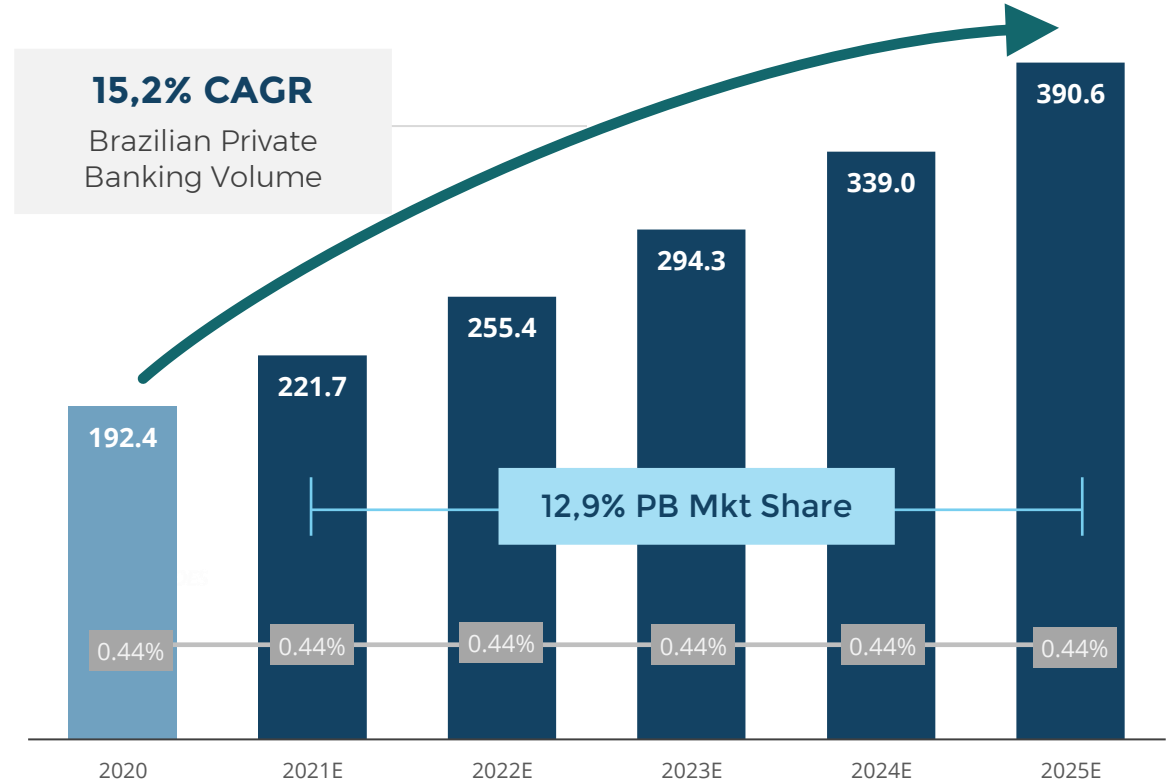
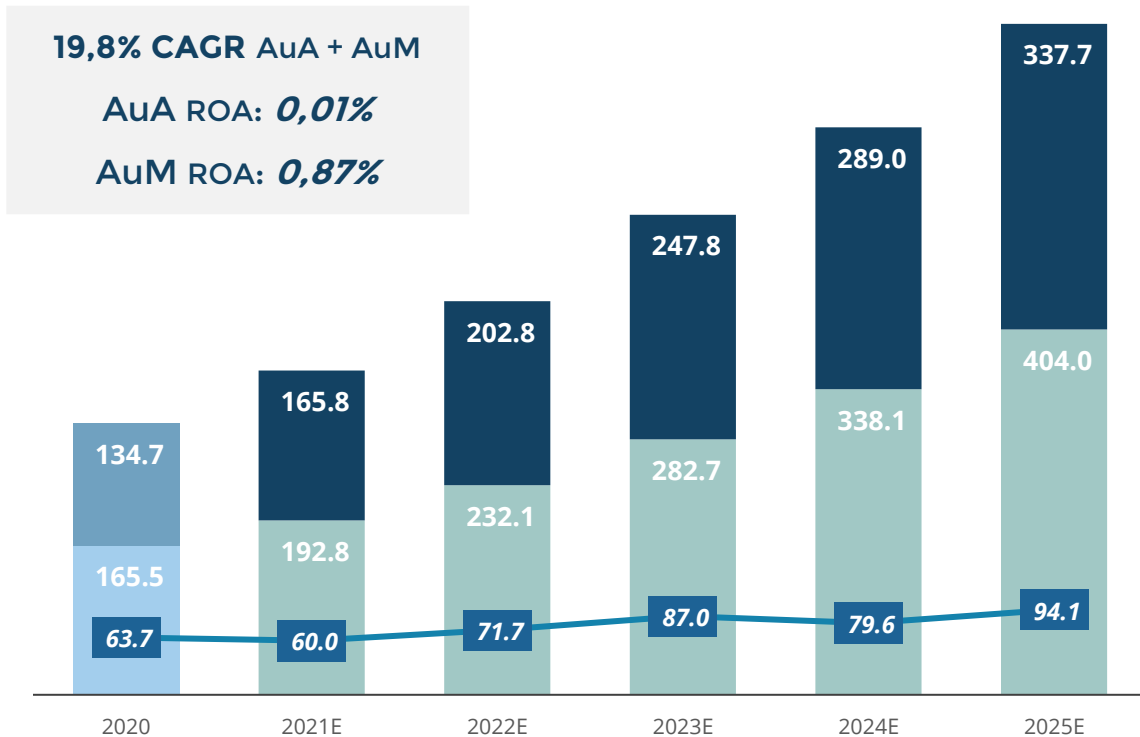
Obs, included Business Units are: Investment Banking, Corporate Lending, S&T, Asset and Wealth Management

## Asset Management and Private Banking modelling rationale

We forecast an **Asset Management** portfolio similar to the current one, with average annual NNM/AuM close to 15%

Due to intense competition for custody in **Private Banking**, we maintain BTG's current Market Share for years to come

AuM (R\$ Bn)   AuA (R\$ Bn)   Net New Money (R\$ Bn)



# BTG+ Business

**BTG+ business yields assumptions:**

$$\text{Avg. Yields} \times \frac{\text{SME}}{\text{Large Corporate}} = 2.6x \text{ (net of provisions)}$$

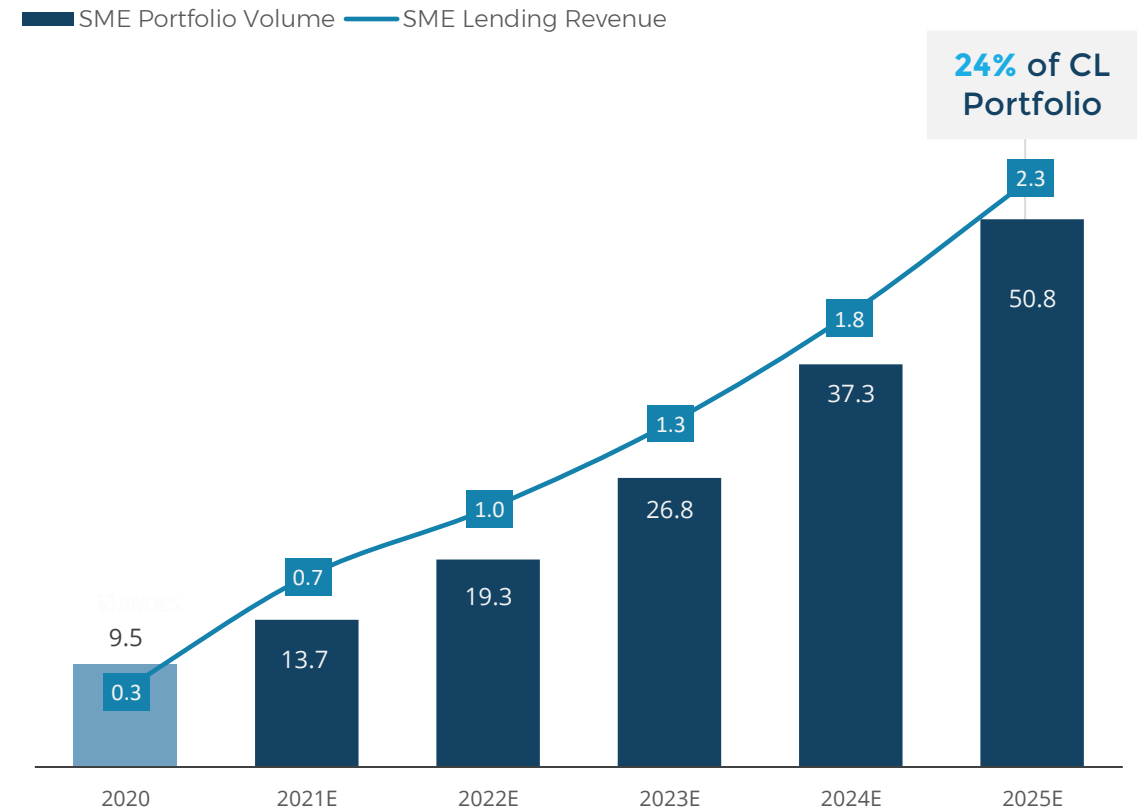
**Our Assumptions for:**

Large Corporate Yields: 2.5%

SME Yields:  $2.5\% \times 2.6 = 6.4\%$

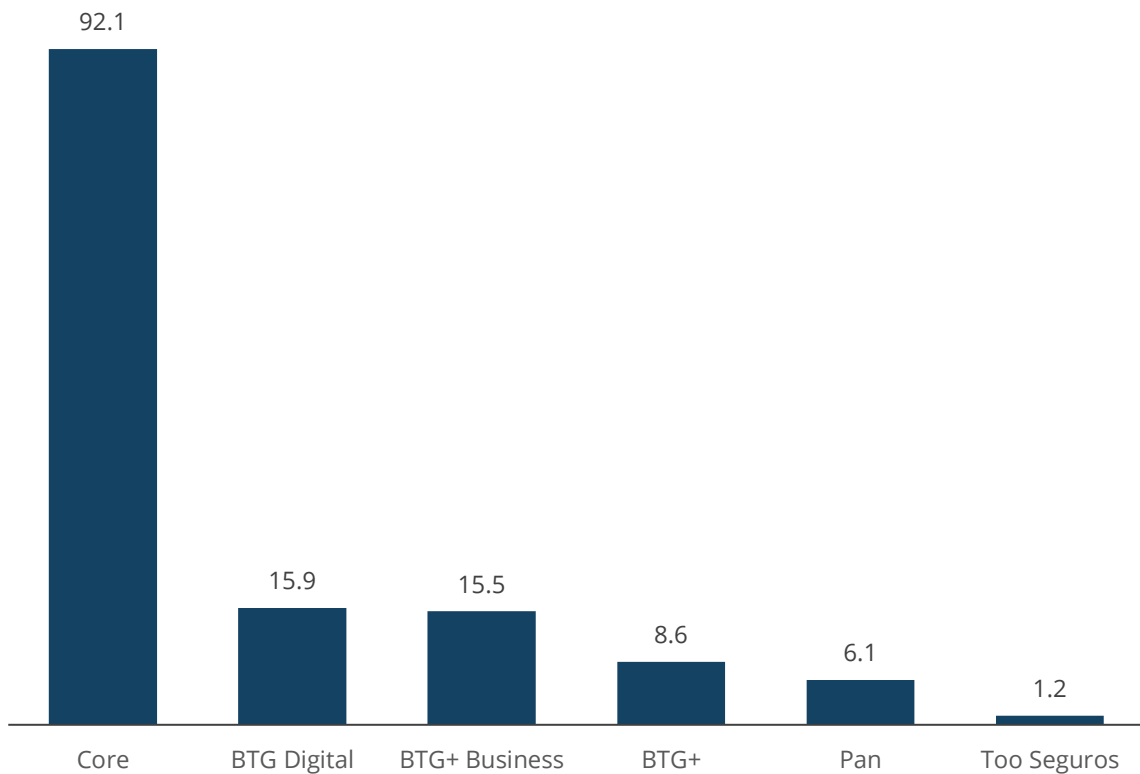
**BTG+ business: a high-spread, low-provision** strategy that will account for **24% of the portfolio** by 2024

SME Portfolio Volume and Revenue, R\$ bn

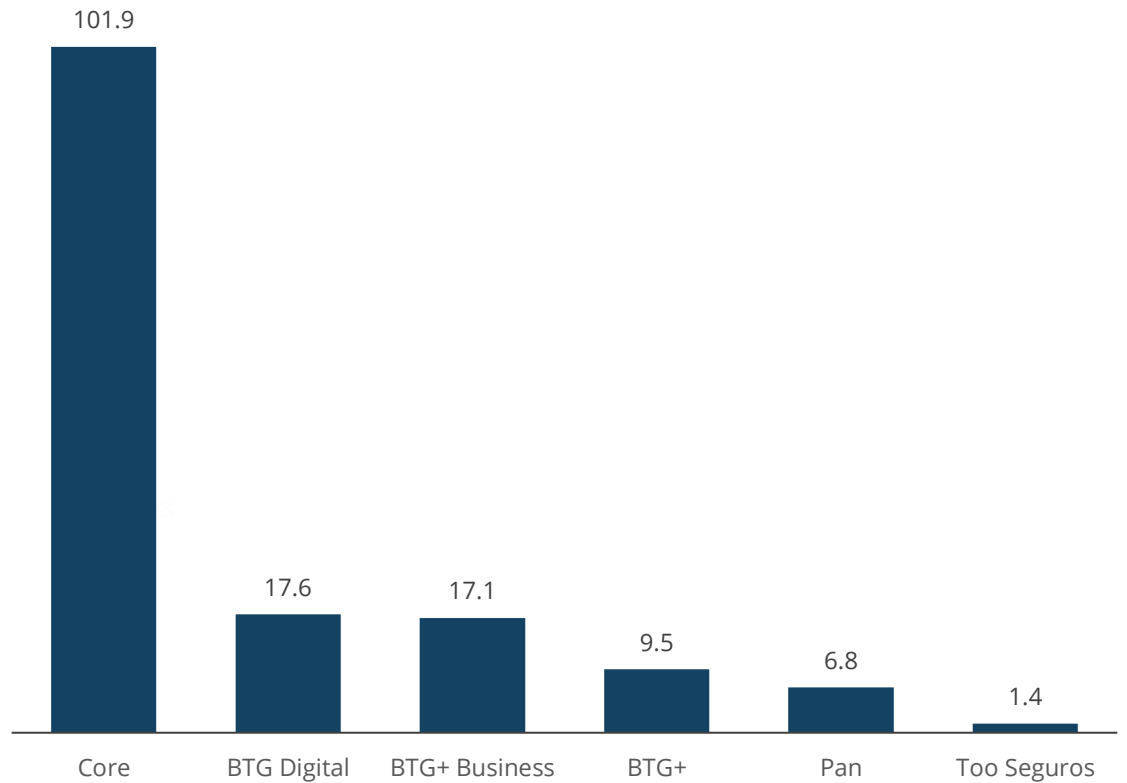


# Valuation and returns: equity value

Business Units **Equity Value, R\$ bn**

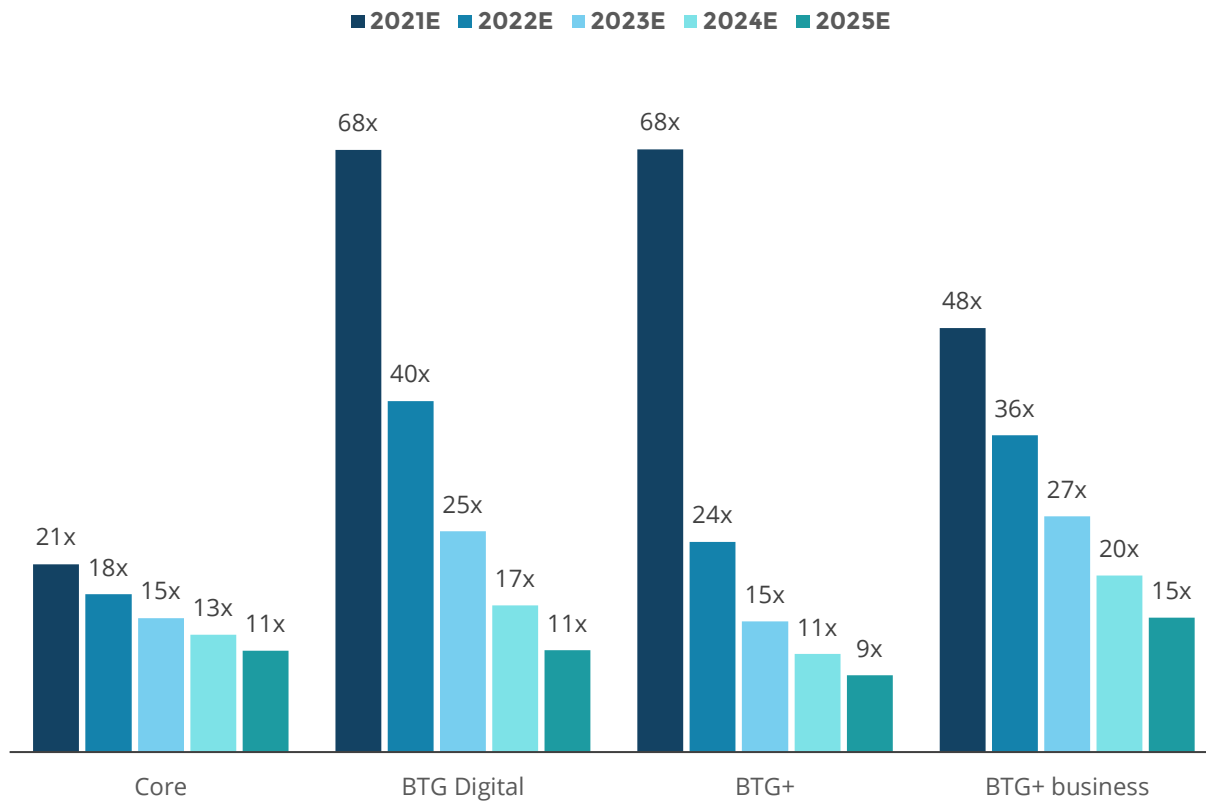


Business Units **Share Value, R\$**



## Valuation and returns: **Implied** Multiples and **Exit** Multiples (IRR)

### Implied Multiples on our SOTP valuation



### Consolidated Units **IRR**

**1** Cash flows = Dividends + Target Price (final year)

| Exit Year | IRR   | Exit P/E |              |       |       |     |
|-----------|-------|----------|--------------|-------|-------|-----|
|           | 35%   | 16x      | 17x          | 18x   | 19x   | 20x |
| 2021      | -4.8% | 1.1%     | 6.9%         | 12.7% | 18.5% |     |
| 2022      | 11.1% | 14.4%    | 17.6%        | 20.7% | 23.7% |     |
| 2023      | 16.0% | 18.3%    | <b>20.5%</b> | 22.6% | 24.6% |     |
| 2024      | 17.8% | 19.5%    | 21.1%        | 22.7% | 24.2% |     |
| 2025      | 19.1% | 20.5%    | 21.8%        | 23.0% | 24.2% |     |



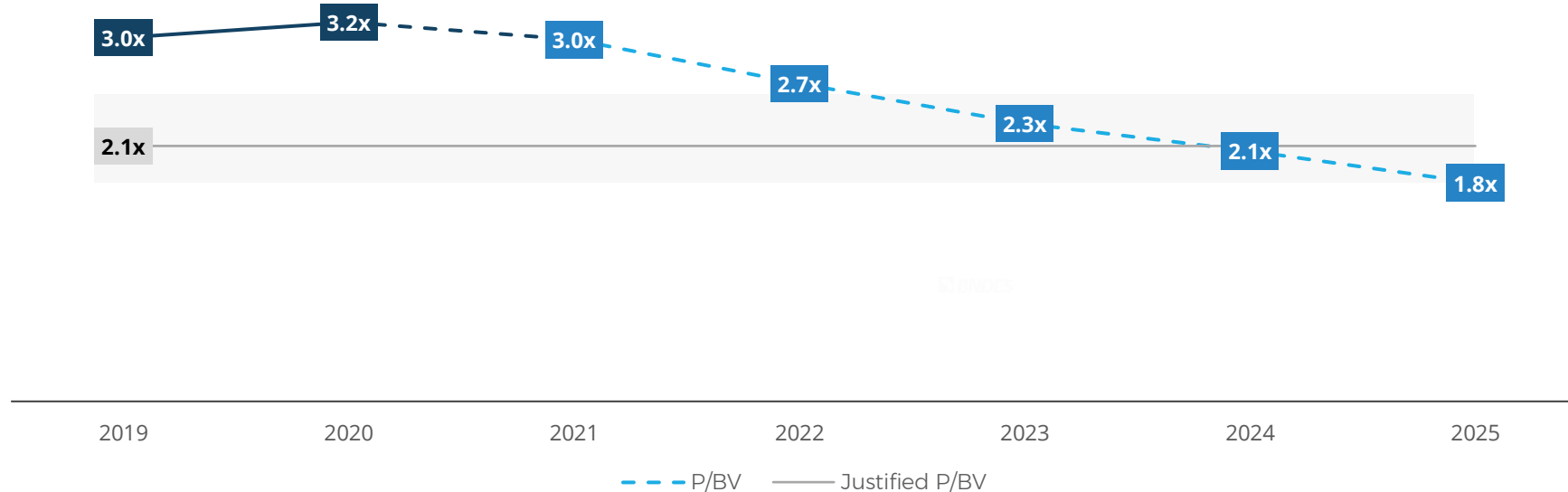
# Justified Price/Book Value

$$\text{Fair P/B} = \frac{\text{ROE} - g}{\text{Ke} - g}$$

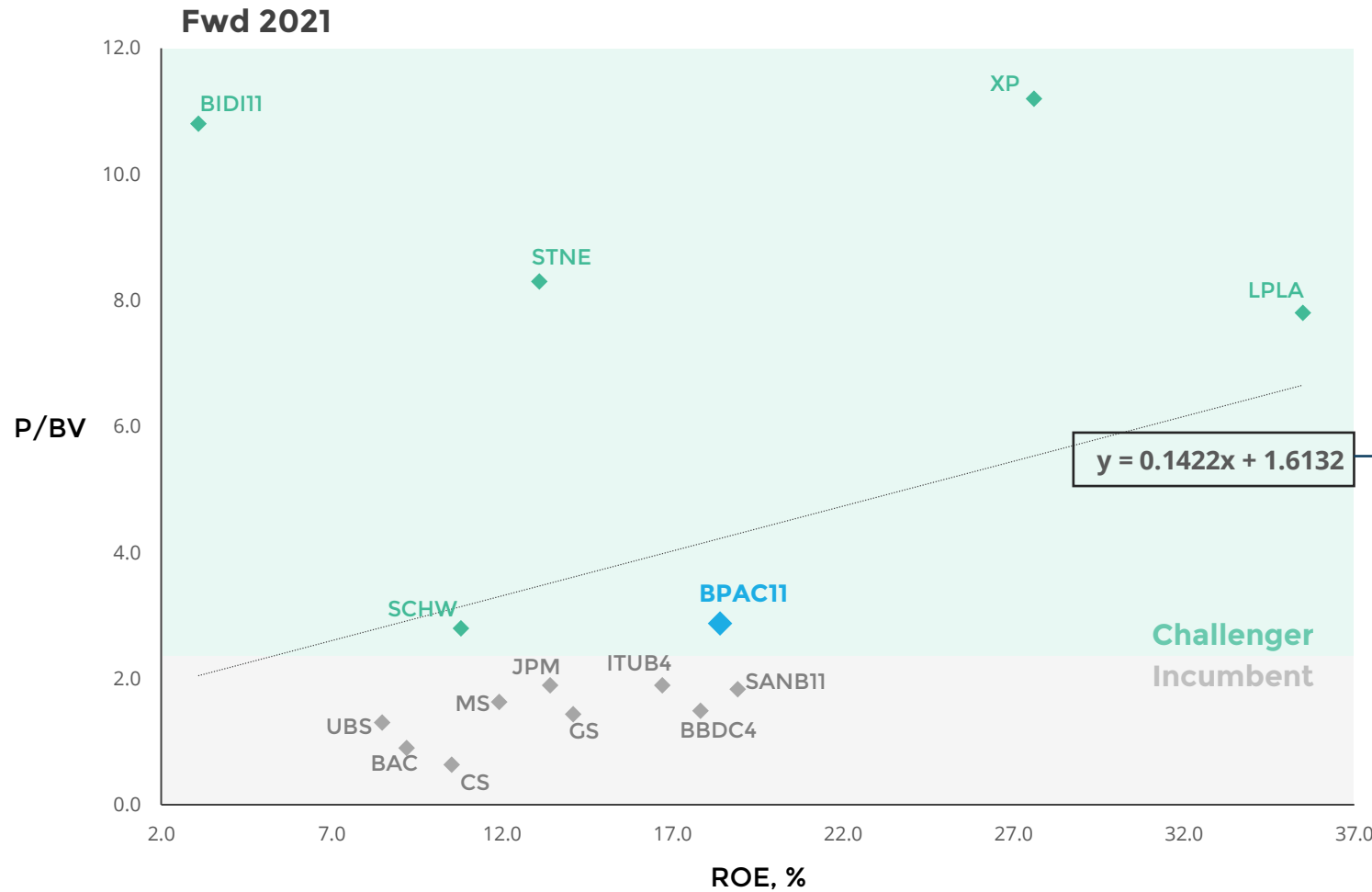
In perpetuity, we assume:  
*g* = 7%   *ROE* = 17.5%   *Ke* = 11.92%,  
 which gives **Fair P/BV = 2.13x**

Considering the **high return on equity and growth perspective for the medium term**, compared to our perpetuity assumptions, our Justified P/BV brings a **great sanity check for our SOTP valuation**

Our Price to Book Multiples Forecast for BPAC11



A sanity check from our multiples analysis



**What if BTG was on the regression line?**

It should trade at 4.22x P/BV then, an even higher multiple than our implied 4.2x

It is clearly not a rigorous analysis, but it brings confidence to our numbers!

## Sensitivity analysis

How sensitive is our valuation?

|    |        | g     |      |      |      |      |      |
|----|--------|-------|------|------|------|------|------|
|    |        | 52,0% | 5,0% | 6,0% | 7,0% | 7,5% | 8,0% |
| Ke | 10,92% | 58%   | 72%  | 94%  | 110% | 131% |      |
|    | 11,42% | 42%   | 54%  | 71%  | 83%  | 98%  |      |
|    | 11,92% | 29%   | 38%  | 52%  | 61%  | 72%  |      |
|    | 12,42% | 18%   | 26%  | 37%  | 44%  | 53%  |      |
|    | 12,92% | 9%    | 15%  | 24%  | 30%  | 37%  |      |

|    |        | Payout on perpetuity |       |       |       |       |       |
|----|--------|----------------------|-------|-------|-------|-------|-------|
|    |        | 52%                  | 40,0% | 50,0% | 60,0% | 70,0% | 80,0% |
| Ke | 10,92% | 59%                  | 77%   | 94%   | 112%  | 129%  |       |
|    | 11,42% | 41%                  | 56%   | 71%   | 86%   | 100%  |       |
|    | 11,92% | 26%                  | 39%   | 52%   | 65%   | 77%   |       |
|    | 12,42% | 15%                  | 26%   | 37%   | 48%   | 59%   |       |
|    | 12,92% | 5%                   | 14%   | 24%   | 34%   | 44%   |       |

**BUY recommendation**  
stands for **multiple scenarios**

INDEX

## Leverage x SME sensitivity analysis

How sensitive is our valuation?

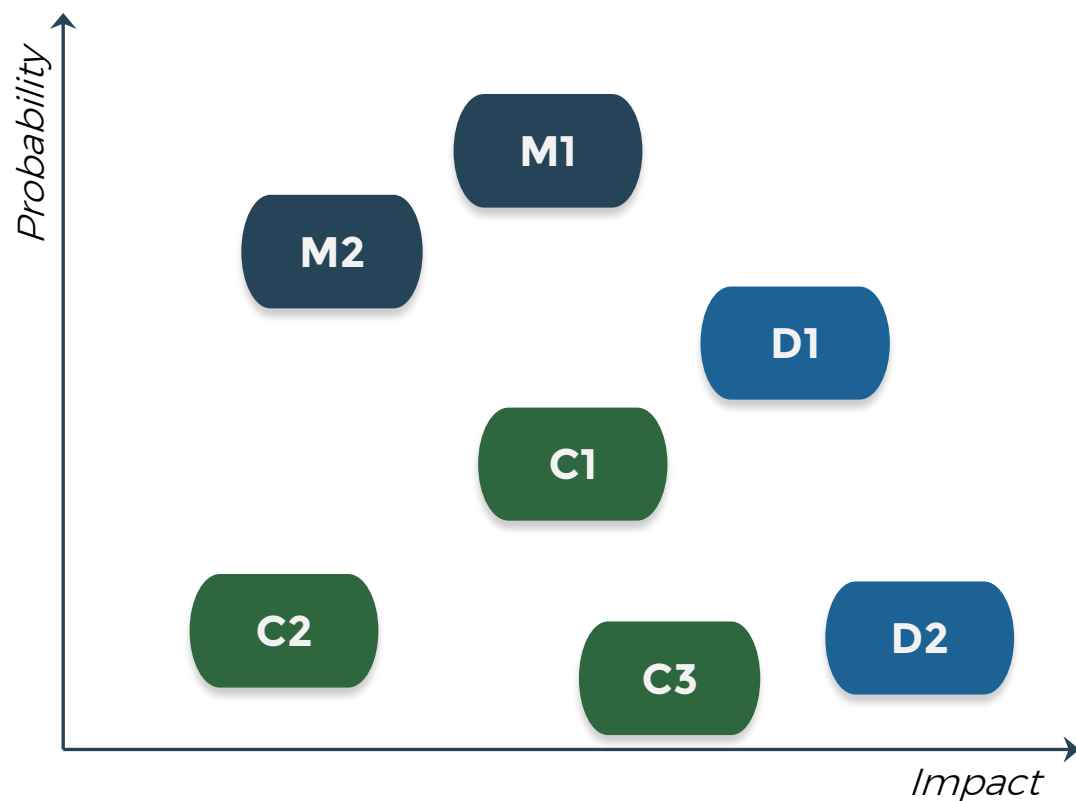
|                       |       | Leverage |       |       |       |       |       |
|-----------------------|-------|----------|-------|-------|-------|-------|-------|
|                       |       | 52%      | 3,11x | 3,61x | 4,11x | 4,61x | 5,11x |
| SME<br>(% of lending) | 33,9% | 45%      | 49%   | 53%   | 57%   | 61%   |       |
|                       | 28,9% | 44%      | 48%   | 52%   | 57%   | 61%   |       |
|                       | 23,9% | 44%      | 48%   | 52%   | 56%   | 60%   |       |
|                       | 18,9% | 44%      | 48%   | 51%   | 55%   | 59%   |       |
|                       | 13,9% | 43%      | 47%   | 51%   | 55%   | 59%   |       |

Sources

# Economic uncertainty is the biggest threat to our theses

## What can unsettle our perspectives?

Risks matrix



### Market Risks

- M1 Unstable macroeconomic scenario** due to the Covid-19 pandemic
- M2 Political and legislative issues** can suffer turbulence

### Company Risks

- C1 Difficulty of raising significant unsecured funding**
- C2 The success of the AM and WM areas can be over-conditioned to the performance of the products**
- C3 New issues regarding the bank's credibility** can affect the valuation

### Competition Dynamics Risks

- D1 Abrupt changes** in the competitive dynamics of **credit or wealth management** can happen
- D2 Major banks** may have a successful strategy in **avoiding the expansion of challengers**