Banco BTG Pactual - Earnings Release

Third Quarter 2018

November 05, 2018

Highlights

Rio de Janeiro, Brazil, November 05, 2018 - Banco BTG Pactual S.A. ("Banco" and together with its subsidiaries"BTG Pactual") (B3: BPAC11) reported today total revenues of R$1,254.7 million and adjusted net income of R$684.8 million for the quarter ended September 30, 2018.

For the quarter ended September 30, 2018 and the nine months accumulated, our Adjusted Net income per unit was R$ 0.78 and R$2.31, respectively, and our annualized adjusted return on average shareholders' equity ("Annualized ROAE") was 14.3% and 14.4% respectively.

As of September 30, 2018, the total assets of BTG Pactual were R$163.9 billion, a 4.1% increase when compared to June 30, 2018. The BIS capital ratio of BTG Pactual was 17.8%.

Banco BTG Pactual Financial Summary and Key Performance Indicators

Highlights and KPIs (unaudited)	**Quarter**			**Year to Date**	
(in R$ million, unless otherwise stated)	**3Q 2017**	**2Q 2018**	**3Q 2018**	**9M 2017**	**9M 2018**
Total revenues	1,645	1,238	1,255	4,157	3,803
Net income	501	622	585	1,723	1,808
Adjusted Net income	**759**	**685**	**685**	**2,204**	**2,030**
Adjusted Net income per unit (R$)	0.85	0.78	0.78	2.47	2.31
Annualized ROAE	**16.5%**	**14.5%**	**14.3%**	**16.2%**	**14.4%**
Cost to income ratio	42.9%	47.1%	47.5%	45.8%	46.0%
Shareholders' equity	18,609	19,219	19,180		
Total Number of Shares (# in '000)	2,681,602	2,639,502	2,638,978		
Number of Theoretical Units (# in '000)	**893,867**	**879,834**	**879,659**		
Book Value per unit (R$)	**20.8**	**21.8**	**21.8**		
BIS Capital Ratio	17.3%	17.3%	17.8%		
Total assets (in R$ Billion)	113.7	157.4	163.9		
AuM and AuA (in R$ Billion)	136.8	170.4	184.2		
WuM (in R$ Billion)	84.4	107.3	115.5		

BTG Pactual Performance

In 3Q 2018, we achieved an Annualized ROAE and adjusted net income of 14.3% and R$684.8 million, respectively, and for the nine months ended September 30, 2018, we obtained a 14.4% adjusted ROAE and R$2,030.1 mm adjusted net income.

During the quarter, total revenues remained flat when compared to 2Q 2018. In our core business units, we had a solid performance in Corporate Lending which delivered R$310.7 million in revenues due to the positive results of both our corporate lending portfolio and our NPL strategies, also Asset and Wealth Management continued to deliver significant performances and NNM. On the other hand, revenues from Investment Banking decreased as a result of a slow market activity and low volumes of closed M&A transactions, and weak results from S&T which reflect challenging market conditions marked by risk aversion and low volumes in EM markets in general, and specially in Brasil. In our non-core business units, Principal Investments had a good performance mainly due to positive equity pick-up in Petro Africa, and Participations posted negative revenues impacted by a continuous weak performance by ECTP.

Our operating expenses reached R$595.7 million, a 2% increase when compared to 2Q 2018 and 15.5% below 3Q 2017. Cost income ratio was 47.5% and 46.0% and compensation ratio 22.3% and 22.2%, respectively for 3Q 2018 and the year ended September 30, 2018. When adjusted for non-recurring items and goodwill, 3Q 2018 cost income ratio was 35.9%.

As a result, our accounting net income was R$585.5 million in 3Q 2018, a 5.9% decrease when compared to 2Q 2018 and a 16.9% increase when compared to 3Q 2017. For the nine months ended September 30, 2018, our accounting net income increased 5% when compared to last year.

Our shareholders' equity remained flat when compared to 2Q 2018 at R$19.2 billion, mostly due to R$585.5 million net income and the distribution of R$592.5 million JCP. When compared to the end of 3Q 2017, our shareholders' equity grew 3.1%. Basel index was 17.8% in the quarter ended September 2018 and our reported liquidity coverage ratio ("LCR") was 239%, atypically higher than usual.

AuM and AuA ended 3Q 2018 at R$184.2 billion, a strong 8.1% increase when compared to end of 2Q 2018. WuM also followed suit and ended the period at R$115.5 billion, a 7.7% increase when compared to 2Q 2018. Both business units managed assets are growing 35% year over year.

Adjusted Net Income and ROAE (unaudited)	3Q 2018 Accounting	Non Recurring Items & Goodwill	3Q 2018 Adjusted	9M 2018 Adjusted
Investment banking	58.0		58.0	378.0
Corporate lending	310.7		310.7	715.4
Sales and trading	224.5		224.5	1,042.3
Asset management	164.6		164.6	438.2
Wealth management	125.5		125.5	352.4
Principal investments	211.2		211.2	362.7
Participations	(10.4)		(10.4)	30.3
Interest and other	170.7		170.7	483.8
Total revenues	**1,254.7**	**0.0**	**1,254.7**	**3,803.2**
Bonus	(121.4)		(121.4)	(386.8)
Salaries and benefits	(159.0)		(159.0)	(458.6)
Administrative and other	(187.9)	20.0	(167.9)	(490.6)
Goodwill amortization	(39.7)	39.7	0.0	0.0
Tax charges, other than income tax	(87.8)	86.0	(1.8)	(101.5)
Total operating expenses	**(595.7)**	**145.7**	**(450.0)**	**(1,437.5)**
Income before taxes	**659.0**	**145.7**	**804.7**	**2,365.7**
Income tax and social contribution	(73.5)	(46.4)	(119.9)	(335.6)
Net Income	**585.5**	**99.3**	**684.8**	**2,030.1**
Effective income tax rate	**11.2%**	**31.8%**	**14.9%**	**14.2%**
Equity no início do trimestre	**19,219**		**19,219**	**18,528**
Equity no término do trimestre	**19,180**		**19,180**	**19,180**
Average equity no trimestre	**19,200**		**19,200**	**18,854**
Annualized ROAE	**12.2%**		**14.3%**	**14.4%**

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

Non-Recurring Items & Goodwill

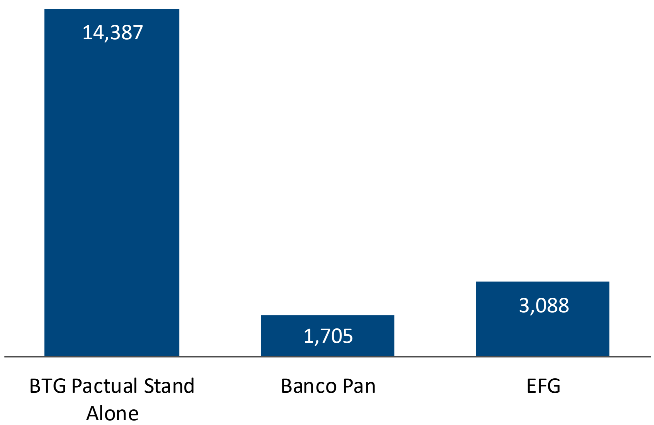
Administrative and Others: Mainly related to legal expenses from BSI legal cases in total of R$13.1 million and one-off legal expenses of R$6.9 million in BTG Pactual

Goodwill: Mainly related to EFG / BSI

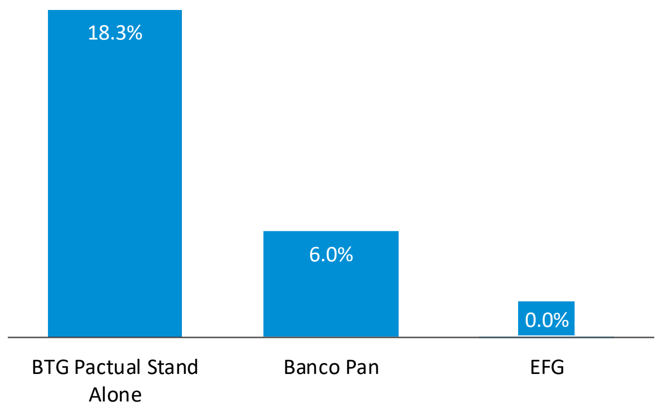
Tax charges, other than income tax: One-off expense of R$86.0 million due to our adherence to a tax amnesty program in Rio de Janeiro, regarding the taxation of services rendered.

ROAE Components

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



Implied ROAE
(%)



Notes:

(1) Includes investment and goodwill

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

Global Market and Economic Analysis

In the third quarter we observed a divergence of economic activity growth between the US and other major economies in the developed and developing spaces. The US economy continued to grow at a pace which is well above its potential in the third quarter, supported by robust consumption and a tight labor market, in spite of some pockets of weakness lately (namely on housing, autos and capital goods orders/shipments). Given the upbeat economic backdrop and outlook and given that inflation is running in the vicinity of the Fed's target, the FOMC has persevered in its policy of gradual removal of policy accommodation by raising the Fed funds rate on September 26 by 25 basis-points, as widely expected, to the range of 2.00 to 2.25% p.a. A number of FOMC participants expected the funds rate to eventually become modestly restrictive. Meanwhile, growth in the euro area decelerated in the quarter, in part due to the impact of tougher environmental rules affecting auto production in Germany. Fiscal rebellion in Italy, challenging the Stability and Growth Pact, and the uncertain prospects of Brexit were additional headwinds in Europe. In China, trade frictions with the US is weighing on confidence at a time when the economy had already been facing downward pressures from measures to contain overleverage and shadow banking risks. To be sure, the Chinese government has announced a series of policy measures to cushion the slowdown, ranging from reserve requirement cuts to faster implementation of infrastructure projects and incentives to bond issuance.

The various battlefronts of the US foreign trade policy evolved in different directions in the third quarter. The NAFTA partners reached an agreement in principle just in time to guarantee that the current Mexican president signs the deal before handing power over to the more nationalistic president-elected López Obrador. On the other hand, the US-China tariff war escalated further, with (1) the reciprocal imposition of a 25% tariff on approximately US$ 16 billion worth imports and (2) the announcement and implementation by the US of tariffs on additional US$ 200 billion of imports coming from China, initially at a 10% rate with a step increase to 25% from January 1st, 2019, to which China responded by taxing US$ 60 billion worth of imports coming from the US at 5 to 10%. Finally, the US Department of Commerce 232 investigation into auto imports has continued, constituting an important risk given the share of autos and parts in global trade and the number of countries involved.

The ongoing widening of the yield curve in the US (and other relevant developed markets) given the outlook of continued if gradual decline in monetary stimulus, coupled with trade policy uncertainty and the growth slowdown ex-US has weighed on financial markets of emerging economies. The toll was especially harsh for countries with large external financing needs and low levels of foreign exchange reserves, such as Argentina and Turkey: in the third quarter alone, the Argentine peso and the Turkish lira depreciated 29.9% and 24% against the USD, respectively.

In 2Q 2018, the GDP in Brazil was negatively impacted by the trucker's strike and increase a mere 0.2% q/q. The latest indicators show that the industrial and services sectors have recovered from the immediate losses in 2Q, however such sectors are still struggling to move forward. At the same time, retail sales continue to recover slowly at the margin. In this context, the labor market is improving in comparison to previous quarters, however, employment growth continues to be significantly driven by non-payroll job posts and self-employment – arguably lower paying and less secure jobs. On the other hand, industrial and consumer confidence indices, which were hit hard in May/June, have not shown signs of recovery. Thus, 3Q GDP will likely expand ~0.8% q/q, albeit driven by a weak base of comparison. Preliminary indications suggest a loss of momentum into 4Q (~0.2% q/q). We expect GDP to advance 1.4% in 2018 and see upside risks to our forecast of 2% for 2019, especially if there is a boost in consumer and business confidence in the post electoral cycle.

After confirming temporary effects arising from the transportation stoppages in May, headline IPCA accelerated in September and is set to stand high in October, above the levels forecasted in the last Inflation Report. This acceleration, however, has been the result of food and fuel pressures, while core inflation measures continued to run at low levels, reinforcing a scenario of weak underlying price pressures. It is also worth mentioning that the pressure on fuels are expected to be reversed soon due to the significant strengthening of the exchange rate and the decline of oil prices. Finally, in the case of free-market prices, the exchange rate pass-through remains contained. Thus, despite the shift in the level of 12-month inflation since last May, we have no evidence so far that the benign dynamics of the inflationary process have been affected. In fact, our current forecast for the 2018 IPCA is 4.3% and 4.2% in 2019 (the latter with downside risks if the BRL stabilizes at or below R$3.70/USD). Inflation expectations also remain consistent, in line with the targets for this year and 2019, and around the 2020 and 2021 (declining) targets.

On the fiscal front, there are no news to report: the consolidated public accounts keep registering negative prints with sizable pressure coming from the social security deficit. On the positive side, the achievement of this year's consolidated primary target is totally feasible, with even stronger odds of a positive surprise. However, risks to long-term fiscal consolidation still easily outweigh some recent positive news related to short-term fiscal targets. Structural reform proposals, specifically the much-needed social security reform, and the ability of the newly elected administration to deliver in Congress, will be key issues as there are limits to the tight lid on discretionary spending if generous rules on mandatory expenditure rules are not fixed.

The current account deficit totaled US$ 14.5 billion (-0.8% of GDP) in the 12-month period ending September 30, 2018. This represents only a gradual increase compared to the US$9.8 billion deficit (-0.5% of GDP) registered in 2017, meaning that the current account deficit in 2018 remains far below the levels observed in previous years. The increase in the deficit during this year can be explained by the reduction in the trade surplus. Regarding the capital and financial account, the highlight has been the resilience of foreign direct investment (FDI). In the year ended September 30, 2018, FDI has amounted to US$ 71 billion, almost in line with what was registered in 2017 and much higher than the current account deficit. Our expectation is that the current account deficit will increase slightly until year-end but FDI should easily covering this deficit.

Consolidated Adjusted Revenues

Revenues in 3Q 2018 increased 1.3% when compared to 2Q 2018 and decreased 23.7% when compared to 3Q 2017.

Adjusted Revenues (unaudited)	Quarter			3Q 2018 % change to		Year to Date		9M 2018 % change to
(in R$ million, unless otherwise stated)	3Q 2017	2Q 2018	3Q 2018	3Q 2017	2Q 2018	9M 2017	9M 2018	9M 2017
Investment Banking	51	210	58	14%	-72%	222	378	70%
Corporate Lending	183	234	311	69%	33%	628	715	14%
Sales & Trading	958	267	224	-77%	-16%	1,698	1,042	-39%
Asset Management	103	149	165	60%	11%	317	438	38%
Wealth Management	94	123	125	33%	2%	270	352	30%
Principal Investments	23	56	211	833%	279%	104	363	249%
Participations	26	46	(10)	n.a.	n.a.	(9)	30	n.a.
Interest & Others	207	153	171	-18%	11%	927	484	-48%
Total revenues	**1,645**	**1,238**	**1,255**	**-24%**	**1%**	**4,157**	**3,803**	**-9%**

Investment Banking

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

BTG Pactual Announced Transactions (unaudited)	Number of Transactions(1),(3)			Value(2),(3) (US$ mln)		
	3Q 2017	2Q 2018	3Q 2018	3Q 2017	2Q 2018	3Q 2018
Financial Advisory (M&A)(4)	9	8	15	11,448	5,782	797
Equity Underwriting (ECM)	9	8	4	602	1,174	513
Debt Underwriting (DCM)	7	7	10	2,576	689	631

BTG Pactual Announced Transactions (unaudited)	Number of Transactions(1),(3)		Value(2),(3) (US$ mln)	
	9M 2017	9M 2018	9M 2017	9M 2018
Financial Advisory (M&A)(4)	23	34	16,787	8,720
Equity Underwriting (ECM)	20	15	3,473	2,015
Debt Underwriting (DCM)	22	29	7,207	2,523

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

Note

1. *(1) Equity underwriting and debt underwriting represent closed transactions. Financial advisory represents announced M&A deals, which typically generate fees upon their subsequent closing.*
2. *(2) Local DCM transactions were converted to U.S. Dollars using the end of quarter exchange rates reported by the Brazilian Central Bank.*
3. *(3) Market data from previous quarters might vary in all products, due to potential inclusion and exclusions.*
4. *(4) M&A market data for previous quarters may vary because: (i) deal inclusions might be delayed at any moment, (ii) canceled transactions will be withdrawn from the rankings, (iii) transaction value might be revised and (iv) transaction enterprise values might change due to debt inclusion, which usually occurs some weeks after the transaction is announced (mainly for non-listed targets)*

Investment Banking 3Q 2018 market share highlights

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

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

3Q 2018 vs. 2Q 2018

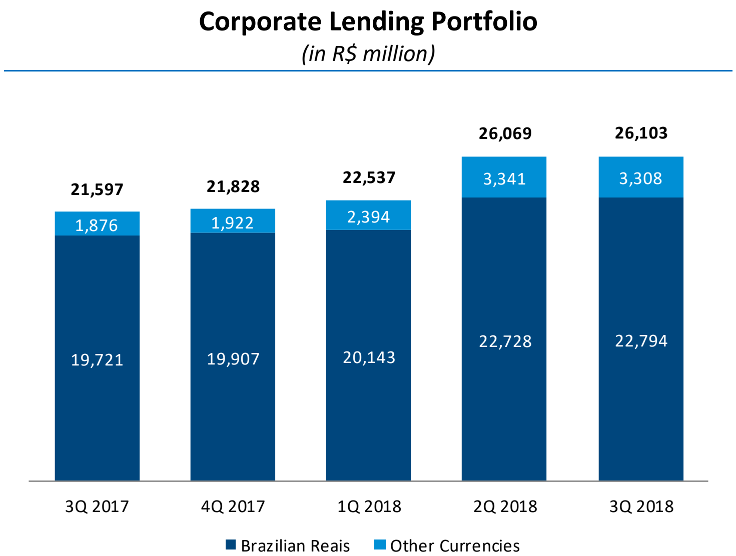
Investment Banking revenues were R$58.0 million, a 72.4% decrease compared to 2Q 2018, when we had the best performance in a quarter since IPO. In ECM and Financial Advisory, the decrease in revenues was attributed mainly to lower market activity and lower volume of transactions, nonetheless, we maintained leading market share. On the other hand, DCM continues to perform well, with revenues in line with previous quarter.

3Q 2018 vs. 3Q 2017

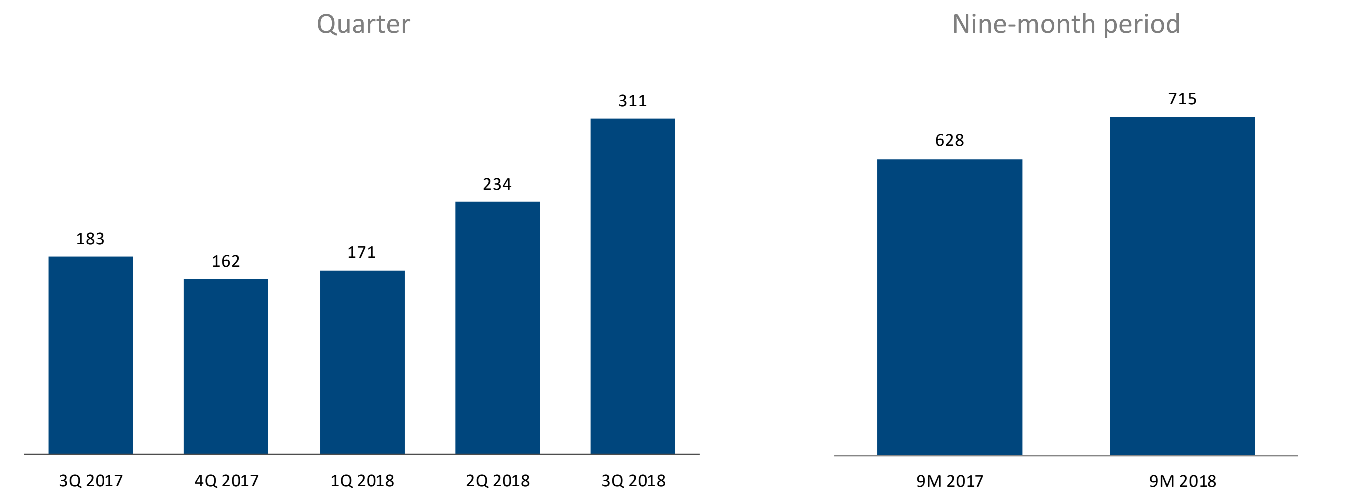
Investment banking revenues increased 14.3% when comparing 3Q 2018 and 3Q 2017. The increase was driven mainly by a better performance by DCM.

Corporate Lending

Our corporate lending book remained stable when compared to 2Q 2018.



Revenues
(in R$ million)



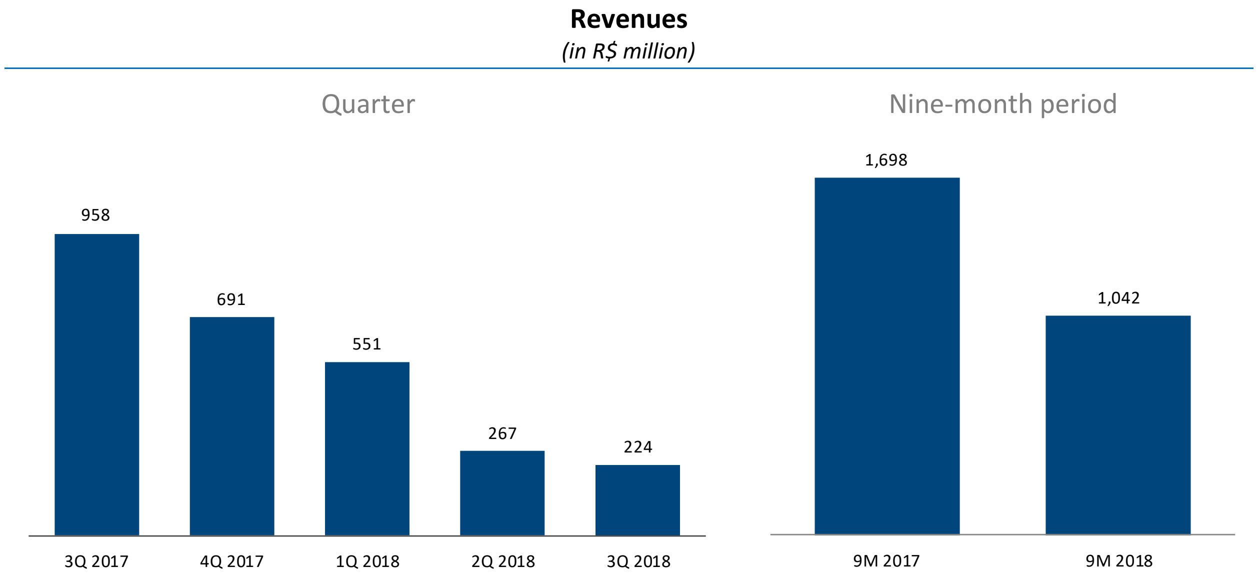
3Q 2018 vs. 2Q 2018

Revenues from Corporate Lending increased 32.9% from to R$233.8 million in 2Q 2018 to R$310.7 million in 3Q 2018, mainly impacted by a solid performance of our NPL strategy, that grew when compared to last quarter, and lower provision for expenses in the quarter in our corporate portfolio.

3Q 2018 vs. 3Q 2017

Revenues from corporate lending increased 69.4% from $183.4 million in 3Q 2017 to R$310.7 million in 3Q 2018. The increase was mainly due to a strong performance in the NPL strategy, the growth of 20.9% in average corporate lending portfolio and lower provision for loan losses.

Sales & Trading



3Q 2018 vs. 2Q 2018

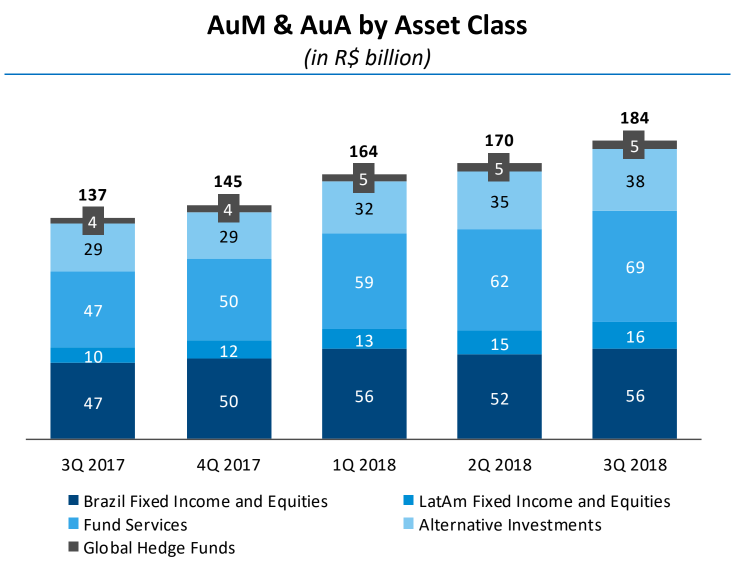
Sales & Trading revenues were R$224.5 million in 3Q 2018 compared to R$267.2 million in 2Q 2018, or a 16.0% decrease. This decrease was driven mainly by overall weak revenues. FX continued to post positive results, albeit lower than last quarter, and the Energy desk had a weaker quarter. As previously noted, we maintained a low risk appetite in the quarter considering the challenging market conditions.

3Q 2018 vs. 3Q 2017

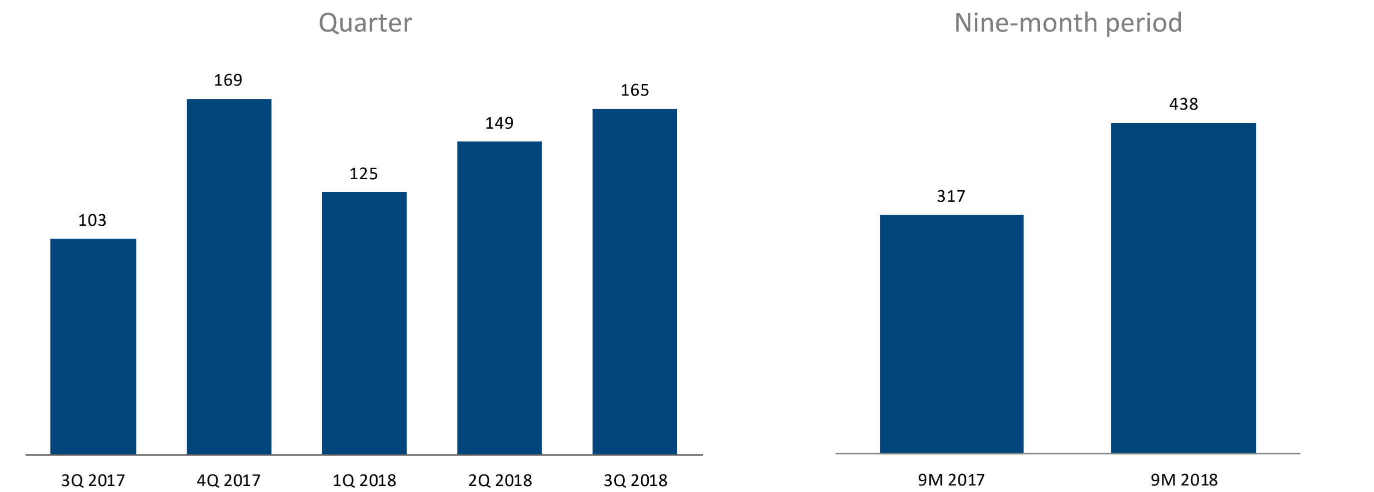
Sales & Trading revenues decreased 76.6%, from R$958.2 million to R$224.5 million. This decrease was due to overall weak revenues especially when compared to a particularly strong performance in 3Q 2017.

Asset Management

In 3Q 2018, our Assets under Management and Assets under Administration increased to R$184.2 billion, an 8.1% increase from R$170.4 billion in the previous quarter and above 35% year over year. We had a positive NNM of R$7.4 billion during the quarter.



Revenues
(in R$ million)



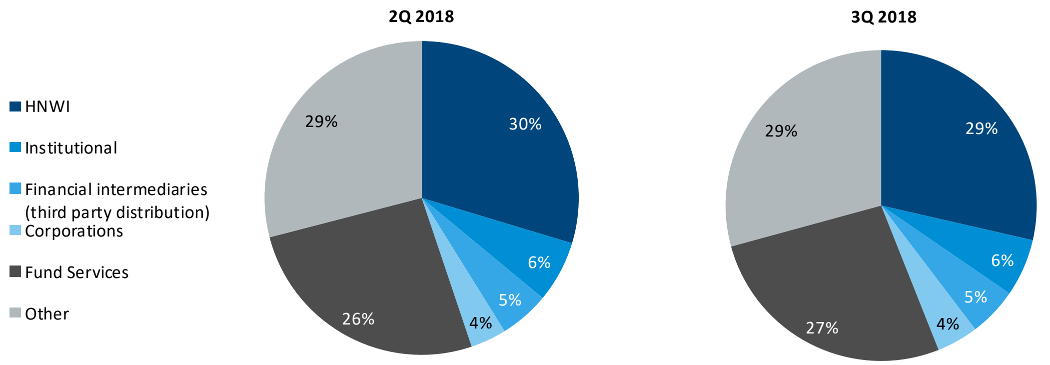
3Q 2018 vs. 2Q 2018

Asset management revenues grew 10.6% compared to the 2Q 2018 and reached revenues of R$164.6 million. The revenue increase was mostly due to management fees, in line with the AuM growth, and a one-off set up fee in the Timber strategy.

3Q 2018 vs. 3Q 2017

Asset Management revenues increased 60.3% from R$102.7 million in 3Q 2017 to R$164.6 million in 3Q 2018. The increase was mainly attributable to a 34.7% growth of the average AuM / AuA in the period, which impacted all business lines, partially off-set by a reduction in Global Hedge Funds' revenues.

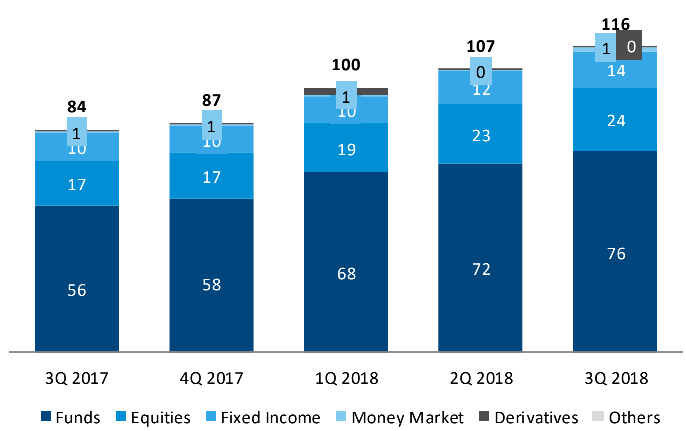
AuM and AuA by Type of Client
(%)



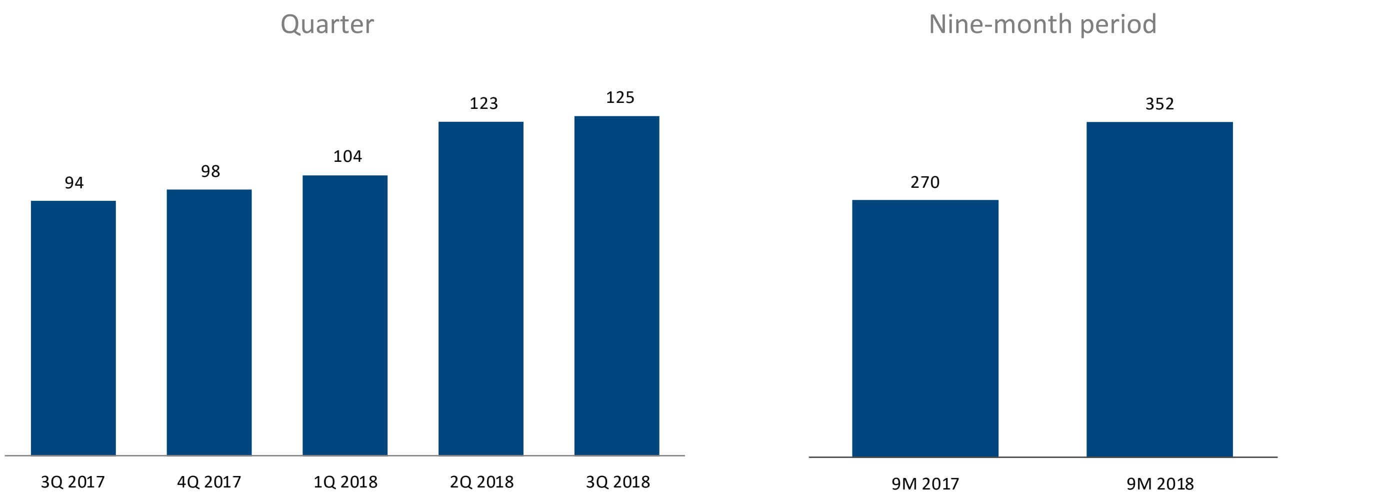
Wealth Management

During the quarter, our Wealth under Management increased 7.7% from R$107.3 billion in 2Q 2018 to R$115.5 billion in 3Q 2018. We continued to receive significant inflows in most products and NNM was at R$4.8 billion.

WuM Breakdown
(in R$ billion)



Revenues
(in R$ million)



3Q 2018 vs. 2Q 2018

Wealth Management revenues remained stable compared to 2Q 2018, despite the average AuM growth.

3Q 2018 vs. 3Q 2017

Revenues from Wealth Management increased 33.5%, from R$94.0 million to R$125.5 million. The increase was mainly due to the 36.9% increase in WuM.

Principal Investments

Principal Investments Revenues (preliminary and unaudited)	Quarter			3Q 2018 % change to		Year to Date		9M 2018 % change to
(in R$ million, unless otherwise stated)	3Q 2017	2Q 2018	3Q 2018	3Q 2017	2Q 2018	9M 2017	9M 2018	9M 2017
Global Markets	48	(54)	(5)	n.a.	n.a.	78	(53)	n.a.
Merchant Banking	(9)	134	220	n.a.	65%	76	460	507%
Real Estate	(16)	(24)	(4)	n.a.	n.a.	(49)	(44)	n.a.
Total	**23**	**56**	**211**	**833%**	**279%**	**104**	**363**	**249%**

3Q 2018 vs. 2Q 2018

Our Principal Investments revenues increased 279.2% compared to 2Q 2018, from R$55.7 million to R$211.2 million.

In the quarter, it is worth noting that (i) Global Markets results had losses of R$4.8 million, mostly due to challenging and volatile markets, (ii) Merchant Banking had positive equity pick-up and mark-to-market from investments, mainly driven by a positive contribution from investments in Petro Africa and Eneva, respectively, and (iii) Real Estate had a negative contribution mainly due to internal funding cost allocation.

3Q 2018 vs. 3Q 2017

Our Principal Investments posted gains of R$211.2 million in 3Q 2018 compared to R$22.6 million in the 3Q 2017, mostly resulting from equity pick-up from investments, as explained above.

Participations

3Q 2018 vs. 2Q 2018

In Participations, we had losses of R$10.4 million mostly due to negative results from ECTP. Revenues in 3Q 2018 consisted of (i) R$25.3 million gains from Banco Pan, which continues to improve its performance, (ii) R$6.0 million gains from Pan Seguros and Pan Corretora, and (iii) R$41.1 million losses from ECTP, which continues to struggle in tough market conditions. In 2Q 2018, we had gains of R$46.2 million, mostly driven by EFG and Banco Pan.

3Q 2018 vs. 3Q 2017

Participations losses were R$10.4 million, as noted above, compared to positive revenues of R$26.3 million in 3Q 2017, mostly driven by Banco Pan and EFG.

Interest & Others

3Q 2018 vs. 2Q 2018

Interest & Others revenues were R$170.7 million in 3Q 2018, compared to R$153.3 million in 2Q 2018. Revenues are comprised of the average interest rate of the Central Bank of Brazil applied to our equity.

3Q 2018 vs. 3Q 2017

Revenues from Interest & Others decreased 17.6% in the period, mainly due to the reduction in the average interest rate from 8.25% to 6.5%, partially compensated by the 3.1% increase in shareholder's equity.

Adjusted Operating Expenses

Adjusted Operating Expenses (unaudited)	Quarter			3Q 2018 % change to		Year to Date		9M 2018 % change to
(in R$ million, unless otherwise stated)	3Q 2017	2Q 2018	3Q 2018	3Q 2017	2Q 2018	9M 2017	9M 2018	9M 2017
Bonus	(236)	(122)	(121)	-49%	-1%	(504)	(387)	-23%
Salaries and benefits	(133)	(152)	(159)	19%	5%	(398)	(459)	15%
Administrative and other	(208)	(218)	(188)	-10%	-14%	(602)	(611)	1%
Goodwill amortization	(65)	(36)	(40)	-39%	11%	(226)	(107)	-53%
Tax charges, other than income tax	(64)	(56)	(88)	38%	57%	(175)	(187)	7%
Total operating expenses	**(705)**	**(584)**	**(596)**	**-16%**	**2%**	**(1,905)**	**(1,751)**	**-8%**
Cost to income ratio	43%	47%	47%	11%	1%	46%	46%	0%
Compensation ratio	22%	22%	22%	0%	1%	22%	22%	2%
Total number of employees	2,027	2,164	2,237	10%	3%	2,027	2,237	10%
Partners and associate partners	214	236	234	9%	-1%	214	234	9%
Employees	1,813	1,928	2,003	10%	4%	1,813	2,003	10%

Bonus

In 3Q 2018, bonus expenses were R$121.4 million, remaining stable when compared to 2Q 2018. Our bonuses are determined in accordance with our profit-sharing program, and are calculated as a percentage of our adjusted, or operating, revenues (which exclude Interest & Others revenues), reduced by our operating expenses.

Salaries and benefits

Staff costs increased in the quarter when compared to 2Q 2018 and 3Q 2017. Expenses related to salaries and benefits were R$151.9 million in 2Q 2018 and R$133.2 million in 3Q 2017, compared to R$159.0 million in 3Q 2018, mostly connected to new hires at BTG Pactual digital, and FX impact.

Administrative and other

Total administrative and other expenses decreased 13.8%, from R$218.0 million in 2Q 2018 to R$187.9 million in 3Q 2018, and 9.6% when compared to 3Q 2017. This decrease was mainly related to the non-recurring expenses due to a significant reduction of legal expenses from BSI legal cases.

Goodwill amortization

In 3Q 2018, we recorded goodwill amortization expenses totaling R$39.7 million, mostly driven by the EFG/BSI amortization. Goodwill amortization grew 11.2% when compared to 2Q 2018, due to impacts of exchange rate variation, and reduced 38.9% when compared to 3Q 2017.

Tax charges, other than income tax

Tax charges, other than income tax, were R$87.8 million or 7.0% of total revenues compared to R$56.0 million in 2Q 2018 or 4.5% of total revenues.

Adjusted Income Taxes

Adjusted Income Tax (unaudited)	Quarter			Year to Date	
(in R$ million, unless otherwise stated)	3Q 2017	2Q 2018	3Q 2018	9M 2017	9M 2018
Income before taxes	940	655	659	2,252	2,052
Income tax and social contribution	(439)	(32)	(74)	(529)	(244)
Effective income tax rate	**46.7%**	**4.9%**	**11.2%**	**23.5%**	**11.9%**

Our effective income tax rate for the quarter was 11.2% (representing an income tax expense of R$73.5 million). Our effective income tax rate was 4.9% (an income tax expense of R$32.2 million) in 2Q 2018, and 46.7% (an income tax expense of R$438.9 million) in 3Q 2017.

Balance Sheet

Total assets increased 4.1%, from R$157.4 billion at the end of 2Q 2018 to R$163.9 billion at the end of 3Q 2018, mainly due to an increase in pending settlement accounts and in securities portfolio, partially offset by a decrease in derivative financial instruments and foreign exchange portfolios. In addition, on balance credit exposure had a 6.6% increase in 3Q 2018 and our leverage ratio increased to 8.5x from 8.2x in the previous quarter.

On the liability side, unsecured funding increased 10.9%, driven by clients' deposits and our pending settlement accounts increased in line with the assets' growth. These effects were partially offset by a decrease in derivative financial instruments and foreign exchange portfolios in line with the decrease in assets, as above mentioned. Coverage ratio increased to 248.7% in the 3Q 2018 from 237.2% in the 2Q 2018.

Shareholders' equity remained stable in R$19.2 billion when compared to the previous quarter, mainly due to the net income of R$ 585.5 million in the quarter, partially offset by the distribution of R$592.5 million of interest on equity, as well as our stock repurchase program and other comprehensive income.

Risk and Capital Management

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

Market Risk – Value-at-risk

Value-at-risk (unaudited) *(in R$ million, unless otherwise stated)*	Quarter		
	3Q 2017	2Q 2018	3Q 2018
Total average daily VaR	**129.7**	**75.4**	**57.7**
Average daily VaR as a % of average equity	0.71%	0.40%	0.30%

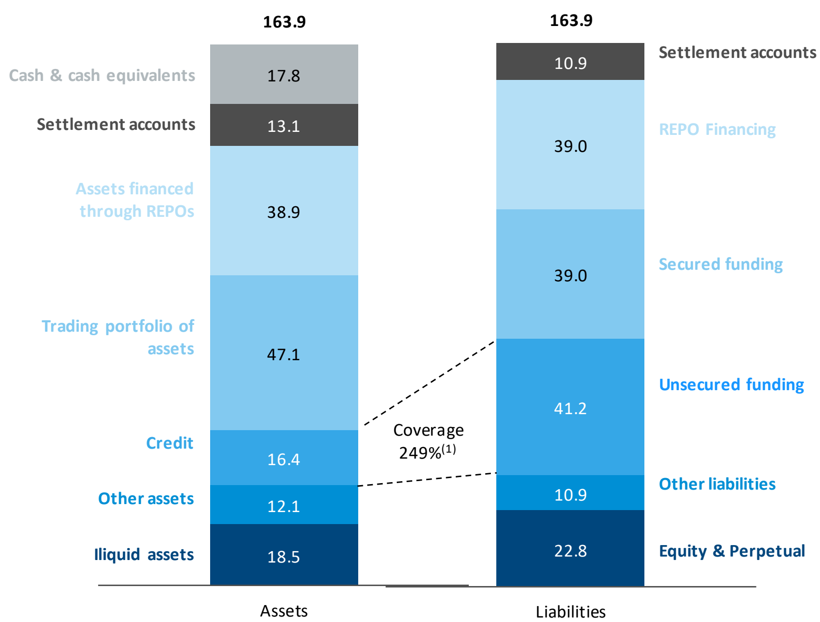
Our total average daily VaR decreased 23.5% when compared to 2Q 2018. Such decrease was mainly driven by the Brazilian equities desks which were impacted by volatile trading conditions in the market.

Liquidity Risk Analysis

The chart below summarizes the composition of assets and liabilities as of September 30, 2018:

Summarized Balance Sheet (unaudited)

(in R$ billion)



Note:

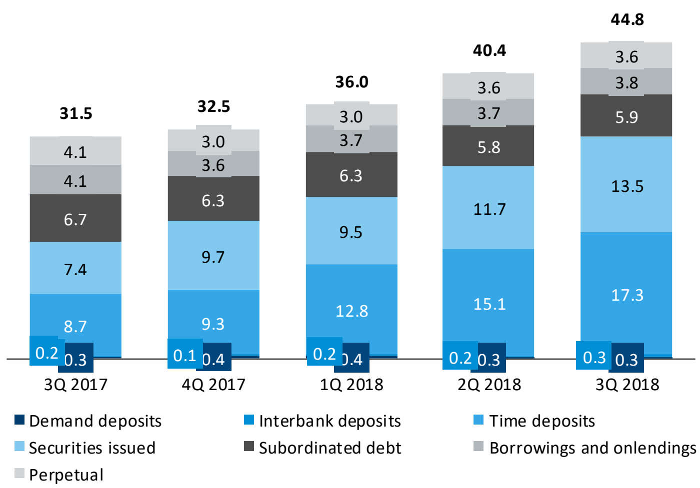
(1) Excludes demand deposits

Unsecured Funding Analysis

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

Unsecured Funding Evolution (unaudited)

(in R$ billion)



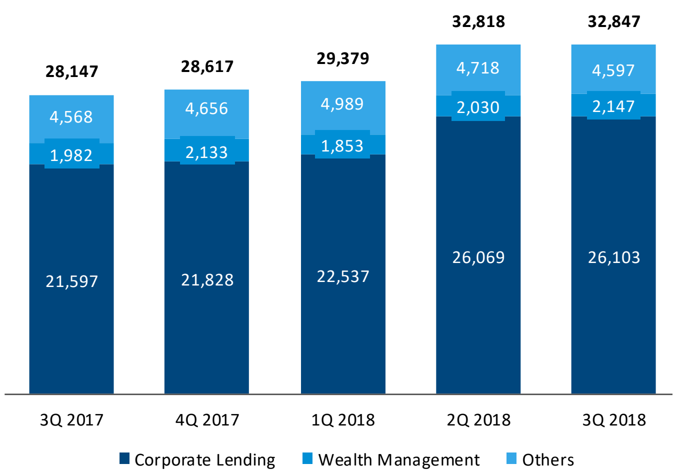
Our total unsecured funding increased 10.9% (from R$40.4 billion in 2Q 2018 to R$44.8 billion in 3Q 2018) mainly due to a growth of R$2.3 billion in time deposits, driven by a short-term client deposit and a R$1.7 billion increase in securities issued. In addition, there was also a positive impact in exchange rate variation.

BTG Pactual Broader Credit Portfolio

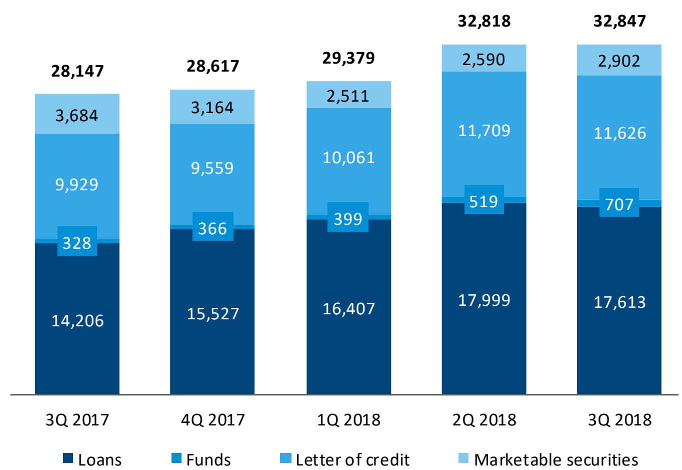
Our broader credit portfolio is comprised of loans, receivables, advances in foreign exchange contracts, letters of credit and marketable securities bearing credit exposures (including debentures, promissory notes, real estate bonds, and investments in credit receivable funds – FIDCs).

The balance of our broader credit portfolio remained stable when compared to the previous quarter and increased 16.7% (from R$28.1 billion in 3Q 2017 to R$32.8 billion in 3Q2018).

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



Broader Credit Portfolio By Product
(in R$ million)



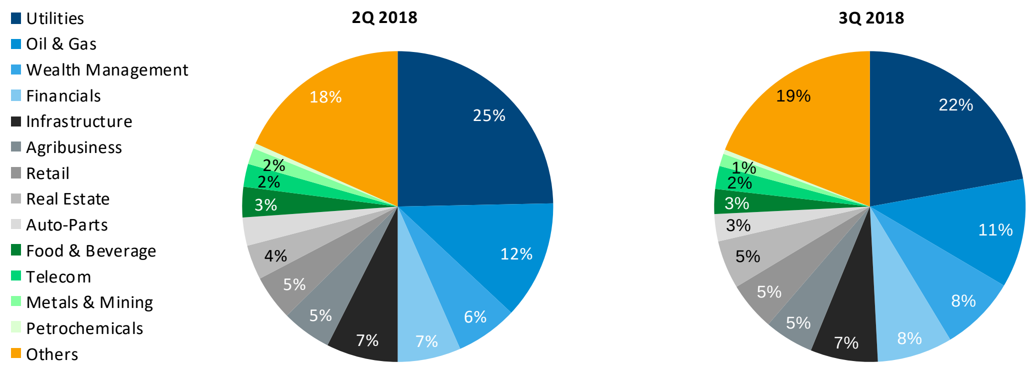
Notes:

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

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

Corporate Lending & Others Portfolio by Industry

(% of total)



Credit Risk

The following table sets forth the distribution of our credit exposures as of September 30, 2018 by credit rating. The ratings below reflect our internal assessment, consistently applied in accordance with the Brazilian Central Bank standard ratings scale:

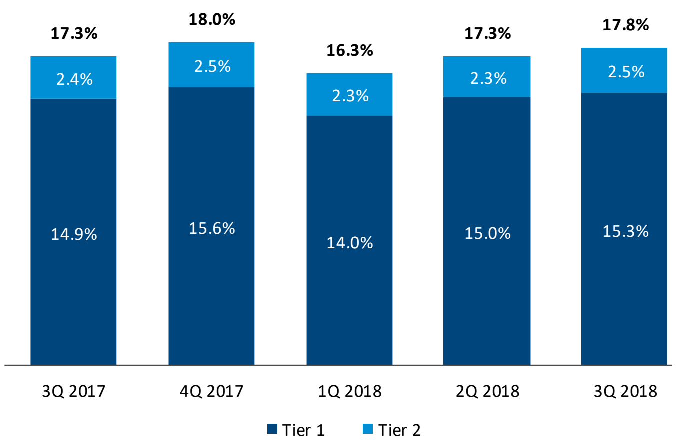
Rating (unaudited) (in R$ million)	3Q 2018
AA	16,105
A	7,112
B	3,836
C	1,804
D	2,683
E	382
F	406
G	337
H	183
Total	**32,847**

Capital Management

BTG Pactual complies with standards of capital requirements established by the Brazilian Central Bank that are consistent with those proposed by the Basel Committee on Banking Supervision, under the Basel Capital Accord. Our BIS capital ratios, calculated in accordance with the Brazilian Central Bank standards and regulations, are applicable only to BTG Pactual. The BIS capital ratio increased to 17.8% at the end of 3Q 2018. Our liquidity coverage ratio (LCR) ended the quarter at 239%.

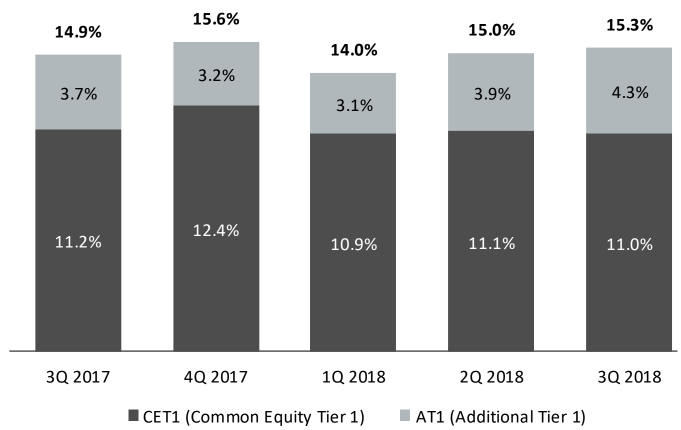
Basel Ratio (unaudited)

(%)



Tier 1: CET1 & AT1 (unaudited)

(%)



Exhibits

Basis for Presentation

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

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

Key Performance Indicators ("KPIs") and Ratios

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

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

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

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

Selected Financial Data

Balance Sheet (unaudited) *(in R$ million, unless otherwise stated)*	Quarter			3Q 2018 % change to	
	3Q 2017	2Q 2018	3Q 2018	3Q 2017	2Q 2018
Assets					
Cash and bank deposits	837	2,737	932	11%	-66%
Interbank investments	25,326	49,256	61,326	142%	25%
Marketable securities and derivatives	38,267	42,457	40,510	6%	-5%
Interbank transactions	1,541	2,247	2,641	71%	17%
Loans	11,938	16,322	16,964	42%	4%
Other receivables	29,973	38,248	35,225	18%	-8%
Other assets	187	210	235	26%	12%
Permanent assets	5,640	5,940	6,023	7%	1%
Total assets	**113,710**	**157,416**	**163,856**	**44%**	**4%**
Liabilities					
Deposits	8,323	17,825	25,613	208%	44%
Open market funding	27,636	54,714	56,136	103%	3%
Funds from securities issued and accepted	7,965	12,427	14,234	79%	15%
Interbank transactions	163	151	90	-45%	-41%
Loans and onlendings	4,105	5,314	5,373	31%	1%
Derivatives	13,297	6,158	4,235	-68%	-31%
Subordinated liabilities	6,722	5,836	5,933	-12%	2%
Other liabilities	26,608	35,494	32,790	23%	-8%
Deferred income	142	148	137	-4%	-8%
Shareholders'equity	**18,609**	**19,219**	**19,180**	**3%**	**0%**
Non-controlling interest	140	129	137	-2%	7%
Total liabilities	**113,710**	**157,416**	**163,856**	**44%**	**4%**

Adjusted Income Statement (unaudited)	Quarter			3Q 2018 % change to		Year to Date		9M 2018 % change to
(in R$ million, unless otherwise stated)	3Q 2017	2Q 2018	3Q 2018	3Q 2017	2Q 2018	9M 2017	9M 2018	9M 2017
Investment Banking	51	210	58	14%	-72%	222	378	70%
Corporate Lending	183	234	311	69%	33%	628	715	14%
Sales & Trading	958	267	224	-77%	-16%	1,698	1,042	-39%
Asset Management	103	149	165	60%	11%	317	438	38%
Wealth Management	94	123	125	33%	2%	270	352	30%
Principal Investments	23	56	211	833%	279%	104	363	249%
Participations	26	46	(10)	n.a.	n.a.	(9)	30	n.a.
Interest & Others	207	153	171	-18%	11%	927	484	-48%
Total revenues	**1,645**	**1,238**	**1,255**	**-24%**	**1%**	**4,157**	**3,803**	**-9%**
Bonus	(236)	(122)	(121)	-49%	-1%	(504)	(387)	-23%
Salaries and benefits	(133)	(152)	(159)	19%	5%	(398)	(459)	15%
Administrative and other	(208)	(218)	(188)	-10%	-14%	(602)	(611)	1%
Goodwill amortization	(65)	(36)	(40)	-39%	11%	(226)	(107)	-53%
Tax charges, other than income tax	(64)	(56)	(88)	38%	57%	(175)	(187)	7%
Total operating expenses	**(705)**	**(584)**	**(596)**	**-16%**	**2%**	**(1,905)**	**(1,751)**	**-8%**
Income before taxes	**940**	**655**	**659**	**-30%**	**1%**	**2,252**	**1,314**	**-42%**
Income tax and social contribution	(439)	(32)	(74)	-83%	128%	(529)	(244)	-54%
Net Income	**501**	**622**	**585**	**17%**	**-6%**	**1,723**	**1,808**	**5%**

Income Statement (unaudited)	Banco BTG Pactual S.A.	
(in R$ million, unless otherwise stated)	2Q 2018	3Q 2018
Financial income	2,380	2,390
Financial expenses	(2,337)	(1,732)
Gross financial income	**43**	**658**
Other operating income (expenses)	276	(3)
Operating income (expenses)	**319**	**655**
Non-operating income/(expenses)	128	5
Income before taxes and profit sharing	**447**	**660**
Income and social contribution taxes	282	39
Statutory profit sharing	(106)	(108)
Non-controlling interest	**(1)**	**(6)**
Net income	**622**	**585**

Selected Presentation Differences

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

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

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

Forward-looking statements

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

Rounding

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

Glossary

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

Earnings Release - Third Quarter 2018

November 5th, 2018 (after market closes)

English Conference Call
November 6th, 2018 (Tuesday)
10:00 AM (New York) / 01:00 PM (Brasília)
Phone: +1 (412) 317-5446

Code: BTG Pactual

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

Code: 10119782

Portuguese Conference Call
November 6th, 2018 (Tuesday)
08:00 AM (New York) / 11:00 AM (Brasília)
Phone: +55 (11) 3193-8000 / +55 (11) 2188-0155

Code: BTG Pactual

Replay until 15/08: +55 (11) 2188-0400

Code: BTG Pactual

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

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

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