

# CONFERENCE CALL PRESENTATION

3<sup>rd</sup> QUARTER 2018

## Earnings Release

Third Quarter 2018

### English Conference Call

- November 6, 2018 (Tuesday)
- 10:00 am (New York) / 01:00 pm (Brasília)
- Phone: +1 (412) 317-5446
- Code: BTG Pactual
- Replay: +1 (412) 317-0088
- Code: 10116501

### Portuguese Conference Call

- November 6, 2018 (Tuesday)
- 08:00 am (New York) / 11:00 am (Brasília)
- Phone: +55 (11) 2188-0155 | +55 (11) 3193 8000
- Code: BTG Pactual
- Replay: +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](http://www.btgpactual.com/ir)

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

- 1** **We continue to deliver a very strong performance on our client businesses, with a 35% year on year growth of AuM on both Wealth and Asset Management units**

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- 2** **BTG Pactual digital platform now complete, offering full suite of investment products to B2B and B2C clients**

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- 3** **Solid performance in Corporate Lending, from both large corporates and NPL strategies, representing a 32.9% increase in revenues**

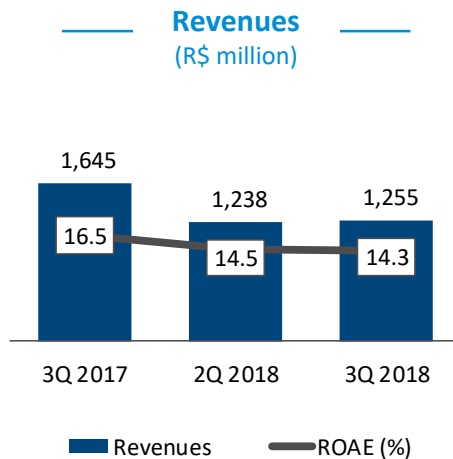
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- 4** **Conservative risk allocation pre elections led to soft results from Sales & Trading. Total average daily VaR decreased 23.5%**

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## Performance Summary

3Q 2018

We delivered 14.3% ROAE and revenues remained flat when compared to 2Q 2018



### 1 Total revenues and adjusted net income were R\$1,255 million and R\$685 million, respectively

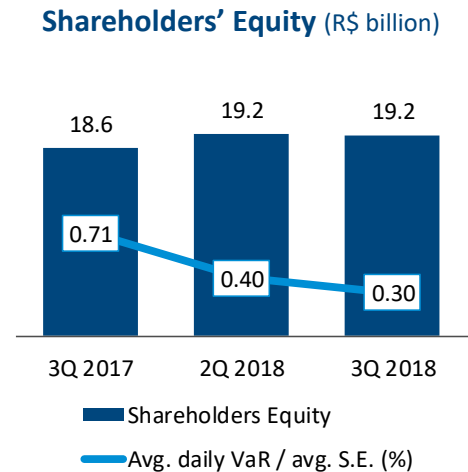
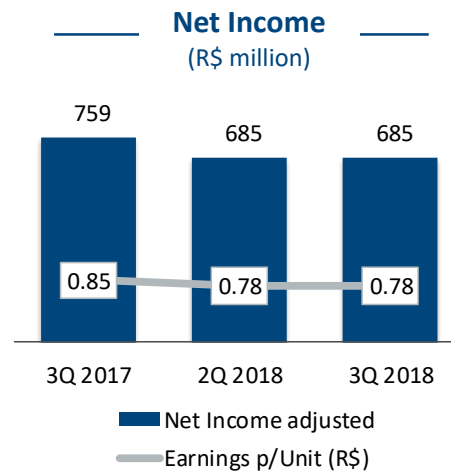
- Annualized ROAE<sup>(1)</sup> was 14.3%. Excluding EFG and Banco Pan, the annualized ROAE was 18.3%
- Net income per unit<sup>(1)</sup> was R\$0.78
- Accounting net income was R\$585 million

### 2 Cost income ratio remained stable, slightly above the historical average, mostly due to a one-off tax expense

- Cost to income ratio was 47%
- Compensation ratio was 22%

### 3 Total assets were at R\$163.9 billion. Basel ratio for BTG Pactual was 17.8% and shareholders' equity remained at R\$19.2 billion

- Distribution of interest on capital in the amount of R\$592 million
- Average VaR in the quarter decreased to R\$57.7 million or 0.30% of average shareholders' equity



Note:

\* Balance sheet items present data as of the end of the period

1. Annualized ROAE and net income per unit uses the adjusted net income as basis for the calculations

## Performance Summary

Nine-month period 2018

Solid client franchise and soft trading results on a highly volatile and risk averse market scenario

### 1 Total revenues and adjusted net income were R\$3,803 million and R\$2,030 million, respectively

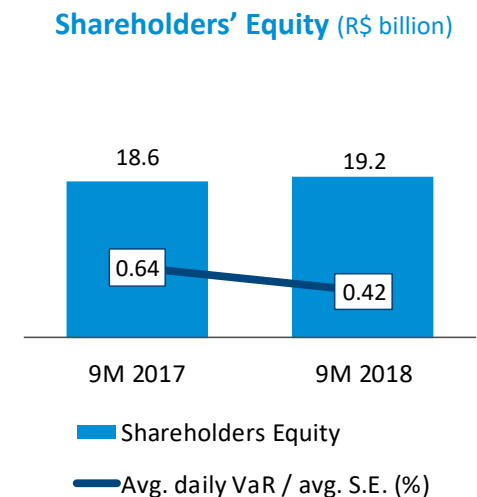
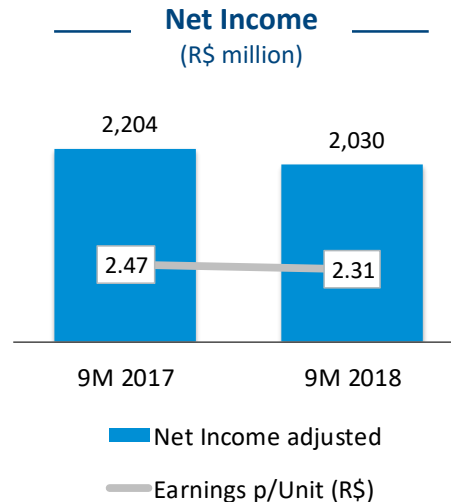
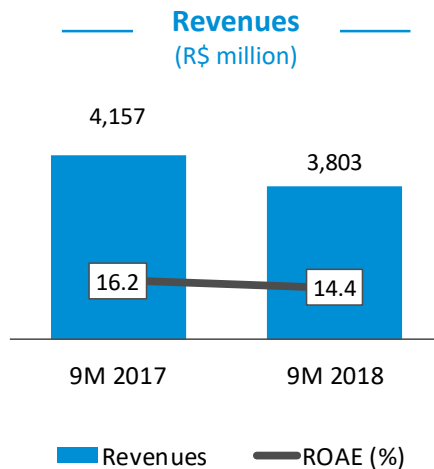
- Year to date annualized ROAE<sup>(1)</sup> was 14.4%. Excluding EFG and Banco Pan, annualized ROAE was 18.6%
- Accounting net income was R\$1,808 million

### 2 Cost income ratios were in line with historical average

- Cost to income ratio was 46%
- Compensation ratio was 22%

### 3 Shareholders' Equity increased 3.1% and ended the period at R\$19.2 billion

- Distribution of interest on capital in the amount of R\$592 million



Note:

\* Balance sheet items present data as of the end of the period

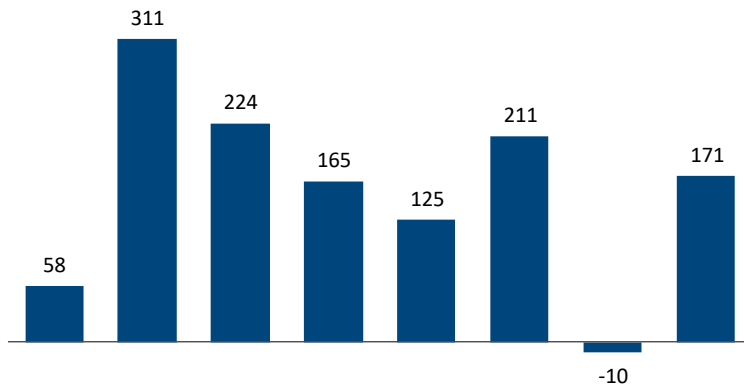
1. Annualized ROAE and net income per unit uses the adjusted net income as basis for the calculations

# Business Areas Performance

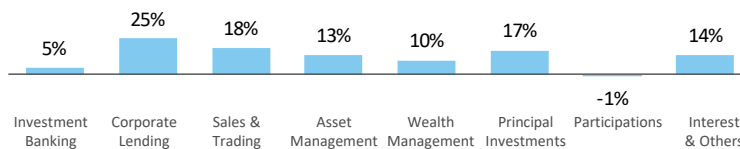
Revenue breakdown by business units

3Q 2018

Total Revenues = R\$1.3 billion  
(R\$m)

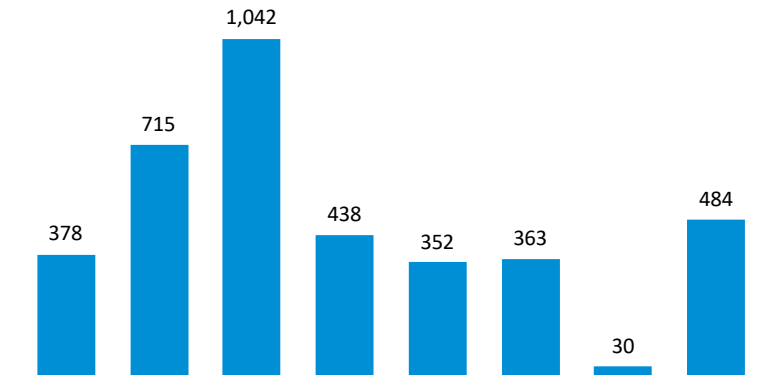


(% of total)

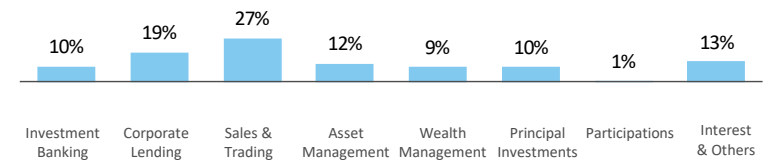


Nine-month period

Total Revenues = R\$3.8 billion  
(R\$m)

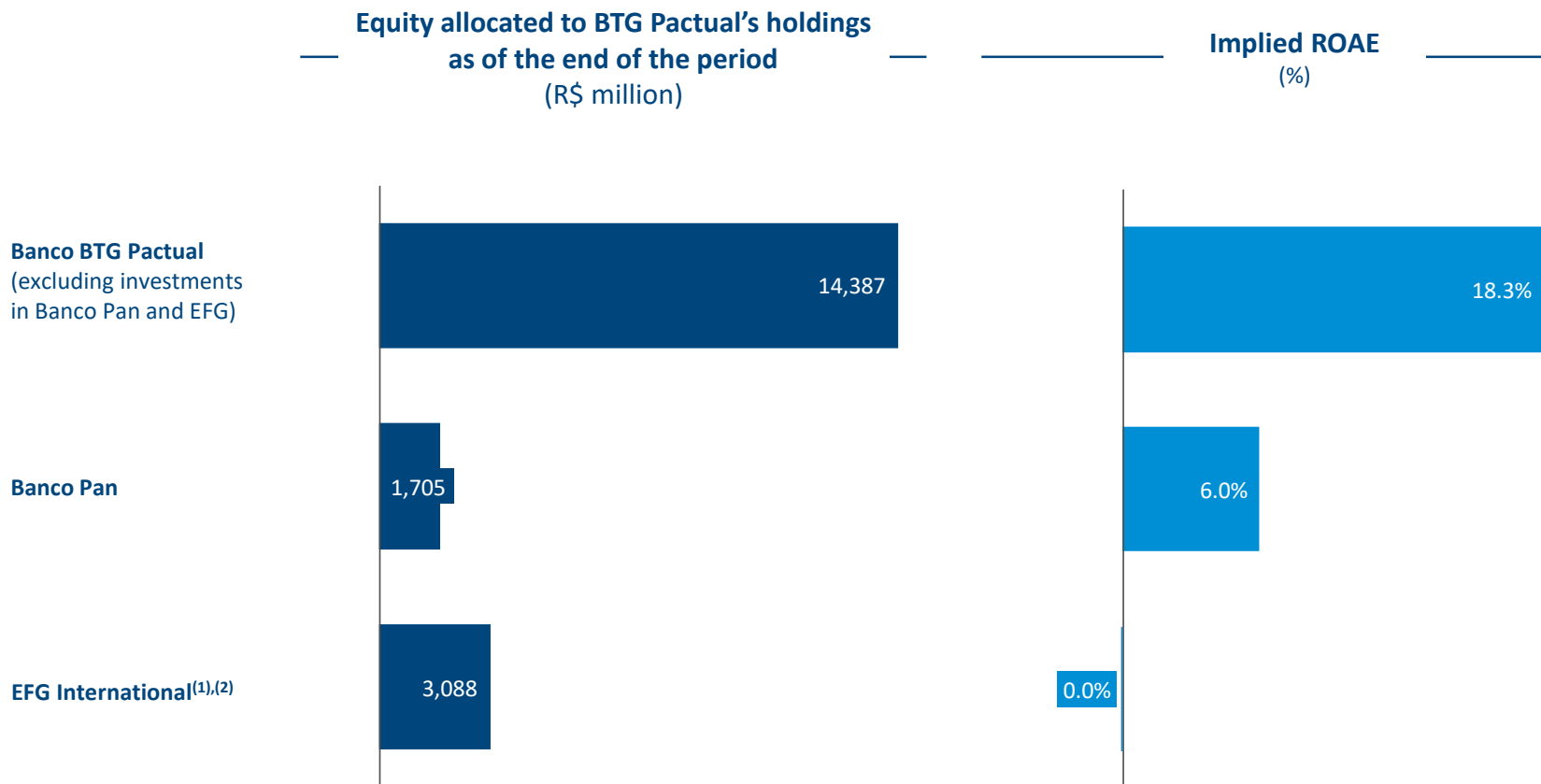


(% of total)



# ROAE Components

BTG Pactual generated an ROAE of 18.3% in 3Q 2018



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

# BTG PACTUAL BUSINESS UNITS



## SECTION 1



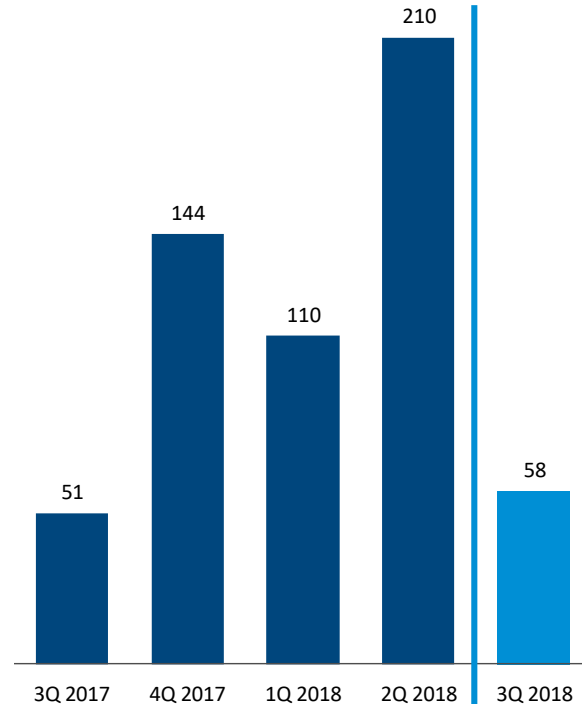
## Investment Banking

Softer quarter for investment banking, mainly due to low market activity

### Overview of 3Q 2018

- Financial Advisory revenues decreased due to lower volumes of closed M&A transactions. Announced transactions in the quarter were also low
- ECM delivered a weak performance mainly due to lower market activity in Brazil
- DCM continues to perform well in line with the previous quarter

### Revenues (R\$ million)



### – Market Positioning Highlights – (9M 2018)

**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

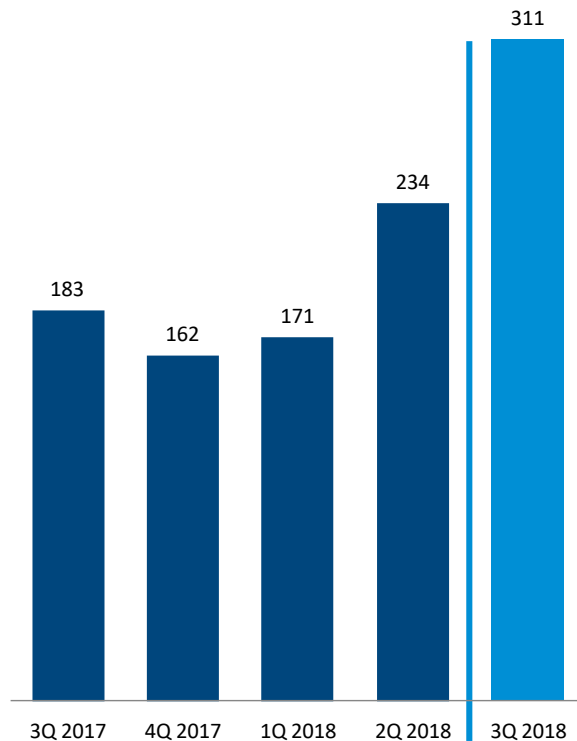
## Corporate Lending

Strong performance in 3Q 2018

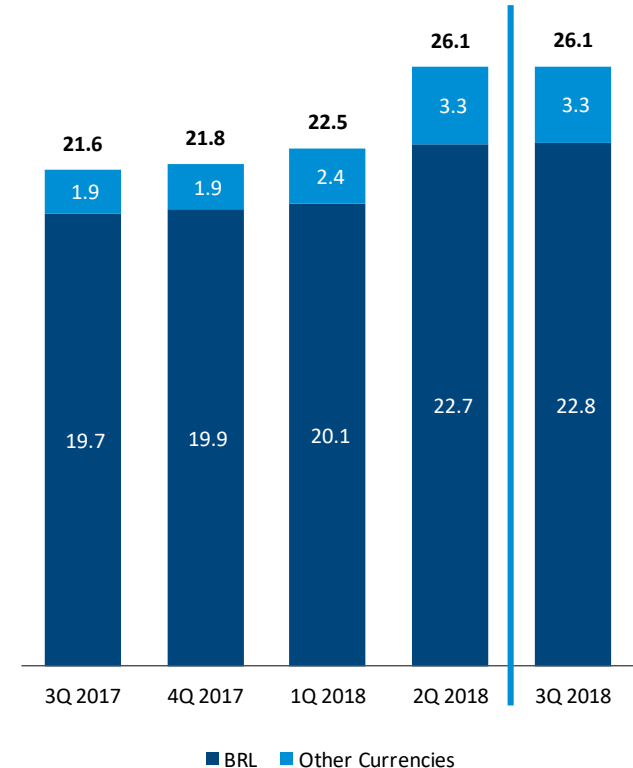
### Overview of 3Q 2018

- Revenues from Corporate Lending increased 32.9% when compared to 2Q 2018, mainly due to the solid performance of our NPL strategy and lower provision expenses for the quarter
- Corporate lending book remained stable when compared to the previous quarter

Revenues (R\$ million)



— Corporate Lending Portfolio —  
(R\$ billion)



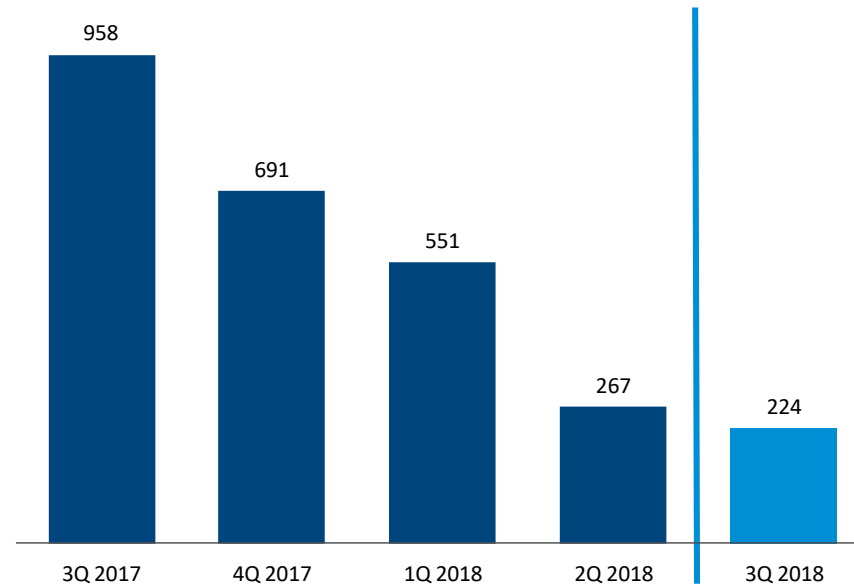
## Sales & Trading

Subpar performance during the quarter - we maintained low risk appetite

### Overview of 3Q 2018

- Revenues decrease were impacted by weak performance in most business lines
  - Energy desk had particularly weak quarter
- FX continued to post good performance, although lower than the previous quarter

### Revenues (R\$ million)



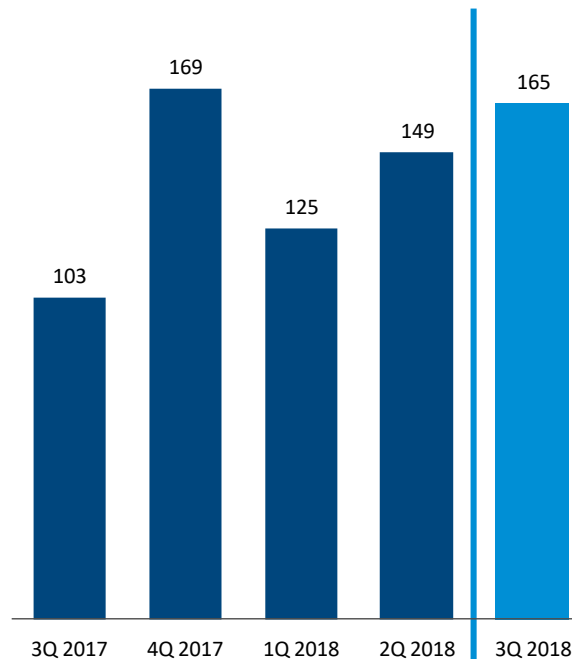
## Asset Management

Higher revenues and strong net new money inflows - we continue to gain market share

### Overview of 3Q 2018

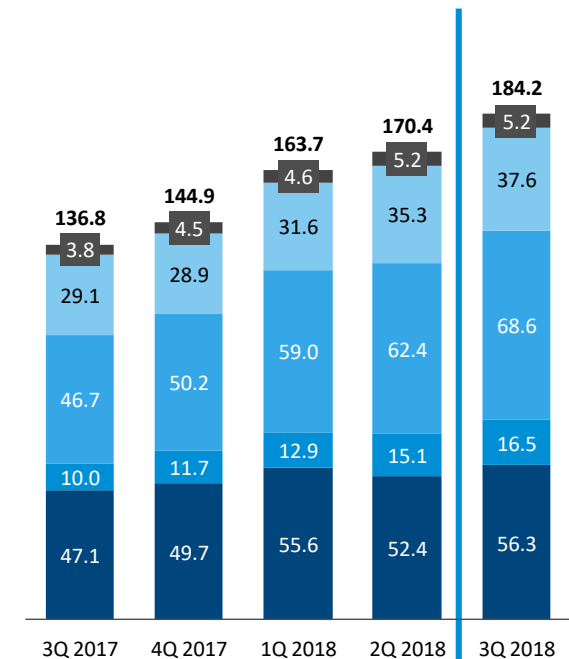
- Revenues grew 10.6% when compared to 2Q 2018, reaching R\$164.6 million
- Positive net new money of R\$7.4 billion for the quarter
- Flows were positive across all lines

### Revenues (R\$ million)



### AuM and AuA

(R\$ billion)



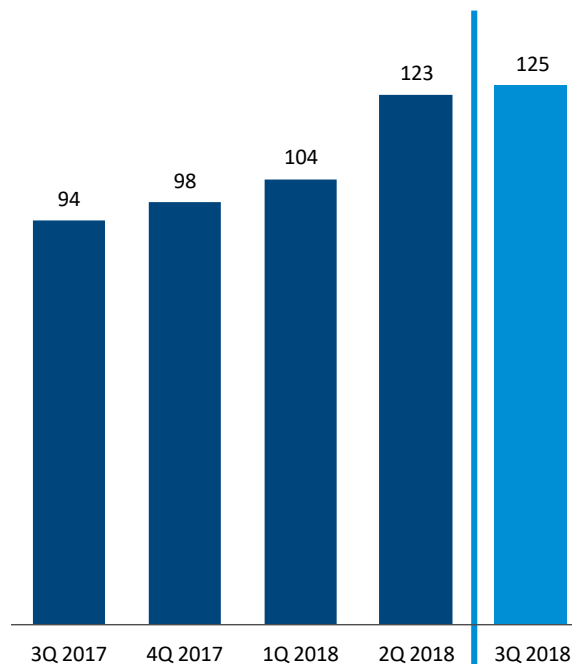
## Wealth Management

We continued to receive significant inflows of net new money

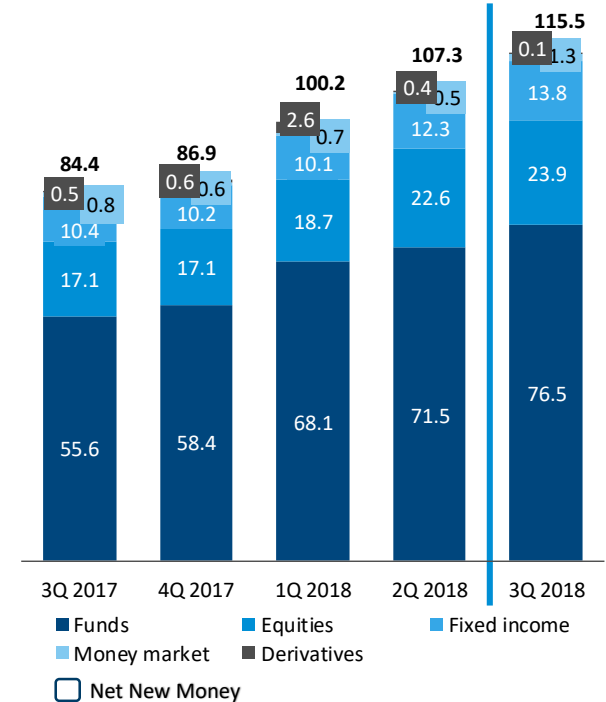
### Overview of 3Q 2018

- WuM increased 7.7% in the quarter
- Revenues remained stable

### Revenues (R\$ million)



### WuM (R\$ billion)



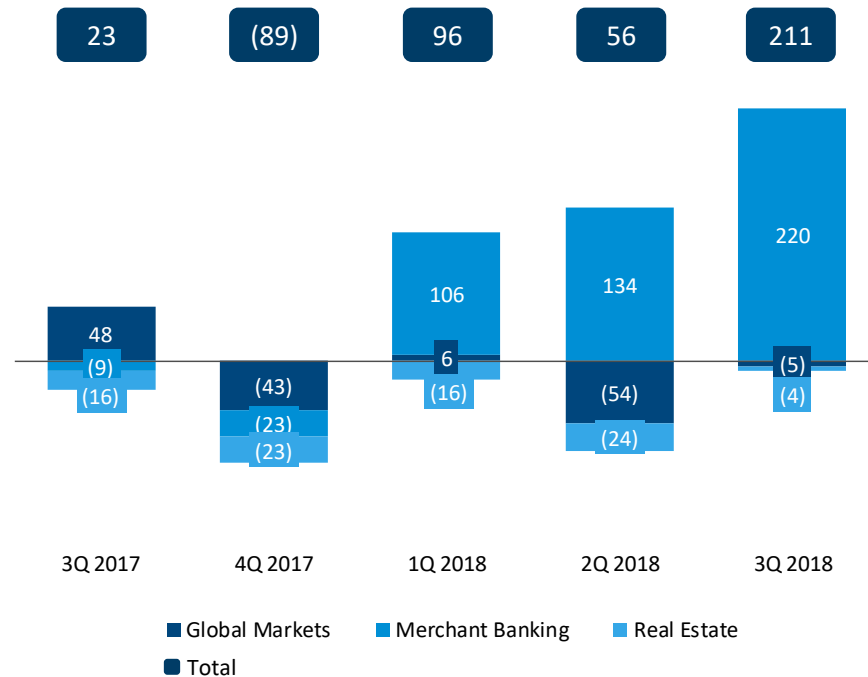
## Principal Investments

Good performance, mainly due to equity pick-up in investments

### Overview of 3Q 2018

- Principal Investments revenues increased 279.2% compared to 2Q 2018
- Results in Merchant Banking reflect positive equity pick-up in investments
- Global Markets and Real Estate had a muted contribution

## Revenues (R\$ million)



# EXPENSES



## SECTION 2

## Expenses and Main Ratios

Cost ratios remained stable and in line with our historical averages. The total operating expenses were up 2% when compared to 2Q 2018

<i>(in R\$ mm, unless stated)</i>	Quarter					9M 2018		
	3Q 2017	2Q 2018	3Q 2018	3Q 2018 % change to		Year to Date		% change to
				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%
<b>Total operating expenses</b>	<b>(705)</b>	<b>(584)</b>	<b>(596)</b>	<b>-16%</b>	<b>2%</b>	<b>(1,905)</b>	<b>(1,751)</b>	<b>-8%</b>
Cost to income ratio	43%	47%	47%			46%	46%	
Compensation ratio	22%	22%	22%			22%	22%	
<b>Income tax and social contribution</b>	<b>(439)</b>	<b>(32)</b>	<b>(74)</b>			<b>(529)</b>	<b>(244)</b>	<b>-54%</b>
Effective income tax rate	46.7%	4.9%	11.2%			23.5%	18.6%	



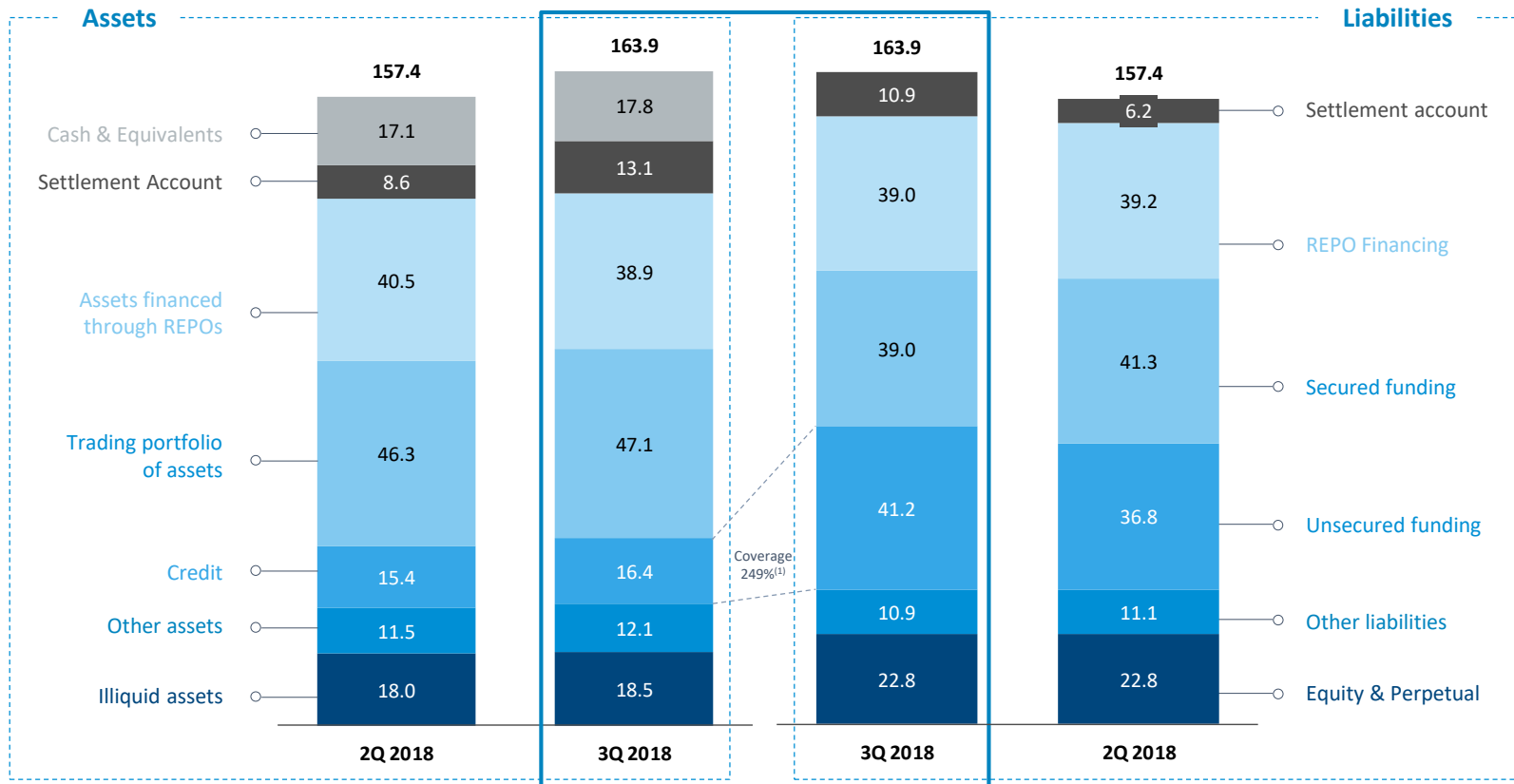
# BALANCE SHEET



## SECTION 3

# Balance Sheet Analysis

(In R\$ billion)

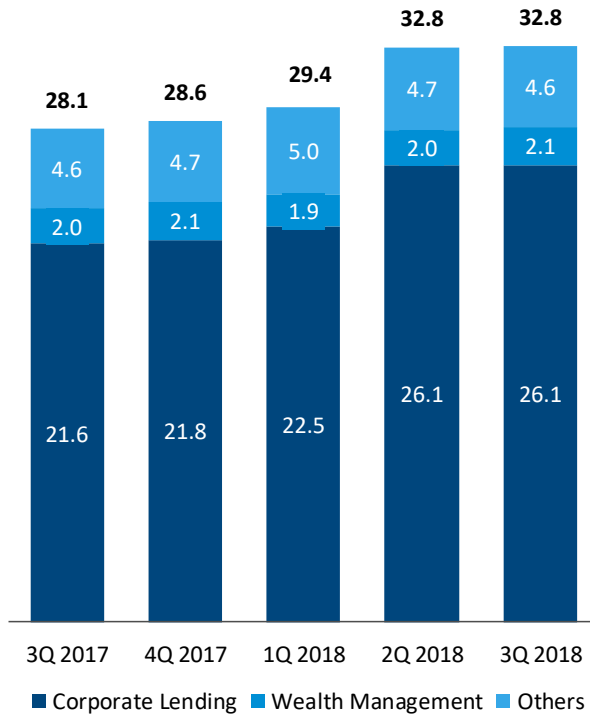


Note:

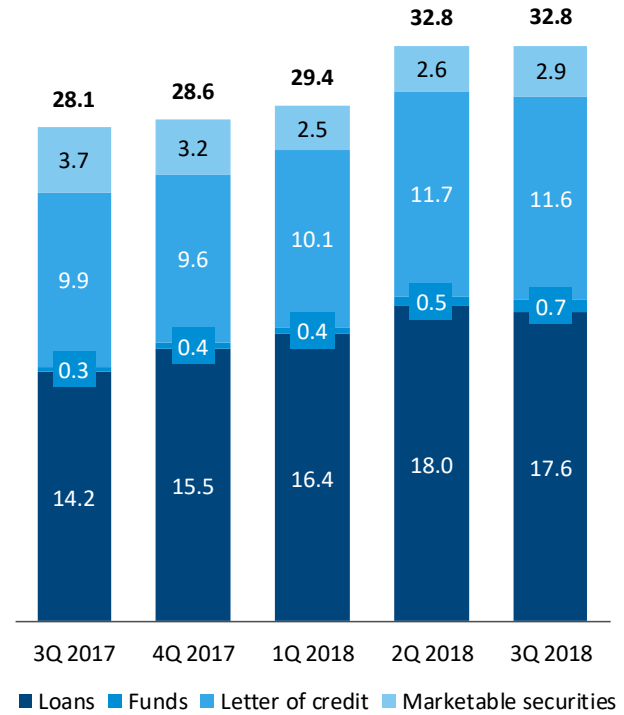
1. Excludes demand deposits

# Broader Credit Portfolio

**Broader Credit Portfolio by Area**  
(R\$ billion)



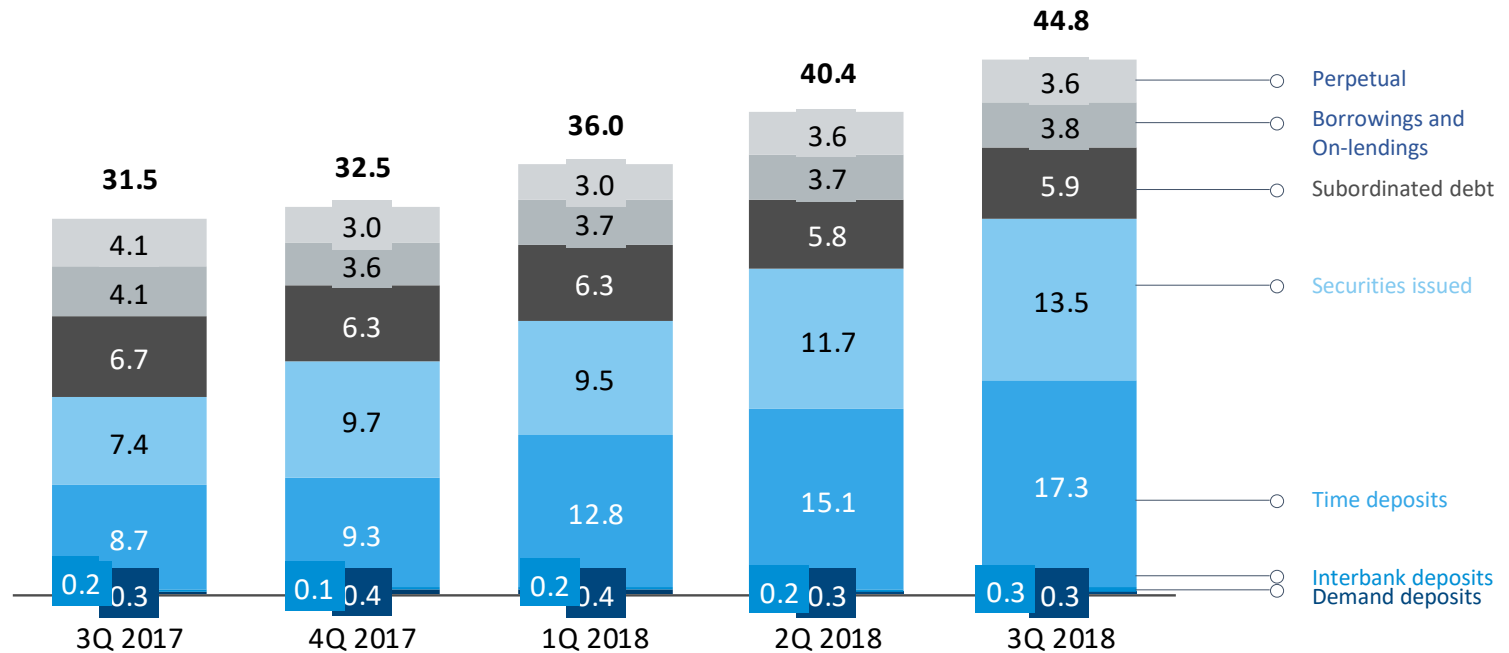
**Broader Credit Portfolio by Product**  
(R\$ billion)



# Unsecured Funding Base

Unsecured Funding Base increased 10.9%  
concentrated in Brazilian local deposits

(In R\$ billion)

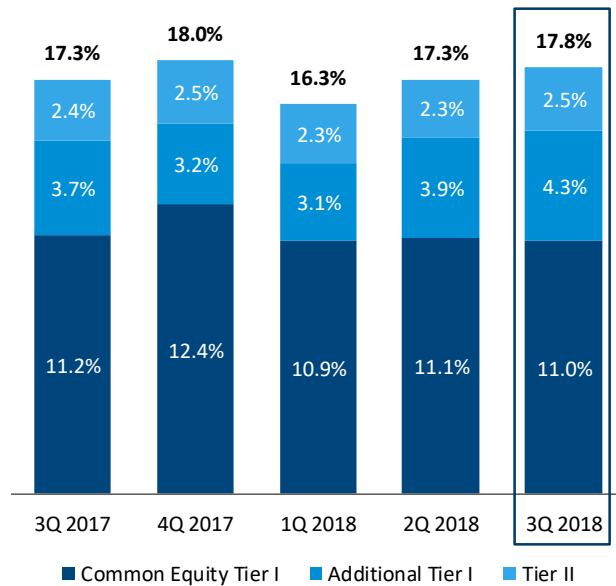


## Basel Ratio and VaR

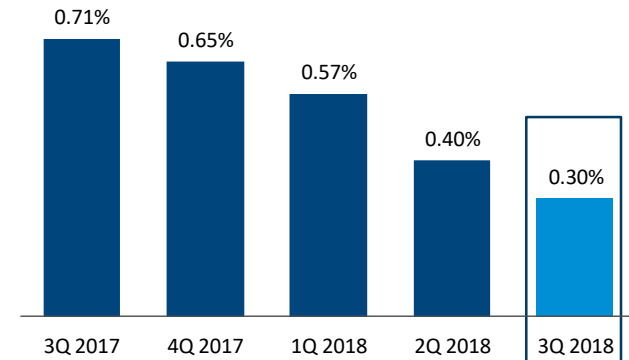
The BIS capital ratio increased to 17.8% at the end of 3Q 2018

The total average daily VaR decreased 23.5% when compared to 2Q 2018, mainly driven by a reduction in the overall market exposure due to higher volatility

### Basel Ratio (%)



### Average daily Trading VaR (% of average shareholders equity)





## Main Contacts

Investor Relations Team

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**Luciano Valle**

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