Banco BTG Pactual – Earnings Release

Second Quarter 2018

August 07, 2018

Highlights

Rio de Janeiro, Brazil, August 07, 2018 - Banco BTG Pactual S.A. ("Banco") and its respective subsidiaries, ("BTG Pactual") (B3: BPAC11) today reported total revenues of R$1,238.3 million and adjusted net income of R$685.1 million for the quarter ended June 30, 2018.

Adjusted Net income per unit, and annualized adjusted return on average shareholders' equity ("Annualized ROAE") of BTG Pactual, were R$ 0.78 and 14.5%, respectively, for the quarter ended June 30, 2018, and R$1.53 and 14.3%, respectively, for the year ended on such date.

As of June 30, 2018, the total assets of BTG Pactual were R$157.4 billion, an 7.6% increase when compared to March 31, 2018. The BIS capital ratio of BTG Pactual was 17.3%.

Banco BTG Pactual Financial Summary and Key Performance Indicators

Highlights and KPIs (unaudited)	Quarter			Year to Date	
(in R$ million, unless otherwise stated)	**2Q 2017**	**1Q 2018**	**2Q 2018**	**6M 2017**	**6M 2018**
Total revenues	851	1,310	1,238	2,512	2,549
Net income	503	600	622	1,223	1,223
Adjusted Net income	**603**	**660**	**685**	**1,446**	**1,345**
Adjusted Net income per unit (R$)	0.67	0.74	0.78	1.60	1.53
Annualized ROAE	**13.3%**	**14.2%**	**14.5%**	**16.2%**	**14.3%**
Cost to income ratio	58.5%	43.6%	47.1%	47.8%	45.3%
Shareholders' equity	18,079	18,702	19,219		
Total Number of Shares (# in '000)	2,711,615	2,660,485	2,639,502		
Number of Theoretical Units (# in '000)	**903,872**	**886,828**	**879,834**		
Book Value per unit (R$)	**20.0**	**21.1**	**21.8**		
BIS Capital Ratio	19.0%	16.3%	17.3%		
Total assets (in R$ Billion)	119.1	146.3	157.4		
AuM and AuA (in R$ Billion)	127.9	163.7	170.4		
WuM (in R$ Billion)	81.7	100.2	107.3		

BTG Pactual Performance

In 2Q 2018 we have achieved an annualized adjusted ROAE and adjusted net income of 14.5% and R$ 685.1 million, respectively, and for six months a 14.3% adjusted ROAE and R$ 1,345.4 mm adjusted net income.

The 2Q 2018 performance was very strong in most franchises, (i) IBD reporting a 90.7% growth over 1Q 2018 and 129.1% above the average of all 2017 quarters, a record high for a single quarter and finishing 2Q 2018 with leading year to date rankings, (ii) corporate lending delivered R$ 233.8 million in revenues and the portfolio grew R$3.5 billion (or 15.7%) quarter on quarter, and (iii) continuing significant NNM both in Asset and Wealth Management. On the other hand, Sales & Trading had a subpar performance, mainly due to our conservative risk allocation in light of the very challenging and volatile trading conditions in Brazil and, to a certain extent, globally. The latter with rebound in EFG performance, as most of the integration costs were completed, and ECTP posting a weak performance on the back of the challenging trading environment as mentioned above.

In the quarter, total revenues were almost flat when compared to 1Q 2018 and 45.5% higher when compared to 2Q 2017, while year to date revenues are 2% higher than first half of 2017. Our operating expenses reached R$583.7 million, a 2% increase when compared to 1Q 2018 and 17% above 2Q 2017, mostly attributable to the Real depreciation. Consequently, our cost income ratio was 47.1% and 45.3%, and compensation ratio 22.1% and 22.2%, respectively for the 2Q 2018 and the year. When adjusted for non-recurring items and goodwill, 2Q 2018 cost income ratio was 40.3%.

As a result, our accounting net income reached R$622.5 million in 2Q 2018, a 3.7% increase when compared to 1Q 2018 and a 23.9% increase when compared to 2Q 2017. For the year, our accounting net income is flat, when compared to last year.

Our shareholders' equity increased 2.8% and reached R$19.2 billion at the end of 2Q 2018 compared to R$18.7 billion at the end of 1Q 2018. When compared to the end of 2Q 2017, our shareholders' equity increased 6.3%, then taking into account the R$1.2 billion interest on equity distributed to shareholders during the period. Basel index was 17.3% in the quarter ended June 2018 and our reported liquidity coverage ratio ("LCR") was 123%.

AuM and AuA ended 2Q 2018 with strong growth at R$170.4 billion, a 4.1% increase when compared to end of 1Q 2018, and WuM also followed that strong performance and ended the period at R$107.3 billion, a 7.1% increase when compared to 1Q 2018. Both business units' managed assets grew above 30% in the last 12 months.

Adjusted Net Income and ROAE (unaudited)	2Q 2018 Accounting	Non Recurring Items & Goodwill	2Q 2018 Adjusted	6M 2018 Adjusted
Investment banking	209.9		209.9	320.0
Corporate lending	233.8		233.8	404.7
Sales and trading	267.2		267.2	817.9
Asset management	148.9		148.9	273.7
Wealth management	123.3		123.3	227.0
Principal investments	55.7		55.7	151.5
Participations	46.2		46.2	40.6
Interest and other	153.3		153.3	313.2
Total revenues	**1,238.3**	**0.0**	**1,238.3**	**2,548.5**
Bonus	(122.1)		(122.1)	(265.4)
Salaries and benefits	(151.9)		(151.9)	(299.6)
Administrative and other	(218.0)	48.9	(169.0)	(322.8)
Goodwill amortization	(35.7)	35.7	0.0	0.0
Tax charges, other than income tax	(56.0)		(56.0)	(99.7)
Total operating expenses	**(583.7)**	**84.6**	**(499.1)**	**(987.5)**
Income before taxes	**654.7**	**84.6**	**739.3**	**1,561.0**
Income tax and social contribution	(32.2)	(22.0)	(54.2)	(215.7)
Net Income	**622.5**	**62.6**	**685.1**	**1,345.3**
Effective income tax rate	**4.9%**	**26.0%**	**7.3%**	**13.8%**
Equity no início do trimestre	**18,702**		**18,702**	**18,528**
Equity no término do trimestre	**19,219**		**19,219**	**19,219**
Average equity no trimestre	**18,961**		**18,961**	**18,873**
Annualized ROAE	**13.1%**		**14.5%**	**14.3%**

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$41.3 million and one-off legal expenses of R$7.7 million in BTG Pactual
Goodwill: Mainly related to EFG / BSI

Global Market and Economic Analysis

The US economy continued to grow at a quite robust - above potential pace in 2Q 2018 and US consumer inflation firmed up further. Core inflation is now running at the vicinity of the Federal Reserve's target, while headline inflation is running even higher thanks to rising oil prices, a reflection of tight market conditions and rising geopolitical tensions in some key oil-producing countries. In this context, the FOMC raised the Fed funds rate by 25 basis-points in June, as expected, while reaffirming its scenario of gradual additional and steady tightening in the coming couple years. Growth in the Euro zone economy, on the other hand, decelerated in the quarter. In the political arena, there were events of uncertainty in Spain, Germany and Italy, with the latter still posing lingering issues. While headline inflation also rose in the Euro area due to oil prices, core inflation remains far from the target. The ECB announced the tapering of the Quantitative Easing program in 4Q 2018 while maintaining a relatively dovish forward guidance with regards to interest rates.

US foreign trade policy tensions increased in 2Q 2018, with China as a primary target. This shock comes at a point where Chinese growth was already facing moderate downward pressure from domestic policies to contain financial risk and over-investment. The Chinese yuan depreciated at an unusually fast pace in the last fortnight of June, both against the USD and a broader basket of relevant currencies, raising some concerns among investors.

The US dollar was strong across the board in 2Q 2018. The DXY index, for example, increased 5% in the quarter. Within the emerging markets space, the currencies of those countries with relatively vulnerable fundamentals (large fiscal and/or external imbalances, high political uncertainty, etc) were hit especially hard. Argentina, Brazil, Turkey and South Africa were part of this group. Fixed income and equity markets sold off in sympathy with the currency in those and other EM countries, contributing to a tightening of financial conditions that, we believe, will weight on their growth prospects in the coming quarters.

In Brazil, on the economic activity front, the truckers strike had a significant negative impact on short term figures. Market expectations for 2018 GDP have fallen to 1.5% from 2.84% in the previous quarter. Our 2018 growth forecast has been revised down to 1.4% from 1.9%. For 2Q, preliminary estimates point to a modest 0.1% q/q (+0.95% y/y) expansion, with falling investment and stable household consumption. The main factors influencing the revision were (1) the negative impact of the halt in transportation activities in 2Q activity, (2) a worsening of financial conditions and (3) downward revisions to this year's agricultural output. For 2019, uncertainty remains elevated as the economic activity outlook will depend on the outcome of 2018's presidential elections and the agenda of reforms to be implemented. Our preliminary exercises suggest GDP advancing 2% in 2019.

Consumer price inflation was also heavily affected by the nationwide truck driver strike. IPCA inflation jumped from 2.86% y/y in May to 4.39% y/y in June due to the interruption of supply chains, sparking shortages of fuel and food. Nonetheless, the rise was temporary and without signs that the inflationary process has been persistently contaminated. Thus, July's mid-month IPCA print, as well as wholesale inflation indices, have already given clear evidence that most direct price hikes deriving from the strike are already being reversed. With June's IPCA, our YE18 IPCA forecast was increased to 4.1%. Regarding monetary policy, considering that inflation expectations remain well anchored, the Selic rate is expected to remain unchanged at 6.5% p.a. for the remainder of the year.

On the fiscal front, the 12-month consolidated public-sector primary deficit decreased to R$96bn (-1.4% of GDP) in May, however, measures of the recurring primary accounts still suggest a wider deficit (~-2.7% of GDP). Large social security deficit continues being the main challenge. The truckers' strike also reduced the margin for the government to meet this year's primary deficit target (-R$159 billion), given the concessions offered to end the strike. That said, meeting this year's fiscal target still seems, in our opinion, a feasible task. For its part, gross debt reached 77% of GDP (vs. 72.4% in the same period last year). Considering (recently revised) growth forecasts, low interest rates and the repayment of past transfers to the BNDES back to the Treasury, FY18 gross debt should stand above late 2017 levels. Given the challenges in terms of the long-term fiscal consolidation process, the focus continues being related towards the fate of the reforms that must be implemented by the next administration to get mandatory expenditures under control.

Consolidated Adjusted Revenues

Revenues in 2Q 2018 decreased 5% when compared to 1Q 2018 and increased 46% when compared to 2Q 2017.

Adjusted Revenues (unaudited)	Quarter			2Q 2018 % change to		Year to Date		6M 2018 % change to
(in R$ million, unless otherwise stated)	2Q 2017	1Q 2018	2Q 2018	2Q 2017	1Q 2018	6M 2017	6M 2018	6M 2017
Investment Banking	19	110	210	988%	91%	172	320	86%
Corporate Lending	289	171	234	-19%	37%	444	405	-9%
Sales & Trading	154	551	267	74%	-51%	740	818	11%
Asset Management	107	125	149	39%	19%	214	274	28%
Wealth Management	89	104	123	38%	19%	176	227	29%
Principal Investments	(32)	96	56	n.a.	-42%	81	151	86%
Participations	(112)	(6)	46	n.a.	n.a.	(35)	41	n.a.
Interest & Others	335	160	153	-54%	-4%	720	313	-56%
Total revenues	**851**	**1,310**	**1,238**	**46%**	**-5%**	**2,512**	**2,549**	**1%**

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)		
	2Q 2017	1Q 2018	2Q 2018	2Q 2017	1Q 2018	2Q 2018
Financial Advisory (M&A) (4)	4	11	5	1,106	2,141	5,727
Equity Underwriting (ECM)	4	3	8	228	327	1,174
Debt Underwriting (DCM)	8	11	7	2,070	1,203	689

BTG Pactual Announced Transactions (unaudited)	Number of Transactions (1),(3)		Value (2),(3) (US$ mln)	
	6M 2017	6M 2018	6M 2017	6M 2018
Financial Advisory (M&A) (4)	14	16	5.339	7.868
Equity Underwriting (ECM)	11	11	2.871	1.502
Debt Underwriting (DCM)	15	18	4.631	1.892

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

Note:

(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) Local DCM transactions were converted to U.S. Dollars using the end of quarter exchange rates.

(3) Market data from previous quarters might vary in all products, due to potential inclusion and exclusions.

(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 2Q 2018 market share highlights

M&A: #2 in number of transactions in Brazil and #3 in Latin America

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

2Q 2018 vs. 1Q 2018

Investment Banking revenues reached our best quarter ever, with revenues of R$210 million, a 90.7% increase compared to the 1Q 2018. Revenue increase is attributed mainly to strong ECM revenues, with significant growth in market activity and our continuing market leading position. Financial Advisory also increased driven by higher volume of transactions being closed in the period, while market activity also picked-up. DCM continues to perform well, with revenues in line with the previous quarter.

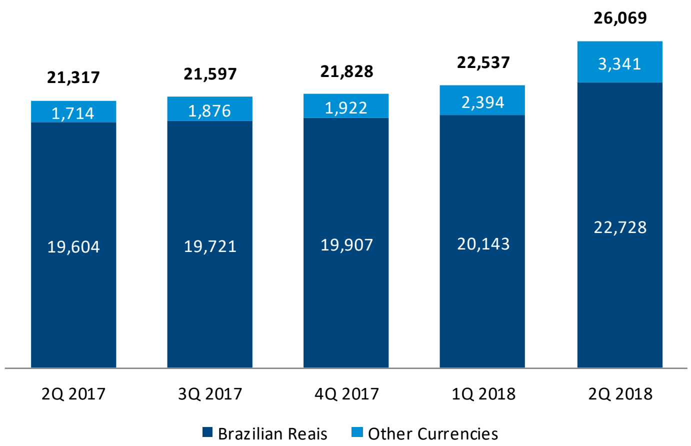
2Q 2018 vs. 2Q 2017

Investment banking revenues increased almost 10 times when comparing 2Q 2018 and 2Q 2017. The increase was basically driven by a strong performance in all business lines.

Corporate Lending

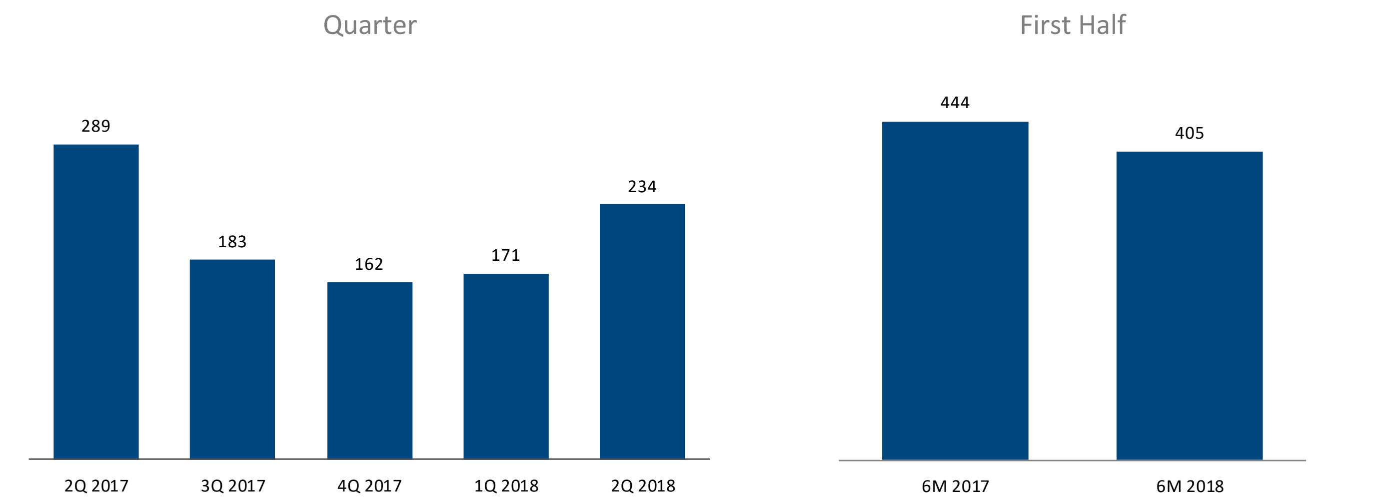
During the quarter, our corporate lending book grew by R$3.5 billion, when compared to 1Q 2018. The corporate lending growth is in line with our strategy to increase balance sheet deployment and regain market share in the segment.

Corporate Lending Portfolio
(in R$ million)



Revenues

(in R$ million)



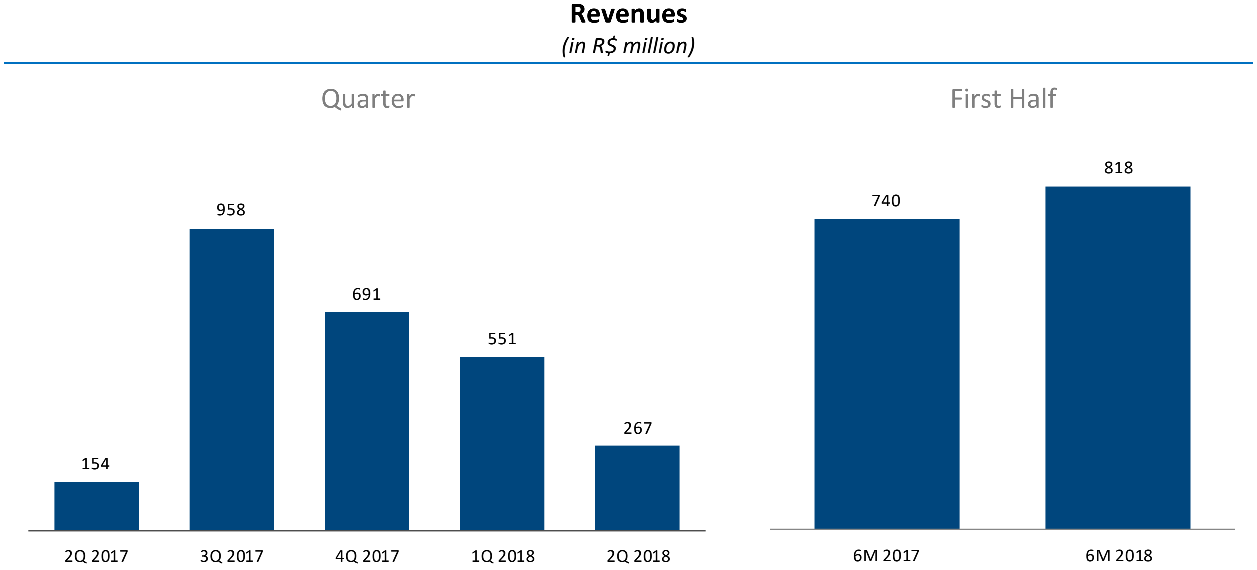
2Q 2018 vs. 1Q 2018

Revenues from Corporate Lending increased 37% from R$170.9 million in 1Q 2018 to R$233.8 million in 2Q 2018, impacted mainly by a good performance of our NPL portfolios, in comparison to a muted 1Q 2018, and to the 15.7% increase in the average corporate lending book.

2Q 2018 vs. 2Q 2017

Revenues from corporate lending decreased 19.1% from $288.9 million in 2Q 2017 to R$233.8 million in 2Q 2018. The decrease was mainly due to higher provision for loan losses in 2Q 2018 in the NPL portfolios.

Sales & Trading



2Q 2018 vs. 1Q 2018

Sales & Trading revenues were R$267.2 million in 2Q 2018 compared to R$550.6 million in 1Q 2017, a 51.5% decrease. This decrease was driven mainly by weaker revenues especially from our Equities desk impacted by volatile trading conditions in Brazil. Rates and Energy desks also had lower revenue contribution. On the other hand, our FX desk had strong performance and higher revenues than 1Q2018, continuing the good performance for the year. Rates and equities brokerage were sound and grew 16% when compared to last quarter.

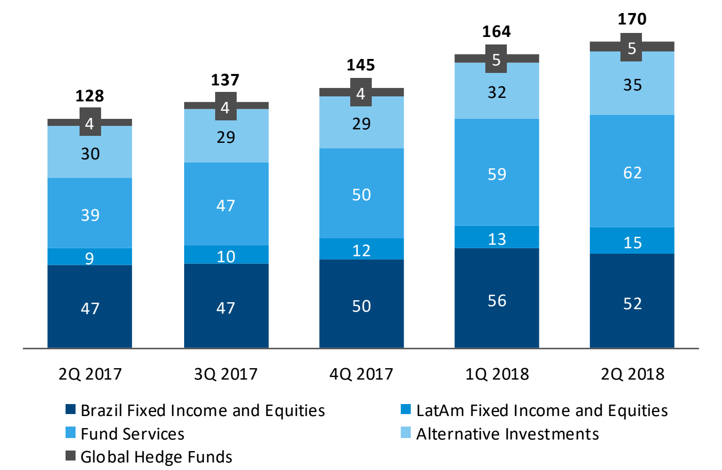
2Q 2018 vs. 2Q 2017

Sales & Trading revenues increased 73.5%, from R$154 million to R$267.2 million. Both quarters were relatively weak and this increase was mainly due to better performance from our FX desk, as explained above, compared to weak revenues in 2Q 2017.

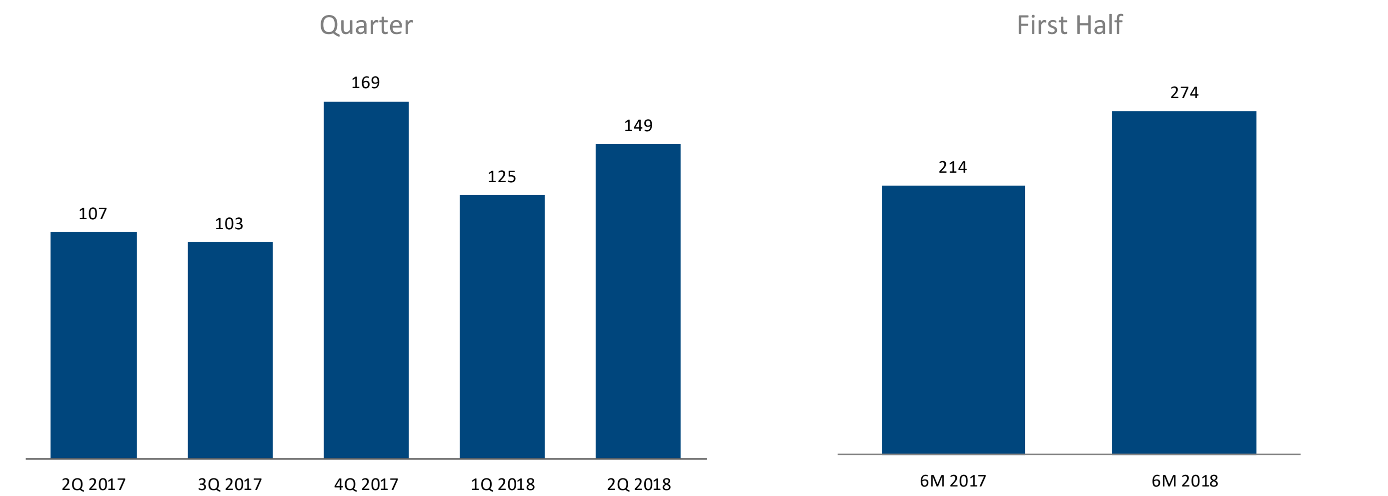
Asset Management

In 2Q 2018, our Assets under Management and Assets under Administration increased to R$170.4 billion, up 4% from R$163.7 billion in the previous quarter. We continued to receive significant inflows across Latin America, which, we believe, attests to the strong recovery of our franchise, resulting in a positive net new money of R$5.1 billion during the quarter. Flows were positive across all lines and particularly strong in Brazil and LatAm fixed income and equities, and fund services.

AuM & AuA by Asset Class
(in R$ billion)



Revenues
(in R$ million)



2Q 2018 vs. 1Q 2018

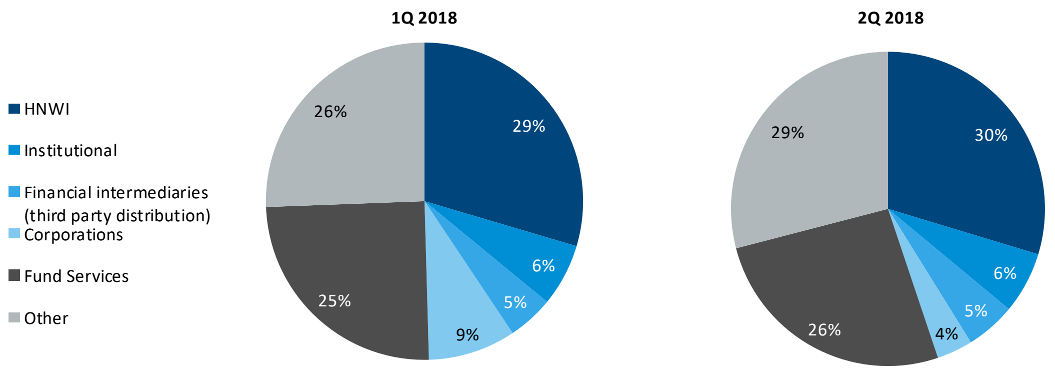
Asset management revenues grew 19.3% compared to the 1Q 2018, reaching R$148.9 million. The growth was almost entirely due to management fees received, mainly in Brazil and LatAm's Fixed Income and Equities funds, in line with the increase in average AuM/AuA.

2Q 2018 vs. 2Q 2017

Asset Management revenues increased 38.8% from R$107.3 million in 2Q 2017 to R$148.9 million in 2Q 2018. The increase was mainly attributable to a 33.2% growth of the average AuM / AuA in the period, especially in Brazil and LatAm's Fixed Income and Equities funds.

AuM and AuA by Type of Client

(%)

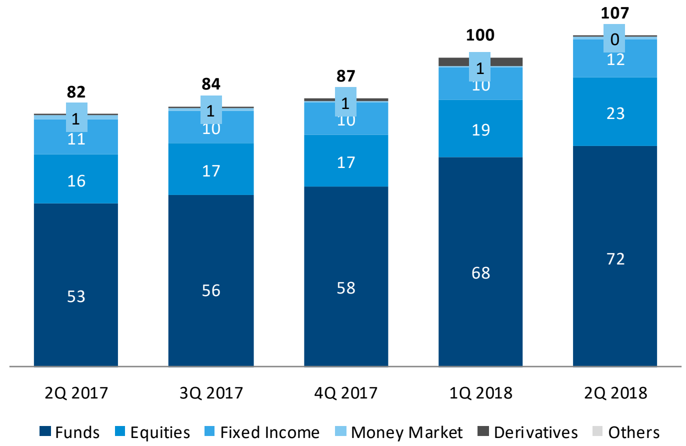


Wealth Management

During the quarter, our Wealth under Management increased 7.1% from R$100.2 billion in 1Q 2018 to R$107.3 billion in 2Q 2018. We continued to receive significant inflows in most products, leading to a Net new money of R$5.6 billion.

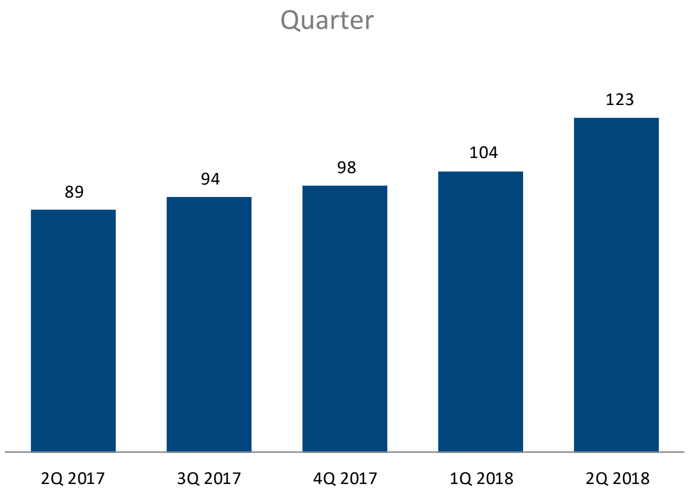
WuM breakdown

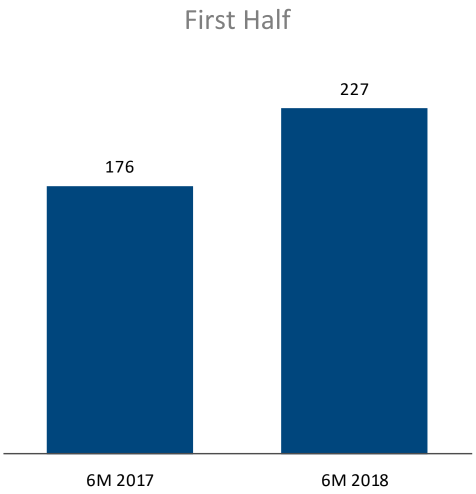
(in R$ billion)



Revenues

(in R$ million)





2Q 2018 vs. 1Q 2018

Wealth Management revenues increased 18.8% compared to 1Q 2018, from R$103.7 million to R$123.3 million. The revenue increase was in line with the increase in average WuM and distributed across all the revenues lines, particularly brokerage and trading spreads impacted by NWP acquisition.

2Q 2018 vs. 2Q 2017

Revenues from Wealth Management increased 38.2%, from R$89.2 million to R$123.3 million. The increase was mainly due to the 31.3% increase in WuM, impacting mostly fees from investment funds and increase trading volumes.

Principal Investments

Principal Investments Revenues (preliminary and unaudited)	Quarter			2Q 2018 % change to		Full Year		6M 2018 % change to
(in R$ million, unless otherwise stated)	2Q 2017	1Q 2018	2Q 2018	2Q 2017	1Q 2018	6M 2017	6M 2018	6M 2017
Global Markets	17	6	(54)	n.a.	n.a.	30	(48)	n.a.
Merchant Banking	(28)	106	134	n.a.	26%	84	240	184%
Real Estate	(21)	(16)	(24)	n.a.	n.a.	(33)	(40)	n.a.
Total	**(32)**	**96**	**56**	**n.a.**	**-42%**	**81**	**151**	**86%**

2Q 2018 vs. 1Q 2018

Our Principal Investments revenues decreased 41.8% compared to 1Q 2018, from R$95.8 million to R$55.7 million.

In the quarter, (i) Global Markets results had losses of R$54.2 million, mostly due to challenging and volatile markets in the quarter, (ii) Merchant Banking had positive equity pick up from investments, mainly driven by positive contribution from Investment in Petro Africa, partially compensated by MTM in Eneva, and (iii) Real Estate had a negative contribution mainly due to internal funding cost allocation.

2Q 2018 vs. 2Q 2017

Our Principal Investments presented gains of R$55.7 million in 2Q 2018 and losses of R$32 million in the 2Q 2017, mostly resulting from equity pick-up from investments, while in 2Q 2017 we recorded losses in Merchant Banking.

Participations

2Q 2018 vs. 1Q 2018

In Participations, we had gains of R$46.2 million mostly due to positive results in EFG and Banco Pan. 2Q 2018 composed of (i) R$24.6 million gains from Banco Pan, (ii) R$4.7 million gains from Pan Seguros and Pan Corretora, (iii) R$53.5 million gains from EFG, and (iv) R$36.5 million losses from ECTP. In 1Q 2018, we had losses of R$5.6 million, mostly driven by EFG.

2Q 2018 vs. 2Q 2017

Participations gains were R$46.2 million, as noted above. In 2Q 2017 we had negative revenue of R$111.6 million, mostly driven by ECTP equity pick-up.

Interest & Others

2Q 2018 vs. 1Q 2018

Interest & Others revenues were R$153.3 million in 2Q 2018, compared to R$159.9 million in 1Q 2018. This is in line with the decrease in the average interest rate of the Central Bank of Brazil, from 6.8% to 6.5% in the period, which is applied to our equity.

2Q 2018 vs. 2Q 2017

Revenues from Interest & Others decreased 54% in the period, mainly due to the decrease in the average interest rate from 10.25% to 6.5%, partially compensated by the 6% increase in shareholder's equity.

Adjusted Operating Expenses

Adjusted Operating Expenses (unaudited)	Quarter			2Q 2018 % change to		Year to Date		6M 2018 % change to
(in R$ million, unless otherwise stated)	2Q 2017	1Q 2018	2Q 2018	2Q 2017	1Q 2018	6M 2017	6M 2018	6M 2017
Bonus	(65)	(143)	(122)	89%	-15%	(269)	(265)	-1%
Salaries and benefits	(133)	(148)	(152)	15%	3%	(265)	(300)	13%
Administrative and other	(214)	(205)	(218)	2%	6%	(394)	(423)	7%
Goodwill amortization	(64)	(32)	(36)	-44%	13%	(161)	(67)	-58%
Tax charges, other than income tax	(23)	(44)	(56)	149%	28%	(111)	(100)	-10%
Total operating expenses	**(498)**	**(572)**	**(584)**	**17%**	**2%**	**(1,200)**	**(1,155)**	**-4%**
Cost to income ratio	58%	44%	47%	-19%	8%	48%	45%	-5%
Compensation ratio	23%	22%	22%	-5%	0%	21%	22%	4%
Total number of employees	2,011	2,103	2,140	6%	2%	2,011	2,140	6%
Partners and associate partners	219	238	236	8%	-1%	219	236	8%
Employees	1,792	1,865	1,904	6%	2%	1,792	1,904	6%

Bonus

Bonus expense was R$122.1 million in 2Q 2018, compared to an expense of R$143.3 million in 1Q 2018, and an expense of R$64.7 million in 2Q 2017. 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 1Q 2018 and 2Q 2017. Expenses related to salaries and benefits were R$147.7 million in 1Q 2018 and R$132.6 million in 2Q 2017, compared to R$151.9 million in 2Q 2018, mostly connected to new hires at BTG Pactual Digital, and FX impact over dollar denominated salaries.

Administrative and other

Total administrative and other expenses increased 6%, from R$205.4 million in 1Q 2018 to R$218 million in 2Q 2018, mainly impacted by non-recurring legal fees and FX impact over dollar denominated expenses. When compared to 2Q 2017, the expenses remained stable.

Goodwill amortization

In 2Q 2018, we recorded goodwill amortization expenses totaling R$35.7 million, mostly driven by the EFG/BSI amortization. Goodwill amortization grew 13.2% when compared to 1Q 2018, due to impacts of exchange rate variation, and reduced 44.2% when compared to 2Q 2017.

Tax charges, other than income tax

Tax charges, other than income tax, were R$56.0 million or 4.5% of total revenues compared to R$43.7 million in 1Q 2018 or 3.3% of total revenues.

Adjusted Income Taxes

Adjusted Income Tax (unaudited) *(in R$ million, unless otherwise stated)*	Quarter			Year to Date	
	2Q 2017	1Q 2018	2Q 2018	6M 2017	6M 2018
Income before taxes	353	739	655	1,312	1,393
Income tax and social contribution	149	(138)	(32)	(90)	(170)
Effective income tax rate	**-42.2%**	**18.7%**	**4.9%**	**6.8%**	**12.2%**

Our effective income tax rate for the quarter was 4.9% (representing an income tax expense of R$32.2 million). Our effective income tax rate was 18.7% (an income tax expense of R$138.2 million) in 1Q 2018, and -42.2% (an income tax gain of R$149.2 million) in 2Q 2017.

Balance Sheet

Our total assets increased 7.6%, from R$146.3 billion at the end of 1Q 2018 to R$157.4 billion at the end of 2Q 2018, mainly due to a increase in our assets financed through repos and our Trading Portfolio. In addition, our total credit portfolio had a 12.1% increase in the 2Q 2018 and our leverage ratio increased to 8.2x from 7.8x in the previous quarter.

On the liability side, our repo financing and our Trading Portfolio Liabilities increased, both in line with the increase in our assets, as mentioned above. There was also a 12.3% increase in our unsecured funding, reaching R$ 40.4 billion in the end of 2Q 2018.

Our shareholders' equity increased, from R$18.7 billion at the end of 1Q 2018 to R$19.2 billion at the end of 2Q 2018, mainly due to the net income of R$ 622.5 million in the quarter, partially offset by our stock repurchase program of R$146.4 and by other comprehensive income.

Risk and Capital Management

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

Market Risk – Value-at-risk

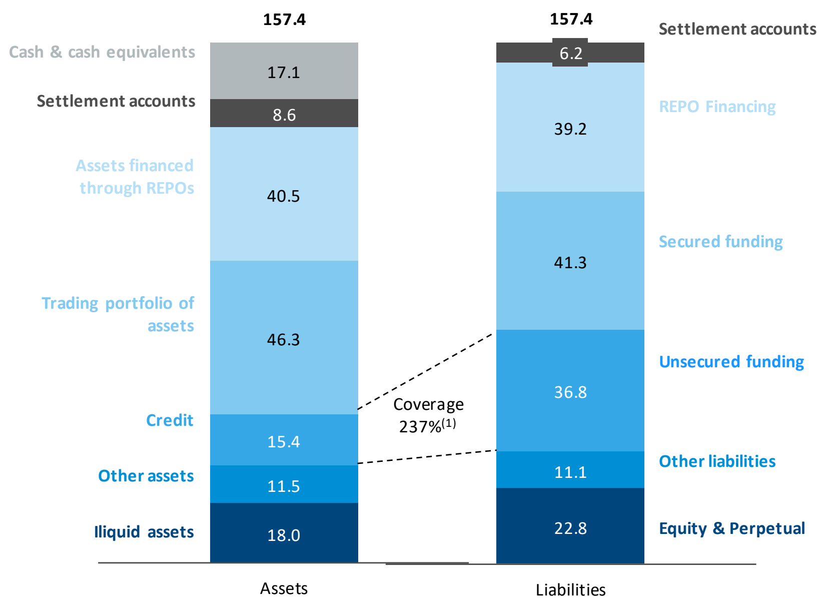
Value-at-risk (unaudited) *(in R$ million, unless otherwise stated)*	Quarter		
	2Q 2017	1Q 2018	2Q 2018
Total average daily VaR	**103.4**	**105.5**	**75.4**
Average daily VaR as a % of average equity	0.57%	0.57%	0.40%

Our total average daily VaR decreased 28.5% when compared to 1Q 2018. The decrease in the average daily VaR was mainly driven by Brazilian equities desks impacted by volatile trading conditions in the market.

Liquidity Risk Analysis

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

Summarized Balance Sheet (unaudited)
(in R$ billion)



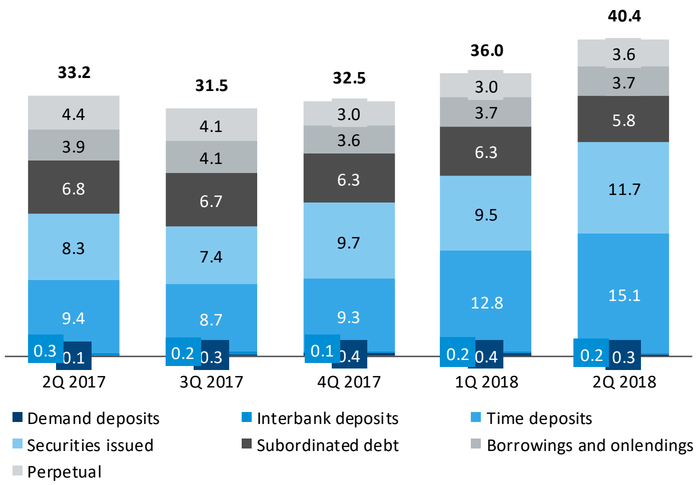
Note:
(1) Excludes demand deposits

Unsecured Funding Analysis

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

Unsecured Funding Evolution (unaudited)

(in R$ billion)



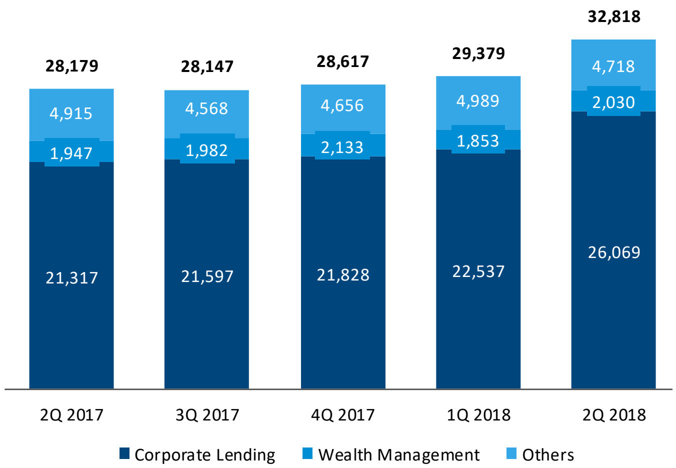
Our total unsecured funding increased 12.3%, from R$36.0 billion in 1Q 2018 to R$40.4 billion in 2Q 2018 mainly due to a strong increase in securities issued of R$2.2 billion and time deposits of R$ 2.2 billion. In addition, there was also a positive impact of exchange rate variation.

BTG Pactual Broader Credit Portfolio

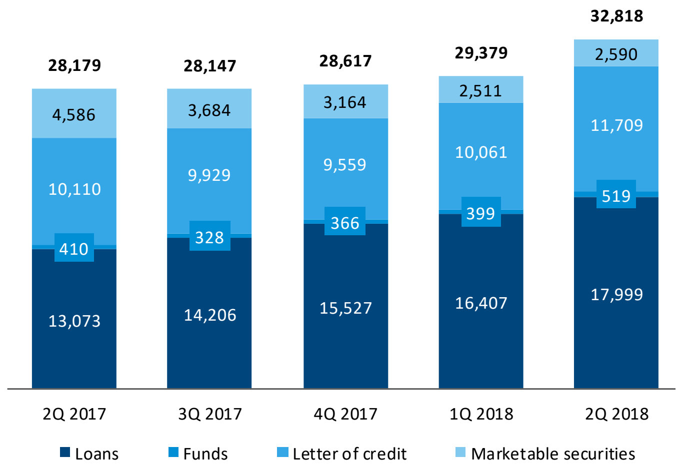
Our broader credit portfolio is comprised of loans, receivables, advances in foreign exchange contracts, letters of credit and marketable securities bearing credit exposures (including debentures, promissory notes, real estate bonds, and investments in credit receivable funds – FIDCs).

At quarter end, the balance of our broader credit portfolio increased 12% from R$29.4 billion in 1Q 2018 to R$32.8 billion in 2Q2018.

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



Broader Credit Portfolio By Product
(in R$ million)



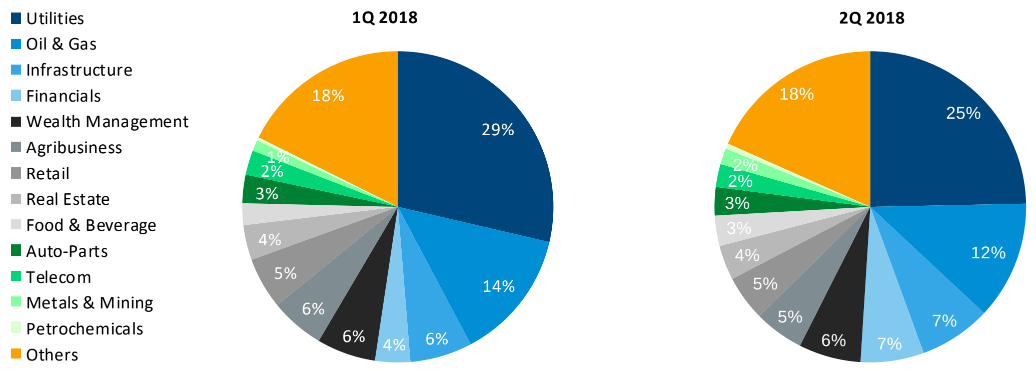
Notes:

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

(2) 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, by credit rating, of our credit exposures as of June 30, 2018. The rating shown below reflects our internal ratings assessment, consistently applied following the Brazilian Central Bank standard ratings scale:

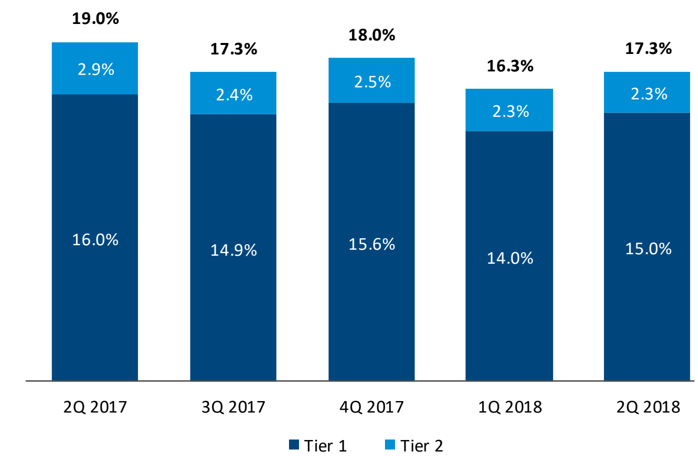
Rating (unaudited) (in R$ million)	2Q 2018
AA	16,460
A	6,309
B	3,475
C	2,603
D	2,310
E	493
F	548
G	420
H	199
Total	**32,818**

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 17.3% at the end of 2Q 2018. Our liquidity coverage ratio (LCR) ended the quarter at 123%.

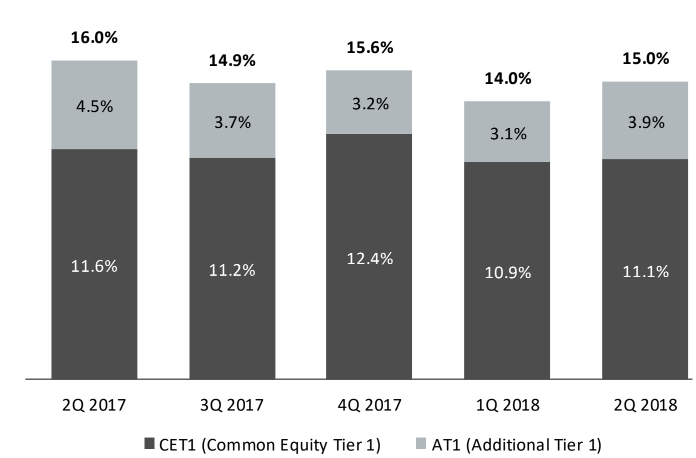
Basel Ratio (unaudited)

(%)



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 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			2Q 2018 % change to	
	2Q 2017	1Q 2018	2Q 2018	2Q 2017	1Q 2018
Assets					
Cash and bank deposits	1,049	7,293	2,737	161%	-62%
Interbank investments	29,726	40,949	49,256	66%	20%
Marketable securities and derivatives	39,599	45,465	42,457	7%	-7%
Interbank transactions	1,860	1,187	2,247	21%	89%
Loans	11,125	14,032	16,322	47%	16%
Other receivables	29,560	31,690	38,248	29%	21%
Other assets	198	78	210	6%	168%
Permanent assets	5,996	5,639	5,940	-1%	5%
Total assets	**119,113**	**146,334**	**157,416**	**32%**	**8%**
Liabilities					
Deposits	8,537	19,043	17,825	109%	-6%
Open market funding	32,801	41,992	54,714	67%	30%
Funds from securities issued and accepted	8,942	10,131	12,427	39%	23%
Interbank transactions	3	230	151	4553%	-34%
Loans and onlendings	3,902	5,202	5,314	36%	2%
Derivatives	13,371	13,556	6,158	-54%	-55%
Subordinated liabilities	6,797	6,341	5,836	-14%	-8%
Other liabilities	26,386	30,861	35,494	35%	15%
Deferred income	156	110	148	-5%	34%
Shareholders'equity	**18,079**	**18,702**	**19,219**	**6%**	**3%**
Non-controlling interest	138	166	129	-7%	-23%
Total liabilities	**119,113**	**146,334**	**157,416**	**32%**	**8%**

Adjusted Income Statement (unaudited) (in R$ million, unless otherwise stated)	Quarter			2Q 2018 % change to		Year to Date		6M 2018 % change to
	2Q 2017	1Q 2018	2Q 2018	2Q 2017	1Q 2018	6M 2017	6M 2018	6M 2017
Investment Banking	19	110	210	988%	91%	172	320	86%
Corporate Lending	289	171	234	-19%	37%	444	405	-9%
Sales & Trading	154	551	267	74%	-51%	740	818	11%
Asset Management	107	125	149	39%	19%	214	274	28%
Wealth Management	89	104	123	38%	19%	176	227	29%
Principal Investments	(32)	96	56	n.a.	-42%	81	151	86%
Participations	(112)	(6)	46	n.a.	n.a.	(35)	41	n.a.
Interest & Others	335	160	153	-54%	-4%	720	313	-56%
Total revenues	**851**	**1,310**	**1,238**	**46%**	**-5%**	**2,512**	**2,549**	**1%**
Bonus	(65)	(143)	(122)	89%	-15%	(269)	(265)	-1%
Salaries and benefits	(133)	(148)	(152)	15%	3%	(265)	(300)	13%
Administrative and other	(214)	(205)	(218)	2%	6%	(394)	(423)	7%
Goodwill amortization	(64)	(32)	(36)	-44%	13%	(161)	(67)	-58%
Tax charges, other than income tax	(23)	(44)	(56)	149%	28%	(111)	(100)	-10%
Total operating expenses	**(498)**	**(572)**	**(584)**	**17%**	**2%**	**(1,200)**	**(1,155)**	**-4%**
Income before taxes	**353**	**739**	**655**	**85%**	**-11%**	**1,312**	**1,393**	**6%**
Income tax and social contribution	149	(138)	(32)	-122%	-77%	(90)	(170)	90%
Net Income	**503**	**600**	**622**	**24%**	**4%**	**1,223**	**1,223**	**0%**

Income Statement (unaudited) (in R$ million, unless otherwise stated)	Banco BTG Pactual S.A.	
	1Q 2018	2Q 2018
Financial income	2,439	2,380
Financial expenses	(1,407)	(2,337)
Gross financial income	**1,032**	**43**
Other operating income (expenses)	(156)	276
Operating income (expenses)	**876**	**319**
Non-operating income/(expenses)	7	128
Income before taxes and profit sharing	**884**	**447**
Income and social contribution taxes	(156)	282
Statutory profit sharing	(124)	(106)
Non-controlling interest	**(3)**	**(1)**
Net income	**600**	**622**

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 - Second Quarter 2018

August 7th, 2018 (after market closes)

English Conference Call

August 8th, 2018 (Wednesday)
12:00 PM (New York) / 13:00 (Brasília)
Phone: +1 (412) 317-5446

Code: BTG Pactual

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

Code: 10119782

Portuguese Conference Call

August 8th, 2018 (Wednesday)
10:00 AM (New York) / 11:00 AM (Brasília)
Phone: +55 (11) 3193-8000 / +55 (11) 2188-0155

Code: BTG Pactual

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

Code: BTG Pactual

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

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

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