

# 3Q18

**MARKET CAPITALIZATION**

R\$48.2 billion on Sep 30, 2018

R\$52.6 billion on Nov 8, 2018

**SHARE COUNT**

Weighted avg: 2,039,194,269

End of period: 2,043,978,062

**STOCK PERFORMANCE**

Quarter ending in Sep'18: 14.4%

**CONFERENCE CALL (English)**

Date: November 9, 2018

Time: 1 p.m. (BrT) / 10 a.m. (NYT)

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**Live webcast and presentation:**
<http://choruscall.com.br/b3/3q18.htm>

**São Paulo, Brazil, November 8, 2018.** B3 S.A. – Brasil, Bolsa, Balcão (“B3” or “Company”; ticker: B3SA3) reported today its third-quarter earnings for the period ending on September 30, 2018 (3Q18). Total revenues reached R\$1,272.5 million, an 8.7% increase over the third quarter of 2017 (3Q17), while recurring EBITDA<sup>1</sup> amounted R\$776.2 million, growth of 16.2%, showing the Company’s operational leverage. The Company’s recurring net income<sup>2</sup> in 3Q18 was R\$613.4 million.

B3 reaffirms its previously announced 2018 guidance for adjusted expenses<sup>3</sup> (OPEX), depreciation and amortization (D&A), revenue-linked expenses and adjusted capital expenditures<sup>4</sup> (CAPEX), as follows:

- Adjusted OPEX: R\$960 – R\$1,000 million;
- D&A: R\$910 – 980 million;
- Revenue-linked expenses: R\$200 – 220 million
- CAPEX: R\$220 - 250 million.

Other B3’s guidance for 2018 can be found in the [Material Fact disclosed on May 10, 2018](#).

**Chief Executive Officer of B3, Gilson Finkelsztain**, said: “We are pleased with the growth we have seen in many of our business. We have focused our efforts on consolidating a corporate culture that continues to privilege proximity to our clients and their satisfaction, operational excellence of our services and ability to innovate. These attributes will be indispensable for B3 to continuously follow and stimulate the development and sophistication of the Brazilian financial and capital markets. Accordingly, in August we released a roadmap that contemplates more than 40 products and services to be delivered until the end of 2019 aiming to address the most important demands from our clients.”

**Chief Financial and Investor Relations Officer, Daniel Sonder**, added: “In the third quarter, the performance of markets in which we operate was directly impacted by volatility. We showed solid performance across our diversified business, and robust cash generation. Additionally, we distributed R\$360 million in interest on capital, raising the total amount distributed in 2018 to R\$1.0 billion, and we have also reported a cash position that give us comfort to face the R\$1.5 billion in debt amortization scheduled for December 2018”.

**Noteworthy 3Q18 events – at a glance:**

- Distribution of R\$360.0 million in interest on capital (IoC) in the quarter reduced the Company’s tax base (see more in page 4)
- Non-recurring expense of R\$9.4 million related to Settlement Agreement with CADE (see more in page 3)
- Impairment of fixed assets (real estate) in the amount of R\$8.7 million with no cash impact (see more in page 3)
- Expenses impacted by the market price of B3SA3 share:
  - R\$15.3 million from provisions for legal disputes, for which a portion of the amount under discussion is updated according to the market price of B3SA3 (see more in page 3)
  - Personnel expenses related to long-term stock-based compensation of R\$39.7 million in 3Q18, since the payroll charges that apply on that portion of the compensation are adjusted by market price of B3SA3 (see more in page 3)
- Negative FX impact of R\$23.2 million in financial expenses, which was fully offset by lower income tax and social contribution, considering the hedge structure (see more in page 4)

**Income statement summary (in R\$ millions)**

<i>In thousand Reais</i>	3Q18	3Q17	3Q18/3Q17 (%)	2Q18	3Q18/2T18 (%)	9M18	9M17	9M18/9M17 (%)
Total revenues	1,272.5	1,170.8	8.7%	1,386.2	-8.2%	3,893.2	3,293.5	18.2%
Net revenue	1,155.9	1,060.8	9.0%	1,250.5	-7.6%	3,518.4	2,972.6	18.4%
Expenses	(642.0)	(593.4)	8.2%	(531.6)	20.8%	(1,776.4)	(2,019.7)	-12.0%
Financial result	(12.1)	19.0	-163.8%	(57.2)	-78.8%	(91.8)	159.4	-157.6%
Net income (shareholders)	465.4	336.3	38.4%	725.2	-35.8%	1,505.3	709.0	112.3%
<i>Recurring expenses</i>	<i>(250.5)</i>	<i>(228.8)</i>	<i>9.5%</i>	<i>(237.2)</i>	<i>5.6%</i>	<i>(712.4)</i>	<i>(688.0)</i>	<i>3.5%</i>
<i>Recurring EBITDA</i>	<i>779.4</i>	<i>667.8</i>	<i>16.7%</i>	<i>971.2</i>	<i>-19.7%</i>	<i>2,510.8</i>	<i>1,985.2</i>	<i>26.5%</i>
<i>Adjusted EBITDA margin</i>	<i>67.4%</i>	<i>66.6%</i>	<i>84 bps</i>	<i>77.7%</i>	<i>-1,023 bps</i>	<i>71.4%</i>	<i>68.1%</i>	<i>325 bps</i>
<i>Recurring net income</i>	<i>613.4</i>	<i>445.3</i>	<i>37.8%</i>	<i>857.8</i>	<i>-28.5%</i>	<i>1,919.5</i>	<i>1,448.2</i>	<i>32.5%</i>

<sup>1</sup> See reconciliation on page 3

<sup>2</sup> See reconciliation on page 4

<sup>3</sup> See reconciliation on page 4.

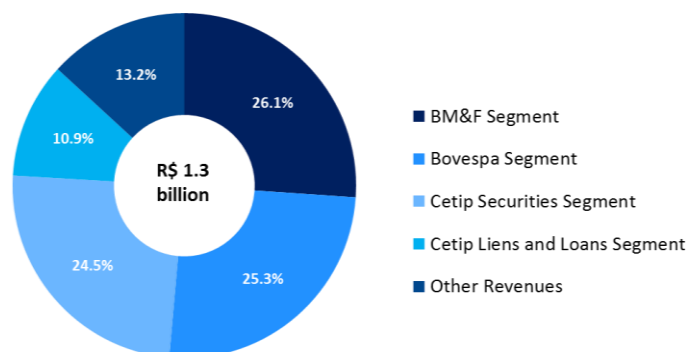
<sup>4</sup> Does not include capex related to the business combination with Cetip.

## ANALYSIS OF 3Q18 RESULTS

### REVENUES

**Total revenue:** amounted to R\$1,272.5 million in 3Q18, 8.7% increase over 3Q17, reflecting revenue growth in all segments as explained below.

**3Q18 Revenues Breakdown** (% of total revenues)



**BM&F Segment:** amounted to R\$331.9 million (26.1% of the total), 15.1% greater than in 3Q17, reflecting the higher average revenue per contract (RPC) in the period, which, in turn, was influenced by exposure to the impact of foreign exchange rate variation on US dollar-linked revenue (trading and post-trading of futures contracts for FX rates and Interest rates in USD).

**Bovespa Segment:** reached R\$322.3 million (25.3% of the total), up by 12.3% in relation to 3Q17. Revenue from volumes traded (trading and post-trading) amounted to R\$316.2 million, 13.8% higher than in the same period of the previous year, reflecting the increase of 19.1% in the average daily trading value.

**Cetip Securities segment:** reached R\$312.1 million in 3Q18 (24.5% of total), an increase of 12.8% year-over-year. The performance of this segment was driven by the increase in activity involving OTC derivatives and bank funding instruments.

**Cetip Liens and Loans segment:** totaled R\$138.3 million in 3Q18 (10.9% of the total), 31.9% greater than in 3Q17. Growth of 17.9% in SNG revenues (liens) reflects the 5.5% rise in the number of vehicles financed, as well as certain adjustments to our discounts policy. The increase of 39.9% in revenues from the Contracts System reflects the effect of the new business model for this service in the states of São Paulo, Santa Catarina and Pernambuco, introduced in 1Q18, and which has impacted this line since then.

In the new model adopted in the states of São Paulo, Santa Catarina and Pernambuco, B3 operates on behalf of the financial institutions as the transmitter of information about the loans to the accredited registering company (Registering Company) which, in turn, registers the loan with the Traffic Department (in the previous model, B3 transmitted the information directly to the Traffic Department, which was responsible for registering it). Under this new model, B3 has bundled into the price it charges the financial institutions the value of the services provided by the Registering Company, creating a positive impact of the Contracts Service revenues. In exchange, the payment of the amount referring to the services provided by the Registering Company is booked as a company expense (outsourced services). These changes are fully reflected in the results for 3Q18.

B3 worked with its clients and partners to adjust the various aspects of this business, such as revisiting some discounts granted to SNG. Nevertheless, there has been an adverse impact on the Company. Under this new model, for each contract transmitted, the Company will retain R\$26.34<sup>5</sup>, net of the cost of the services provided by the Registering Company, the sharing of revenues with other partners and revenue taxes.

If other states adopt a similar model to that of São Paulo, Santa Catarina and Pernambuco in the coming quarters, the revenues and expenses of B3 will once again be affected<sup>6</sup>.

**Other revenues:** other revenues reached R\$167.9 million (13.2% of the total) in 3Q18, down by 20.7% over the same period of the previous year, when an extraordinary revenue related to the reversal of provisions was recognized. The main highlights were:

- **Securities lending:** totaled R\$30.6 million (2.4% of the total), a rise of 21.2% over 3Q17, reflecting an increase in the average financial value of outstanding positions in the securities lending platform.
- **Depository, custody and back-office:** totaled R\$62.4 million (4.9% of the total), up by 4.7% over 3Q17, mainly reflecting the increase of 5.7% in Treasury Direct revenue, which reached R\$28.8 million in 3Q18.
- **Market Data:** amounted to R\$31.5 million (2.5% of the total), an increase of 5.6% against 3Q17, basically explained by the combination of growth in number of clients and the appreciation of the US dollar against the Brazilian Real, given that 62% of these revenues were referenced in US dollars.
- **Others:** totaled R\$8.5 million (0.7% of the total), down by 86.5% over the previous year, explained by the reversal, in 3Q17, of provisions in the amount of R\$57.8 million, relating to a decision favorable to the Company regarding the payment of an additional social security amount of 2.5% on the payroll in previous years.

**Net revenues:** net income rose by 9.0% against 3Q17, reaching R\$1,155.9 million in 3Q18.

<sup>5</sup> Gross income (revenues less revenue-linked expenses) per loan before other operating expenses and income tax

<sup>6</sup> In the 12-month period between Oct/17 and Set/18, the states of São Paulo, Santa Catarina and Pernambuco accounted for 45.7%, 10.8% and 4.4%, respectively, of the total number of loans transmitted by B3 (B3 does not offer the contracts transmission service in some states of Brazil).

## EXPENSES

**Expenses:** total expenses were R\$642.0 million in 3Q18, an increase of 8.2% over the same period of the previous year.

**Adjusted expenses:** amounted to R\$250.5 million, a 9.5% increase over 3Q17.

### Reconciliation of adjusted expenses (in R\$ millions)

	3Q18	3Q17	3Q18/3Q17 (%)	2Q18	3Q18/2Q18 (%)	9M18	9M17	9M18/9M17 (%)
<b>Expenses</b>	<b>(642.0)</b>	<b>(593.4)</b>	<b>8.2%</b>	<b>(531.6)</b>	<b>20.8%</b>	<b>(1,776.4)</b>	<b>(2,019.7)</b>	<b>-12.0%</b>
(+) Depreciation and amortization	236.4	223.5	5.7%	237.2	-0.4%	709.7	507.6	39.8%
(+) Long term stock-based compensation	39.7	30.1	32.1%	13.8	188.4%	88.4	87.3	1.2%
(+) Related to the combination with Cetip	19.7	34.7	-43.2%	15.0	31.7%	49.7	448.3	-88.9%
(+) Provisions (recurring and non-recurring)	44.3	53.0	-16.5%	(18.5)	-339.6%	75.5	222.3	-66.0%
(+) Revenue-linked expenses	51.5	23.3	121.4%	46.8	9.9%	140.8	66.2	112.5%
<b>Adjusted expenses</b>	<b>(250.5)</b>	<b>(228.8)</b>	<b>9.5%</b>	<b>(237.2)</b>	<b>5.6%</b>	<b>(712.4)</b>	<b>(688.0)</b>	<b>3.5%</b>

Note: as of 1Q18 B3 discloses guidance for revenue-linked expenses. To allow a better comparison, disclosure is also provided for revenue-linked expenses for previous periods.

**Personnel:** totaled R\$200.9 million in 3Q18, up by 19.3% against 3Q17, basically explained by (i) the increase in provisions referring to the long-term, share-based incentive plan resulting from the increase in the market price of B3SA3 share in the quarter<sup>7</sup>; (ii) the reduction in hours worked and capitalized in projects; and (iii) provisions for the annual collective bargaining agreement applied on the Company's salary base as from Aug'18 and for employees' profit sharing for 2018.

**Third-party services:** totaled R\$61.3 million in 3Q18, up by 101.6% over 3Q17, due to the increase in revenue-linked expenses, which totaled R\$45.9 million (vs. R\$17.4 million in 3Q17). As explained above, with the implementation of the new business model in the Contracts System in the states of São Paulo, Santa Catarina and Pernambuco, B3 now recognizes as an expense the amount incurred with the services provided by the Registering Company. Excluding revenue-linked expenses, outsourced services would total R\$15.8 million, an increase of 19.3% against 3Q17, due to the hiring of consulting services and legal fees.

**Related to the combination with Cetip:** totaled R\$19.7 million in 3Q18, a reduction of 43.2% against 3Q17. These expenses are mainly related to advisors, consultants, personnel and brand marketing.

**Other expenses:** totaled R\$61.4 million in 3Q18. Provisions are the most relevant item in this expense group, and consist primarily of adjustment of provisions involving lawsuits, in which part of the amount of the cause is adjusted according to the market price of the B3SA3 shares<sup>8</sup> and which amounted to R\$15.3 million in 3Q18. Additionally, expenses relating to the Settlement Agreement ("TCC") entered into with the Administrative Council for Economic Defense ("CADE"), as per [Notice to the Market on October 3, 2018](#), in the amount of R\$9.4 million, also impacted this group of expenses.

## OTHER FINANCIAL HIGHLIGHTS

**Impairment of assets:** In 3Q18, B3 recorded a provision for impairment of assets in the amount of R\$8.7 million (R\$5.8 million, net of taxes), without cash effects, related to the revaluation of some properties located in the city of Rio de Janeiro, due to the deterioration of the commercial property market.

**Recurring EBITDA:** amounted to R\$779.4 million, 16.7% higher than in 3Q17. Recurring EBITDA margin was 67.4%, 84 bps higher than in 3Q17.

### Reconciliation of recurring EBITDA (in R\$ millions)

	3Q18	3Q17	3Q18/3Q17 (%)	2Q18	3Q18/2Q18 (%)	9M18	9M17	9M18/9M17 (%)
<b>EBITDA</b>	<b>750.3</b>	<b>690.9</b>	<b>8.6%</b>	<b>956.2</b>	<b>-21.5%</b>	<b>2,451.6</b>	<b>1,460.5</b>	<b>67.9%</b>
(+) Expenses related to the combination with Cetip	19.7	34.7	-43.2%	15.0	31.7%	49.7	448.3	-88.9%
(+) Non-recurring provisions	9.4	(57.8)	-116.3%	-	-	9.4	76.5	-87.7%
<b>Recurring EBITDA</b>	<b>779.4</b>	<b>667.8</b>	<b>16.7%</b>	<b>971.2</b>	<b>-19.7%</b>	<b>2,510.8</b>	<b>1,985.2</b>	<b>26.5%</b>
<i>Recurring EBITDA margin</i>	<i>67.4%</i>	<i>66.6%</i>	<i>84 bps</i>	<i>77.7%</i>	<i>-1,023 bps</i>	<i>71.4%</i>	<i>68.1%</i>	<i>325 bps</i>

**Cash and cash equivalents:** short- and long-term cash, cash equivalents and financial investments as of June 30, 2018 amounted to R\$9,305.7 million, composed mainly of: (i) B3's own cash, which totaled R\$6,183.2 million<sup>9</sup> and includes between R\$2.5 billion-R\$3.0 billion that make up the Company's usual liquidity requirements to run the business; and (ii) R\$2,148.0 million in third-party cash, consisting largely of cash collateral pledged to the Company's clearinghouses by clients. It is also worth noting that in Dec'18 B3 will amortize R\$1.5 billion of its outstanding debentures.

**Indebtedness:** at the end of 3Q18, the Company had R\$5,735.0 million in gross debt outstanding (72.6% long-term and 27.4% short-term), which is equivalent to 1.8x recurring EBITDA in the last twelve months. The debt outstanding includes principal and accrued interest, as well as the net exposure in derivative instruments. Key maturities include: (i) R\$1.5 billion in Dec'18, (ii) R\$1.5 billion in Dec'19 and (iii) R\$2.0 billion (USD612 million) in Jul'20. Since Mar'18, the 2020 Notes in the amount of USD612 million are fully hedged for principal and interest.

**Financial result:** financial result was R\$12.1 million negative in 3Q18. Financial income totaled R\$144.1 million, a drop of 6.6% over 3Q17, explained primarily by lower interest rates in the period. Financial expenses, in turn, amounted to R\$156.2 million, rising 15.5% against the same quarter in the previous year, mainly explained by the negative effect from exchange rate variation on offshore loans and on the Company's overseas investment

<sup>7</sup> The provisions for social and labor law charges applicable to personnel expenses involving the share-based long-term incentive plan are restated in line with the price of the B3SA3 shares. The closing price of B3SA3 was R\$23.40 in late Sep/18, compared to R\$20.45 in the end of Jun/18, up by 14.4%.

<sup>8</sup> The number of shares equivalent to the amounts under discussion is 5,186,739 B3SA3 shares.

<sup>9</sup> Does not include investments in Bolsa Mexicana de Valores, Bolsa de Comercio de Santiago, Bolsa de Valores de Colombia, Bolsa de Valores de Lima and B3 Inova amounting to R\$394.7 million at 3Q18 and R\$10.0 million in other financial investments.

totaling R\$23.2 million in 3Q18, which was fully offset by the income tax and social contribution line (hedge structure). The table below isolates both the financial result and the income tax and social contribution effects.

#### Impact of the hedge structure on results (in R\$ millions)

	3Q18	3Q17	3Q18/3Q17 (%)	2Q18	3Q18/2Q18 (%)	9M18	9M17	9M18/9M17 (%)
Net financial result	(12.1)	19.0	-163.8%	(57.2)	-78.8%	(91.8)	159.4	-157.6%
(+/-) Effect on financial results	23.2	(22.0)	-205.6%	83.5	-72.2%	109.2	(14.3)	-863.9%
<b>Adjusted financial result</b>	<b>11.1</b>	<b>(3.0)</b>	<b>-470.3%</b>	<b>26.3</b>	<b>-57.8%</b>	<b>17.4</b>	<b>145.2</b>	<b>-88.0%</b>
Earnings before income tax and social contribution	493.4	486.9	1.3%	662.1	-25.5%	1,643.1	1,048.0	56.8%
(+/-) Effect on financial results	23.2	(22.0)	-205.6%	83.5	-72.2%	109.2	(14.3)	-863.9%
<b>Adjusted earnings before income tax and social contribution</b>	<b>516.7</b>	<b>464.9</b>	<b>11.1%</b>	<b>745.5</b>	<b>-30.7%</b>	<b>1,752.3</b>	<b>1,033.7</b>	<b>69.5%</b>
Income tax and social contribution expense	(28.0)	(150.5)	-81.4%	63.1	-144.4%	(137.7)	(339.0)	-59.4%
(+/-) Effect on income tax and social contribution	(23.2)	22.0	-205.6%	(83.5)	-72.2%	(109.2)	14.3	-863.9%
<b>Adjusted income tax and social contribution</b>	<b>(51.2)</b>	<b>(128.5)</b>	<b>-60.1%</b>	<b>(20.3)</b>	<b>152.1%</b>	<b>(246.9)</b>	<b>(324.8)</b>	<b>-24.0%</b>

**Income tax and social contribution:** amounted R\$28.0 million in 3Q18, impacted by the distribution of IoC in the amount of R\$360.0 million. The income tax and social contribution, with cash impact, reached R\$3.4 million, while the temporary differences from the tax amortization of goodwill was of R\$119.6 million.

**Net income (attributable to shareholders):** net income attributed to the shareholders of B3 reached R\$465.4 million, up by 38.4% in relation to 3Q17, reflecting higher revenues, and the impact of income tax in the quarter. Excluding the non-recurring items (see table below) net income would have reached R\$613.4 million<sup>10</sup> in 3Q18, an increase of 37.8% year-over-year. Furthermore, if adjusted for the deferred tax related to the tax amortization of goodwill created in the business combination with Cetip, net income would have reached R\$731.0 million.

#### Reconciliation of net income (in R\$ millions)

	3Q18	3Q17	2Q18/2Q17 (%)	2Q18	3Q18/2Q18 (%)	9M18	9M17	9M18/9M17 (%)
<b>Net income (attributable to shareholders)</b>	<b>465.4</b>	<b>336.3</b>	<b>38.4%</b>	<b>724.4</b>	<b>-35.8%</b>	<b>1,504.5</b>	<b>708.6</b>	<b>112.3%</b>
(+) Expenses related to the combination with Cetip	13.0	22.9	-43.2%	9.9	31.7%	32.8	296.6	-88.9%
(+) Non-recurring provisions	6.2	(38.1)	-116.3%	-	-	4.1	50.5	-91.9%
(+) Impairment	5.8	-	-	-	-	5.8	43.2	-86.7%
(+) Amortization of intangibles from combination with Cetip	123.1	124.2	-0.9%	123.5	-0.4%	370.2	252.9	46.4%
(+) Amortization of intangibles from combination with GRV	-	-	-	-	-	-	8.6	-100.0%
(+) Taxes Refinancing (REFIS/PERT)	-	-	-	-	-	-	87.8	-100.0%
<b>Recurring net income</b>	<b>613.5</b>	<b>445.3</b>	<b>37.8%</b>	<b>857.8</b>	<b>-28.5%</b>	<b>1,917.4</b>	<b>1,448.2</b>	<b>32.4%</b>
(+) Deferred Tax (goodwill from Bovespa combination)	-	133.1	-100%	-	0.0%	-	399.2	-100.0%
(+) Deferred Tax (goodwill from Cetip combination)	119.6	119.6	0%	119.6	0.0%	358.9	119.6	200.0%
<b>Recurring net income adjusted by goodwill tax benefit</b>	<b>733.1</b>	<b>698.0</b>	<b>5.0%</b>	<b>977.5</b>	<b>-25.0%</b>	<b>2,276.3</b>	<b>1,967.0</b>	<b>15.7%</b>

**CAPEX:** in 3Q18, investments amounted to R\$39.7 million, referring primarily to the development and upgrading of technology systems. Thus, investments made in the first nine-month period amounted to R\$108.8 million.

**Distributions to shareholders:** on September 14, 2018, the Board of Directors resolved to pay IoC totaling R\$360.0 million. The amount was paid on October 5, 2018, based on the register of shareholders of September 23, 2018.

#### PERFORMANCE BY SEGMENT

**BM&F segment:** the average daily volume on the BM&F segment was 3.0 million contracts in 3Q18, a reduction of 4.1% compared to 3Q17, due to lower volumes of interest rate in R\$ contracts, reflecting less uncertainty regarding the basic interest rate in Brazil, particularly in the short term. All other product categories, except for commodities, showed higher volumes in the period, driven by individual (retail) and High Frequency Traders (HFTs), and by the volatility of exchange rates and the stock market due to the elections in Brazil.

The average RPC rose by 24.8% compared to 3Q17, mainly influenced by the appreciation of 26.4% of the US dollar against the Brazilian Real in the period, which had a positive effect on the RPC of futures contracts for FX rates and Interest rates in USD. The comparison between the two periods also showed an increase in RPC for interest rate contracts linked to the Brazilian Real, reflecting higher volumes of contracts with longer maturities, given the fact that these contracts' RPC varies according to their average maturities.

**Bovespa segment:** The average daily trading value on the Bovespa Segment was R\$9.9 billion in 3Q18, an increase of 19.1% in comparison with 3Q17, reflecting both the appreciation of the value of listed shares and the higher turnover velocity<sup>11</sup>. Market capitalization<sup>12</sup> reached a daily average of R\$3.2 trillion in 3Q18, up by 12.0% over the same quarter of the previous year. Turnover velocity also rose to reach 73.5% in 3Q18 against 69.5% in 3Q17.

<sup>10</sup> The objective of B3 in presenting the recurring net income metric is to facilitate the comparison between periods and, consequently, the evaluation of the Company's performance, highlighting non-recurring items not directly related to the normal course of its business.

<sup>11</sup> Turnover velocity is obtained by dividing the annualized trading volume on the spot market in the period, by the average market capitalization in the same period.

<sup>12</sup> Market capitalization is obtained by multiplying the number of shares issued by the listed companies by their respective market prices.

Trade/post-trade margins were 5.047 bps in 3Q18 against 5.197 bps in 3Q17. This drop is mainly explained (i) by the greater share of day trades with lower margins; and (ii) by marginal discounts to the market, in accordance with the B3 fee table<sup>13</sup>, given that in every month of the quarter the average daily trading value exceeded R\$9 billion.

**Cetip Securities segment:** in 3Q18, the financial volume of new issues amounted to R\$5.0 trillion, an increase of 35.7% compared to 3Q17. The issuance of fixed income instruments showed growth of 12.9%, mainly due to the 28.2% increase in issuance of bank certificates of deposit (CDBs). The financial volume of OTC derivatives and structured notes registered, in turn, rose by 72.0%, with growth in all instruments (swaps, forwards and others).

The average registration fee of fixed income instruments fell by 1.9% in relation to 3Q17, reflecting the change in the product mix and the migration of clients to lower price ranges, according to the Company's discount by volume policy. The average fee charged for OTC derivatives and structured notes registered also showed a decline of 17.9% over the same period of the previous year, mainly due to the drop in the average price of other derivatives/structured notes.

**Cetip Liens and Loans segment:** the number of liens registered in the National Liens System (SNG) was positively impacted by the 5.5% rise in total number of vehicles financed during 3Q18 in comparison with 3Q17. This growth is explained by greater credit penetration, which rose from 28.2% in 3Q17, to 29.8% in 3Q18, while total number of vehicles sold was practically stable comparing the two periods.

In the Contracts System, the number of loans transmitted fell by 4.1% over 3Q17. This performance is explained by the interruption to the service in the Minas Gerais state as from Sep'17, which also directly affected the market share of B3, falling from 72.1% in 3Q17, to 65.5% in 3Q18.

## STRATEGIC DEVELOPMENT

B3 works to enable, connect and develop the financial and capital markets in Brazil. In this line, in Aug'18, we released a roadmap of products and services that we will develop and deliver to the market between 2018 and the end of 2019. This list includes improvements to existing products, platforms and services, as well as the launch of new products and services, expanding the portfolio of solutions offered to the market. The prioritization of the initiatives of this roadmap was built together with our clients and will contribute to the continuous development and sophistication of the Brazilian markets.

Additionally, we announced today the signing of a binding offer for the acquisition of the controlling ownership of BLK Sistemas Financeiros Ltda, a company that offers a trading screens platform, with emphasis on the creation and development of software and algorithms for the capital markets and financial derivative markets. This transaction aims to complement the portfolio of services offered by B3 to brokers and institutional investors.

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<sup>13</sup> According to the prevailing fee table, marginal discounts are granted to the entire market whenever the average daily trading for the month exceeds the levels of R\$9 billion, R\$11 billion and R\$13 billion.

## SUMMARY OF CONSOLIDATED BALANCE SHEET

ASSETS	Sep 30, 2018	Dec 31, 2017	LIABILITIES AND EQUITY	Sep 30, 2018	Dec 31, 2017
<b>Current assets</b>	<b>8,630,123</b>	<b>6,506,030</b>	<b>Current liabilities</b>	<b>5,401,950</b>	<b>5,491,250</b>
Cash and cash equivalents	566,166	711,140	Collateral for transactions	2,106,839	2,171,449
Financial investments	7,389,327	4,926,832	Financial instruments for hedge	2,980	18,032
Others	674,630	868,058	Loan	205,784	43,232
<b>Noncurrent assets</b>	<b>30,023,468</b>	<b>31,073,849</b>	Debentures	1,562,455	1,513,167
<b>Long-term receivables</b>	<b>2,096,143</b>	<b>2,563,595</b>	Others	1,523,892	1,745,370
Financial investments	1,350,218	2,197,268	<b>Noncurrent liabilities</b>	<b>8,350,044</b>	<b>7,778,615</b>
Others	745,925	366,327	Debt issued abroad	2,430,889	2,012,331
<b>Investments</b>	<b>45,473</b>	<b>44,962</b>	Financial instruments for hedge	0	3,313
<b>Property and equipment, net</b>	<b>564,408</b>	<b>573,669</b>	Loan	413,385	508,998
<b>Intangible assets</b>	<b>27,317,444</b>	<b>27,891,623</b>	Debenture	1,499,531	1,497,434
Goodwill	22,338,799	22,338,876	Deferred inc. tax and social contrib.	3,238,546	3,081,088
Software and projects	4,839,957	5,363,067	Others	767,693	675,451
Others	138,688	189,680	<b>Equity</b>	<b>24,901,597</b>	<b>24,310,014</b>
			Capital	3,198,655	3,198,655
			Capital reserve	18,400,936	18,399,366
			Others	3,302,006	2,711,993
			<b>Non-controlling interests</b>	<b>11,147</b>	<b>10,320</b>
<b>Total Assets</b>	<b>38,653,591</b>	<b>37,579,879</b>	<b>Total liabilities and equity</b>	<b>38,653,591</b>	<b>37,579,879</b>

**IFRS ACCOUNTING INCOME STATEMENT**

<i>(In thousand of Brazilian Reals, unless otherwise indicated)</i>	3Q18	3Q17	2Q18/2Q17 (%)	2Q18	3Q18/2T18 (%)	9M18	9M17	9M18/9M17 (%)
<b>Total revenues</b>	<b>1,272,492</b>	<b>1,170,837</b>	<b>8.7%</b>	<b>1,386,172</b>	<b>-8.2%</b>	<b>3,893,229</b>	<b>3,293,536</b>	<b>18.2%</b>
<b>BM&amp;F Segment</b>	<b>331,854</b>	<b>288,325</b>	<b>15.1%</b>	<b>395,147</b>	<b>-16.0%</b>	<b>1,036,203</b>	<b>824,043</b>	<b>25.7%</b>
Derivatives	327,071	283,645	15.3%	389,793	-16.1%	1,021,477	809,744	26.1%
Foreign exchange	4,783	4,680	2.2%	5,354	-10.7%	14,726	14,299	3.0%
<b>Bovespa segment</b>	<b>322,305</b>	<b>286,933</b>	<b>12.3%</b>	<b>399,442</b>	<b>-19.3%</b>	<b>1,076,052</b>	<b>829,824</b>	<b>29.7%</b>
Trading fees	50,103	45,430	10.3%	60,823	-17.6%	166,695	132,627	25.7%
Clearing fees	266,073	232,331	14.5%	330,128	-19.4%	889,914	676,474	31.6%
Others	6,129	9,172	-33.2%	8,491	-27.8%	19,443	20,723	-6.2%
<b>Cetip Securities segment</b>	<b>312,136</b>	<b>276,782</b>	<b>12.8%</b>	<b>302,205</b>	<b>3.3%</b>	<b>903,249</b>	<b>829,488</b>	<b>8.9%</b>
Registration fees	34,354	29,596	16.1%	33,511	2.5%	97,489	83,417	16.9%
Maintenance (CSD/TR)	140,831	123,506	14.0%	134,461	4.7%	401,384	372,874	7.6%
Monthly utilization	73,411	60,958	20.4%	73,760	-0.5%	222,147	182,705	21.6%
Transaction fees	31,589	36,172	-12.7%	28,514	10.8%	87,855	110,440	-20.5%
Other revenue from services	31,951	26,550	20.3%	31,959	0.0%	94,374	80,052	17.9%
<b>Cetip liens and loans segment</b>	<b>138,261</b>	<b>107,034</b>	<b>29.2%</b>	<b>125,134</b>	<b>10.5%</b>	<b>383,693</b>	<b>315,080</b>	<b>21.8%</b>
SNG	47,044	39,885	17.9%	45,184	4.1%	134,852	116,828	15.4%
Contracts Systems	70,540	50,412	39.9%	62,012	13.8%	192,750	147,077	31.1%
Market data and development of solutions	20,230	16,232	24.6%	17,534	15.4%	54,898	49,929	10.0%
Other revenues	447	505	-11.5%	404	10.6%	1,193	1,246	-4.3%
<b>Other revenues</b>	<b>167,936</b>	<b>211,763</b>	<b>-20.7%</b>	<b>164,244</b>	<b>2.2%</b>	<b>494,032</b>	<b>495,101</b>	<b>-0.2%</b>
Securities lending	30,597	25,250	21.2%	27,869	9.8%	86,051	75,129	14.5%
Listing	14,693	14,113	4.1%	15,705	-6.4%	45,659	42,581	7.2%
Depository, custody and back-office	62,394	59,571	4.7%	60,963	2.3%	184,353	165,642	11.3%
Trading access (Brokers)	11,817	11,488	2.9%	11,517	2.6%	34,929	28,553	22.3%
Market data	31,484	29,801	5.6%	29,820	5.6%	89,001	82,858	7.4%
BM&FBOVESPA bank	8,500	8,800	-3.4%	7,913	7.4%	24,045	28,790	-16.5%
Others	8,451	62,740	-86.5%	10,457	-19.2%	29,994	71,548	-58.1%
<b>Revenue deductions</b>	<b>(116,558)</b>	<b>(110,073)</b>	<b>5.9%</b>	<b>(135,648)</b>	<b>-14.1%</b>	<b>(374,849)</b>	<b>(320,962)</b>	<b>16.8%</b>
PIS and Cofins	(95,124)	(92,449)	2.9%	(113,652)	-16.3%	(311,056)	(269,506)	15.4%
Service tax	(21,434)	(17,624)	21.6%	(21,996)	-2.6%	(63,793)	(51,456)	24.0%
<b>Net revenues</b>	<b>1,155,934</b>	<b>1,060,764</b>	<b>9.0%</b>	<b>1,250,524</b>	<b>-7.6%</b>	<b>3,518,380</b>	<b>2,972,574</b>	<b>18.4%</b>
<b>Expenses</b>	<b>(642,040)</b>	<b>(593,411)</b>	<b>8.2%</b>	<b>(531,563)</b>	<b>20.8%</b>	<b>(1,776,424)</b>	<b>(2,019,674)</b>	<b>-12.0%</b>
Personnel	(200,906)	(168,454)	19.3%	(163,783)	22.7%	(544,954)	(513,365)	6.2%
Data processing	(43,524)	(48,073)	-9.5%	(45,824)	-5.0%	(134,494)	(135,039)	-0.4%
Deprec. and amortization	(236,390)	(223,547)	5.7%	(237,238)	-0.4%	(709,677)	(507,555)	39.8%
Third-party services	(61,738)	(30,630)	101.6%	(52,930)	16.6%	(161,378)	(85,523)	88.7%
Maintenance	(4,950)	(5,190)	-4.6%	(5,198)	-4.8%	(15,763)	(16,335)	-3.5%
Communication	(1,343)	(1,519)	-11.6%	(1,125)	19.4%	(4,227)	(6,519)	-35.2%
Marketing	(6,981)	(8,804)	-20.7%	(7,330)	-4.8%	(18,396)	(18,939)	-2.9%
Taxes	(2,122)	(1,850)	14.7%	(3,171)	-33.1%	(7,261)	(6,827)	6.4%
Board/comittees compensation	(3,030)	(3,510)	-13.7%	(4,042)	-25.0%	(10,713)	(11,873)	-9.8%
Related to the combination with Cetip	(19,702)	(34,713)	-43.2%	(14,956)	31.7%	(49,715)	(448,257)	-88.9%
Others	(61,354)	(67,121)	-8.6%	4,034	-1620.9%	(119,846)	(269,441)	-55.5%
<b>Operating income</b>	<b>513,894</b>	<b>467,353</b>	<b>10.0%</b>	<b>718,961</b>	<b>-28.5%</b>	<b>1,741,956</b>	<b>952,900</b>	<b>82.8%</b>
<i>Operating margin</i>	44.5%	44.1%	40 bps	57.5%	-1.304 bps	49.5%	32.1%	1.745 bps
<b>Impairment</b>	<b>(8,722)</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>(8,722)</b>	<b>(65,508)</b>	<b>-86.7%</b>
<b>Equity in income of investees</b>	<b>370</b>	<b>517</b>	<b>-28.4%</b>	<b>274</b>	<b>35.0%</b>	<b>1,649</b>	<b>1,175</b>	<b>40.3%</b>
<b>Financial result</b>	<b>(12,125)</b>	<b>18,994</b>	<b>-163.8%</b>	<b>(57,160)</b>	<b>-78.8%</b>	<b>(91,784)</b>	<b>159,447</b>	<b>-157.6%</b>
Financial income	144,112	154,243	-6.6%	100,528	43.4%	363,888	811,960	-55.2%
Financial expenses	(156,237)	(135,249)	15.5%	(157,688)	-0.9%	(455,672)	(652,513)	-30.2%
<b>Income before taxes</b>	<b>493,417</b>	<b>486,864</b>	<b>1.3%</b>	<b>662,075</b>	<b>-25.5%</b>	<b>1,643,099</b>	<b>1,048,014</b>	<b>56.8%</b>
<b>Income tax and social contribution</b>	<b>(28,011)</b>	<b>(150,517)</b>	<b>-81.4%</b>	<b>63,132</b>	<b>-144.4%</b>	<b>(137,750)</b>	<b>(339,042)</b>	<b>-59.4%</b>
Current	(2,267)	(6,240)	-63.7%	25,002	-109.1%	(1,839)	(132,918)	-98.6%
Deferred	(25,744)	(144,277)	-82.2%	38,130	-167.5%	(135,911)	(206,124)	-34.1%
<b>Net income</b>	<b>465,406</b>	<b>336,347</b>	<b>38.4%</b>	<b>725,207</b>	<b>-35.8%</b>	<b>1,505,349</b>	<b>708,972</b>	<b>112.3%</b>
<i>Net margin</i>	40.3%	31.7%	855 bps	58.0%	-1.773 bps	42.8%	23.9%	1.893 bps
				0.0%	0.0%	0.0%	0.0%	0.0%
<b>Attributable to:</b>								
B3's shareholders	<b>465,364</b>	<b>336,263</b>	<b>38.4%</b>	<b>724,435</b>	<b>-35.8%</b>	<b>1,504,522</b>	<b>708,604</b>	<b>112.3%</b>
<i>Net margin</i>	40.3%	31.7%	856 bps	57.9%	-1.767 bps	42.8%	23.8%	1.892 bps
Minority interest	42	84	-50.0%	772	-94.6%	827	368	124.7%

## NON-RECURRING EXPENSES AND INVESTMENTS RELATED TO THE BUSINESS COMBINATION WITH CETIP

### Guidance on expenses and other impacts arising from the completion of the business combination with Cetip<sup>1</sup> (R\$ million)

	2016	2017	1Q18	2Q18	3Q18	2018e
<b>Contractual commitments and other accounting impact</b>	-	<b>232.5</b>	-	-	-	-
Cetip's LT compensation and retention programs (cancellation of stock options and payroll taxes)	-	133.1	-	-	-	-
Impairment / write-offs / provision for contractual fines	-	99.4	-	-	-	-
<b>Retention / severance programs approved in the AGM of 04/28/17<sup>2</sup></b>	-	<b>84.6</b>	<b>8.7</b>	<b>3.3</b>	<b>6.8</b>	<b>~25.0</b>
<b>Advisors, consultants, branding</b>	<b>70.3</b>	<b>89.3</b>	<b>0.4</b>	<b>1.1</b>	<b>2.3</b>	<b>~10.0</b>
<b>Total</b>	<b>70.3</b>	<b>406.5</b>	<b>9.1</b>	<b>4.4</b>	<b>9.1</b>	<b>~35.0</b>

<sup>1</sup> In comparison with the numbers initially disclosed in 1Q17, some expenses were reclassified between lines in the table and from expenses related to the combination with Cetip to recurring personnel expenses. <sup>2</sup> Includes payroll charges on the amount approved at the Annual General Meeting. In addition to the amount described above, approximately R\$44 million will be accrued between 2019 and 2021, according to the vesting periods of the stock grant program. The portion referring to payroll taxes on the stocks that will be transferred in future periods can vary significantly, since it will be calculated based on the stock price on the day of the transfer.

### Guidance on expenses and CAPEX necessary to capture synergies from the business combination with Cetip (R\$ million)

	2016	2017	1Q18	2Q18	3Q18	2018e
<b>Severance and services providers' expenses</b>	<b>8.5</b>	<b>150.9</b>	<b>6.0</b>	<b>10.6</b>	<b>10.6</b>	<b>~30.0</b>
<b>Capex (projects and integration)</b>	-	<b>8.3</b>	<b>3.8</b>	<b>14.2</b>	<b>3.0</b>	<b>~25.0</b>