



# Banese



## BANCO DO ESTADO DE SERGIPE S/A – BANESE 3Q2019 EARNINGS RELEASE

**For Immediate Disclosure:** Aracaju, November 14, 2019. Banco do Estado de Sergipe S.A. – BANESE ("Banese" or "Bank"), a mixed-capital company with shares traded on the B3 Stock Exchange, under tickers BGIP3 (Registered Common Shares) and BGIP4 (Registered Preferred Shares), and listed on ITAG (Special Tag-Along Stock Index), announces its earnings for the third quarter of 2019. Additional information can be found on the Banese investor relations website on <https://ri.banese.com.br/>.

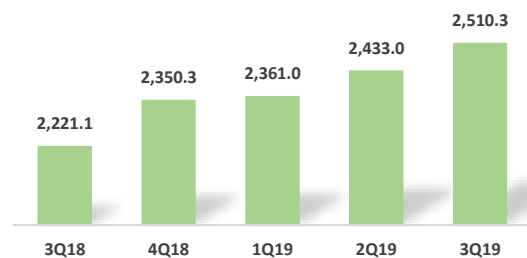
**BANESE RECORDS LOAN ASSETS ABOVE R\$2.5 BILLION.  
FUNDING VOLUME REMAINS ON THE RISE.**

### 3Q19 HIGHLIGHTS

All comparisons in this section refer to 3Q18 (12M)

- Loan Operations totaled R\$2.5 billion (+13.0%);
- Total Assets amounted to R\$5.5 billion (+6.4%);
- Total Funding reached R\$4.7 billion (+4.4%);
- Default accounted for 1.30% of the portfolio (-0.03 p.p.);

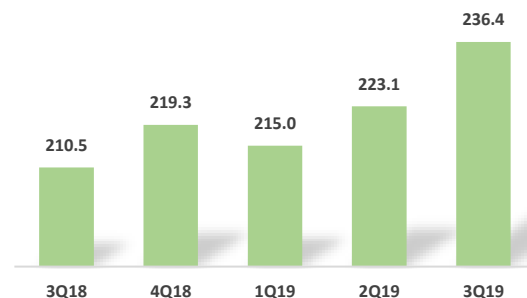
CREDIT OPERATIONS - R\$ millions



All comparisons in this section refer to 2Q19 (3M)

- Total Revenues increased by R\$13.3 million (+6.0%);
- Shareholders' Equity amounted to R\$380.9 million (+4.5%);
- Net Interest Income (NII) totaled 107.8 million (+0.5%);
- Basel Index stood at 11.76% (+0.55 p.p.)

TOTAL REVENUES - R\$ millions



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| Balance Sheet Items - R\$ million    | 3Q19    | 2Q19    |   | V3M   | 3Q19    | 3Q18    |   | V12M   |
|--------------------------------------|---------|---------|---|-------|---------|---------|---|--------|
| Total Assets                         | 5,531.1 | 5,494.6 | ▲ | +0.7% | 5,531.1 | 5,196.8 | ▲ | +6.4%  |
| Loan Operations                      | 2,510.3 | 2,433.0 | ▲ | +3.2% | 2,510.3 | 2,221.1 | ▲ | +13.0% |
| Financial Investments <sup>(1)</sup> | 2,519.9 | 2,601.7 | ▼ | -3.1% | 2,519.9 | 2,527.4 | ▼ | -0.3%  |
| Total Funding                        | 4,744.8 | 4,736.9 | ▲ | +0.2% | 4,744.8 | 4,546.1 | ▲ | +4.4%  |
| Shareholders' Equity                 | 380.9   | 364.6   | ▲ | +4.5% | 380.9   | 400.7   | ▼ | -4.9%  |

| Income Statement Items - R\$ million       | 3Q19  | 2Q19  |   | V3M       | 9M19  | 9M18  |   | V12M      |
|--|-------|-------|---|-----------|-------|-------|---|-----------|
| Total Revenues                             | 236.4 | 223.1 | ▲ | +6.0%     | 674.5 | 618.4 | ▲ | +9.1%     |
| Gross Income from Financial Intermediation | 98.6  | 106.0 | ▼ | -7.0%     | 303.9 | 273.4 | ▲ | +11.2%    |
| Operating Income                           | 25.5  | 34.9  | ▼ | -26.9%    | 94.0  | 68.3  | ▲ | +37.6%    |
| Financial Margin <sup>(2)</sup>            | 114.8 | 117.2 | ▼ | -2.0%     | 341.0 | 312.3 | ▲ | +9.2%     |
| EBITDA <sup>(3)</sup>                      | 26.7  | 35.0  | ▼ | -23.7%    | 114.1 | 93.7  | ▲ | +21.8%    |
| Net Income                                 | 16.3  | 22.3  | ▼ | -26.9%    | 57.7  | 48.3  | ▲ | +19.5%    |
| Net Interest Income (NII) <sup>(4)</sup>   | 107.8 | 107.3 | ▲ | +0.5%     | 320.9 | 342.9 | ▼ | -6.4%     |
| Revenue from Services                      | 32.2  | 32.8  | ▼ | -1.8%     | 96.9  | 92.3  | ▲ | +5.0%     |
| Allowance for Loan Losses (PCLD)           | 27.4  | 20.5  | ▲ | +33.7%    | 68.0  | 74.7  | ▼ | -9.0%     |
| Administrative Expenses                    | 85.9  | 82.3  | ▲ | +4.4%     | 250.7 | 229.9 | ▲ | +9.0%     |
| Net Margin <sup>(5)</sup>                  | 6.9%  | 10.0% | ▼ | -3.1 p.p. | 8.5%  | 7.8%  | ▲ | +0.7 p.p. |
| EBITDA Margin <sup>(6)</sup>               | 11.3% | 15.7% | ▼ | -4.4 p.p. | 16.9% | 15.2% | ▲ | +1.7 p.p. |

| Efficiency Ratios and Measures (%)              | 3Q19   | 2Q19   |   | V3M        | 9M19   | 9M18  |   | V12M       |
|---|--------|--------|---|------------|--------|-------|---|------------|
| Default (% of portfolio)                        | 1.30%  | 1.08%  | ▲ | +0.22 p.p. | 1.30%  | 1.33% | ▼ | -0.03 p.p. |
| Basel Index                                     | 11.76% | 11.21% | ▲ | +0.55 p.p. | 11.97% | 14.6% | ▼ | -2.63 p.p. |
| Net Interest Margin (NIM) <sup>(7)</sup>        | 2.1%   | 2.1%   | ▶ | ND         | 6.3%   | 6.1%  | ▲ | +0.2 p.p.  |
| Return on Average Assets (ROAA) <sup>(8)</sup>  | 1.4%   | 1.5%   | ▼ | -0.1 p.p.  | 1.4%   | 1.2%  | ▲ | +0.2 p.p.  |
| Return on Equity (ROE) <sup>(9)</sup>           | 19.4%  | 20.9%  | ▼ | -1.5 p.p.  | 19.4%  | 16.6% | ▲ | +2.8 p.p.  |
| Efficiency Ratio <sup>(10)</sup>                | 66.5%  | 74.3%  | ▼ | -7.8 p.p.  | 72.2%  | 79.4% | ▼ | -7.2 p.p.  |
| Provisioning Ratio                              | 3.4%   | 3.3%   | ▲ | +0.1 p.p.  | 3.4%   | 4.3%  | ▼ | -0.9 p.p.  |
| Coverage Ratio – Administrative <sup>(11)</sup> | 37.6%  | 39.9%  | ▼ | -2.3 p.p.  | 38.7%  | 40.1% | ▼ | -1.4 p.p.  |
| Coverage Ratio – Payroll <sup>(12)</sup>        | 73.6%  | 78.0%  | ▼ | -4.4 p.p.  | 75.5%  | 73.1% | ▲ | +2.4 p.p.  |

(1) Short-term Interbank Investments, Marketable Securities + Remunerated Restricted Loans

(2) Gross Income from Financial Intermediation + Allowance for Loan Losses

(3) Operating Income - Equity Method + Depreciation/Amortization

(4) Interest Income (Loan Operations + Financial Investments) – Interest Expense (Funding, Marketable Securities, Loans and Equity)

(5) Net Income/Total Revenue

(6) EBITDA/Total Revenue

(7) Net Interest Income/Average Balance of Revenue Generating Assets (Loan Operations + Financial Investments + Marketable Securities + Interbank Accounts)

(8) Net Income on Average Total Assets (annualized rate)

(9) Net Income on Shareholders' Equity (annualized rate)

(10) (Net Interest Income + Revenue from Services)/Total Expenses

(11) Revenue from Services / Administrative Expenses

(12) Revenue from Services/ Direct and Indirect Payroll Costs

*This report may contain forward-looking statements. Such statements reflect management's expectations that may not materialize for reasons both intrinsic or extrinsic to the Company. Words such as "believes", "anticipates", "wishes", "predicts", "expects" and similar expressions are intended to identify information which necessarily involves future risks, whether known or unknown.*

*Known risks include uncertainties and are not limited to the impact of competitive pricing and services, acceptance of services in the market, competitive market, internal or systemic macroeconomic aspects, regulatory and legal environment, currency fluctuations, inflation and interest rates, political risks, and other risks described in materials previously published by Banese.*

*This report is updated as of the date of its publication and Banese may not be held liable for subsequent events that are not predicted or mentioned in this report.*

**ANALYSIS OF OPERATIONS**
**Assets**
**Total Assets by Type – R\$ million**

|                       | 3Q19           | 2Q19           |   | V3M          | 3Q18           |   | V12M         |
|-----------------------|----------------|----------------|---|--------------|----------------|---|--------------|
| Loan Assets           | 2,510.3        | 2,433.0        | ▲ | +3.2%        | 2,221.1        | ▲ | +13.0%       |
| (-) Provisions        | -86.1          | -80.2          | ▲ | +7.4%        | -94.9          | ▼ | -9.3%        |
| Net Loan Assets       | 2,424.2        | 2,352.8        | ▲ | +3.0%        | 2,126.2        | ▲ | +14.0%       |
| Financial Investments | 2,193.5        | 2,283.5        | ▼ | -3.9%        | 2,155.9        | ▲ | +1.7%        |
| Restricted Loans      | 348.8          | 330.2          | ▲ | +5.6%        | 399.4          | ▼ | -12.7%       |
| Permanent Assets      | 105.7          | 105.6          | ▲ | +0.1%        | 93.2           | ▲ | +13.4%       |
| Other                 | 458.9          | 422.5          | ▲ | +8.6%        | 422.2          | ▲ | +8.7%        |
| <b>Total</b>          | <b>5,531.1</b> | <b>5,494.6</b> | ▲ | <b>+0.7%</b> | <b>5,196.8</b> | ▲ | <b>+6.4%</b> |

At the end of the third quarter of 2019, the balance of total assets totaled R\$5,531.1 million, an increase of 6.4% in 12 months, and 0.7% over the last quarter. The growth recorded in total assets was particularly due to the increase in net loan assets, of approximately R\$298.0 million in 12 months, and in financial investments, in the amount of R\$37.6 million.

In the past 12 months, Permanent Assets increased by 13.4%, after the capital contribution in investee SEAC – Sergipe Administradora de Cartões Ltda., a company comprising Banese group.

The net variation in assets invested in loans was +14.0% in the 3Q19 compared to the same quarter of the previous year, and +3.0% compared to the 2Q19, with a portfolio of R\$2.4 billion at the end of the period. In 12 months, the volume of provisioning was reduced due the positive variation in the risk rating of transactions in the portfolio, and the transfer to loss of loan loss transactions.

The change in the rule of demand deposits, established by the Central Bank of Brazil, reduced the volume of restricted loans in 12 months. Such change released approximately R\$80.0 million from the mandatory payment basis as at December 31, 2018.

**Funding**
**Funding by Product Line - R\$ million**

|                         | 3Q19           | 2Q19           |   | V3M          | 3Q18           |   | V12M         |
|-------------------------|----------------|----------------|---|--------------|----------------|---|--------------|
| Demand Deposits         | 689.2          | 705.7          | ▼ | -2.3%        | 635.9          | ▲ | +8.4%        |
| Savings Account         | 1,408.1        | 1,376.0        | ▲ | +2.3%        | 1,327.8        | ▲ | +6.0%        |
| Judicial Deposits       | 1,060.7        | 1,038.4        | ▲ | +2.1%        | 972.5          | ▲ | +9.1%        |
| CDI/CDB/RDB             | 1,310.4        | 1,310.2        | ▶ | ND           | 1,262.9        | ▲ | +3.8%        |
| LFS/LF/LCI              | 193.2          | 190.9          | ▲ | +1.2%        | 251.7          | ▼ | -23.2%       |
| Repurchase Transactions | 5.7            | 46.6           | ▼ | -87.8%       | 25.7           | ▼ | -77.8%       |
| Onlending Obligations   | 77.5           | 68.9           | ▲ | +12.5%       | 69.5           | ▲ | +11.5%       |
| <b>Total</b>            | <b>4,744.8</b> | <b>4,736.7</b> | ▲ | <b>+0.2%</b> | <b>4,546.0</b> | ▲ | <b>+4.4%</b> |

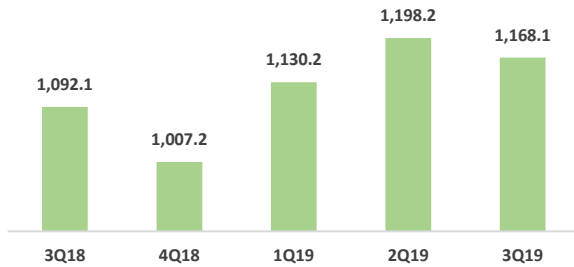
At the end of 3Q19, total funding amounted to R\$4,744.8 million, an increase of 4.4% (+R\$198.8 million) in 12 months, due to the increase in demand, savings, escrow and term deposits. The raising of funds is diversified, which contributes for the maintenance of comfortable liquidity levels.

The interbank deposits (CDI) increased by 27.1% (+R\$30 million) in 3Q19 and a decrease of 16.7% (-R\$29 million) in 12 months, due to the changes in investments in interbank deposits subject to rural credit, in view of the reciprocity provided by such funding.



### Growth in Time Deposits (CDB/RDB)

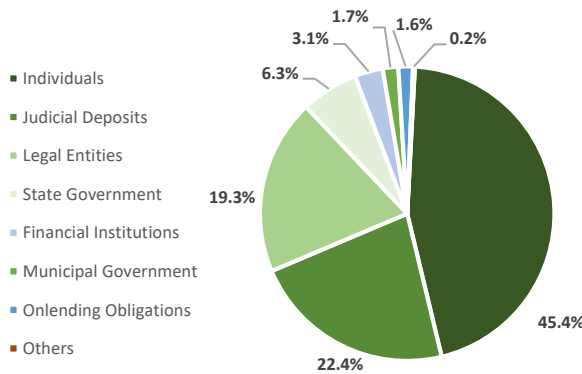
Time Deposits - R\$ million



The closing balances of term deposits decreased by 2.5% compared to 2Q19 (-R\$30.1 million), due to the decrease in funding from individuals and Federal Government. In 12 months, the increase of 7.0% (+R\$76.0 million) resulted mainly from the funding from individuals and Federal Government.

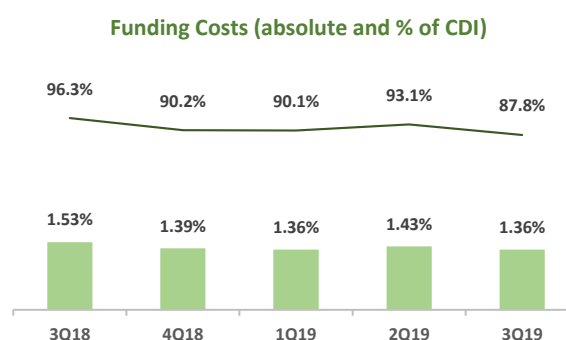
The funding from Financial Bills remained stable in the last quarter and decreased in 12 months (-2.2% or -R\$1.1 million), arising from the payment of interest in the period. The Subordinated Financial Bills increased in the last quarter (+1.6% or +R\$2.0 million), due to inventory compensation, and decreased compared to 3Q18 (-38.9% or -R\$60.3 million), in view of the settlement on the maturity date and payment of interest. The volume of Real Estate Credit Bills (LCIs) increased compared to 2Q19 (+1.4% or +R\$1.0 million) and also in 12 months (+6.3% or +R\$2.9 million), arising from the new funds raised from loan operations to guarantee the LCIs and operations with individuals. This is an attractive source of funding for being an investment exempt from income tax, in the sense that the profitability may become more favorable compared to other products.

### Largest Funding Sources (% of total)



The largest source of funding comes from individual customers, who account for approximately 45.4% of the volume raised. Legal entities account for 19.3% of funding. The dilution of funding between individuals and legal entities reduces liquidity risks. Judicial deposits account for approximately 22.4% of the total funding volume obtained by Banese.

Borrowing cost decreased in 3Q19 due to inflation reduction, which indexes the interest on Subordinated Financial Bills. The decrease in 12 months also resulted from the increase in escrow and savings deposits (lower raising of funds) and settlement of a portion of the Subordinated Financial Bills.



## Loans

### Loan Portfolio by Type – R\$ million

|                                 | 3Q19           | 2Q19           | V3M            | 3Q18           | V12M            |
|---------------------------------|----------------|----------------|----------------|----------------|-----------------|
| Commercial Portfolio            | 1,726.8        | 1,690.0        | ▲ +2.2%        | 1,524.0        | ▲ +13.3%        |
| For Individuals                 | 1,420.4        | 1,394.9        | ▲ +1.8%        | 1,198.6        | ▲ +18.5%        |
| For Legal Entities              | 306.4          | 295.1          | ▲ +3.8%        | 325.4          | ▼ -5.8%         |
| Development Portfolio           | 562.9          | 540.0          | ▲ +4.2%        | 525.4          | ▲ +7.1%         |
| For Individuals                 | 454.1          | 436.9          | ▲ +3.9%        | 409.8          | ▲ +10.8%        |
| For Legal Entities              | 108.8          | 103.1          | ▲ +5.5%        | 115.6          | ▼ -5.9%         |
| Securities and Loans Receivable | 220.6          | 203.0          | ▲ +8.7%        | 171.7          | ▲ +28.5%        |
| <b>Total</b>                    | <b>2,510.3</b> | <b>2,433.0</b> | <b>▲ +3.2%</b> | <b>2,221.1</b> | <b>▲ +13.0%</b> |

Banese's loan portfolio totaled R\$2.5 billion of assets, an increase of 3.2% compared to 2Q19 and 13% compared to 3Q18, with the maintenance of comfortable default levels, mainly in the main types of free credit (payroll, vehicles, personal and credit card).

Banese holds the largest position in the commercial loan market in the State of Sergipe, a market share of 41.1% according to the Central Bank of Brazil (Aug/19). The exposure is focused on retail operations, mainly payroll loans and small- and medium-sized companies.

The positive figures reported were due to the increased offer of products and services in the self-service channels, as well as more aggressive commercial actions involving credit portability and salary; and expansion of operations through the Bank Representative channel.

Banese's commercial loan portfolio to legal entities increased by 3.8% in 3Q19 and decreased by 5.8% compared to the previous year, aligned with the decrease trend in total SFN credit in 2019. The increase in the volume of products of the loan portfolio to legal entities in the last quarter resulted from the cross selling between the payment operations and the Bank.

The development loan portfolio, which includes the real estate, industrial and agribusiness portfolios, accounted for 22.4% of the Banese's total loan portfolio. The portfolio increased both compared to the previous quarter (+4.2%) and the last 12 months (+7.1%).

### Loan Portfolio Quality by Risk Rating

|              | R\$ million    |                | Variation |               | % portfolio   |               | Variation |           |
|--------------|----------------|----------------|-----------|---------------|---------------|---------------|-----------|-----------|
|              | 3Q19           | 3Q18           |           |               | 3Q19          | 3Q18          |           |           |
| AA           | 432.2          | 408.6          | ▲         | +5.8%         | 17.2%         | 18.4%         | ▼         | -1.2 p.p. |
| A            | 1,090.2        | 909.8          | ▲         | +19.8%        | 43.4%         | 41.0%         | ▲         | +2.4 p.p. |
| B            | 585.8          | 541.9          | ▲         | +8.1%         | 23.3%         | 24.4%         | ▼         | -1.1 p.p. |
| C            | 255.3          | 209.0          | ▲         | +22.2%        | 10.2%         | 9.4%          | ▲         | +0.8 p.p. |
| D - H        | 146.8          | 151.8          | ▼         | -3.3%         | 5.8%          | 6.8%          | ▼         | -1.0 p.p. |
| <b>Total</b> | <b>2,510.3</b> | <b>2,221.1</b> | <b>▲</b>  | <b>+13.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>▶</b>  | <b>ND</b> |

In relative terms, the loan operations classified between "AA" and "C" risk ratings account for 94.2% of Banese's total portfolio. Loans classified at risk ratings "D" through "H", which concentrate higher-risk transactions, accounted for 5.8% of Banese's loan portfolio.

**3Q19 Loan Quality by Portfolio - R\$ million**

|              | Total          | Commercial     | Industrial  | Rural        | Real estate  | Other        |
|--------------|----------------|----------------|-------------|--------------|--------------|--------------|
| AA           | 432.2          | 432.2          | 0           | 0            | 0            | 0            |
| A            | 1,090.2        | 443.7          | 6.0         | 68.5         | 343.6        | 228.4        |
| B            | 585.8          | 511.3          | 28.4        | 16.3         | 22.1         | 7.7          |
| C            | 255.3          | 227.1          | 15.6        | 6.5          | 3.5          | 2.6          |
| D - H        | 146.8          | 77.1           | 29.5        | 18.8         | 4.1          | 17.3         |
| <b>Total</b> | <b>2,510.3</b> | <b>1,691.4</b> | <b>79.5</b> | <b>110.1</b> | <b>373.3</b> | <b>256.0</b> |

**Financial Investments**
**Financial Investments – R\$ million**

|                                  | 3Q19           | 2Q19           |   | V3M          | 3Q18           |   | V12M         |
|----------------------------------|----------------|----------------|---|--------------|----------------|---|--------------|
| Short-term Interbank Investments | 1,117.9        | 1,136.8        | ▼ | -1.7%        | 950.5          | ▲ | +17.6%       |
| Marketable Securities (TVM)      | 1,068.9        | 1,098.9        | ▼ | -2.7%        | 1,164.2        | ▼ | -8.2%        |
| Fund Units                       | 45.1           | 104.0          | ▼ | -56.6%       | 90.1           | ▼ | -49.9%       |
| Fixed Income                     | 1,023.8        | 994.9          | ▲ | +2.9%        | 1,074.1        | ▼ | -4.7%        |
| Repurchase + Collaterals         | 6.5            | 47.5           | ▼ | -86.3%       | 25.9           | ▼ | -74.9%       |
| Remunerated Compulsory Deposits  | 326.6          | 318.5          | ▲ | +2.5%        | 386.8          | ▼ | -15.6%       |
| <b>Total</b>                     | <b>2,519.9</b> | <b>2,601.7</b> | ▼ | <b>-3.1%</b> | <b>2,527.4</b> | ▼ | <b>-0.3%</b> |

Short-term interbank investments and marketable securities totaled R\$2,186.8 million in September 2019, a decrease of 2.2% (-R\$48.9 million) in 3Q19, arising from the increase in loan portfolio. In 12 months, short-term interbank investments and marketable securities increased by 3.0% (+R\$72.1million), due to the increase in fund raising and regulatory changes in the rules of compulsory collection of demand deposits, which funds were allocated to the Bank's treasury department, despite of the increase in the loan portfolio in the period.

The investments funds and private credit notes (CDB e DI) reduced by virtue of the current strategy adopted by the Bank's treasury department to focus on asset operations that require less capital. The assets with the Central Bank of Brazil (Rural DI) increased compared to 2Q19, as a result of the operations carried out for 2019-2020 agricultural period (beginning July), however at lower volume compared to 3Q18, still impacted by the changes in the rural payment rules for 2018-2019 agricultural period.

Banese is subject to the rules of Circular 3068 of the Central Bank of Brazil, which sets out criteria for accounting registration and valuation of marketable securities. This means that investments are made in liquidity instruments denominated in national currency and are marked to market to mitigate risks related to changes in the value and volatility of financial instruments.

**Portfolio Profitability**

The strategy of the treasury assets portfolio is to maintain allocations in net and low-risk assets, so as to keep comfortable liquidity and capital levels, while its profitability target is to track the country's interest rates.

The portfolio's accumulated profitability in the 3Q19 corresponded to 100.80% of the CDI, lower than 101.51% of the CDI in the 2Q19, impacted by the performance of investment funds, however higher than 100.34% of the CDI in 2018.

**ANALYSIS OF RESULTS**
**Revenues**
**Breakdown of Revenues – R\$ million**

|                                     | 3Q19         | 2Q19         |          | V3M          | 9M19         | 9M18         |          | V12M         |
|-------------------------------------|--------------|--------------|----------|--------------|--------------|--------------|----------|--------------|
| Revenues from Loans                 | 130.6        | 128.2        | ▲        | +1.9%        | 385.3        | 357.4        | ▲        | +7.8%        |
| Revenues from Financial Investments | 33.1         | 35.9         | ▼        | -7.8%        | 104.1        | 93.2         | ▲        | +11.7%       |
| Revenues from Services              | 32.3         | 32.8         | ▼        | -1.5%        | 96.8         | 92.1         | ▲        | +5.1%        |
| Revenues from Equity Interests      | 3.0          | 3.6          | ▼        | -16.7%       | 9.9          | 3.6          | ▲        | +175.0%      |
| Other Operating Revenue             | 37.2         | 21.6         | ▲        | +72.2%       | 76.4         | 69.8         | ▲        | +9.5%        |
| Non-Operating Revenues              | 0.2          | 1.1          | ▼        | -81.8%       | 2.0          | 2.3          | ▼        | -13.0%       |
| <b>Total</b>                        | <b>236.4</b> | <b>223.2</b> | <b>▲</b> | <b>+5.9%</b> | <b>674.5</b> | <b>618.4</b> | <b>▲</b> | <b>+9.1%</b> |

Banese's revenues totaled R\$236.4 million in the third quarter of 2019, an increase of 5.9% compared to the previous quarter. Other operating revenues (+R\$15.6 million) were mainly impacted by the extraordinary revenue from reversal of social security liabilities, in the amount of R\$14.5 million, arising from the revaluation of the tax processes in accordance with CMN Resolution 3282/2009 (Technical Pronouncement CPC 25) and BCB Circular Letter 3429/2010. Such revaluation generated accrued tax liabilities in the amount R\$15.9 million, as showed in the Other Operating Expenses table.

Accumulated revenues in the nine-month period of 2019 totaled R\$674.5 million, an increase of 9.1% compared to 9M18, with emphasis placed on the increase in loan revenues (+R\$27.9 million), aligned with the increase in the portfolio in the period; followed by short-term investments (+R\$10.9 million), due to the portfolio profitability; and other operating revenues (+R\$6.6 million).

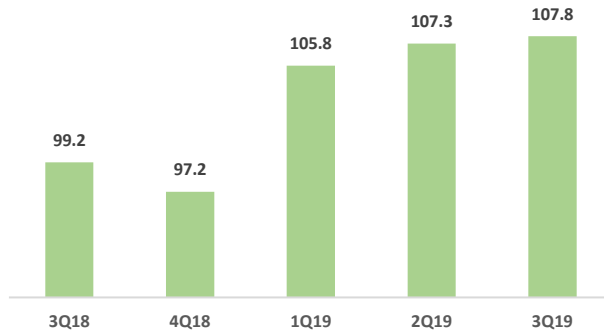
**Costs and Expenses**
**Direct Operating Costs – R\$ million**

|                                     | 3Q19        | 2Q19        |          | V3M          | 9M19         | 9M18         |          | V12M         |
|-------------------------------------|-------------|-------------|----------|--------------|--------------|--------------|----------|--------------|
| Funding Expenses                    | 54.1        | 54.6        | ▼        | -0.9%        | 161.4        | 156.1        | ▲        | +3.4%        |
| Earnings from Marketable Securities | 0.6         | 1.1         | ▼        | -45.5%       | 4.0          | 0.5          | ▲        | +700.0%      |
| Loan Expenses                       | 1.2         | 1.1         | ▲        | +9.1%        | 3.2          | 3.9          | ▼        | -17.9%       |
| <b>Total</b>                        | <b>55.9</b> | <b>56.8</b> | <b>▼</b> | <b>-1.6%</b> | <b>168.6</b> | <b>160.5</b> | <b>▲</b> | <b>+5.0%</b> |

Funding expenses decreased by -0.9% compared to the previous quarter mainly due to the redemption of Subordinated Financial Bills and inflation reduction in the cost of these bills. In 12 months, the 3.4% increase resulted from higher borrowing costs.



### Net Interest Income (NII) - R\$ million



Net Interest Income (Income from Loans plus Income from Financial Investments less Direct Funding Costs) increased by 8.7% in the comparison between the 3Q19 and 3Q18.

In the analysis of the 3Q19 against the 2Q19, the change was +0.5%.

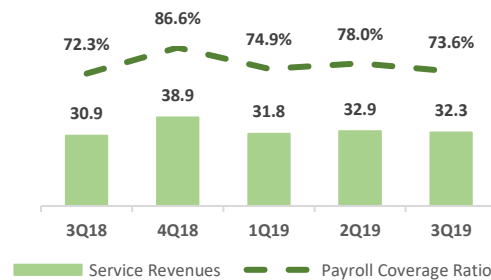
The result is a combination of factors presented in items previously mentioned in this report.

### Personnel Expenses/Payroll – R\$ million

|                             | 3Q19        | 2Q19        | V3M            | 9M19         | 9M18         | V12M           |
|-----------------------------|-------------|-------------|----------------|--------------|--------------|----------------|
| Salaries                    | 26.4        | 25.2        | ▲ +4.8%        | 76.9         | 74.1         | ▲ +3.8%        |
| Benefits                    | 5.5         | 5.5         | ▶ ND           | 16.5         | 15.6         | ▲ +5.8%        |
| Social Charges              | 11.8        | 11.1        | ▲ +6.3%        | 34.3         | 35.3         | ▼ -2.8%        |
| Training Programs and Other | 0.1         | 0.3         | ▼ -66.7%       | 0.7          | 1.0          | ▼ -30.0%       |
| <b>Total</b>                | <b>43.8</b> | <b>42.1</b> | <b>▲ +4.0%</b> | <b>128.4</b> | <b>126.0</b> | <b>▲ +1.9%</b> |

Personnel expenses increased by 4.0% (+R\$1.7 million) in 3Q19 compared to 2Q19 and 1.9% (+R\$2.4 million) in the comparison between accumulated 9M19 and 9M18, which variation is aligned with the inflation for the period and the adjustment to the category.

### Coverage Ratio - Payroll (%)



The payroll coverage ratio reached 73.6% in 3Q19, with a positive variation of 1.3 p.p. in 12 months, with a decrease of 4.4 p.p. compared to the previous quarter, due to the salary adjustment and restructuring of accrued vacations and 13<sup>th</sup> salary. In addition, service revenues slightly decreased (-1.8%).

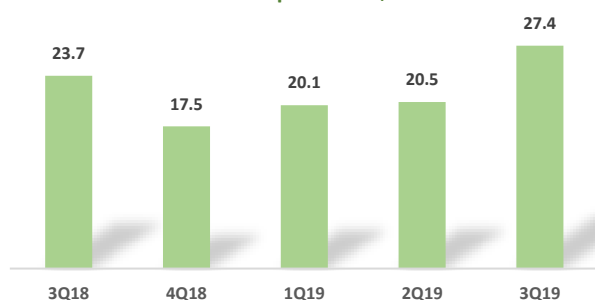
### Other Administrative Expenses – R\$ million

|  | 3Q19        | 2Q19        | V3M            | 9M19         | 9M18         | V12M            |
|--|-------------|-------------|----------------|--------------|--------------|-----------------|
| Third-party Services                   | 20.2        | 18.9        | ▲ +6.9%        | 57.1         | 47.8         | ▲ +19.5%        |
| Consumption, Maintenance and Materials | 6.1         | 5.9         | ▲ +3.4%        | 17.7         | 16.2         | ▲ +9.3%         |
| Data Processing Systems                | 7.7         | 7.8         | ▼ -1.3%        | 23.5         | 19.3         | ▲ +21.8%        |
| Insurance                              | 0.8         | 0.8         | ▶ ND           | 2.6          | 2.5          | ▲ +4.0%         |
| Transfer of Cash                       | 2.3         | 2.0         | ▲ +15.0%       | 6.3          | 5.8          | ▲ +8.6%         |
| Tax                                    | 0.2         | 0.9         | ▼ -77.8%       | 1.8          | 0.9          | ▲ +100.0%       |
| Other Expenses                         | 4.9         | 4.0         | ▲ +22.5%       | 13.3         | 11.3         | ▲ +17.7%        |
| <b>Total</b>                           | <b>42.2</b> | <b>40.3</b> | <b>▲ +4.7%</b> | <b>122.3</b> | <b>103.8</b> | <b>▲ +17.8%</b> |



Other administrative expenses increased by 4.7% (R\$1.9 million) compared to the previous quarter. In the accumulated 9M19, compared to the same period of the previous year, other administrative expenses increased by 17.8% (R\$18.5 million). The main variation was recorded in the expenses with Third-party Services, which directly impacts the increase in administrative expenses, mainly the expenses relating to the expansion of the network of Banking Correspondents in Brazil and Electronic Service Outlets. These expenses relate to strategic processes to migrate services from Banese to several service outlets other than the branches, in addition to the expenses with Data Processing Systems, which are also directly related to the strategic processes for migration of services to digital channels.

Allowance Expenses - R\$ million



Expenses from Allowance for Loan Losses (PCLD) amounted to R\$27.4 million in 3Q19, R\$+3.7 million against 3Q18 and R\$+6.9 million above the volume recorded in 2Q19.

In 3Q19 the operations migrated to lower risk ratings ("D – H"), with higher volumes in operations to legal entities.

Other Operating Expenses – R\$ million

|                                 | 3Q19        | 2Q19        | V3M             | 9M19        | 9M18        | V12M            |
|---------------------------------|-------------|-------------|-----------------|-------------|-------------|-----------------|
| Depreciation and Maintenance    | 4.2         | 3.8         | ▲ +10.5%        | 11.6        | 12.7        | ▼ -8.7%         |
| Impairment of Loans             | 0.1         | 0.1         | ▶ ND            | 0.4         | 0.3         | ▲ +33.3%        |
| Provision for Liabilities       | 20.1        | 6.6         | ▲ +204.5%       | 28.6        | 5.5         | ▲ +420.0%       |
| Agreement with Court of Appeals | 4.4         | 4.6         | ▼ -4.3%         | 13.7        | 12.4        | ▲ +10.5%        |
| ISS/PIS/COFINS                  | 9.3         | 9.3         | ▶ ND            | 27.7        | 25.7        | ▲ +7.8%         |
| Discounts Granted               | 0.0         | 0.0         | ▶ ND            | 0.1         | 0.5         | ▼ -80.0%        |
| Interest on Equity              | 0.0         | 0.0         | ▶ ND            | 0.0         | 16.4        | ▼ -100.0%       |
| Profit Sharing                  | 2.2         | 4.1         | ▲ -46.3%        | 8.4         | 6.4         | ▲ +31.3%        |
| Other                           | 3.3         | 3.2         | ▲ +3.1%         | 9.3         | 9.3         | ▶ ND            |
| <b>Total</b>                    | <b>43.6</b> | <b>31.7</b> | <b>▲ +37.5%</b> | <b>99.8</b> | <b>89.2</b> | <b>▼ +11.9%</b> |

Other operating expenses increased by +R\$11.9 million in 3Q19 compared to 2Q19 and +R\$10.6 million in accumulated 9M19 compared to 9M18.

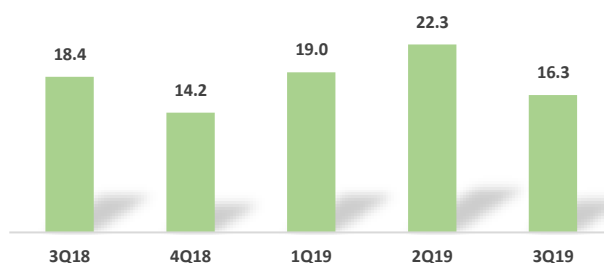
In 2Q19, extraordinary supplementary expenses from Profit Sharing were recorded to reflect the provision aligned with the net result in 1S19, in addition to expenses from Provisions for Liabilities, for adjustment of balances.

In 3Q19, provision for liabilities totaled R\$15.9 million, resulting from the revaluation of the tax discussions on constitutionality, according to CMN Resolution 3282/2009 (Technical Pronouncement CPC 25) and BCB Circular Letter 3429/2010. Due to the extraordinary revenue from the reversal of accrued social security liabilities, in the amount of R\$14.5 million, previously mentioned in the Revenue Breakdown table, the impact from these adjustments in result totaled approximately -R\$834 thousand.

### Net Income

Banese's net income in 3Q19 totaled R\$16.3 million, a decrease of 11.4% compared to the same period of the previous year and a decrease of 26.9% compared to 2Q19. Despite of the expansion in loan portfolio and the growth in funding and net interest income, the operational efficiency was reduced, and the result for the period was impacted by expenses with provisions for liabilities and allowances for loan losses.

### Net Income - R\$ million

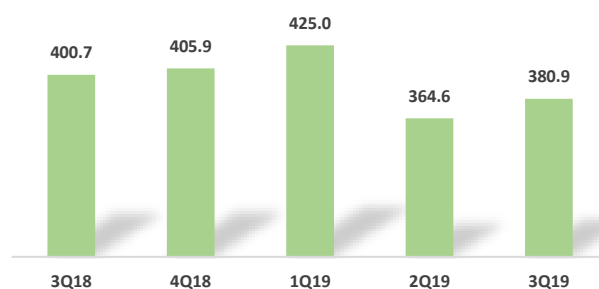


### Shareholders' Equity

Shareholders' Equity decreased by -4.9% in the 12-month period. Compared to 2Q19, Shareholders' Equity increased by +4.5%, arising from the incorporation of income for the period.

In 2Q19, Banese's Shareholders' Equity was impacted by the extraordinary adjustment of actuarial evaluation relating to the supplementary pension plan of the Banese's employees with the Banese's Social Security Institute – SERGUS (defined benefit plan), according to CPC 33-R1, approved by CVM Resolution 695, which negatively impacted the Shareholders' Equity in the amount of approximately -R\$75.2 million, due to the decrease in market rate adopted in the calculation of the current actuarial value. At the end of 1Q19, the effect from such actuarial adjustment totaled -R\$3.9 million. At the end of 3Q19, actuarial adjustment remained stable at -R\$75.2 million.

### Shareholders' Equity - R\$ millions



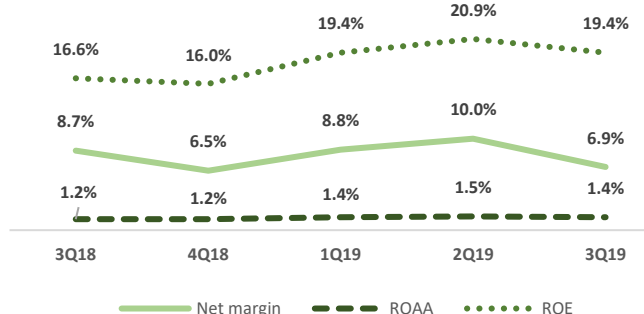
### Profitability Ratios

The profitability ratios help us to understand the return on the funds invested in the period.

The Return on Equity (ROE), the Net Margin and the Return on Average Assets (ROAA) recorded by Banese in 3Q19 were, respectively, 19.4% p.a., 6.9% p.a. and 1.4% p.a. (annualized rate).

The Return on Average Assets (ROAA) and the Return on Equity (ROE) increased in the 12-month period. The decrease in net margin resulted from the impact of the provisions for liabilities and allowance for loan losses on net income in 3Q19.

### Profitability Ratios (%)

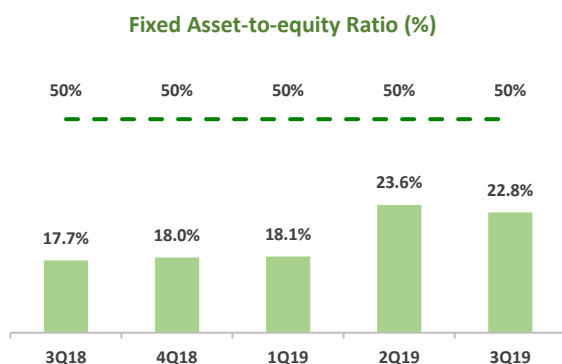


**Capitalization and Basel**

| Ratios and Capitalization (R\$ million)   | 3Q19   | 2Q19  |   | V3M      | 3Q18   |   | V12M      |
|---|--------|-------|---|----------|--------|---|-----------|
| Reference Equity (PR)   | 375.3  | 368.0 | ▲ | 1.9%     | 434.8  | ▼ | -13.6%    |
| PR Tier I   | 318.4  | 293.3 | ▲ | 8.5%     | 365.7  | ▼ | -12.9%    |
| PR Tier II  | 56.9   | 74.7  | ▼ | -23.8%   | 69.2   | ▼ | -17.7%    |
| Basel Ratio   | 11.7%  | 11.2% | ▲ | 0.5 p.p. | 14.6%  | ▼ | -2.8 p.p. |
| Core Capital Ratio  | 9.9%   | 8.9%  | ▲ | 1.0 p.p. | 12.2%  | ▼ | -2.3 p.p. |
| Tier I Capital Ratio  | 9.9%   | 8.9%  | ▲ | 1.0 p.p. | 12.2%  | ▼ | -2.3 p.p. |
| Minimum Basel Ratio + ACP   | 10.5%  | 10.5% | ▶ | ND       | 10.5%  | ▶ | ND        |
| Margin on Reference Equity, including capital for coverage of Interest Rate Risk of Banking Portfolio and ACP | 26,534 | 4,279 | ▲ | 520.0%   | 95,148 | ▼ | -72.1%    |

The Banese Conglomerate's Basel Ratio reached 11.75% at the end of 3Q19, compared to the end of 2Q19, an increase of 0.54 p.p., by virtue of the increase in PR Tier I by 8.5% (approximately R\$25.1 million), arising from the accumulated result for the period. PR Tier II decreased by 23.8% (approximately R\$17.8 million), due to the change in the ratio of the Subordinated Financial Bill, which recorded 60% of the amount rather than 80%, as set forth in article 27 of CMN Resolution 4192/13.

In addition, the reduction of the Basel Ratio in June 2019 resulted mainly from the decrease of the Reference Equity by 24.5% (approximately R\$119.3 million), due to the increase of 1,851% (approximately R\$71.3 million) in line item "Unrealized Losses on Evaluation Adjustments to Equity, except for cash flow hedge", in view of the increase of R\$75,204,504.60 in SERGUS' actuarial liabilities, net of tax credits, compared to R\$3,855,626.33 (December 2018), calculated according to CVM Resolution 695 and Technical Pronouncement CPC 33, arising from the reduction of the discount rate for adjustment to present value of the actuarial obligation, followed by the increase in tax credit deductions relating to the collection of such liabilities (approximately R\$43.1 million) and the decrease in Accumulated Losses of 29% (approximately R\$11.4 million), due to the payment of Interest on Capital (JCP).



The fixed asset-to-equity ratio ended 3Q19 at 22.8%, a decrease of 0.8 p.p. compared to 2Q19, due to the decrease in Permanent Assets by 2.3% (approximately R\$2.44 million).

The result was substantially below the minimum fixed assets requirements of 50% set by the Central Bank of Brazil.

It is important to stress that the lower this ratio, the better.

**Ratings**

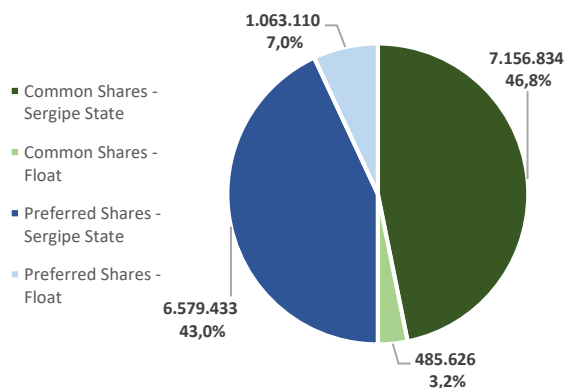
On July 31, 2019, Fitch Ratings defined the Bank's National Long-term Rating at 'A-(bra)' (A less (bra)) and the National Short-Term Rating at 'F1(bra)', and designated the long-term rating outlook as Stable. The maintenance of the Banese's national ratings considered the Bank's moderate risk appetite and the proper indicators of fund raising, liquidity and credit quality. In addition, the Bank showed consistent profitability recovery and maintained high levels since 2016, which growth was supported by controlled credit and stable default levels, despite of the challenging operational environment. The Bank has a good corporate governance structure, consistent long-term goals and good performance of the strategic planning.

On September 3, 2019, Moody's Investors Service (Moody's) reaffirmed all Banese's ratings, including the "Ba2" individual credit risk rating for long-term deposits in domestic currency, on the global scale, and changed the rating outlook from stable to negative, as well as its "Aa3.br" long-term deposit rating, on the Brazilian national scale. The outlooks for risk ratings for long-term deposits in foreign currency and long-term deposits, on the Brazilian national scale, remain stable. The negative outlook for long-term deposits in domestic currency, on the global scale, considered the reduction of the Bank's capitalization ratio, by virtue of the obligation recognized arising from the actuarial liability from the pension plan.

| Agency        | Scale                                  | Long term | Short term | Outlook  |
|---------------|--|-----------|------------|----------|
| Fitch Ratings | National                               | A- (bra)  | F1 (bra)   | Stable   |
| Moody's       | National – Deposits                    | Aa3 br    | BR-1       | Stable   |
|               | Global in National Currency – Deposits | Ba2       | Not Prime  | Negative |
|               | Global in Foreign Currency – Deposits  | Ba3       | Not Prime  | Stable   |

## ADDITIONAL INFORMATION

### Banese on B3



Banese's ownership structure in 3Q19 was composed of 89.8% of shares owned by the State of Sergipe and 10.2% of Free Float. The outstanding shares are composed of 31.3% common shares and 68.7% preferred shares.

The ownership structure is equivalent to 15.2 million shares, composed of 7.6 million common shares (BGIP3) and 7.6 million preferred shares (BGIP4).

Banese's shares are included in the ITAG Index of B3, which concentrates shares with special Tag Along rights.

### Customers and Service Channels

At the end of 3Q19, Banese's customer base totaled 871,689 current accounts and savings accounts, an increase of 1.9% compared to 3Q18, composed of 838,911 individuals and 32,778 legal entities. Compared to the immediately previous quarter, the number of customers has not varied significantly.

At the end of 3Q19, the number of transactions carried out in Internet and Mobile Banking increased by 5.6%, compared to the accumulated in 3Q18. In relation to 2Q19, the number of transactions increased by 2.3%.

The emphasis on digital channels provides more convenience to customers and more agility in the acquisition of more products and services. The use of the self-service channels to perform the transactions is still the preferred means by the Banese's customers, which accounted for 82.3% of the total transactions through September.

**Details of Channels**

|  | 3Q19        | 2Q19        |   | V3M        | 9M19        | 9M18        |   | V12M       |
|--|-------------|-------------|---|------------|-------------|-------------|---|------------|
| Branches   | 63          | 63          | ▶ | 0          | 63          | 63          | ▶ | 0          |
| Customer service units   | 09          | 09          | ▶ | 0          | 09          | 15          | ▼ | -6         |
| ATM terminals  | 482         | 493         | ▼ | -11        | 482         | 502         | ▼ | -20        |
| Banking Correspondents in Brazil                               | 193         | 210         | ▼ | -17        | 193         | 233         | ▼ | -40        |
| Transactions made in branches, ATMs and Banking Correspondents | 10.1 Mi     | 10.0 Mi     | ▲ | 0.1 Mi     | 30.7 Mi     | 29.9 Mi     | ▲ | 0.8 Mi     |
| Volume of transactions   | R\$ 10.3 Bi | R\$ 10.1 Bi | ▲ | R\$ 0.2 Bi | R\$ 31.0 Bi | R\$ 29.0 Bi | ▲ | R\$ 2.0 Bi |
| Online transactions  | 22.6 Mi     | 22.1 Mi     | ▲ | 0.5 Mi     | 66.4 Mi     | 59.3 Mi     | ▲ | 7.1 Mi     |
| Volume of transactions   | R\$ 2.3 Bi  | R\$ 2.2 Bi  | ▲ | R\$ 0.1 Bi | R\$ 6.8 Bi  | R\$ 5.6 Bi  | ▲ | R\$ 1.2 Bi |

**Financial Services – Banese 2.0**

The Intelligent Deposit service enables Legal Entities to obtain gains with an automated and proactive treasury management. This service speeds up the conversion of cash flows into working capital, reduces the collection expenses and mitigates the operational failures. Total amount of transactions was R\$82.5 thousand in 3Q19, and the total amount for the period was R\$87.4 million.

Banese also makes available 87 ATMs for the recycling of bills throughout the State, in addition to 85 ATMs in partnership with the “Saque e Pague” network. BANESE and SEAC also granted customized services and exclusive tariffs to PME’S.

**Investment in Human Capital**

The Bank invested in educational programs, based on the strategic plan of the institution, with the purpose of developing skills, increasing the performance and engagement of its teams, offering innovation opportunities and improving the competitive advantages.

The Vocational Training Incentive Program is among the main actions held by Banese. It gives the employees the opportunity to attend to graduate, specialization and foreign language courses by offering a 50% refund of the total tuition of the course.

The Bank also offers programs for obtainment of mandatory certifications, in addition to participation in events and training programs, in company or remotely. In relation to ANBIMA’s certifications, the Bank began an incentive campaign from August no November to reimburse the expenses incurred with preparatory course and certification exam for employees approved.

As a benefit to employees and dependents, Banese entered into several partnerships with educational institutions for graduation, specialization and language courses, offering discounts in the courses.

The Banese Corporate University, a virtual learning environment that makes available more than 100 self-educational courses to the employees, recorded 146 courses completed in 3Q19, with a focus on: Introduction to the Card Market, Credit Collection and Recovery, Banese’s Code of Ethical Conduct, Investor Profile Analysis and Updating of Operating Records. The courses were developed by persons in charge of the organization’s contents.

In this quarter, Banese delivered the last learning materials that represent the development path to be crossed by employees, in addition to the innovation and knowledge management actions to spread and share knowledge amongst employees, and quarterly meetings involving the technology and business area for definition of the strategic planning.

### THE BANESE CONGLOMERATE

The Banese's economic conglomerate is composed of Banese and Sergipe Administradora de Cartões e Serviços Ltda. (SEAC). In addition, Banese's group also comprises: Banese Corretora e Administradora de Seguros, Instituto Banese de Seguridade Social (SERGUS), Caixa de Assistência dos Empregados do Banese (CASSE) e the Banese Institute.

#### **Sergipe Administradora de Cartões e Serviços Ltda.**

Sergipe Administradora de Cartões e Serviços Ltda. (SEAC) is mainly engaged in the offering of payments means and related services, focused on the credit card market, vouchers and acquisition solutions. The Banese Card is present in the States of Sergipe, Alagoas and Paraíba, and is being expanded to the States of Ceará and Rio Grande do Norte.

The number of customers with purchase power increased by 2.7% compared to 3Q18, totaling 570 thousand customers in 3Q19. The volume of transactions using the products managed by SEAC (Banese Debit, Banese Card and Banese Food/Meal) totaled R\$502.5 million at the end of the quarter, an increase of 24.2% compared to the same quarter of 2018. In relation to the Banese Card (main product), the financial volume totaled R\$457.9 million, an increase of 28.7% compared to 3Q18.

In 3Q19, SEAC launched the chat service assistance, a digital resource that offers convenience and comfort to customers in relation to their needs and improves the relationship with the card holders, reinforcing the competitiveness and search for excellence in the services provided to customers.

#### **Banese Corretora de Seguros**

Banese Administradora e Corretora de Seguros Ltda. operates in the market for 40 years to provide the best solutions in several insurance lines, offering more comfort to its customers.

At the end of 3Q19, the volume of insurance policies contracted amounted to R\$25.6 million, an increase of 12.2% compared to 3Q18, and 15.9% in the accumulated nine-month period of 2019 compared to the same period of 2018, due to the increase in sales of vehicles/renewals, "troco premiado" promotion (the cash returned from payments performed in Banese Point can be exchanged for vouchers of up to R\$50 thousand to help the institutions supported by the Banese Institute), Lyscar and Banese pools, and Icatu social security and capitalization.

Revenues totaled R\$6.5 million in 3Q19, an increase of 23.6% compared to the same period of 2018.

#### **Banese Institute and Museu da Gente Sergipana (Museum of the People of Sergipe)**

The purpose of Banese Institute is to develop the social and environmental responsibility actions aligned with the public policies and be an agent of transformation through actions and investments directed to the community's interests and promotion of scientific, technological, economic, artistic, social and environmental, and cultural development of the State of Sergipe. Museu da Gente Sergipana Governador Marcelo Déda is the Banese's principal project, developed to reinforce the Bank's social role as the greater motivator and patron of several languages of the culture of the State of Sergipe.

The actions and projects sponsored by the Banese Institute in 3Q19 received total investments of R\$90.3 thousand, and involved 14,662 persons. The Museum was visited by 18,666 persons in 3Q19, who experienced folkloric events, symbols, nature, arts, history, cuisine, parties and customs of the State of Sergipe.

**Consolidated Income Statement – BANESE – (R\$ thousand)**

|   | 9.30.2019        | 9.30.2018        |
|---|------------------|------------------|
| <b>Revenue from Financial Intermediation</b>      | <b>509,881</b>   | <b>468,068</b>   |
| Credit Transactions                               | 391,765          | 364,485          |
| Income from Marketable Securities Transactions    | 107,614          | 92,687           |
| Earnings from Compulsory Investment               | 10,502           | 10,896           |
| <b>Financial Intermediation Expenses</b>          | <b>(221,986)</b> | <b>(219,192)</b> |
| Market Funding Operations                         | (158,829)        | (153,661)        |
| Loans and Onlending                               | (3,248)          | (3,899)          |
| Allowance for Loan Losses                         | (37,138)         | (38,861)         |
| Provision for Revolving Credit Card Loan          | (22,771)         | (22,771)         |
| <b>Gross Income from Financial Intermediation</b> | <b>287,895</b>   | <b>248,876</b>   |
| Other Operating Revenues (Expenses)               | (170,036)        | (146,367)        |
| Service Revenues                                  | 94,551           | 83,987           |
| Banking Fee Revenue                               | 58,087           | 50,218           |
| Personnel Expenses                                | (154,232)        | (150,299)        |
| Other Administrative Expenses                     | (164,011)        | (142,870)        |
| Tax Expenses                                      | (44,133)         | (38,828)         |
| Equity Income in Affiliates and Subsidiary        | -                | -                |
| Other Operating Revenues                          | 95,454           | 84,620           |
| Other Operating Expenses                          | (55,752)         | (33,195)         |
| <b>Operating Income</b>                           | <b>117,859</b>   | <b>102,509</b>   |
| Non-Operating Income (Expenses)                   | 575              | 1,029            |
| <b>Pre-tax Income</b>                             | <b>118,434</b>   | <b>103,538</b>   |
| Income and Social Contribution Taxes              | (42,418)         | (40,427)         |
| Provision for Income Tax                          | (23,340)         | (22,732)         |
| Provision for Social Contribution Tax             | (14,665)         | (19,234)         |
| Deferred Tax Asset                                | (4,413)          | 1,539            |
| Profit Sharing – Employees and Management         | (8,360)          | (6,444)          |
| <b>Net Income Before Non-Controlling Interest</b> | <b>67,656</b>    | <b>56,667</b>    |
| Non-Controlling Interests                         | (9,954)          | (8,324)          |
| <b>Net Income</b>                                 | <b>57,702</b>    | <b>48,343</b>    |
| Interest on Equity (IOE)                          | -                | (16,354)         |

## Income Statement - BANESE MÚLTIPLO – (R\$ thousand)

|   | 9.30.2019        | 9.30.2018        |
|---|------------------|------------------|
| <b>Revenue from Financial Intermediation</b>      | <b>505,641</b>   | <b>472,279</b>   |
| Credit Transactions                               | 395,028          | 368,696          |
| Income from Marketable Security Transactions      | 100,111          | 92,687           |
| Earnings from Compulsory Investment               | 10,502           | 10,896           |
| <b>Financial Intermediation Expenses</b>          | <b>(201,739)</b> | <b>(198,842)</b> |
| Market Funding Operations                         | (161,353)        | (156,082)        |
| Loans and Onlending                               | (3,248)          | (3,899)          |
| Allowance for Loan Losses                         | (37,138)         | (38,861)         |
| Provision for Revolving Credit Card Loan          | -                | -                |
| <b>Gross income from Financial Intermediation</b> | <b>303,902</b>   | <b>273,437</b>   |
| Other Operating Revenues (Expenses)               | (209,955)        | (188,815)        |
| Service Revenues                                  | 38,834           | 42,079           |
| Banking Fee Revenue                               | 58,087           | 50,218           |
| Personnel Expenses                                | (131,672)        | (128,596)        |
| Other Administrative Expenses                     | (128,896)        | (113,022)        |
| Tax Expenses                                      | (29,405)         | (26,613)         |
| Equity Income In Affiliates and Subsidiary        | 9,855            | 3,570            |
| Other Operating Revenues                          | 24,809           | 11,310           |
| Other Operating Expenses                          | (51,567)         | (27,761)         |
| <b>Operating Income</b>                           | <b>93,947</b>    | <b>84,622</b>    |
| Non-Operating Income                              | 621              | 701              |
| <b>Pre-Tax Income</b>                             | <b>94,568</b>    | <b>85,323</b>    |
| Income and Social Contribution Taxes              | (28,506)         | (30,536)         |
| Provision for Income Tax                          | (17,356)         | (19,492)         |
| Provision for Social Contribution Tax             | (10,918)         | (16,495)         |
| Deferred Tax Asset                                | (232)            | 5,451            |
| Profit Sharing – Employees and Management         | (8,360)          | (6,444)          |
| <b>Net Income Before Non-Controlling Interest</b> | <b>57,702</b>    | <b>48,343</b>    |
| Non-Controlling Interests                         | -                | -                |
| <b>Net Income</b>                                 | <b>57,702</b>    | <b>48,343</b>    |
| Interest on Equity (IOE)                          | -                | (16,354)         |



**Consolidated Balance Sheet - ASSETS (R\$ thousand)**

|  | 9.30.2019        | 12.31.2018       |
|--|------------------|------------------|
| <b>CURRENT ASSETS</b>  | <b>3,847,896</b> | <b>3,659,081</b> |
| CASH AND CASH EQUIVALENTS  | 87,197           | 89,943           |
| INTERBANK INVESTMENTS  | 1,117,931        | 999,053          |
| Open Market Investments  | 725,990          | 584,993          |
| Interbank Deposits   | 391,941          | 414,060          |
| MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS             | 1,154,639        | 1,123,186        |
| Own Portfolio  | 1,147,921        | 1,058,817        |
| Subject to Repurchase Agreements                                       | 5,685            | 48,442           |
| Linked to Guarantees Given   | 837              | 237              |
| Linked to Central Bank of Brazil                                       | 196              | 15,690           |
| INTERBANK ACCOUNTS   | 361,582          | 331,604          |
| Payments and Receivables to be Settled                                 | 21,130           | 2,300            |
| Restricted Deposits  | 319,995          | 319,178          |
| - Central Bank Deposits  | 319,790          | 319,109          |
| - Agreements   | 205              | 69               |
| Correspondents   | 20,457           | 10,126           |
| CREDIT TRANSACTIONS  | 647,539          | 683,135          |
| Credit Transactions  | 685,932          | 716,966          |
| - Private Sector   | 685,932          | 716,966          |
| Allowance for Loan Losses  | (38,393)         | (33,831)         |
| OTHER RECEIVABLES  | 476,326          | 426,046          |
| Unearned Income  | 11,258           | 10,405           |
| Sundry   | 500,908          | 449,048          |
| Allowance for Losses on Other Receivables                              | (1,352)          | (1,217)          |
| Provision for Receivables Related to Payment Transactions              | (34,365)         | (32,013)         |
| Allowance for Losses on Other Receivables Without Loan Characteristics | (123)            | (177)            |
| OTHER ASSETS   | 2,682            | 6,114            |
| Other Assets   | 1,471            | 1,403            |
| Prepaid Expenses   | 1,211            | 4,711            |
| <b>LONG-TERM RECEIVABLES</b>   | <b>1,939,404</b> | <b>1,720,468</b> |
| MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS             | 22,157           | 24,422           |
| Own Portfolio  | 22,157           | 24,422           |
| INTERBANK ACCOUNTS   | 28,807           | 27,935           |
| Restricted Deposits  | 28,807           | 27,935           |
| - National Housing System (SFH)  | 28,807           | 27,935           |
| CREDIT TRANSACTIONS  | 1,557,470        | 1,383,126        |
| Credit Transactions  | 1,603,796        | 1,428,935        |
| - Private Sector   | 1,603,796        | 1,428,935        |
| Allowance for Loan Losses  | (46,326)         | (45,809)         |
| OTHER RECEIVABLES  | 295,215          | 250,815          |
| Sundry   | 295,215          | 250,815          |
| OTHER ASSETS   | 35,755           | 34,170           |
| Other Assets   | 36,277           | 35,323           |
| Allowance for Devaluation  | (2,724)          | (2,758)          |
| Prepaid Expenses   | 2,202            | 1,605            |

**Consolidated Balance Sheet - ASSETS (R\$ thousand) - CONTINUED**

|   | 9.30.2019        | 12.31.2018       |
|---|------------------|------------------|
| <b>PERMANENT ASSETS</b>                       | <b>100,840</b>   | <b>97,060</b>    |
| <b>INVESTMENTS</b>                            | <b>6</b>         | <b>6</b>         |
| Interest in Affiliates and Subsidiaries       | -                | -                |
| Other Investments                             | 454              | 454              |
| Provisions for Losses                         | (448)            | (448)            |
| <b>PROPERTY AND EQUIPMENT FOR USE</b>         | <b>85,612</b>    | <b>80,648</b>    |
| Property for Use                              | 73,307           | 71,946           |
| Other Property and Equipment Items for Use    | 144,160          | 132,804          |
| Accumulated Depreciation                      | (131,855)        | (124,102)        |
| <b>INTANGIBLE ASSETS</b>                      | <b>15,222</b>    | <b>16,406</b>    |
| Intangible Assets                             | 67,898           | 65,045           |
| Accumulated Amortization of Intangible Assets | (52,676)         | (48,639)         |
| <b>TOTAL</b>                                  | <b>5,888,140</b> | <b>5,476,609</b> |

**Consolidated Balance Sheet - LIABILITIES (R\$ thousand)**

|  | 9.30.2019        | 12.31.2018       |
|--|------------------|------------------|
| <b>CURRENT LIABILITIES</b>                                 | <b>4,167,179</b> | <b>3,887,856</b> |
| <b>DEPOSITS</b>  | <b>3,478,417</b> | <b>3,379,800</b> |
| Demand Deposits  | 687,935          | 712,955          |
| Savings Account Deposits                                   | 1,408,113        | 1,384,752        |
| Interbank Deposits   | 142,315          | 162,486          |
| Time Deposits  | 1,240,054        | 1,119,607        |
| <b>INTERBANK ACCOUNTS</b>                                  | <b>56,060</b>    | <b>1,241</b>     |
| Receivables and Payments to be Settled                     | 56,060           | 1,241            |
| <b>OPEN MARKET FUNDING</b>                                 | <b>-</b>         | <b>22,001</b>    |
| Own Portfolio  | -                | 22,001           |
| <b>FUNDS FROM ACCEPTANCE AND ISSUE OF NOTES</b>            | <b>31,152</b>    | <b>52,991</b>    |
| Funds from Real Estate, Mortgage, Credit and Similar Notes | 31,152           | 52,991           |
| <b>INTERBRANCH ACCOUNTS</b>                                | <b>945</b>       | <b>754</b>       |
| Third-Party Funds in Transit                               | 945              | 754              |
| <b>LOCAL ONLENDING – OFFICIAL INSTITUTIONS</b>             | <b>18,421</b>    | <b>22,248</b>    |
| BNDES  | 1,433            | 5,269            |
| FINAME   | 1,241            | 2,507            |
| Other Institutions   | 15,747           | 14,472           |
| <b>OTHER LIABILITIES</b>                                   | <b>582,184</b>   | <b>408,821</b>   |
| Collection of Taxes and Alike                              | 19,765           | 2,054            |
| Social and Statutory Charges                               | 608              | 609              |
| Tax and Social Security Obligations                        | 23,487           | 20,638           |
| Subordinated Debts   | -                | 70,299           |
| Sundry   | 538,324          | 315,221          |

**Consolidated Balance Sheet - LIABILITIES (R\$ thousand) - CONTINUED**

|  | 9.30.2019        | 12.31.2018       |
|--|------------------|------------------|
| <b>NON-CURRENT LIABILITIES</b>                             | <b>1,291,494</b> | <b>1,143,781</b> |
| DEPOSITS   | 942,112          | 821,873          |
| Time Deposits  | 942,112          | 821,873          |
| OPEN MARKET FUNDING  | 5,662            | 26,405           |
| Own Portfolio  | 5,662            | 26,405           |
| FUNDS FROM ACCEPTANCE AND ISSUE OF NOTES                   | 67,147           | 45,830           |
| Funds from Real Estate, Mortgage, Credit and Similar Notes | 67,147           | 45,830           |
| LOCAL ONLENDING – OFFICIAL INSTITUTIONS                    | 58,772           | 42,881           |
| BNDES  | 183              | 342              |
| FINAME   | 1,607            | 2,305            |
| Other Institutions   | 56,982           | 40,234           |
| OTHER LIABILITIES  | 217,801          | 206,792          |
| Subordinated Debts   | 94,941           | 88,539           |
| Sundry   | 122,860          | 118,253          |
| DEFERRED INCOME  | 11,220           | 11,632           |
| Deferred Income  | 11,220           | 11,632           |
| <b>SHAREHOLDERS' EQUITY</b>                                | <b>418,247</b>   | <b>433,340</b>   |
| Capital  | 348,000          | 348,000          |
| - Domiciled in Brazil                                      | 348,000          | 348,000          |
| Profit Reserves  | 63,864           | 61,796           |
| Equity Valuation Adjustment                                | (75,205)         | (3,856)          |
| Interest on Equity Advance Paid                            | (11,400)         | -                |
| Retained Earnings (Accumulated Losses)                     | 55,634           | -                |
| Non-Controlling Interests                                  | 37,354           | 27,400           |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>          | <b>5,888,140</b> | <b>5,476,609</b> |

**Consolidated Statement of Value Added (R\$ thousand)**

|  | 9.30.2019       | 9.30.2018       |
|--|-----------------|-----------------|
| <b>VALUE ADDED CALCULATION</b>                             |                 |                 |
| Revenue from Financial Intermediation                      | 509,881         | 468,068         |
| Financial Intermediation Expenses                          | (221,986)       | (219,192)       |
| Other Operating Revenues (Expenses)                        | 39,702          | 51,425          |
| Non-Operating Income                                       | 575             | 1,029           |
| Service revenue  | 152,638         | 134,205         |
| Materials, Energy, Third-Party Services and Other Expenses | (144,928)       | (123,237)       |
| <b>Gross Value Added</b>                                   | <b>335,882</b>  | <b>312,298</b>  |
| <b>Retentions</b>  | <b>(13,815)</b> | <b>(14,461)</b> |
| Amortization   | (4,024)         | (4,440)         |
| Depreciation   | (9,791)         | (10,021)        |
| <b>Net Value Added Produced by the Company</b>             | <b>322,067</b>  | <b>297,837</b>  |
| <b>Value Added Received in Transfer</b>                    | -               | -               |
| Equity Pickup  | -               | -               |
| <b>Value Added to be Distributed</b>                       | <b>322,067</b>  | <b>297,837</b>  |
| <b>DISTRIBUTION OF VALUE ADDED</b>                         |                 |                 |
| <b>Government</b>  | <b>86,551</b>   | <b>79,255</b>   |
| Tax Expenses   | 48,546          | 37,289          |
| Income and Social Contribution Taxes                       | 38,005          | 41,966          |
| <b>Employees</b>   | <b>162,592</b>  | <b>156,743</b>  |
| Salaries and Fees  | 93,797          | 89,955          |
| Social Charges   | 35,532          | 33,517          |
| Private Pension Plan                                       | 3,400           | 6,170           |
| Benefits and Training                                      | 21,503          | 20,657          |
| Profit Sharing   | 8,360           | 6,444           |
| <b>Rents</b>   | <b>3,437</b>    | <b>3,255</b>    |
| <b>Taxes and Contributions</b>                             | <b>1,831</b>    | <b>1,917</b>    |
| <b>Shareholders</b>  | -               | <b>16,354</b>   |
| Interest on Equity   | -               | 16,354          |
| <b>Non-Controlling Interests</b>                           | <b>9,954</b>    | <b>8,324</b>    |
| <b>(Accumulated Losses) / Retained Earnings</b>            | <b>57,702</b>   | <b>31,989</b>   |
| <b>Value Added Distributed</b>                             | <b>322,067</b>  | <b>297,837</b>  |

**Consolidated Cash Flow (R\$ thousand)**

|   | 9.30.2019       | 9.30.2018      |
|---|-----------------|----------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |                 |                |
| <b>Adjusted net income</b>  | <b>154,250</b>  | <b>128,242</b> |
| Net Income  | 57,702          | 48,343         |
| <b>Adjustment to Net Income</b>   | <b>96,548</b>   | <b>79,899</b>  |
| Allowance for Loan Losses   | 37,138          | 38,861         |
| Provision/ (reversal) for Restricted Deposits-FCVS                                | 362             | 331            |
| Depreciation and Amortization   | 14,032          | 14,640         |
| PIS and COFINS tax Credit on Depreciation with Affiliates                         | (217)           | (179)          |
| Adjustment of Provision for Liabilities   | 29,421          | 6,396          |
| Other Operational Provisions  | 8,139           | 8,965          |
| Expense for Loyalty Bonus   | 1,645           | 443            |
| Other Non-Operational Provisions  | 369             | 427            |
| Provision for Impairment of Other Values and Asset                                | -               | 265            |
| Other Non-Operational Revenue   | (380)           | (1,397)        |
| Marketable Securities Marking to Market   | 1               | 263            |
| Deferred Tax Asset  | 4,413           | (1,539)        |
| Capital Losses  | 1,755           | 1,674          |
| Reversal of Other Operating Provisions  | (20,048)        | (5,568)        |
| Reversal of Other Non-Operating Provisions  | (2,853)         | -              |
| Equity Income in Subsidiaries   | -               | -              |
| Provision for Revolving Credit Card Loan  | 22,771          | 22,771         |
| Unpaid Interest on Equity   | -               | (6,060)        |
| Variation in Deferred Income  | -               | (394)          |
| <b>Variation in Assets and Liabilities</b>  | <b>(87,937)</b> | <b>62,533</b>  |
| (Increase)/ Decrease in Short-Term Liquidity Investments                          | (113,279)       | (87,905)       |
| (Increase) Decrease in Marketable Securities and Derivative Financial Instruments | (29,189)        | (15,865)       |
| (Increase) Decrease in Interbank / Interbranch Accounts (Assets/ Liabilities)     | 23,798          | (31,298)       |
| (Increase) Decrease in Credit Transactions  | (198,657)       | (14,521)       |
| (Increase) Decrease in Other Assets   | 1,847           | (4,173)        |
| (Increase) / Decrease in Other Credits  | (77,567)        | 11,583         |
| Increase (Decrease) in Deposits   | 218,856         | 272,691        |
| Increase/ (Decrease) in Funds Obtained in the Open Market                         | (42,744)        | (42,082)       |
| Increase/(Decrease) in Borrowings and Onlending                                   | 12,064          | (8,878)        |
| Actuarial Gains/Losses  | (71,349)        | 11,415         |
| Increase (Decrease) in Deferred Income  | (412)           | -              |
| Increase (Decrease) in Other Liabilities  | 208,695         | (28,434)       |
| <b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>                               | <b>66,313</b>   | <b>190,775</b> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>  |                 |                |
| Transfer of Property in Use to Freelease  | 1               | 312            |
| Acquisition of Property and Equipment for Use                                     | (20,728)        | (9,344)        |
| Write-off of Property and Equipment for Use                                       | 5,975           | 292            |
| Intangible Asset Investments  | (2,840)         | (981)          |
| <b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>                               | <b>(17,592)</b> | <b>(9,721)</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>  |                 |                |
| Non-Controlling Interests   | 9,954           | 6,136          |
| Additional Dividend Proposed and Paid   | -               | -              |
| Interest on Equity Paid   | (11,400)        | (10,294)       |
| Increase (decrease) in Funds from Real Estate Bills                               | (522)           | 19,943         |
| Subordinated debts  | (63,897)        | 8,768          |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>                                      | <b>(65,865)</b> | <b>24,553</b>  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                       | <b>(17,144)</b> | <b>205,607</b> |
| <b>Cash and banks at the beginning of the period</b>                              | <b>830,331</b>  | <b>489,940</b> |
| <b>Cash and banks at the end of the period</b>                                    | <b>813,187</b>  | <b>695,547</b> |