



Banese



BANCO DO ESTADO DE SERGIPE S/A – BANESE 1Q2019 EARNINGS RELEASE

For Immediate Disclosure: Aracaju, May 13, 2019. Banco do Estado de Sergipe S.A. - **BANESE** ("Banese" or "Bank"), a publicly-held and government controlled 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 first quarter of 2019. Additional information can be found on the Banese investor relations website on <https://ri.banese.com.br/>.

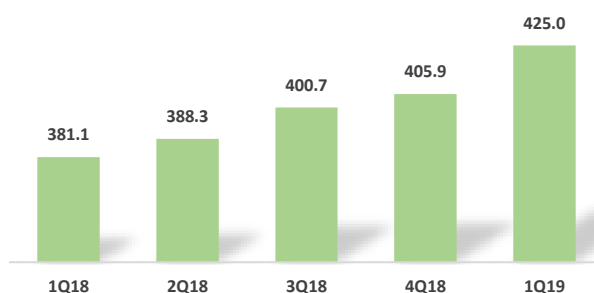
**BANESE RECORDS NET INCOME OF R\$19.0 MILLION.
TOTAL ASSETS AND FUNDING VOLUME REMAIN ON THE RISE.**

1Q19 Highlights

All comparisons in this section refer to 1Q18

- Shareholders' equity was R\$425 million (+11.5%);
- Total Assets amounted to R\$5.5 billion (+8.6%);
- Total Funding reached R\$4.8 billion (+8.7%);
- Default accounted for 0.98% of the portfolio (-0.25 pp.);

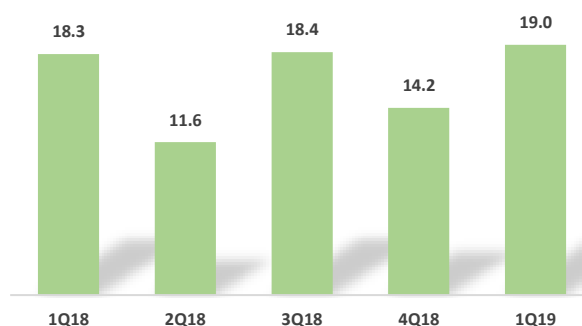
Shareholders' Equity - R\$ millions



All comparisons in this section refer to 4Q18

- Shareholders' equity was R\$19.0 million (+33.8%); Net Margin was 8.8% (+2.4%);
- Net interest income (NII) was 105.8 million (+ 8,8%);
- Administrative expenses decreased by 2.1 million (-2.5%);
- The Basel Index stood at 14.05% (-0.16 pp.).

Net Income - R\$ millions



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Balance Sheet Items - R\$ million	1Q19	4Q18		V3M	1Q18		V12M
Total assets	5,482.2	5,246.9	▲	+4.5%	5,047.2	▲	+8.6%
Credit transactions	2,361.0	2,350.3	▲	+0.5%	2,248.6	▲	+5.0%
Financial investments ⁽¹⁾	2,674.8	2,455.7	▲	+8.9%	2,412.1	▲	+10.9%
Total funding	4,815.7	4,635.7	▲	+3.9%	4,429.3	▲	+8.7%
Shareholders' equity	425.0	405.9	▲	+4.7%	381.1	▲	+11.5%

Income Statement items - R\$ million	1Q19	4Q18		V3M	1Q18		V12M
Total revenues	215.0	219.3	▼	-2.0%	207.0	▲	+3.8%
Gross income from financial intermediation	99.4	102.8	▼	-3.3%	93.6	▲	+6.2%
Operating income	33.7	34.7	▼	-2.9%	26.6	▲	+26.7%
Financial margin ⁽²⁾	109.0	113.8	▼	-4.2%	106.6	▲	+2.3%
EBITDA ⁽³⁾	34.1	43.3	▼	-21.2%	36.8	▼	-7.3%
Net income	19.0	14.2	▲	+33.8%	18.3	▲	+3.8%
Net interest income (NII) ⁽⁴⁾	105.8	97.2	▲	+8.8%	97.3	▲	+8.7%
Revenue from services	31.8	38.9	▼	-18.3%	30.5	▲	+4.3%
Allowance for loan losses (PCLD)	20.1	17.5	▲	+14.9%	26.2	▼	-23.3%
Administrative expenses	82.5	84.6	▼	-2.5%	74.1	▲	+11.3%
Net margin ⁽⁵⁾	8.8%	6.5%	▲	+2.3 pp.	8.8%	▶	ND
EBITDA margin ⁽⁶⁾	15.9%	19.8%	▼	-3.9 pp.	17.8%	▼	-1.9 pp.

Efficiency Ratios and Measures (%)	1Q19	4Q18		V3M	1Q18		V12M
Default (% of portfolio)	0.98%	1.04%	▼	-0.1 pp.	1.23%	▼	-0.3 pp.
Basel Index	14.05%	14.21%	▼	-0.16 pp.	14.52%	▼	-0.47 pp.
Extended Basel Ratio	12.71%	12.87%	▼	-0.16 pp.	13.51%	▼	-0.80 pp.
Net Interest Margin (NIM) ⁽⁷⁾	2.1%	2.0%	▲	+0.1 pp.	3.2%	▼	-1.1 pp.
Return on Average Assets (ROAA) ⁽⁸⁾	1.4%	1.2%	▲	+0.2 pp.	1.5%	▼	-0.1 pp.
Return on Equity (ROE) ⁽⁹⁾	19.4%	16.0%	▲	+3.4 pp.	20.8%	▼	-1.4 pp.
Efficiency Ratio ⁽¹⁰⁾	76.2%	74.8%	▲	+1.4 pp.	71.1%	▲	+5.1 pp.
Provisioning Ratio	3.3%	3.4%	▼	-0.1 pp.	4.1%	▼	-0.8 pp.
Coverage Ratio - Administrative ⁽¹¹⁾	38.6%	46.0%	▼	-7.4 pp.	41.3%	▼	-2.7 pp.
Coverage Ratio - Payroll ⁽¹²⁾	74.9%	86.6%	▼	-11.7 pp.	73.7%	▲	+1.1 pp.

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

(2) Gross income from financial intermediation + Allowance for loan losses.

(3) Operating Income - Equity method + Depreciation / Amortization.

(4) Interest income (credit transactions + 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 (credit transactions + financial investments + marketable securities + interbank accounts).

(8) Net income over average total assets (annualized rate).

(9) Net income over 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

	1Q19	4Q18		V3M	1Q18		V12M
Credit assets	2,361.0	2,350.3	▲	+0.5%	2,248.6	▲	+5.0%
(-) Provisions	-76.9	-80.9	▼	-4.9%	-92.9	▼	-17.2%
Net credit assets	2,284.1	2,269.4	▲	+0.6%	2,155.7	▲	+6.0%
Financial Investments	2,351.4	2,136.6	▲	+10.1%	1,984.0	▲	+18.5%
Restricted credits	353.1	347.1	▲	+1.7%	455.3	▼	-22.4%
Permanent assets	102.1	95.4	▲	+7.0%	71.7	▲	+42.4%
Other	391.5	398.4	▼	-1.7%	380.5	▲	+2.9%
Total	5,482.2	5,246.9	▲	+4.5%	5,047.2	▲	+8.6%

At the end of the first quarter of 2019, the balance of total assets was 5,482.2 million, an increase of 8.6% in 12 months, and 4.5% over the last quarter. The growth recorded in total assets was particularly due to the increased volume of financial investments, 18.5% in 12 months, and 10.1% over the past three months. Banese's policy is to make use of financial resources resulting from the difference between funding volumes and volumes earmarked for loans and other legal allocations, to increase its income.

In the composition of assets, net credit assets accounted for 41.7% of total assets; marketable securities and short-term interbank investments, 42.9%; and restricted credits, permanent assets and other assets, 15.4%. Compared to the previous quarter, financial investments increased their relative share by 2.2 pp.; net credit assets decreased their share by -1.6 pp.; and the sum of restricted credits, permanent assets and other assets decreased their share by -0.6 pp.

The net variation in assets invested in credit was 6.0% in 1Q19 against the same quarter of the previous year, with a portfolio of R\$2.3 billion at the end of the period. 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.

Restricted credit volumes dropped in the past 12 months due to a change in the rules on compulsory demand deposits, as established by the Central Bank of Brazil, which resulted in the release of approximately R\$80.0 million from compulsory payment bases on December 31, 2018, the proceeds of which were transferred to financial investments.

Funding

Banese's funding structure is quite diversified, which contributes to maintaining comfortable levels of liquidity, as well as supporting the resumption of credit granting in a scenario of economic recovery.

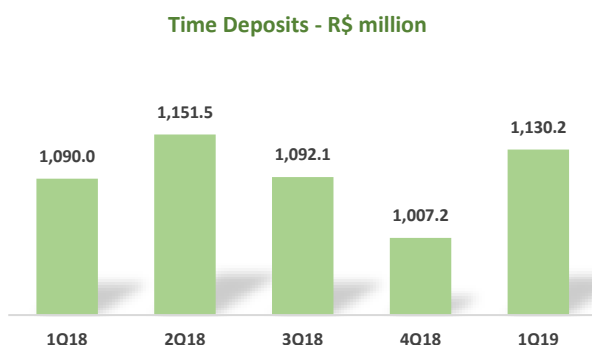
Funding by Product Line - R\$ million

	1Q19	4Q18		V3M	1Q18		V12M
Demand deposits	688.5	726.2	▼	-5.2%	592.0	▲	+16.3%
Savings account	1,381.3	1,384.8	▼	-0.3%	1,262.1	▲	+9.4%
Judicial deposits	1,120.3	983.6	▲	+13.9%	904.8	▲	+23.8%
CDI/CDB/RDB	1,293.3	1,169.7	▲	+10.6%	1,298.6	▼	-0.4%
LFS/LF/LCI	244.2	257.6	▼	-5.2%	233.4	▲	+4.6%
Repurchase transactions	26.8	48.4	▼	-44.6%	63.6	▼	-57.9%
Onlending obligations	61.3	65.4	▼	-6.3%	74.8	▼	-18.0%
Total	4,815.7	4,635.7	▲	+3.9%	4,429.3	▲	+8.7%

In March 2019, total funding amounted to R\$4,815.7 million, an increase of 8.7% (R\$ +386.4 million) in 12 months. We highlight the 23.8% growth in judicial deposits (R\$ +215.5 million), as a result of the agreement entered into between Banese and the State of Sergipe Court of Appeals, which granted exclusiveness to the Bank for this type of deposit in the State; 9.4% in savings accounts deposits (R\$ +119.2 million), due to a more conservative profile of Banese's customers and their perceived credibility of the Bank; and 16.3% in demand deposits (R\$ +96.5 million).

Time and interbank deposits varied positively in the quarterly analysis, reflecting new funding from the State Government of Sergipe, individuals and legal entities, which were carried out on an arm's length basis. In the annual analysis, time and interbank deposits declined slightly regarding funding from legal entities, and real estate and rural credit interbank deposits, due to the reciprocity/consideration provided by customers.

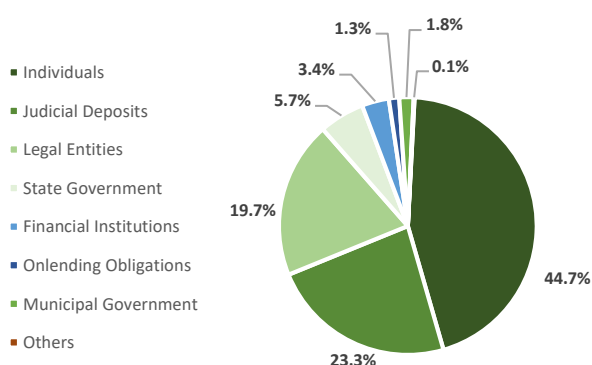
Growth in Time Deposits (CDB / RDB)



The final balances of time deposits increased by 3.7% over the past 12 months, and 12.2% comparing 1Q19 to 4Q18. The result reflects funding from the State Government of Sergipe, individuals and legal entities, as mentioned above, as well as the reclassification of funds from demand deposits, since the returns offered by time deposit instruments, particularly in the fixed income category, provide an adequate profitability alternative and no significant risk in a scenario of falling inflation and interest rates.

Funding from Financial Bills increased by 6.8% in the quarter (R\$ +3.4 million) and 34.1% in 12 months (R\$ +13.7 million), as a result of new funding from legal entities. Subordinated Financial Bills recorded a decrease due to the settlement of securities upon maturity, and payment of interest. In the past 12 months, the volume of Real Estate Credit Bills (LCIs) increased by 9.5% (R\$ + 4.3 million) due to new funding from credit transactions that backed the LCIs, and transactions for individuals, due to the fact that these investments are not subject to income tax, which may increase profitability when compared to other conservative fixed-income products.

Largest Funding Sources (% of total)

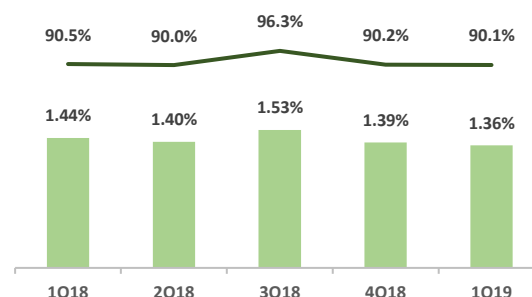


The largest source of Banese's funding are individual customers, who account for approximately 45% of the volume raised. Legal entities account for 20% of funding. The proportion of funding between individuals and legal entities, with no concentration in large customers, reduces liquidity risks that could require settlements of large transactions, potentially affecting the Bank's profitability. Judicial deposits account for approximately 23% of the total funding volume obtained by Banese.

Funding costs had a negative variation in the past 12 months and over the quarter.

From 4Q18 to 1Q19, the decreases observed, both in absolute amounts and in terms of the CDI, considering the stability of the basic interest rate, resulted from an increase in the share of judicial deposits (funding with lower costs) in total funding, and the settlement of a portion of the inventory of Subordinated Financial Bills - LFSs. In the comparison between 1Q19 and 1Q18, in addition to the reasons mentioned above, there was growth in the share of savings deposits (funding with lower costs) in total funding and lower earnings on funding in LFSs due to lower inflation rates.

Funding Costs (Absolute and % of CDI)



Credit

Credit Portfolio by Type – R\$ million

	1Q19	4Q18		V3M	1Q18		V12M
Commercial portfolio	1,652.6	1,627.8	▲	+1.5%	1,542.7	▲	+7.1%
For individuals	1,357.8	1,301.4	▲	+4.3%	1,236.8	▲	+9.8%
For legal entities	294.8	326.4	▼	-9.7%	305.9	▼	-3.6%
Development portfolio	517.1	518.1	▼	-0.2%	530.8	▼	-2.6%
For individuals	420.5	413.2	▲	+1.8%	412.7	▲	+1.9%
For legal entities	96.6	104.9	▼	-7.9%	118.1	▼	-18.2%
Securities and credits receivable	191.3	204.4	▼	-6.4%	175.1	▲	+9.3%
Total	2,361.0	2,350.3	▲	+0.5%	2,248.6	▲	+5.0%

Banese's credit portfolio reached R\$2.4 billion in assets, or +0.5% against 4Q18 and +5.0% against 1Q18. The scenario described for Banese's credit portfolio is the result of a still limited recovery of the economic environment; adjustment of the population to its indebtedness; and active companies that are refraining to make new investments to expand/modernize their business.

In the commercial segment, Banese has a prominent position in its market. According to the Central Bank of Brazil, Banese holds 41.0% (base: February 2019) of the commercial loan market in the State of Sergipe. The exposure is spread over a large number of small and midsize customers and transactions, mitigating individual credit risks and avoiding the negative impact that would otherwise be generated by the potential default of a major operation.

The commercial loan portfolio increased by 7.1% in 12 months, and by 1.5% against the previous quarter. The credit market continues to expand, with a focus on increasing loan transactions in the segment of free funds particularly intended for personal credit. The positive trend in the behavior of credit balances contributed to support the increase in family consumption, as well as the recovery of business activities in 2018 and at the beginning of this year.

The positive figures reported were due to the planned actions taken by the business areas before accredited companies, and state and municipal government bodies, as well as to the strategies used by the Bank's business units to reach a large scale of customers that are eligible to credit, including through initiatives involving credit portability.

The commercial loan portfolio for individuals increased by 9.8% compared to 1Q18. In this period, the commercial loan portfolio for legal entities decreased by 3.6%, also due to the impact of the macroeconomic conditions recorded in the period, and subject to the conservative credit granting policies of Banese.

The development loan portfolio, which includes the real estate, industrial and agribusiness portfolios, accounted for 21.9% of the Bank's total loan portfolio. Still influenced by the economic outlook of the State of Sergipe, the development portfolio recorded a retraction in the past 12 months (-2.6%), and a slight reduction compared to the previous quarter (-0.2%). This result reflects the downturn recorded in the State's real estate sector in recent years.

It is important to stress that the real estate portfolio, which is responsible for a major portion of the development loans granted, is extremely sensitive to a low activity economic environment and lack of confidence because they are high individual transactions with long settlement terms.

Loan Portfolio Quality by Risk Rating

	R\$ million			Variation	% Portfolio			Variation
	1Q19	1Q18			1Q19	1Q18		
AA	416.1	484.4	▼	-14.1%	17.6%	21.5%	▼	-3.9 pp.
A	1,008.2	902.2	▲	+11.7%	42.7%	40.1%	▲	+2.6 pp.
B	570.0	524.7	▲	+8.6%	24.1%	23.4%	▲	+0.7 pp.
C	239.6	177.8	▲	+34.8%	10.2%	7.9%	▲	+2.3 pp.
D - H	127.1	159.5	▼	-20.3%	5.4%	7.1%	▼	-1.7 pp.
Total	2,361.0	2,248.6	▲	+5.0%	100.0%	100.0%	▶	ND

In relative terms, the loan segments classified between "AA" and "C" risk ratings account for 94.6% of Banese's total portfolio (compared to 92.9% in 1Q18). Loans classified at risk ratings "D" through "H", which concentrate higher-risk transactions, accounted for 5.4% of Banese's credit portfolio (or -1.7 pp., compared to 7.1% 1Q18).

1Q19 Credit Quality by Portfolio - R\$ million

	Total	Commercial loan	Industrial	Rural	Real estate	Other
AA	416.1	416.1	0.0	0.0	0.0	0.0
A	1,008.2	414.0	14.2	42.6	349.4	188.0
B	570.0	521.8	15.7	6.8	23.1	2.6
C	239.6	222.9	5.4	7.4	3.4	0.5
D - H	127.1	77.8	27.2	18.4	3.4	0.3
Total	2,361.0	1,652.6	62.5	75.2	379.3	191.4

In terms of significance on total credit by segment, products with lower credit quality are those included in the industrial (where loans classified as "D - H" account for 43.5% of the portfolio) and rural (24.5% of the portfolio with "D-H" risk levels) portfolios. The rating refers to the characteristics of the products and the relatively high volume of each individual operation.

Financial Investments

Financial Investments - R\$ million

	1Q19	4Q18		V3M	1Q18		V12M
Short-term Interbank investments	1,220.8	999.1	▲	+22.2%	863.5	▲	+41.4%
Marketable securities (TVM)	1,100.1	1,073.1	▲	+2.5%	1,039.6	▲	+5.8%
Fund shares	102.5	101.9	▲	+0.6%	48.7	▲	+110.5%
Fixed income	997.6	971.2	▲	+2.7%	990.9	▲	+0.7%
Repurchase + Collaterals	27.7	49.2	▼	-43.7%	63.8	▼	-56.6%
Remunerated Compulsory Deposits	326.2	334.3	▼	-2.4%	445.2	▼	-26.7%
	2,674.8	2,455.7	▲	+8.9%	2,412.1	▲	+10.9%

In the past 12 months, considering the drop in the economy's basic interest rate, and our goal to increase the profitability of treasury assets, the funds invested in short-term interbank repurchase transactions migrated to fund shares and to assets relating to the fulfilment of obligations with the Central Bank (Real Estate DIs).

There was a reduction in compulsory deposits, in assets linked to rural credit (Rural DI) and LCI, as a result of changes in regulations that restrict the calculation of LCI for purposes of compliance with savings deposits requirements as from January 1, 2019, and the effect of changes in rural credit requirements for the new 2018-2019 crop year. It is important to stress that the compulsory deposits are remunerated and despite recording lower spreads than those of real estate loans are totally risk-free.

Banese is subject to the rules of Circular No. 3.068 of the Central Bank, 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 constantly 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 1Q19 corresponded to 101.19% of the CDI, higher than 100.34% of the CDI in the end of 2018 (+0.85 pp.) and 100.58% of the CDI in 1Q18 (+0.61 pp.). The profitability shown was impacted by the performance of investment funds and marking-to-market of public securities, within a scenario of higher volatility of Brazilian assets.

ANALYSIS OF RESULTS

Revenues

Breakdown of Revenues - R\$ million

	1Q19	4Q18		V3M	1Q18		V12M
Revenues from credit	126.5	119.1	▲	+6.2%	121.4	▲	+4.2%
Revenues from Financial Investments	35.2	31.8	▲	+10.7%	28.7	▲	+22.6%
Revenues from Provision of Services	31.8	38.8	▼	-18.0%	30.5	▲	+4.3%
Revenues from equity interests	3.3	1.5	▲	+120.0%	0.1	▲	+3,200.0%
Other operating revenues	17.5	25.5	▼	-31.4%	25.6	▼	-31.6%
Non-operating revenues	0.7	2.6	▼	-73.1%	0.7	▶	ND
	215.0	219.3	▼	-2.0%	207.0	▲	+3.9%

Banese's revenues totaled R\$215.0 million in the first quarter of 2019, representing a growth of 3.9% against the same period of the previous year.

This variation is due to the 22.6% increase in revenues from financial investments, as a result of the increased volume of financial investments in the period and stability of the basic interest rate in Brazil; and the growth in credit revenues, due to the positive variation in the portfolio, despite the repricing of these assets. The slight growth in revenues from the provision of services, and the drop in other operating revenues, particularly in revenues from the recovery of loans written-off against losses, reduced the overall result of total revenues.

In the comparison between 1Q19 and 4Q18, total revenues decreased by 2.0%. The main negative variations were recorded in the group of Other Operating Revenues, as explained above, due to lower revenues from the recovery of loans written-off against losses in the quarter, and the reduction in revenues from the provision of services, considering that, in the last quarter of 2018, seasonal revenues were recorded in relation to an annual production bonus of Grupo Segurador Mapfre.

The growth seen in income from equity interests was due to the equity income in SEAC – Sergipe Administradora de Cartões Ltda., after a capital contribution and increase in equity interest in said company.

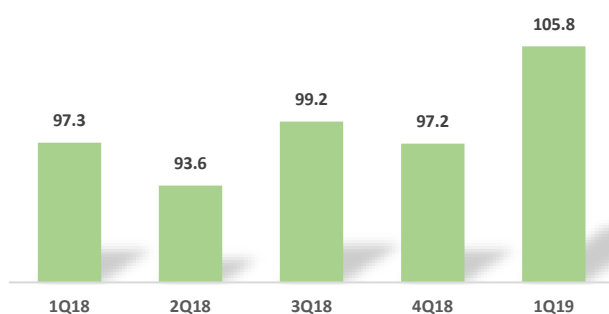
Costs and Expenses

Direct Operating Costs - R\$ million

	1Q19	4Q18		V3M	1Q18		V12M
Funding expenses	52.6	51.7	▲	+1.7%	51.4	▲	+2.3%
Earnings from marketable securities	2.2	0.0	▲	+100.0%	0.1	▲	+2,100.0%
Loan obligations expenses	1.0	1.1	▼	-9.1%	1.2	▼	-16.7%
Total	55.8	52.8	▲	+5.7%	52.7	▲	+5.9%

Funding expenses increased by 2.3% in the year, and 1.7% against the previous quarter, due to the growth in funding volumes, although these effects were offset by the redemption on the maturity date of Subordinated Financial Bills in January 2018, which had higher funding 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 1Q19 and 1Q18.

In the analysis of 1Q19 against 4Q18, the change was +8.8%.

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

Personnel expenses/Payroll - R\$ million

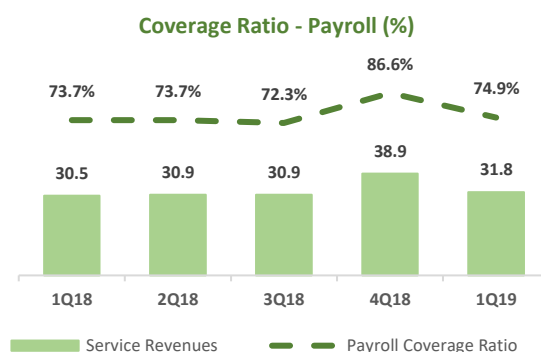
	1Q19	4Q18		V3M	1Q18		V12M
Salaries	25.3	26.4	▼	-4.2%	24.2	▲	+4.5%
Benefits	5.5	6.0	▼	-8.3%	5.2	▲	+5.8%
Social charges	11.4	12.0	▼	-5.0%	11.7	▼	-2.6%
Training programs and other	0.2	0.5	▼	-60.0%	0.2	▶	ND
Total	42.4	44.9	▼	-5.6%	41.3	▲	+2.7%

Personnel expenses increased by 2.7% against 1Q18 and decreased by 5.6% compared to 4Q18. The increase in expenses in 12 months is in line with inflation and salary adjustment for bank employees in the period, and does not represent real growth. The reduction against 4Q18 takes into account specific expenses recorded in December such as: 13th salary, and 13th-grocery basket (collective bargaining agreement).

Banese's management intends to fund the largest possible portion of its personal and administrative expenses with funds from revenue from services.

The payroll coverage ratio was 74.9% in 1Q19, with a positive variation of 1.2 pp against 1Q18, and -11.7 pp against 4Q18.

The negative variation in the last quarter was caused by extraordinary revenues in 4Q18, as already mentioned in this report.

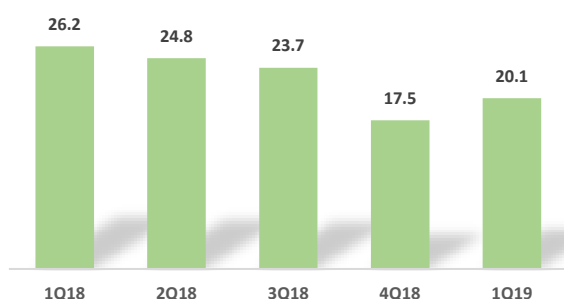


Other Administrative Expenses - R\$ million

	1Q19	4Q18		V3M	1Q18		V12M
Third-party services	18.0	18.5	▼	-2.7%	14.3	▲	+25.9%
Consumption, maintenance and materials	5.7	5.8	▼	-1.7%	5.6	▲	+1.8%
Data processing systems	8.0	7.2	▲	+11.1%	6.3	▲	+27.0%
Insurance	1.1	1.1	▶	ND	1.0	▲	+10.0%
Transport of cash	2.1	1.9	▲	+10.5%	2.0	▲	+5.0%
Tax	0.6	0.3	▲	+100.0%	0.3	▲	+100.0%
Other expenses	4.5	4.8	▼	-6.3%	3.1	▲	+45.2%
Total	40.0	39.6	▲	+1.0%	32.6	▲	+22.7%

Other administrative expenses increased by 22.7% (R\$ +7.4 million) in 12 months. The increase in expenses from Third-party Services has influenced the increase in administrative expenses, particularly those regarding expansion of the network of Correspondents in Brazil, and the "Saque e Pague" Electronic Services Outlets (or "PAE" Network). 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 specialized technical services and data systems and processing, which are also directly related to the strategic processes for migration of services to digital channels. In the last quarter, there was a small variation in other administrative expenses compared to 4Q18 (+1.0%).

Allowance Expenses - R\$ million



Expenses from Allowance for Loan Losses (PCLD) amounted to R\$20.1 million in 1Q19, R\$-6.1 million against 1Q18 and R\$+2.6 million above the volume recorded in 4Q18.

The reduction in default rates, the positive variation in the risk rating of portfolio transactions, and the transfer to losses of unrecoverable loan loss transactions resulted in the recording of lower amounts for these expenses.

Other Operating Expenses - R\$ million

	1Q19	4Q18		V3M	1Q18		V12M
Depreciation and maintenance	3.7	4.1	▼	-9.8%	4.1	▼	-9.8%
Impairment of loans	0.1	0.1	▶	ND	0.1	▶	ND
Provisions for liabilities	1.8	1.9	▼	-5.3%	1.4	▲	+28.6%
Agreement with Court of Appeals	4.6	4.1	▲	+12.2%	4.2	▲	+9.5%
ISS/PIS/COFINS	9.1	9.3	▼	-2.2%	8.6	▲	+5.8%
Discounts granted	0.0	0.0	▶	ND	0.2	▼	-100.0%
Interest on equity	0.0	5.1	▼	-100.0%	6.2	▼	-100.0%
Profit sharing	2.1	2.8	▼	-25.0%	1.9	▲	+10.5%
Others	2.8	1.8	▲	+55.6%	1.8	▲	+55.6%
Total	24.2	29.2	▼	-17.1%	28.5	▼	-15.1%

The decrease in other operating expenses resulted from the new procedures for recording remuneration of capital, as set forth in CMN Resolution 4706/2018 and Bacen Circular Letter 3935/2019. Expenses from interest on equity were excluded from Cosif, which justifies the reduction recorded in the period in question.

Net Income - R\$ millions



Net income

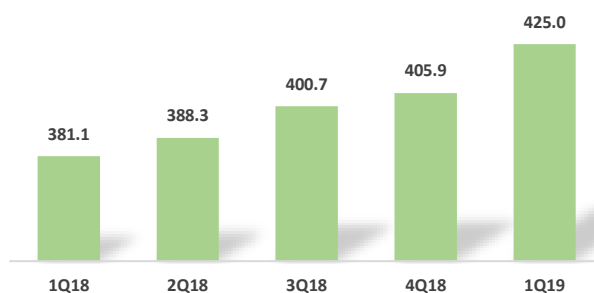
As a result of the behavior of business previously presented, the expansion in the loan portfolio and the growth in funding and net interest income, net income of Banese in 1Q19 amounted to R\$19.0 million, an increase of 3.8% compared to income recorded in the same period of the previous year, and 33.8% above the figure recorded in 4Q18.

Shareholders' Equity

Banese's shareholders' equity fluctuated 11.5% in 12 months and 4.7% compared to 4Q18, primarily due to the incorporation of income for the period to the profit reserve.

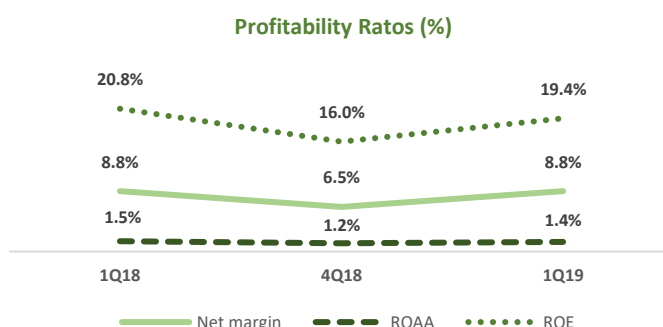
Shareholders' Equity recorded in the end of 1Q19 does not include the provision for distribution of Interest on Equity to be carried out until the end of the year.

Shareholders' Equity - R\$ millions



Profitability Ratios

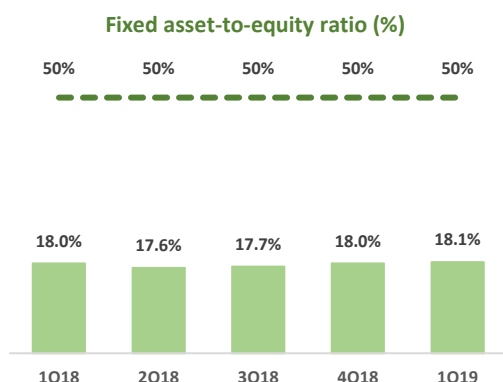
The profitability ratios help us understand the return on the funds invested in the period. Net Margin, Return on Average Assets (ROAA) and Return on Equity (ROE) recorded by Banese in 1Q19 were 8.8%, 1.4% p.a. (annualized rate) and 19.4% p.a. (annualized rate) respectively. These ratios increased if compared to the previous quarter, and with a slight retraction, if compared to 1Q18.



Capitalization and Basel

Ratios and Capitalization (R\$ million)	1Q19	4Q18	V3M	1Q18	V12M
Reference Equity (PR)	469.4	446.9	▲ +5.03%	427.0	▲ +9.93%
PR Tier I	397.0	376.0	▲ +5.59%	335.8	▲ +18.23%
PR Tier II	72.3	70.8	▲ +2.12%	91.2	▼ -20.72%
Basel ratio	14.0%	14.2%	▼ -0.2 pp.	14.5%	▼ -0.5 pp.
Extended Basel ratio	12.7%	12.8%	▼ -0.1 pp.	13.5%	▼ -0.8 pp.
Core Capital Ratio	11.8%	11.9%	▼ -0.1 pp.	11.4%	▲ +0.4 pp.
Tier I Capital ratio	11.8%	11.9%	▼ -0.1 pp.	11.4%	▲ +0.4 pp.
Minimum Basel Ratio + ACP	10.5%	10.5%	▶ ND	10.5%	▶ ND

The Basel Ratio for the Conglomerate was 14.0% in the end of 1Q19, while the extended ratio was 12.7%, representing a decrease of 0.2 pp. in both ratios when compared to those recorded in the end of 4Q18, due to the 6.26% increase (approx. R\$196.9 million) in Risk-weighted Assets (RWA), as a result of the 4.3% growth (approx. R\$114.7 million) in Credit Risk-weighted Assets, and of 39.5% (approx. R\$48 million) in Market Risk-weighted Assets. Compared to 1Q19 and 1Q18, the Basel ratio decreased 0.5 pp., and the extended Basel ratio decreased 0.8 pp., as a result of the 13.6% increase in Risk-weighted Assets (RWA) (approx. R\$400.5 million), due to the 9.8% growth (approx. R\$245.3 million) in Credit Risk-weighted Assets, and of 209% (approx. R\$114.6 million) in Market Risk-weighted Assets.



The fixed asset-to-equity ratio ended 1Q19 at 18.17%, a 0.12 pp. increase compared to 4Q18, given the 3.96% increase (approx. R\$3.8 million) in permanent assets. Compared to 1Q18, there was a 0.18 pp. increase against 1Q19, due to the 5.53% growth (approx. R\$5.3 million) in permanent assets.

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

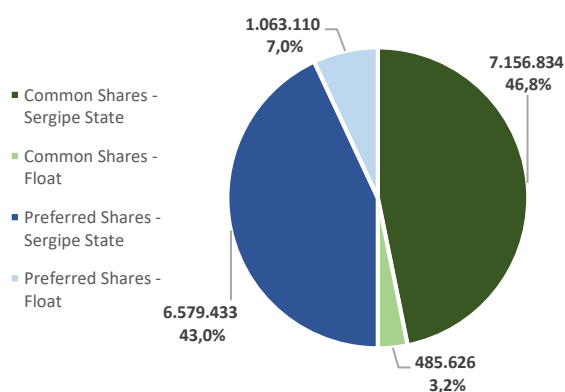
On August 14, 2018, Fitch Ratings increased Banese's National Long-Term Rating to "A-(bra)" ("A" less (bra)) from "BBB+(bra)" ("BBB" plus (bra)), and its National Short-Term Rating to "F1" (bra), from "F2(bra)", maintaining the long-term rating outlook as "Stable." The increase in Banese's national ratings reflected Fitch's opinion about the strengthening of the Bank's financial profile. It also highlighted a consistent recovery in profits with maintenance of high levels since 2016, the sustainable growth in controlled loans, and stable default rates, even under a challenging operating environment.

On October 16, 2018, Moody's Investors Service reaffirmed Banese's "ba2" individual credit risk rating, as well as its "Aa3.br" deposit rating, long-term, and BR-1, short-term, on the Brazilian national scale, and maintained a Stable Outlook. The maintenance of the rating took into account Banese's market share in the State of Sergipe (approximately one third of deposits and loans), and the Bank's focus on providing financial services to state public servants, as well as to small and midsize companies, which are strongly connected to the economy of the State.

Agency	Scale	Long term	Short term	Outlook
Fitch Rating	National	A- (bra)	F1 (bra)	Stable
Moody's	National - Deposits	Aa3 br	BR-1	Stable
	Global in national currency - Deposits	Ba2	Not Prime	Stable
	Global in foreign currency - Deposits	Ba3	Not Prime	Stable

ADDITIONAL INFORMATION

Banese on B3



Banese's ownership structure includes 15.2 million shares, of which 7.6 million are common shares (BGIP3) and 7.6 million are preferred shares (BGIP4).

Outstanding shares correspond to 10.2% of total shares, divided into 31.3% ON shares and 68.7% PN shares. The Government of the State of Sergipe is the controlling shareholder of Banese, holding 89.8% of total shares.

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

Customers and Service Channels

Banese's customer base was 864,657 in 1Q19, including 832,242 individual customers (PF) and 32,415 legal entities (PJ). The customer base increased by 1.2% in the past 12 months, and 0.6% compared to the previous quarter, as a result of the increased volume of business.

The Bank's measures to provide more convenience to customers by offering more products and services through more agile channels, such as the digital channels, boosted the number of transactions over the Internet and Mobile Banking channels. There was an increase of 15.9% in 1Q19 compared to the total accrued in 1Q18.

Details of Channels

	1Q19	4Q18		V3M	1Q19	1Q18		V12M
Branches	63	63	▶	0	63	63	▶	0
Customer service units	10	15	▼	-5	10	14	▼	-4
ATM terminals	498	506	▼	-8	498	510	▼	-12
Banking correspondents in Brazil	233	233	▶	0	233	236	▼	-3
Transactions made in Branches, ATMs and Banking Correspondents	10.5 Mi	10.6 Mi	▼	0.1 Mi	10.5 Mi	9.9 Mi	▲	0.6 Mi
Volume of transactions	R\$ 10.5 Bi	R\$ 10.3 Bi	▲	R\$ 0.2 Bi	R\$ 10.5 Bi	R\$ 10.0 Bi	▲	R\$ 0.5 Bi
Online transactions	21.5 Mi	23.2 Mi	▼	-1.7 Mi	21.5 Mi	18.6 Mi	▲	2.9 Mi
Volume of transactions	R\$ 2.2 Bi	R\$ 2.3 Bi	▼	-R\$ 0.1 Bi	R\$ 2.2 Bi	R\$ 1.8 Bi	▲	R\$ 0.4 Bi

Financial Services – Banese 2.0

The Remote Capture Checks (RDC) service simplifies the check deposit process for Legal Entities. The volume of transactions was 14.0 thousand in 1Q19, with a volume of R\$24.2 million.

The Intelligent Deposit service enables Legal Entities to speed up the online conversion of cash flows into working capital, besides mitigating risks of fraud. Total amount of transactions was R\$107.8 million in 1Q19, an increase of 8.2% compared to 1Q18.

Banese also makes available 78 ATMs for the recycling of bills throughout the State, in addition to 90 ATM in partnership with the “Saque e Pague” network.

Investment in Human Capital

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

The Vocational Training Incentive Program is among the main actions held by Banese. It gives the employees the opportunity to attend undergraduate, 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.

The Banese Corporate University, a virtual learning environment that makes available more than 100 self-educational courses to the employees, recorded 82 courses completed in 1Q19, with a focus on: Credit Collection and Recovery, Updating of Operating Records, Investor Profile Analysis, Banese’s Code of Ethical Conduct, and Introduction to the Cards Market. The courses were developed by persons in charge of the organization’s contents.

THE BANESE CONGLOMERATE

The Banese economic conglomerate includes the company “Sergipe Administradora de Cartões e Serviços Ltda. (SEAC).” The group also includes the companies “Banese Corretora e Administradora de Seguros,” “Instituto Banese de Seguridade Social” (SERGUS), “Caixa de Assistência dos Empregados do Banese (CASSE)” and the Banese Institute. The latter is intended for managing social and environmental responsibilities, and supporting cultural manifestations.

Sergipe Administradora de Cartões e Serviços Ltda.

Sergipe Administradora de Cartões e Serviços Ltda. (SEAC) provides services relating to credit and debit cards and other payment means. 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.

This fact boosted the growth of 5.39% in the number of customers eligible for purchase compared to 1Q18, totaling 570.9 thousand customers in 1Q19. The financial volume of transactions through the Banese Card credit card (the company's main product) amounted to R\$395.6 million in 1Q19, a growth of 17.7% against 1Q18.

In 1Q19, the Banese Card ELO Virtual Card was launched both in the Portal and in the app, in order to stimulate and boost the purchase power of customers in domestic e-commerce business accepting ELO cards. This fact shows the evolution in the performance of SEAC products, reinforcing competitiveness and the search for excellence. Due to portfolio expansion, SEAC is now able to provide better services regarding the expectations and needs of customers.

Banese Corretora de Seguros

Banese Administradora e Corretora de Seguros Ltda. works in partnership with major market insurers in order to provide the best insurance solutions to its customers.

In 1Q19, the volume of insurance policies contracted amounted to R\$26.4 million, an increase of 32.0% compared to the same quarter in 2018. This result was mainly boosted by the growth in sales of the credit insurance segment and of the following products: "troco premiado" promotion, Lyscar and Banese pools, and Icatu social security and capitalization.

Operating revenues amounted to R\$6.1 million in 1Q19, or an increase of 6.4% compared to the first quarter of the previous year.

Banese Institute and Museu da Gente Sergipana [Museum of the People of Sergipe]

The Banese Institute is an agent of transformation through actions and investments aimed at the interests of the community, and the promotion of scientific, technological, economic, artistic, social and environmental, and cultural development in the State.

The actions and projects sponsored by the Banese Institute in 1Q19 received total investments of R\$66.5 thousand, and involved more than 9,985 persons.



The "Museu da Gente Sergipana Governador Marcelo Déda" reinforces the role of Banese as a major supporter and sponsor of the several languages of the culture of Sergipe, including its folkloric manifestations, symbols, nature, art, history, food, festivals and costumes.

The museum was visited by 27,236 persons in 1Q19.

TABLES AND ATTACHMENTS
Consolidated Income Statement – BANESE – (R\$ thousand)

	3.31.2019	3.31.2018
Revenue from Financial Intermediation	162,442	159,286
Credit Transactions	125,334	126,809
Income from Marketable Securities Transactions	33,648	28,529
Earnings from Compulsory Investment	3,460	3,948
Financial Intermediation Expenses	(67,186)	(71,585)
Market Funding Operations	(51,741)	(50,510)
Loans and Onlending	(992)	(1,232)
Allowance for Loan Losses	(9,633)	(13,002)
Provision for Revolving Credit Card Loan	(4,820)	(6,841)
Gross Income from Financial Intermediation	95,256	87,701
Other Operating Revenues (Expenses)	(53,686)	(48,322)
Service Revenues	30,061	31,802
Banking Fee Revenue	18,905	12,176
Personnel Expenses	(51,079)	(49,276)
Other Administrative Expenses	(52,492)	(45,084)
Tax Expenses	(14,443)	(13,108)
Equity Income in Affiliates and Subsidiary	-	-
Other Operating Revenues	25,809	24,876
Other Operating Expenses	(10,447)	(9,708)
Operating Income	41,570	39,379
Non-Operating Income (Expenses)	532	198
Pre-tax Income	42,102	39,577
Income and Social Contribution Taxes	(17,632)	(16,729)
Provision for Income Tax	(7,808)	(8,297)
Provision for Social Contribution Tax	(4,822)	(6,997)
Deferred Tax Asset	(5,002)	(1,435)
Profit Sharing – Employees and Management	(2,073)	(1,921)
Net Income Before Non-Controlling Interest	22,397	20,927
Non-Controlling Interests	(3,362)	(2,626)
Net Income	19,035	18,301
Interest on Equity (IOE)	-	(6,230)

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

	3.31.2019	3.31.2018
Revenue from Financial Intermediation	162,618	159,286
Credit Transactions	126,230	126,809
Income from Marketable Security Transactions	32,928	28,529
Earnings from Compulsory Investment	3,460	3,948
Financial Intermediation Expenses	(63,253)	(65,658)
Market Funding Operations	(52,628)	(51,424)
Loans and Onlending	(992)	(1,232)
Allowance for Loan Losses	(9,633)	(13,002)
Provision for Revolving Credit Card Loan	-	-
Gross income from Financial Intermediation	99,365	93,628
Other Operating Revenues (Expenses)	(65,646)	(60,834)
Service Revenues	12,895	18,318
Banking fee Revenue	18,905	12,176
Personnel Expenses	(43,626)	(42,168)
Other Administrative Expenses	(41,925)	(35,651)
Tax Expenses	(9,694)	(8,889)
Equity Income In Affiliates and Subsidiary	3,328	138
Other Operating Revenues	3,752	2,924
Other Operating Expenses	(9,281)	(7,682)
Operating Income	33,719	32,794
Non-Operating Income	417	202
Pre-Tax Income	34,136	32,996
Income and Social Contribution Taxes	(13,028)	(12,774)
Provision for Income Tax	(6,716)	(7,464)
Provision for Social Contribution Tax	(4,148)	(6,325)
Deferred Tax Asset	(2,164)	1,015
Profit Sharing – Employees and Management	(2,073)	(1,921)
Net Income Before Non-Controlling Interest	19,035	18,301
Non-Controlling Interests	-	-
Net Income	19,035	18,301
Interest on Equity (IOE)	-	(6,230)



Consolidated Balance Sheet - ASSETS (R\$ thousand)

	3.31.2019	12.31.2018
CURRENT ASSETS	3,889,976	3,659,081
CASH AND CASH EQUIVALENTS	95,918	89,943
INTERBANK INVESTMENTS	1,220,777	999,053
Open Market Investments	809,989	584,993
Interbank Deposits	410,788	414,060
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	1,156,305	1,123,186
Own Portfolio	1,125,799	1,058,817
Subject to Repurchase Agreements	26,838	48,442
Linked to Guarantees Given	271	237
Linked to Central Bank of Brazil	3,397	15,690
INTERBANK ACCOUNTS	344,584	331,604
Payments and Receivables to be Settled	8,676	2,300
Restricted Deposits	324,905	319,178
- Central Bank Deposits	324,546	319,109
- Agreements	359	69
Correspondents	11,003	10,126
CREDIT TRANSACTIONS	673,507	683,135
Credit Transactions	705,160	716,966
- Private Sector	705,160	716,966
Allowance for Loan Losses	(31,653)	(33,831)
OTHER RECEIVABLES	392,996	426,046
Unearned Income	10,618	10,405
Sundry	412,899	449,048
Allowance for Losses on Other Receivables	(1,076)	(1,217)
Provision for Receivables Related to Payment Transactions	(29,282)	(32,013)
Allowance for Losses on Other Receivables Without Loan Characteristics	(163)	(177)
OTHER ASSETS	5,889	6,114
Other Assets	1,710	1,403
Prepaid Expenses	4,179	4,711
LONG-TERM RECEIVABLES	1,764,098	1,720,468
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	23,668	24,422
Own Portfolio	23,668	24,422
INTERBANK ACCOUNTS	28,221	27,935
Restricted Deposits	28,221	27,935
- National Housing System (SFH)	28,221	27,935
CREDIT TRANSACTIONS	1,420,371	1,383,126
Credit Transactions	1,464,498	1,428,935
- Private Sector	1,464,498	1,428,935
Allowance for Loan Losses	(44,127)	(45,809)
OTHER RECEIVABLES	256,959	250,815
Sundry	256,959	250,815
OTHER ASSETS	34,879	34,170
Other Assets	35,322	35,323
Allowance for Devaluation	(2,758)	(2,758)
Prepaid Expenses	2,315	1,605



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

	3.31.2019	12.31.2018
PERMANENT ASSETS	100,899	97,060
INVESTMENTS	6	6
Interest in Affiliates and Subsidiaries	-	-
Other Investments	454	454
Provisions for Losses	(448)	(448)
PROPERTY AND EQUIPMENT FOR USE	85,307	80,648
Property for Use	73,374	71,946
Other Property and Equipment Items for Use	139,111	132,804
Accumulated Depreciation	(127,178)	(124,102)
INTANGIBLE ASSETS	15,586	16,406
Intangible Assets	65,518	65,045
Accumulated Amortization of Intangible Assets	(49,932)	(48,639)
TOTAL	5,754,973	5,476,609

Consolidated Balance Sheet - LIABILITIES (R\$ thousand)

	3.31.2019	12.31.2018
CURRENT LIABILITIES	4,082,851	3,948,211
DEPOSITS	3,508,357	3,379,800
Demand Deposits	687,540	712,955
Savings Account Deposits	1,381,302	1,384,752
Interbank Deposits	163,150	162,486
Time Deposits	1,276,365	1,119,607
INTERBANK ACCOUNTS	27,755	1,241
Receivables and Payments to be Settled	27,755	1,241
OPEN MARKET FUNDING	-	22,001
Own Portfolio	-	22,001
FUNDS FROM ACCEPTANCE AND ISSUE OF NOTES	45,036	52,991
Funds from Real Estate, Mortgage, Credit and Similar Notes	45,036	52,991
INTERBRANCH ACCOUNTS	1,977	754
Third-Party Funds in Transit	1,977	754
LOCAL ONLENDING – OFFICIAL INSTITUTIONS	20,233	22,248
BNDES	4,029	5,269
FINAME	2,035	2,507
Other Institutions	14,169	14,472
OTHER LIABILITIES	479,493	469,176
Collection of Taxes and Alike	15,418	2,054
Social and Statutory Charges	641	609
Tax and Social Security Obligations	81,093	80,993
Subordinated Debts	50,619	70,299
Sundry	331,722	315,221

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

	3.31.2019	12.31.2018
NON-CURRENT LIABILITIES	1,204,931	1,083,426
DEPOSITS	931,299	821,873
Time Deposits	931,299	821,873
OPEN MARKET FUNDING	26,816	26,405
Own Portfolio	26,816	26,405
FUNDS FROM ACCEPTANCE AND ISSUE OF NOTES	58,093	45,830
Funds from Real Estate, Mortgage, Credit and Similar Notes	58,093	45,830
LOCAL ONLENDING – OFFICIAL INSTITUTIONS	41,097	42,881
BNDES	325	342
FINAME	2,068	2,305
Other Institutions	38,704	40,234
OTHER LIABILITIES	147,626	146,437
Subordinated Debts	90,422	88,539
Sundry	57,204	57,898
DEFERRED INCOME	11,454	11,632
Deferred Income	11,454	11,632
SHAREHOLDERS' EQUITY	455,737	433,340
Capital	348,000	348,000
- Domiciled in Brazil	348,000	348,000
Profit Reserves	61,796	61,796
Equity Valuation Adjustment	(3,856)	(3,856)
Retained earnings (accumulated losses)	19,035	-
Non-Controlling Interests	30,762	27,400
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,754,973	5,476,609

Consolidated Statement of Value Added (R\$ thousand)

	3.31.2019	3.31.2018
VALUE ADDED CALCULATION		
Revenue from Financial Intermediation	162,442	159,286
Financial Intermediation Expenses	(67,186)	(71,585)
Other Operating Revenues (Expenses)	15,362	15,168
Non-Operating Income	532	198
Service revenue	48,966	43,978
Materials, Energy, Third-Party Services and Other Expenses	(46,657)	(38,541)
Gross Value Added	113,459	108,504
Retentions	(4,373)	(4,686)
Amortization	(1,289)	(1,476)
Depreciation	(3,084)	(3,210)
Net Value Added Produced by the Company	109,086	103,818
Value Added Received in Transfer	-	-
Equity Pickup	-	-
Value Added to be Distributed	109,086	103,818
DISTRIBUTION OF VALUE ADDED		
Government	32,075	29,837
Tax Expenses	19,445	14,543
Income and Social Contribution Taxes	12,630	15,294
Employees	53,152	51,197
Salaries and Fees	30,974	29,337
Social Charges	11,905	11,198
Private Pension Plan	1,020	1,993
Benefits and Training	7,180	6,748
Profit Sharing	2,073	1,921
Rents	1,089	1,076
Taxes and Contributions	373	781
Shareholders	-	6,230
Interest on Equity	-	6,230
Non-Controlling Interests	3,362	2,626
(Accumulated Losses) / Retained Earnings	19,035	12,071
Value Added Distributed	109,086	103,818



Consolidated Cash Flow (R\$ thousand)

	3.31.2019	3.31.2018
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted net income	47,065	39,702
Net Income	19,035	18,301
Adjustment to Net Income	28,030	21,401
Allowance for Loan Losses	9,633	13,002
Provision/ (reversal) for Restricted Deposits-FCVS	119	102
Depreciation and Amortization	4,441	4,746
PIS and COFINS tax Credit on Depreciation with Affiliates	(68)	(59)
Adjustment of Provision for Liabilities	1,993	136
Other Operational Provisions	2,912	1,731
Expense for Loyalty Bonus	207	168
Other Non-Operational Provisions	177	370
Marketable Securities Marking to Market	(21)	121
Deferred Tax Asset	5,002	1,434
Capital Losses	394	540
Other Operating Revenues	(247)	-
Reversal of Other Operating Provisions	(904)	(1,025)
Reversal of Other Non-Operating Provisions	(428)	(475)
Equity Income in Subsidiaries	-	-
Provision for Revolving Credit Card Loan	4,820	6,840
Unpaid Interest on Equity	-	(6,230)
Variation in Assets and Liabilities	46,850	(13,188)
(Increase)/ Decrease in Short-Term Liquidity Investments	(152,123)	(144,756)
(Increase) Decrease in Marketable Securities and Derivative Financial Instruments	(32,344)	69,241
(Increase) Decrease in Interbank / Interbranch Accounts (Assets/ Liabilities)	14,352	(87,073)
(Increase) decrease in Credit Transactions	(42,070)	1,189
(Increase) decrease in Other Assets	(484)	(1,506)
(Increase) / decrease in Other Credits	23,087	30,388
Increase (decrease) in Deposits	237,983	136,244
Increase/ (decrease) in Funds Obtained in the Open Market	(21,590)	(4,142)
Increase/(decrease) in Borrowings and Onlending	(3,799)	(3,606)
Actuarial Gains/Losses	-	-
Increase (decrease) in Deferred Income	(178)	(31)
Increase (decrease) in Other Liabilities	24,014	(9,136)
NET CASH GENERATED FROM OPERATING ACTIVITIES	93,915	26,514
CASH FLOW FROM INVESTING ACTIVITIES		
Transfer of Property in Use to Freelease	1	231
Acquisition of Property and Equipment for Use	(9,438)	(1,728)
Write-off of Property and Equipment for Use	1,695	107
Acquisition of Assets not for own use	-	-
Intangible Asset Investments	(470)	(379)
Capital Injection in Subsidiary	-	-
NET CASH FROM (USED IN) INVESTING ACTIVITIES	(8,212)	(1,769)
CASH FLOW FROM FINANCING ACTIVITIES		
Non-Controlling Interests	3,362	2,626
Increase (decrease) in Funds from Real Estate Bills	4,308	8,584
Subordinated debts	(17,797)	1,798
NET CASH USED IN FINANCING ACTIVITIES	(10,127)	13,008
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	75,576	37,753
Cash and banks at the beginning of the period	830,331	489,940
Cash and banks at the end of the period	905,907	527,693