



# Banese



## BANCO DO ESTADO DE SERGIPE S/A – BANESE 2Q19 EARNINGS RELEASE

**For Immediate Disclosure:** Aracaju, August 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 second quarter of 2019. Additional information can be found on the Banese investor relations website on <https://ri.banese.com.br/>.

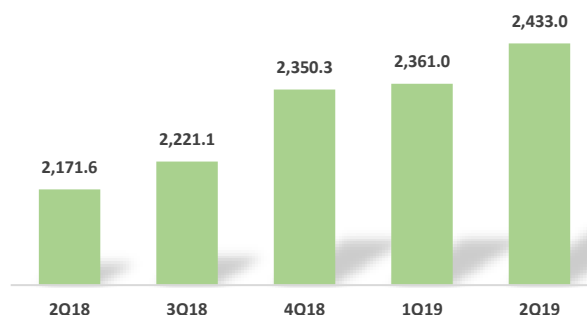
**BANESE RECORDS NET INCOME OF R\$41.4 MILLION.  
CREDIT ASSETS AND FUNDING VOLUME REMAIN ON THE RISE.**

### 2Q19 Highlights

All comparisons in this section refer to 2Q18 (12M)

- Credit Transactions totaled R\$2.4 billion (+12.0%);
- Total Assets amounted to R\$5.5 billion (+5.4%);
- Total Funding reached R\$4.7 billion (+3.2%);
- Shareholders' equity was R\$364.6 million (-6.1%);
- Default accounted for 1.08% of the portfolio (-0.22 p.p.).

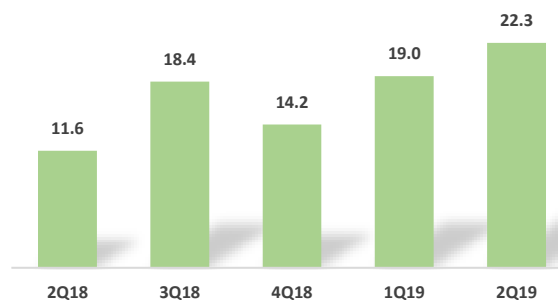
Credit Transactions- R\$ millions



All comparisons in this section refer to 1Q19 (3M)

- Shareholders' equity was R\$22.3 million (+17.4%);
- Net Margin was 10.0% (+1.2 p.p.);
- Net interest income (NII) was 107.3 million (+1.4%);
- The Payroll Coverage Ratio stood at 78.0% (+3.1 p.p.);
- The Basel Index stood at 11.21% (-2.84 p.p.).

Net Income - R\$ million



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Balance Sheet Items - R\$ million	2Q19	1Q19		V3M	1H19	1H18		V12M
Total assets	5,494.6	5,482.2	▲	+0.2%	5,494.6	5,215.5	▲	+5.4%
Credit transactions	2,433.0	2,361.0	▲	+3.0%	2,433.0	2,171.6	▲	+12.0%
Financial investments <sup>(1)</sup>	2,601.7	2,674.8	▼	-2.7%	2,601.7	2,635.5	▼	-1.3%
Total funding	4,736.9	4,815.7	▼	-1.6%	4,736.9	4,590.0	▲	+3.2%
Shareholders' equity	364.6	425.0	▼	-14.2%	364.6	388.3	▼	-6.1%

Income Statement items - R\$ million	2Q19	1Q19		V3M	1H19	1H18		V12M
Total revenues	223.1	215.0	▲	+3.8%	438.1	407.9	▲	+7.4%
Gross income from financial intermediation	106.0	99.4	▲	+6.6%	205.4	179.9	▲	+14.2%
Operating income	34.9	33.7	▲	+3.6%	68.5	46.4	▲	+47.6%
Financial margin <sup>(2)</sup>	117.2	109.0	▲	+7.5%	226.2	207.1	▲	+9.2%
EBITDA <sup>(3)</sup>	35.0	34.1	▲	+2.6%	69.1	65.0	▲	+6.3%
Net income	22.3	19.0	▲	+17.4%	41.4	29.9	▲	+38.5%
Net interest income (NII) <sup>(4)</sup>	107.3	105.8	▲	+1.4%	213.1	190.9	▲	+11.6%
Revenue from services	32.8	31.8	▲	+3.1%	64.6	61.4	▲	+5.2%
Allowance for loan losses (PCLD)	20.5	20.1	▲	+2.0%	40.6	51.0	▼	-20.4%
Administrative expenses	82.3	82.5	▼	-0.2%	164.8	150.6	▲	+9.4%
Net margin <sup>(5)</sup>	10.0%	8.8%	▲	+1.2 pp.	9.4%	7.3%	▲	+2.1 pp.
EBITDA margin <sup>(6)</sup>	15.7%	15.9%	▼	-0.2 pp.	15.8%	15.9%	▼	-0.1 pp.

Efficiency Ratios and Measures (%)	2Q19	1Q19		V3M	1H19	1H18		V12M
Default (% of portfolio)	1.08%	0.98%	▲	+0.10 pp.	1.08%	1.30%	▼	-0.22 pp.
Basel Index	11.21%	14.05%	▼	-2.84 pp.	11.21%	15.13%	▼	-3.92 pp.
Net Interest Margin (NIM) <sup>(7)</sup>	2.1%	2.1%	▶	ND	4.2%	3.9%	▲	+0.3 pp.
Return on Average Assets (ROAA) <sup>(8)</sup>	1.5%	1.4%	▲	+0.1 pp.	1.5%	1.2%	▲	+0.3 pp.
Return on Equity (ROE) <sup>(9)</sup>	20.9%	19.4%	▲	+1.5 pp.	20.9%	16.4%	▲	+4.5 pp.
Efficiency Ratio <sup>(10)</sup>	74.3%	76.2%	▼	-1.9 pp.	75.5%	69.0%	▲	+6.5 pp.
Provisioning Ratio	3.3%	3.3%	▶	ND	3.3%	4.3%	▼	-1.0 pp.
Coverage Ratio - Administrative <sup>(11)</sup>	39.9%	38.6%	▲	+1.3 pp.	39.2%	40.7%	▼	-1.5 pp.
Coverage Ratio - Payroll <sup>(12)</sup>	78.0%	74.9%	▲	+3.1 pp.	76.5%	73.7%	▲	+2.8 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

	2Q19	1Q19		V3M	2Q18		V12M
Credit assets	2,433.0	2,361.0	▲	+3.0%	2,171.6	▲	+12.0%
(-) Provisions	-80.2	-76.9	▲	+4.3%	-93.6	▼	-14.3%
Net credit assets	2,352.8	2,284.1	▲	+3.0%	2,078.0	▲	+13.2%
Financial Investments	2,283.5	2,351.4	▼	-2.9%	2,273.1	▲	+0.5%
Restricted credits	330.2	353.1	▼	-6.5%	389.8	▼	-15.3%
Permanent assets	105.6	102.1	▲	+3.4%	69.7	▲	+51.5%
Other	422.5	391.5	▲	+7.9%	404.9	▲	+4.4%
<b>Total</b>	<b>5,494.6</b>	<b>5,482.2</b>	▲	<b>+0.2%</b>	<b>5,215.5</b>	▲	<b>+5.4%</b>

At the end of the second quarter of 2019, the balance of total assets was 5,494.6 million, an increase of 5.4% in 12 months and a decline of 0.2% over the last quarter. The 12-month growth recorded in total assets was particularly due to the increase of R\$274.8 million in net credit assets, followed by a rise of R\$10.0 million in financial investments. 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.

Permanent assets grew by 51.5% in the last 12 months, mainly due to the capital contribution of R\$22.0 million made to SEAC – Sergipe Administradora de Cartões Ltda., a company that belongs to the Banese conglomerate, as per the material fact of September 3, 2018.

In the composition of assets, net credit assets accounted for 42.8% of total assets; marketable securities and short-term interbank investments, 41.6%; and restricted credits, permanent assets and other assets, 15.6%. Compared to the previous quarter, financial investments decreased their relative share by 1.3 p.p.; net credit assets increased their share by 1.1 p.p.; and the sum of restricted credits, permanent assets and other assets decreased their share by 0.2 p.p. In the last 12 months, net credit assets increased their share by 3.0 p.p.; financial investments decreased their share by 2.0 p.p.; and the sum of restricted credits, permanent assets and other assets decreased their share by 1.0 p.p.

The variation in net assets invested in credit was 13.2% in 2Q19 against the same quarter of the previous year and 3.0% versus 1Q19, 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.

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, the proceeds of which were transferred to financial investments. This change resulted in the release of approximately R\$80.0 million from compulsory payment bases on December 31, 2018.

### 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

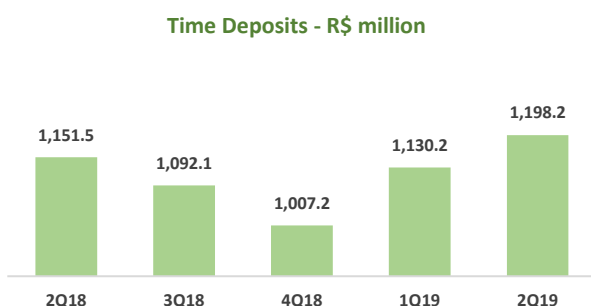
	2Q19	1Q19		V3M	2Q18		V12M
Demand deposits	705.7	688.5	▲	+2.5%	645.0	▲	+9.4%
Savings account	1,376.0	1,381.3	▼	-0.4%	1,268.4	▲	+8.5%
Judicial deposits	1,038.4	1,120.3	▼	-7.3%	974.6	▲	+6.5%
CDI/CDB/RDB	1,310.2	1,293.3	▲	+1.3%	1,345.2	▼	-2.6%
LFS/LF/LCI	190.9	244.2	▼	-21.8%	247.5	▼	-22.9%
Repurchase transactions	46.6	26.8	▲	+73.9%	36.5	▲	+27.7%
Onlending obligations	68.9	61.3	▲	+12.4%	72.6	▼	-5.1%
<b>Total</b>	<b>4,736.7</b>	<b>4,815.7</b>	▼	<b>-1.6%</b>	<b>4,589.8</b>	▲	<b>+3.2%</b>

At the end of 2Q19, total funding amounted to R\$4,736.7 million, an increase of 3.2% (R\$+146.9 million) in 12 months. We highlight the 8.5% increase in savings accounts deposits (R\$+107.6 million), due to a more conservative profile of Banese's customers and their perceived credibility of the Bank.

In 2Q19, the quarter-on-quarter decline in total funding was mainly a result of the reduction in judicial deposits (R\$-81.9 million), due to the execution of court orders to pay lawsuits. Even so, judicial deposits grew by R\$63.8 million year on year. Banese entered into an agreement with the State of Sergipe Court of Appeals, through which the Bank has exclusiveness for this type of deposit in the State.

Time deposits varied positively in the quarterly and annual analyses, reflecting new funding from the State Government of Sergipe, individuals and legal entities, which were carried out on an arm's length basis. Funding from interbank deposits fell by 31.4% (R\$-51.2 million) in 2Q19 and 42.2% (R\$-81.7 million) in 12 months, due to the decline in rural credit interbank investments, which have said funding as reciprocity.

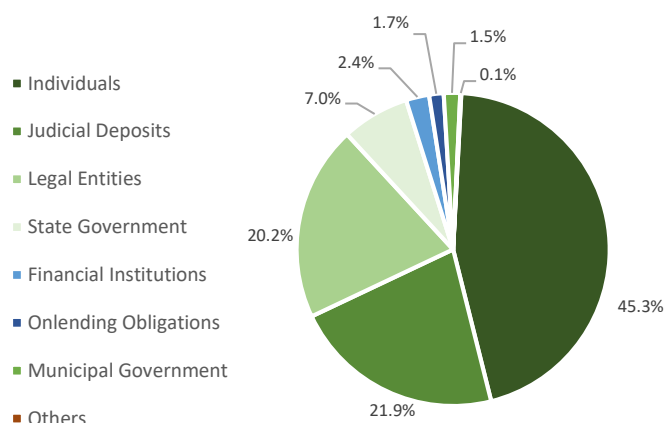
#### Growth in Time Deposits (CDB / RDB)



The final balances of time deposits increased by 6.0% versus 1Q19 (R\$68.1 million) and 4.1% in 12 months (R\$46.8 million). The result reflects funding from the State Government of Sergipe, individuals and legal entities, as mentioned above, since the returns offered by time deposit instruments, particularly in the floating income category, provide an attractive low-risk profitability alternative.

Funding from Financial Bills fell by 8.8% in the quarter (R\$-5.0 million) and 2.0% in 12 months (R\$-1.0 million), while Subordinated Financial Bills recorded a decrease of 33.8% in the quarter (R\$-47.6 million) and 38.5% in the year (R\$58.5 million), both due to the settlement of securities upon maturity and payment of interest of subordinated bills. In 2Q19, the volume of Real Estate Credit Bills (LCIs) had a slight retraction of 1.9% (R\$-0.9 million). In the last 12 months, LCIs increased by 6.3% (R\$+2.8 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)



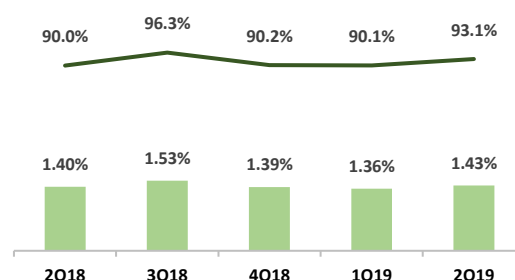
The largest source of Banese's funding are individual customers, who account for approximately 45% of the volume raised.

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 22% of the total funding volume obtained by Banese..

Funding costs increased in the past 12 months and over the quarter. The rises observed, both in absolute amounts and in terms of the CDI, considering the stability of the basic interest rate, resulted from earnings on funding in Subordinated Financial Bills, impacted by higher inflation rates, mainly due to higher food, fuel and medicine prices.

## Funding Costs (Absolute and % of CDI)



## Credit

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

	2Q19	1Q19	V3M	2Q18	V12M
Commercial portfolio	1,690.0	1,652.6	▲ +2.3%	1,471.8	▲ +14.8%
For individuals	1,394.9	1,357.8	▲ +2.7%	1,177.6	▲ +18.4%
For legal entities	295.1	294.8	▲ +0.1%	294.2	▲ +0.3%
Development portfolio	540.0	517.1	▲ +4.4%	526.1	▲ +2.6%
For individuals	436.9	420.5	▲ +3.9%	409.5	▲ +6.7%
For legal entities	103.1	96.6	▲ +6.7%	116.6	▼ -11.6%
Securities and credits receivable	203.0	191.3	▲ +6.1%	173.7	▲ +16.9%
<b>Total</b>	<b>2,433.0</b>	<b>2,361.0</b>	<b>▲ +3.0%</b>	<b>2,171.6</b>	<b>▲ +12.0%</b>

Banese's credit portfolio reached R\$2.4 billion in assets, R\$72 million up on 1Q19 and R\$261.4 million up on 2Q18. The scenario described for Banese's credit portfolio is the result of a still very limited recovery of the economic environment, with an 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% (April 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 14.8% in 12 months, and by 2.3% 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 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 18.4% year on year. In this period, the commercial loan portfolio for legal entities remained basically flat, 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 22.2% of the Bank's total loan portfolio, improving its relative share by 0.3 p.p. quarter on quarter. As a result of the resumption of investments in strategic economic segments of the State of Sergipe, such as the agribusiness and industry funding segments, the development portfolio grew both quarter on quarter (+4.4%) and year on year (+2.6%). It is worth noting that only the balance of the Development Portfolio for Legal Entities recorded a reduction in the last year (-11.6%), due to the downturn recorded in Sergipe's real estate sector in recent years, as a result of fewer corporate launches for the construction of residential units and the settlement of existing transactions in the portfolio.

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. This portfolio fell by 7.1% year on year and by 1.7% quarter on quarter.

#### Loan Portfolio Quality by Risk Rating

	R\$ million			Variation	% Portfolio			Variation
	2Q19	2Q18			2Q19	2Q18		
AA	394.4	431.0	▼	-8.5%	16.2%	19.8%	▼	-3.6 pp.
A	1,039.3	894.1	▲	+16.2%	42.7%	41.2%	▲	+1.5 pp.
B	605.0	513.1	▲	+17.9%	24.9%	23.6%	▲	+1.3 pp.
C	262.2	182.5	▲	+43.7%	10.8%	8.4%	▲	+2.4 pp.
D - H	132.1	150.9	▼	-12.5%	5.4%	7.0%	▼	-1.6 pp.
<b>Total</b>	<b>2,433.0</b>	<b>2,171.6</b>	▲	+12.0%	<b>100.0%</b>	<b>100.0%</b>	▶	<b>ND</b>

In relative terms, the loan segments classified between "AA" and "C" risk ratings account for 94.6% of Banese's total portfolio (compared to 93.0% in 2Q18). Loans classified at risk ratings "D" through "H", which concentrate higher-risk transactions, accounted for 5.4% of Banese's credit portfolio (or -1.6 p.p., compared to 7.0% 2Q18).

#### 2Q19 Credit Quality by Portfolio - R\$ million

	Total	Crédito Comercial	Industrial	Rural	Imobiliário	Outros
AA	394.4	394.4	0.0	0.0	0.0	0.0
A	1,039.3	437.5	3.4	56.9	343.0	198.5
B	605.0	537.0	27.7	13.2	23.6	3.5
C	262.2	239.0	13.7	5.8	3.2	0.5
D - H	132.1	82.1	27.9	18.4	3.2	0.5
<b>Total</b>	<b>2,433.0</b>	<b>1,690.0</b>	<b>72.7</b>	<b>94.3</b>	<b>373.0</b>	<b>203.0</b>

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 38.4% of the portfolio) and rural (19.5% 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

	2Q19	1Q19		V3M	2Q18		V12M
Short-term Interbank investments	1,136.8	1,220.8	▼	-6.9%	1,130.5	▲	+0.6%
Marketable securities (TVM)	1,098.9	1,100.1	▼	-0.1%	1,090.1	▲	+0.8%
Fund shares	104.0	102.5	▲	+1.5%	69.1	▲	+50.5%
Fixed income	994.9	997.6	▼	-0.3%	1,021.0	▼	-2.6%
Repurchase + Collaterals	47.5	27.7	▲	+71.5%	36.7	▲	+29.4%
Remunerated Compulsory Deposits	318.5	326.2	▼	-2.4%	378.2	▼	-15.8%
	<b>2,601.7</b>	<b>2,674.8</b>	▼	<b>-2.7%</b>	<b>2,635.5</b>	▼	<b>-1.3%</b>

In the quarters presented, considering the drop in the economy's basic interest rate and our goal to increase the profitability of treasury assets, fixed income funds migrated to fund shares and to assets relating to the fulfillment of obligations with the Central Bank (Real Estate DIs).

There was a reduction 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.

The Company 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.

Banese declares that it has the financial capacity and the intention of holding to maturity those securities classified as held to maturity. For the securities in this category, the adjustment to market value is solely for information purposes and is not recorded in the accounting records. There has been no reclassification between the categories of securities in the period.

#### 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 2Q19 corresponded to 101.51% of the CDI, higher than 101.19% of the CDI in 1Q19 (+0.32 p.p.) and 100.34% of the CDI in 2Q18 (+1.17 p.p.). 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

	2Q19	1Q19		V3M	1H19	1H18		V12M
Revenues from credit	128.2	126.5	▲	+1.3%	254.7	237.2	▲	+7.4%
Revenues from Financial Investments	35.9	35.2	▲	+2.0%	71.0	60.3	▲	+17.7%
Revenues from Provision of Services	32.8	31.8	▲	+3.1%	64.6	61.3	▲	+5.4%
Revenues from equity interests	3.6	3.3	▲	+9.1%	6.9	0.4	▲	+1,625.0%
Other operating revenues	21.6	17.5	▲	+23.4%	39.1	47.2	▼	-17.2%
Non-operating revenues	1.1	0.7	▲	+57.1%	1.8	1.5	▲	+20.0%
	<b>223.2</b>	<b>215.0</b>	▲	<b>+3.8%</b>	<b>438.1</b>	<b>407.9</b>	▲	<b>+7.4%</b>

Banese's revenues totaled R\$223.2 million in the second quarter of 2019, 3.8% up on 1Q19. The most significant variation was in other operating revenues - recovery of loans written-off against losses (R\$+4.8 million).

In 1H19, total revenues reached R\$438.1 million, 7.4% up on 1H18, led by the increase in revenues from credit (R\$+17.5 million), in line with the portfolio's growth in the period; followed by income from financial investments (R\$+10.7 million), as a result of the portfolio's increased profitability, and income from equity interests (R\$+6.5 million), due to the Bank's equity in SEAC – Sergipe Administradora de Cartões Ltda., a company that belongs to the Banese conglomerate.

### Costs and Expenses

#### Direct Operating Costs - R\$ million

	2Q19	1Q19		V3M	1H19	1H18		V12M
Funding expenses	54.6	52.6	▲	+3.8%	107.2	103.6	▲	+3.5%
Earnings from marketable securities	1.1	2.2	▼	-50.0%	3.4	0.4	▲	+750.0%
Loan obligations expenses	1.1	1.0	▲	+10.0%	2.1	2.6	▼	-19.2%
<b>Total</b>	<b>56.8</b>	<b>55.8</b>	▲	<b>+1.8%</b>	<b>112.7</b>	<b>106.6</b>	▲	<b>+5.7%</b>

Funding expenses increased by 3.5% in the year, and 3.8% against the previous quarter, due to the growth in funding volumes, although these effects were offset by the redemption of Subordinated Financial Bills in 2Q19, 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 14.6% in the comparison between 2Q19 and 2Q18.

In the analysis of 2Q19 against 1Q19, the change was +1.4%.

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



**Personnel expenses/Payroll - R\$ million**

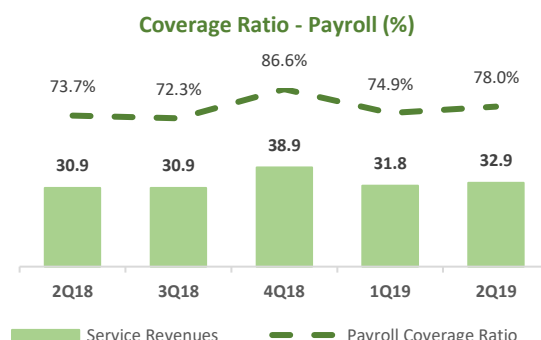
	2Q19	1Q19		V3M	1H19	1H18		V12M
Salaries	25.2	25.3	▼	-0.4%	50.5	48.7	▲	+3.7%
Benefits	5.5	5.5	▶	ND	11.0	10.4	▲	+5.8%
Social charges	11.1	11.4	▼	-2.6%	22.5	23.4	▼	-3.9%
Training programs and other	0.3	0.2	▲	+50.0%	0.5	0.7	▼	-28.6%
<b>Total</b>	<b>42.1</b>	<b>42.4</b>	▼	<b>-0.7%</b>	<b>84.5</b>	<b>83.2</b>	▲	<b>+1.6%</b>

Personnel expenses did not present any significant variation: R\$-300,000 in 2Q19 versus 1Q19, due to an adjustment in expenses from the provision for half-yearly bonuses; and R\$+1.3 million in 1H19 versus 1H18, in line with the period's inflation and the salary adjustment already considered in the first half of this year.

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 78.0% in 2Q19, with a positive variation of 4.3 p.p. year on year and 3.1 p.p. quarter on quarter.

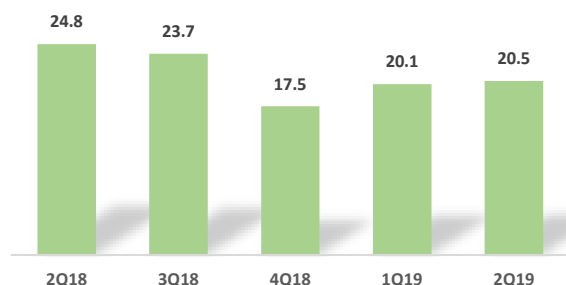
The increase in 4Q18 was due to extraordinary revenues in the quarter, subsequently resuming normal levels.


**Other Administrative Expenses - R\$ million**

	2Q19	1Q19		V3M	1H19	1H18		V12M
Third-party services	18.9	18.0	▲	+5.0%	36.9	30.8	▲	+19.8%
Consumption, maintenance and materials	5.9	5.7	▲	+3.5%	11.6	10.9	▲	+6.4%
Data processing systems	7.8	8.0	▼	-2.5%	15.8	12.9	▲	+22.5%
Insurance	0.8	1.1	▼	-27.3%	1.9	1.7	▲	+11.8%
Transport of cash	2.0	2.1	▼	-4.8%	4.0	3.9	▲	+2.6%
Tax	0.9	0.6	▲	+50.0%	1.5	0.7	▲	+114.3%
Other expenses	4.0	4.5	▼	-11.1%	8.5	6.5	▲	+30.8%
<b>Total</b>	<b>40.3</b>	<b>40.0</b>	▲	<b>+0.7%</b>	<b>80.2</b>	<b>67.4</b>	▲	<b>+19.0%</b>

Other administrative expenses remained flat compared with the previous quarter, with a slight increase (R\$+300,000) diluted in several expense items. In 1H19, other administrative expenses grew by 19.0% (R\$+12.8 million) in relation to 1H18. The most significant variation in this item was in expenses from third-party services, which have influenced the increase in administrative expenses, particularly those regarding expansion of the network of Correspondents in Brazil and Electronic Services Outlets. These expenses relate to strategic processes to migrate services from Banese to several service outlets other than the branches; followed by expenses with data systems and processing, which are also directly related to strategic processes for the migration of services to digital channels.

### Allowance Expenses - R\$ million



Expenses from Allowance for Loan Losses (PCLD) amounted to R\$20.5 million in 2Q19, R\$-4.3 million against 2Q18 and R\$+0.4 million above the volume recorded in 1Q19.

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.

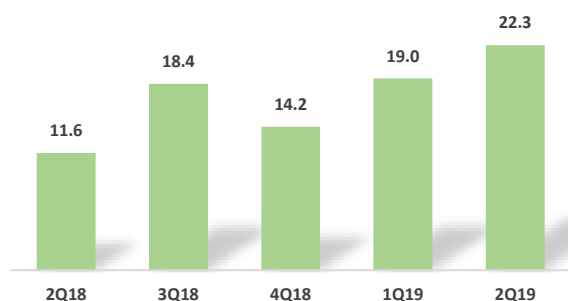
### Other Operating Expenses - R\$ million

	2Q19	1Q19		V3M	1H19	1H18		V12M
Depreciation and maintenance	3.8	3.7	▲	+2.7%	7.4	8.4	▼	-11.9%
Impairment of loans	0.1	0.1	▶	ND	0.2	0.2	▶	ND
Provisions for liabilities	6.6	1.8	▲	+266.7%	8.4	3.7	▲	+127.0%
Agreement with Court of Appeals	4.6	4.6	▶	ND	9.3	8.3	▲	+12.0%
ISS/PIS/COFINS	9.3	9.1	▲	+2.2%	18.4	17.0	▲	+8.2%
Discounts granted	0.0	0.0	▶	ND	0.0	0.3	▼	-100.0%
Interest on equity	0.0	0.0	▶	ND	0.0	10.3	▼	-100.0%
Profit sharing	4.1	2.1	▲	+95.2%	6.2	4.4	▲	+40.9%
Others	3.2	2.8	▲	+14.3%	6.0	3.5	▲	+71.4%
<b>Total</b>	<b>31.7</b>	<b>24.2</b>	▲	<b>+31.0%</b>	<b>55.9</b>	<b>56.1</b>	▼	<b>-0.4%</b>

Other operating expenses grew by R\$7.5 million in 2Q19 versus 1Q19 and had a slight retraction in 1H19 versus 1H18.

In 2Q19, the Company recorded, exceptionally, complementary profit sharing expenses, to reflect a provision in line with the net result for the first half of 2019, and expenses from the provision for legal liabilities, necessary to update the balances.

### Net Income - R\$ million



### Net income

As a result of the behavior of business presented, the expansion in the loan portfolio and the growth in funding and net interest income, Banese's net income amounted to R\$22.3 million in 2Q19, an increase of 92.2% compared to income recorded in the same period of the previous year and 17.4% up on 1Q19.

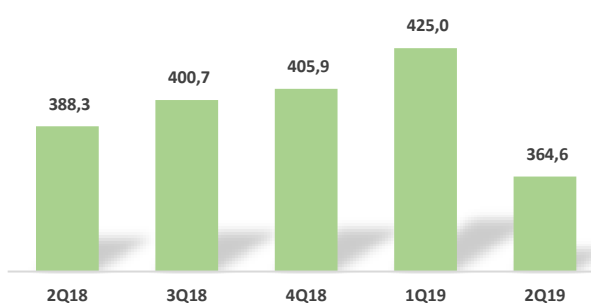
In 1H19, net income reached R\$41.3 million.



## Shareholders' Equity

Banese's shareholders' equity fell by 6.1% in 12 months. When compared to 1Q19, shareholders' equity fell by 14.2%, as a result of the consolidation of results in the period, the payment of interest on equity totaling R\$11.4 million in June 2019 and the extraordinary actuarial valuation adjustment related to the supplementary pension plan offered to the employees of Banese together with Instituto Banese de Seguridade Social – SERGUS (settled defined benefit pension plan), pursuant to CPC 33-R1, approved by CVM Resolution 695, which had a negative impact of R\$75.2 million in shareholders' equity, due to a reduction in the market rate, which is used to calculate the actuarial present value. In 1Q19, the impact from this actuarial adjustment was R\$-3.9 million.

Shareholders' Equity - R\$ millions



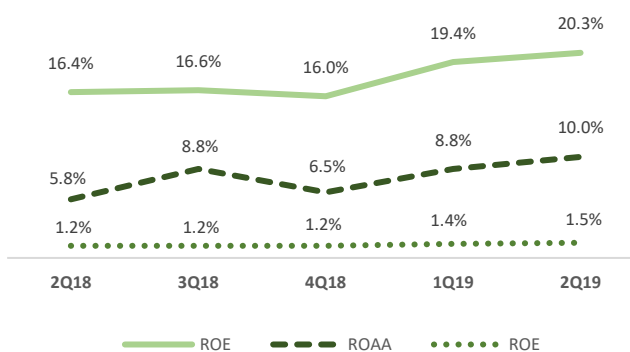
## Profitability Ratios

The profitability ratios help us 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 2Q19 were 20.3% p.a. (annualized rate), 10.0% and 1.5% p.a. (annualized rate), respectively.

These ratios increased if compared to the previous quarter and the same quarter of the previous year.

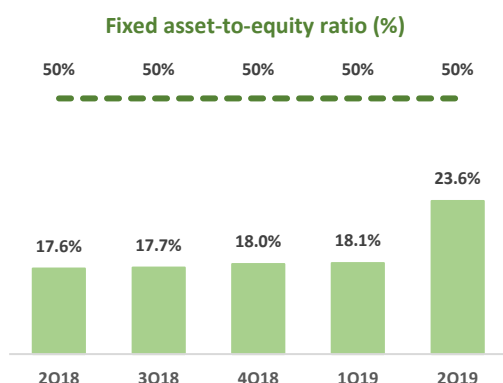
Profitability Ratios (%)



### Capitalization and Basel

Ratios and Capitalization (R\$ million)	2T19	1T19		V3M	2T18		V12M
Reference Equity (PR)	368.0	469.4	▼	-21.6%	435.0	▼	-15.4%
PR Tier I	293.3	397.0	▼	-26.1%	350.8	▼	-16.4%
PR Tier II	74.7	72.3	▲	+3.3%	84.2	▼	-11.3%
Basel ratio	11.2%	14.0%	▼	-2.8 pp.	15.1%	▼	-3.9 pp.
Core Capital Ratio	8.9%	11.8%	▼	-2.9 pp.	12.2%	▼	-3.3 pp.
Tier I Capital ratio	8.9%	11.8%	▼	-2.9 pp.	12.2%	▼	-3.3 pp.
Minimum Basel Ratio + ACP	10.5%	10.5%	▶	ND	10.5%	▶	ND
PR margin considering the capital to hedge the Bank Portfolio Interest Rate Risk and the ACP.	4,279.40	90,464.82	▼	-95.3%	104,803.39	▼	-95.9%

Banese's Basel Ratio came to 11.21% at the end of 2Q19, while the extended ratio was 10.45%, 2.9 p.p. and 2.3 p.p. down from 1Q19, respectively, due to the reduction in the Reference Equity of 21.59% (approx. R\$101.3 million), mainly as a result of the upturn in unrealized losses from equity valuation adjustments except cash flow hedge of 1,851% (approx. R\$71.35 million), due to the actuarial valuation adjustment related to the supplementary pension plan offered to the employees of Banese together with Instituto Banese de Seguridade Social – SERGUS (settled defined benefit pension plan), pursuant to CPC 33-R1, approved by CVM Resolution 695, due to a reduction in the market rate, which is used to calculate the actuarial present value.



The fixed asset-to-equity ratio ended 2Q19 at 23.6%, a 5.5 p.p. increase compared to 1Q19, due to the 21.5% reduction (approx. R\$101.4 million) in the Reference Equity.

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

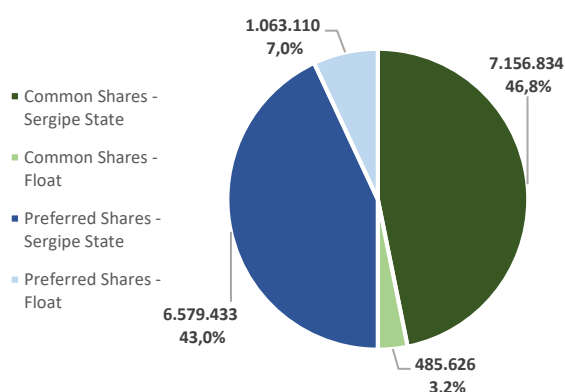
On July 31, 2019, Fitch Ratings reaffirmed Banese's National Long-Term Rating of "A-(bra)" ("A" less (bra)) and National Short-Term Rating of "F1" (bra), maintaining the long-term rating outlook as "Stable." The increase in Banese's national ratings reflected Fitch's opinion about the strengthening of the Bank's financial profile. It also highlighted the Bank's proper funding, liquidity and credit quality indicators in the medium and long term, the consistent recovery in profitability with maintenance of high levels since 2016, the sustainable growth in controlled loans, and stable default rates, even under a challenging operating environment, in addition to an excellent corporate governance structure.

On July 1, 2019, 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 (more than 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	<i>Not Prime</i>	Stable
	Global in foreign currency - Deposits	Ba3	<i>Not Prime</i>	Stable

## ADDITIONAL INFORMATION

### Banese on B3



At the end of 1H19, Banese's shareholding structure corresponded to 89.8% of shares of the State Government of Sergipe and 10.2% of free float. Outstanding shares consisted of 31.3% of commons shares and 68.7% of preferred shares.

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

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

### Costumers and Services Channels

Banese's customer base grew by 2.3% over 1H18, a total of 869,836 customers, of which 837,289 were individual customers (PF) and 32,547 were legal entities (PJ). In 2Q19, the number of customers increased by 0.6% when compared to 1Q19, due to strategic initiatives implemented by the Bank throughout 1H19.

These initiatives provide more convenience to customers and greater agility in the acquisition of more products and services offered through the digital channels. At the end of 1H19, the number of transactions over the Internet and Mobile Banking channels grew by 15.1% in relation to 1H18. When compared to 1Q19, the number of transactions in 2Q19 increased by 2.5%.

### Details of Channels

	2Q19	1Q19	V3M	1H19	1H18	V12M
Branches	63	63	0	63	63	0
Customer service units	09	10	-1	09	14	-5
ATM terminals	493	498	-5	493	509	-16
Banking correspondents in Brazil	210	233	-23	210	236	-26
Transactions made in Branches, ATMs and Banking Correspondents	10.0 Mi	10.5 Mi	-0.5 Mi	20.5 Mi	19.7 Mi	0.8 Mi
Volume of transactions	R\$ 10.1 Bi	R\$ 10.5 Bi	R\$ -0.2 Bi	R\$ 20.7 Bi	R\$ 19.3 Bi	R\$ 1.4 Bi
Online transactions	22.1 Mi	21.5 Mi	0.6 Mi	43.6 Mi	37.9 Mi	5.7 Mi
Volume of transactions	R\$ 2.2 Bi	R\$ 2.2 Bi	R\$ 0.0 Bi	R\$ 4.5 Bi	R\$ 3.6 Bi	R\$ 0.9 Bi

**Financial Services – Banese 2.0**

The Remote Capture Checks (RDC) service simplifies the check deposit process for Legal Entities, in order to provide solutions and financial services in an efficient and sustainable manner. The volume of transactions was 20,600 in 1H19, with a volume of R\$36.1 million, 42.1% up on 1H18.

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\$210.7 million in the period, an increase of 104.8% when compared to 1H18.

Eighty-one Banese ATMs for the recycling of bills are available throughout the State, in addition to 86 ATMs in partnership with the “Saque e Pague” network.

**Investment in Human Capital**

The investments in educational programs made by the Bank continue to be in line with the organization’s strategic plan, with the purpose of developing skills and increasing the performance and engagement of its teams, as well as promoting innovation opportunities and greater competitive advantages.

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 to obtain mandatory certifications, in addition to participation in events and external, in-company and distance-learning training programs. As a benefit to employees and their dependents, Banese established several partnerships with higher education, specialization and language institutions, providing discounts in courses offered by them.

The Banese Corporate University is a virtual learning platform that makes available more than 100 self-educational courses to the Bank’s employees. In 1H19, 151 courses were completed, including: Social and Environmental Responsibility Policy, Credit Collection and Recovery, Occupational Safety, Updating of Operating Records and Investor Profile Analysis. Most of these courses were developed by persons in charge of the organization’s contents.

Banese is developing learning journeys, which represent the path of development to be followed by employees, in addition to innovation initiatives and knowledge management in order to disseminate and share knowledge between employees.

**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.

The number of customers eligible for purchase grew by 2.9% when compared to 1H18, reaching a total of 562,000 customers in 1H19. The financial volume of transactions through the Banese Card credit card (the company’s main product) amounted to R\$834.4 million in 1H19, a growth of 21.9% against 1H18. In the quarter-on-quarter comparison, the volume grew by 10.9%.

The first half of 2019 was marked by the launch of the Banese Card ELO Virtual Card both in the Portal and in the app, the opening of the new Maceió store, the introduction of the installment payment method including other credit card brands and the implementation of the Contact Us channel in the CRM tool. These initiatives show the evolution in the performance of SEAC products, reinforcing competitiveness and the search for customer service excellence.

**Banese Corretora de Seguros**

Banese Administradora e Corretora de Seguros Ltda. has been working in Sergipe for the last 40 years in partnership with major market insurers, offering the best solutions in several insurance sectors and always pursuing customer service excellence.

The first half of 2019 was marked by the increase of 62.6% in the number of insurance policies contracted when compared to 1H18, due to higher sales in the vehicle/renovation product. In 2Q19, the number of insurance policies contracted came to R\$27.4 million, 20.8% up on 2Q18, mainly as a result of a significant contribution in private pension.

Operating revenues amounted to R\$6.2 million in 2Q19, 3.7% up on 2Q18.

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

The Banese Institute is in charge of developing social and environmental responsibility initiatives in line with public policies, focusing on the promotion of culture and the protection and preservation of Sergipe's artistic and historical heritage. The initiatives and projects carried out by entities sponsored by the Banese Institute benefited 19,731 people in 1H19, totaling R\$132,300 in investments.

The Museu da Gente Sergipana Governador Marcelo Déda is a dynamic cultural hub, an interpretive center for Sergipe's culture and a gateway to the local, national and international art scenes, through the exchange of exhibitions and promotion of cultural events. In 1H19, the museum was visited by 47,686 people, who became deeply immersed in the folkloric manifestations, symbols, nature, art, history, food, festivals and costumes of Sergipe.

## TABLES AND ATTACHMENTS

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

	6.30.2019	6.30.2018
<b>Revenue from Financial Intermediation</b>	<b>336,948</b>	<b>310,266</b>
Credit Transactions	258,893	242,857
Income from Marketable Securities Transactions	71,060	59,847
Earnings from Compulsory Investment	6,995	7,562
<b>Financial Intermediation Expenses</b>	<b>(140,894)</b>	<b>(146,713)</b>
Market Funding Operations	(105,470)	(101,902)
Loans and Onlending	(2,087)	(2,583)
Allowance for Loan Losses	(20,903)	(27,190)
Provision for Revolving Credit Card Loan	(12,434)	(15,038)
<b>Gross Income from Financial Intermediation</b>	<b>196,054</b>	<b>163,553</b>
Other Operating Revenues (Expenses)	(110,511)	(93,329)
Service Revenues	61,957	57,411
Banking Fee Revenue	38,525	31,300
Personnel Expenses	(101,919)	(99,139)
Other Administrative Expenses	(106,707)	(92,592)
Tax Expenses	(29,587)	(25,896)
Equity Income in Affiliates and Subsidiary	-	-
Other Operating Revenues	53,400	55,206
Other Operating Expenses	(26,180)	(19,619)
<b>Operating Income</b>	<b>85,543</b>	<b>70,224</b>
Non-Operating Income (Expenses)	623	510
<b>Pre-tax Income</b>	<b>86,166</b>	<b>70,734</b>
Income and Social Contribution Taxes	(31,640)	(29,062)
Provision for Income Tax	(15,400)	(16,554)
Provision for Social Contribution Tax	(9,718)	(13,951)
Deferred Tax Asset	(6,522)	1,443
Profit Sharing – Employees and Management	(6,201)	(4,457)
<b>Net Income Before Non-Controlling Interest</b>	<b>48,325</b>	<b>37,215</b>
Non-Controlling Interests	(6,965)	(7,318)
<b>Net Income</b>	<b>41,360</b>	<b>29,897</b>
Interest on Equity (IOE)	-	(10,294)



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

	6.30.2019	6.30.2018
<b>Revenue from Financial Intermediation</b>	<b>335,547</b>	<b>313,227</b>
Credit Transactions	260,888	245,818
Income from Marketable Security Transactions	67,664	59,847
Earnings from Compulsory Investment	6,995	7,562
<b>Financial Intermediation Expenses</b>	<b>(130,198)</b>	<b>(133,337)</b>
Market Funding Operations	(107,208)	(103,564)
Loans and Onlending	(2,087)	(2,583)
Allowance for Loan Losses	(20,903)	(27,190)
Provision for Revolving Credit Card Loan	-	-
<b>Gross income from Financial Intermediation</b>	<b>205,349</b>	<b>179,890</b>
Other Operating Revenues (Expenses)	(136,833)	(123,187)
Service Revenues	26,136	30,059
Banking Fee Revenue	38,525	31,300
Personnel Expenses	(86,776)	(84,933)
Other Administrative Expenses	(83,942)	(73,359)
Tax Expenses	(19,916)	(17,690)
Equity Income In Affiliates and Subsidiary	6,896	385
Other Operating Revenues	5,943	6,943
Other Operating Expenses	(23,699)	(15,892)
<b>Operating Income</b>	<b>68,516</b>	<b>56,703</b>
Non-Operating Income	844	350
<b>Pre-Tax Income</b>	<b>69,360</b>	<b>57,053</b>
Income and Social Contribution Taxes	(21,799)	(22,699)
Provision for Income Tax	(11,949)	(14,590)
Provision for Social Contribution Tax	(7,555)	(12,333)
Deferred Tax Asset	(2,295)	4,224
Profit Sharing – Employees and Management	(6,201)	(4,457)
<b>Net Income Before Non-Controlling Interest</b>	<b>41,360</b>	<b>29,897</b>
Non-Controlling Interests	-	-
<b>Net Income</b>	<b>41,360</b>	<b>29,897</b>
Interest on Equity (IOE)	-	(10,294)



Consolidated Balance Sheet - ASSETS (R\$ thousand)

	6.30.2019	12.31.2018
<b>CURRENT ASSETS</b>	<b>3,813,958</b>	<b>3,659,081</b>
CASH AND CASH EQUIVALENTS	78,207	89,943
INTERBANK INVESTMENTS	1,136,785	999,053
Open Market Investments	764,996	584,993
Interbank Deposits	371,789	414,060
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	1,175,809	1,123,186
Own Portfolio	1,128,075	1,058,817
Subject to Repurchase Agreements	46,717	48,442
Linked to Guarantees Given	824	237
Linked to Central Bank of Brazil	193	15,690
INTERBANK ACCOUNTS	322,785	331,604
Payments and Receivables to be Settled	11,655	2,300
Restricted Deposits	301,706	319,178
- Central Bank Deposits	301,491	319,109
- Agreements	215	69
Correspondents	9,424	10,126
CREDIT TRANSACTIONS	663,788	683,135
Credit Transactions	696,966	716,966
- Private Sector	696,966	716,966
Allowance for Loan Losses	(33,178)	(33,831)
OTHER RECEIVABLES	432,375	426,046
Unearned Income	10,687	10,405
Sundry	452,973	449,048
Allowance for Losses on Other Receivables	(1,191)	(1,217)
Provision for Receivables Related to Payment Transactions	(29,903)	(32,013)
Allowance for Losses on Other Receivables Without Loan Characteristics	(191)	(177)
OTHER ASSETS	4,209	6,114
Other Assets	1,688	1,403
Prepaid Expenses	2,521	4,711
<b>LONG-TERM RECEIVABLES</b>	<b>1,869,021</b>	<b>1,720,468</b>
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	22,913	24,422
Own Portfolio	22,913	24,422
INTERBANK ACCOUNTS	28,512	27,935
Restricted Deposits	28,512	27,935
- National Housing System (SFH)	28,512	27,935
CREDIT TRANSACTIONS	1,487,130	1,383,126
Credit Transactions	1,532,951	1,428,935
- Private Sector	1,532,951	1,428,935
Allowance for Loan Losses	(45,821)	(45,809)
OTHER RECEIVABLES	295,761	250,815
Sundry	295,761	250,815
OTHER ASSETS	34,705	34,170
Other Assets	35,322	35,323
Allowance for Devaluation	(2,757)	(2,758)
Prepaid Expenses	2,140	1,605



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

	6.30.2019	12.31.2018
<b>PERMANENT ASSETS</b>	<b>103,280</b>	<b>97,060</b>
INVESTMENTS	6	6
Interest in Affiliates and Subsidiaries	-	-
Other Investments	454	454
Provisions for Losses	(448)	(448)
PROPERTY AND EQUIPMENT FOR USE	86,966	80,648
Property for Use	73,682	71,946
Other Property and Equipment Items for Use	143,675	132,804
Accumulated Depreciation	(130,391)	(124,102)
INTANGIBLE ASSETS	16,308	16,406
Intangible Assets	67,576	65,045
Accumulated Amortization of Intangible Assets	(51,268)	(48,639)
<b>TOTAL</b>	<b>5,786,259</b>	<b>5,476,609</b>

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

	6.30.2019	12.31.2018
<b>CURRENT LIABILITIES</b>	<b>3,982,704</b>	<b>3,948,211</b>
DEPOSITS	3,405,885	3,379,800
Demand Deposits	704,615	712,955
Savings Account Deposits	1,376,009	1,384,752
Interbank Deposits	111,974	162,486
Time Deposits	1,213,287	1,119,607
INTERBANK ACCOUNTS	31,155	1,241
Receivables and Payments to be Settled	31,155	1,241
OPEN MARKET FUNDING	-	22,001
Own Portfolio	-	22,001
FUNDS FROM ACCEPTANCE AND ISSUE OF NOTES	38,439	52,991
Funds from Real Estate, Mortgage, Credit and Similar Notes	38,439	52,991
INTERBRANCH ACCOUNTS	2,154	754
Third-Party Funds in Transit	2,154	754
LOCAL ONLENDING – OFFICIAL INSTITUTIONS	19,330	22,248
BNDES	2,751	5,269
FINAME	1,592	2,507
Other Institutions	14,987	14,472
OTHER LIABILITIES	485,741	469,176
Collection of Taxes and Alike	20,767	2,054
Social and Statutory Charges	11,789	609
Tax and Social Security Obligations	81,730	80,993
Subordinated Debts	-	70,299
Sundry	371,455	315,221

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

	6.30.2019	12.31.2018
<b>NON-CURRENT LIABILITIES</b>	<b>1,393,375</b>	<b>1,083,426</b>
DEPOSITS	968,377	821,873
Time Deposits	968,377	821,873
OPEN MARKET FUNDING	46,562	26,405
Own Portfolio	46,562	26,405
FUNDS FROM ACCEPTANCE AND ISSUE OF NOTES	59,020	45,830
Funds from Real Estate, Mortgage, Credit and Similar Notes	59,020	45,830
LOCAL ONLENDING – OFFICIAL INSTITUTIONS	49,589	42,881
BNDES	306	342
FINAME	1,803	2,305
Other Institutions	47,480	40,234
OTHER LIABILITIES	269,827	146,437
Subordinated Debts	93,408	88,539
Sundry	176,419	57,898
DEFERRED INCOME	11,264	11,632
Deferred Income	11,264	11,632
<b>SHAREHOLDERS' EQUITY</b>	<b>398,916</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)	39,292	-
Non-Controlling Interests	34,365	-
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5,786,259</b>	<b>5,476,609</b>

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

	6.30.2019	6.30.2018
<b>VALUE ADDED CALCULATION</b>		
Revenue from Financial Intermediation	336,948	310,266
Financial Intermediation Expenses	(140,894)	(146,713)
Other Operating Revenues (Expenses)	27,220	35,587
Non-Operating Income	623	510
Service revenue	100,482	88,711
Materials, Energy, Third-Party Services and Other Expenses	(94,210)	(79,717)
<b>Gross Value Added</b>	<b>230,169</b>	<b>208,644</b>
<b>Retentions</b>	<b>(8,856)</b>	<b>(9,561)</b>
Amortization	(2,621)	(3,006)
Depreciation	(6,235)	(6,555)
<b>Net Value Added Produced by the Company</b>	<b>221,313</b>	<b>199,083</b>
<b>Value Added Received in Transfer</b>	-	-
Equity Pickup	-	-
<b>Value Added to be Distributed</b>	<b>221,313</b>	<b>199,083</b>
<b>DISTRIBUTION OF VALUE ADDED</b>		
<b>Government</b>	<b>61,227</b>	<b>54,958</b>
Tax Expenses	36,109	24,453
Income and Social Contribution Taxes	25,118	30,505
<b>Employees</b>	<b>108,120</b>	<b>103,596</b>
Salaries and Fees	61,855	59,048
Social Charges	23,491	22,140
Private Pension Plan	2,173	4,140
Benefits and Training	14,400	13,811
Profit Sharing	6,201	4,457
<b>Rents</b>	<b>2,211</b>	<b>2,162</b>
<b>Taxes and Contributions</b>	<b>1,430</b>	<b>1,152</b>
<b>Shareholders</b>	-	<b>10,294</b>
Interest on Equity	-	10,294
<b>Non-Controlling Interests</b>	<b>6,965</b>	<b>7,318</b>
<b>(Accumulated Losses) / Retained Earnings</b>	<b>41,360</b>	<b>19,603</b>
<b>Value Added Distributed</b>	<b>221,313</b>	<b>199,083</b>



## Consolidated Cash Flow (R\$ thousand)

	6.30.2019	6.30.2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Adjusted net income</b>	<b>101,153</b>	<b>84,935</b>
Net Income	41,360	29,897
<b>Adjustment to Net Income</b>	<b>59,793</b>	<b>55,038</b>
Allowance for Loan Losses	20,903	27,190
Provision/ (reversal) for Restricted Deposits-FCVS	239	216
Depreciation and Amortization	8,997	9,561
PIS and COFINS tax Credit on Depreciation with Affiliates	(141)	(118)
Adjustment of Provision for Liabilities	8,734	4,394
Other Operational Provisions	5,722	3,291
Expense for Loyalty Bonus	680	261
Other Non-Operational Provisions	361	276
Provision for Impairment of Other Values and Asset	-	235
Marketable Securities Marking to Market	(22)	312
Deferred Tax Asset	6,522	(1,443)
Capital Losses	1,148	1,246
Reversal of Other Operating Provisions	(3,368)	(4,471)
Reversal of Other Non-Operating Provisions	(2,416)	(950)
Equity Income in Subsidiaries	-	-
Provision for Revolving Credit Card Loan	12,434	15,038
<b>Variation in Assets and Liabilities</b>	<b>(1,978)</b>	<b>242,828</b>
(Increase)/ Decrease in Short-Term Liquidity Investments	(113,124)	(126,730)
(Increase) Decrease in Marketable Securities and Derivative Financial Instruments	(51,092)	46,934
(Increase) Decrease in Interbank / Interbranch Accounts (Assets/ Liabilities)	39,317	(20,933)
(Increase) Decrease in Credit Transactions	(117,994)	55,054
(Increase) Decrease in Other Assets	1,370	(4,904)
(Increase) / Decrease in Other Credits	(53,161)	19,783
Increase (Decrease) in Deposits	172,589	340,839
Increase/ (Decrease) in Funds Obtained in the Open Market	(1,844)	(31,283)
Increase/(Decrease) in Borrowings and Onlending	3,790	(5,821)
Actuarial Gains/Losses	(71,349)	11,415
Increase (Decrease) in Deferred Income	(368)	(345)
Increase (Decrease) in Other Liabilities	189,888	(41,181)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>99,175</b>	<b>327,763</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Transfer of Property in Use to Freelease	1	292
Acquisition of Property and Equipment for Use	(16,230)	(5,275)
Write-off of Property and Equipment for Use	3,678	430
Intangible Asset Investments	(2,525)	(539)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(15,076)</b>	<b>(5,092)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Non-Controlling Interests	6,965	4,913
Additional Dividend Proposed and Paid	-	-
Interest on Equity	(11,400)	(10,294)
Increase (decrease) in Funds from Real Estate Bills	(1,362)	19,044
Subordinated debts	(65,430)	5,488
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(71,227)</b>	<b>19,151</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>12,872</b>	<b>341,822</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>843,203</b>	<b>831,762</b>