



# Banese



## BANCO DO ESTADO DE SERGIPE S/A – BANESE 4Q18 AND 2018 EARNINGS RELEASE

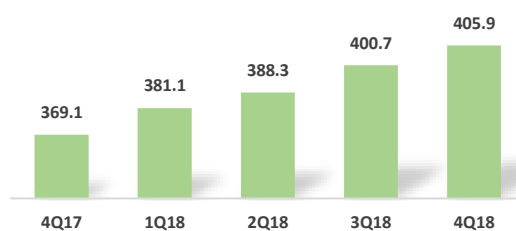
**For immediate disclosure:** Aracaju, February 26, 2019. Banco do Estado de Sergipe S.A. – **BANESE** (“Banese” or “Bank”), a mixed-capital corporation with shares traded on B3 under the tickers BGIP3 (registered common shares) and BGIP4 (registered preferred shares) and listed in the ITAG (Special Tag-Along Stock Index) index, announces its results for 4Q18 and 2018. For additional information, please access Banese’s investor relations website at <https://ri.banese.com.br/>.

### 4Q18 Highlights

All comparisons in this section refer to 4Q17

- Equity of R\$405.9 million (+10.0%);
- Total assets of R\$5.2 billion (+7.8%);
- Financial investments<sup>(1)</sup> of R\$2.5 billion (+12.1%); and
- Total funding of R\$4.6 billion (+7.9%).

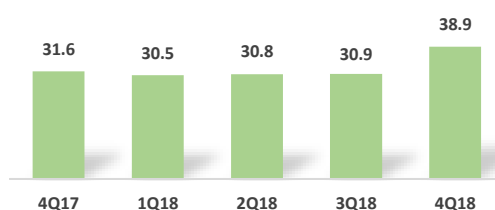
Equity - R\$ million



All comparisons in this section refer to 3Q18

- Service revenue of R\$38.9 million (+25.9%);
- Credit operations of R\$2.4 billion (+5.8%);
- Delinquency rate of 1.04% in 4Q18, down 0.3 pp from 1.33% in 3Q18;
- Provisioning coverage ratio of 3.4%, down 0.9 pp.

Service Revenue - R\$ million



## 4Q18 and 2018 Earnings Release Banco do Estado de Sergipe S.A. - BANESE

Equity Items - R\$ million	4Q18	4Q17		YoY	4Q18	3Q18		QoQ
Total Assets	5,246.9	4,868.7	▲	+7.8%	5,244.3	5,196.8	▲	+0.9%
Credit Operations	2,350.3	2,282.0	▲	+3.0%	2,350.3	2,221.1	▲	+5.8%
Financial Investments <sup>(1)</sup>	2,455.7	2,190.6	▲	+12.1%	2,455.7	2,527.4	▼	-2.8%
Total Funding	4,635.7	4,295.0	▲	+7.9%	4,635.7	4,546.1	▲	+2.0%
Equity	405.9	369.1	▲	+10.0%	405.9	400.7	▲	+1.3%

Income Statement Items - R\$ million	2018	2017		YoY	4Q18	3Q18		QoQ
Total Revenue	837.7	926.4	▼	-9.6%	219.3	210.6	▲	+4.1%
Gross Financial Intermediation Result	376.3	389.3	▼	-3.3%	102.8	93.5	▲	+9.9%
Operating Result	102.9	143.1	▼	-28.1%	34.7	21.8	▲	+59.2%
Financial Margin <sup>(2)</sup>	426.1	437.4	▼	-2.6%	113.8	105.2	▲	+8.2%
EBITDA <sup>(3)</sup>	137.1	182.4	▼	-24.8%	43.3	29.0	▲	+49.3%
Net Income	62.5	93.7	▼	-33.3%	14.2	18.4	▼	-22.8%
Net Interest Income (NII) <sup>(4)</sup>	387.3	395.7	▼	-2.1%	97.2	99.2	▼	-2.0%
Service Revenue	131.2	119.3	▲	+10.0%	38.9	30.9	▲	+25.9%
Allowance for Loan Losses	92.1	102.1	▼	-9.8%	17.5	23.7	▼	-26.2%
Administrative Expenses	314.4	300.2	▲	+4.7%	84.6	79.2	▲	+6.8%
Net Margin <sup>(5)</sup>	7.5%	10.1%	▼	-2.6 pp	6.5%	8.8%	▼	-2.3 pp
EBITDA Margin <sup>(6)</sup>	16.4%	19.7%	▼	-3.3 pp	19.8%	13.8%	▲	+6.0 pp

Efficiency Ratios and Measures (%)	2018	2017		YoY	4Q18	3Q18		QoQ
Delinquency (% of the portfolio)	1.04%	1.17%	▼	-0.13 pp	1.04%	1.33%	▼	-0.29 pp
Basel Ratio	14.2%	15.2%	▼	-1.0 pp	14.2%	14.6%	▼	-0.4 pp
Extended Basel Ratio	12.8%	14.1%	▼	-1.3 pp	12.8%	13.2%	▼	-0.4 pp
Net Interest Margin (NIM) <sup>(7)</sup>	8.0%	8.8%	▼	-0.8 pp	2.0%	2.1%	▼	-0.1 pp
Return on Average Assets (ROAA) <sup>(8)</sup>	1.2%	2.0%	▼	-0.8 pp	1.2%	1.2%	▶	NA
Return on Equity (ROE) <sup>(9)</sup>	16.0%	27.3%	▼	-11.3 pp	16.0%	16.0%	▶	NA
Efficiency Ratio <sup>(10)</sup>	71.0%	66.2%	▲	+4.8 pp	74.8%	69.3%	▲	+5.5 pp
Provisioning Coverage Ratio	3.4%	4.0%	▼	-0.6 pp	3.4%	4.3%	▼	-0.9 pp
Administrative Coverage Ratio <sup>(11)</sup>	41.7%	39.7%	▲	+2.0 pp	46.0%	39.0%	▲	+7.0 pp
Payroll Coverage Ratio <sup>(12)</sup>	76.7%	73.2%	▲	+3.5 pp	86.6%	72.3%	▲	+14.3 pp

(1) Short-Term Interbank Investments and Marketable Securities + Remunerated Restricted Credits.

(2) Gross Financial Intermediation Result + Allowance for Loan Losses.

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

(4) Interest Income (credit operations + financial investments) – Interest Expenses (funding, marketable securities, loans and equity interests).

(5) Net Income/Total Revenue.

(6) EBITDA/Total Revenue.

(7) Net Interest Income/Average Balance of Income Generating Assets (credit operations + interbank investments + marketable securities + interbank accounts).

(8) Net Income over Average Total Assets (annualized rate).

(9) Net Income over Average Equity (annualized rate).

(10) (Net Interest Income + Service Revenue)/Operating Expenses.

(11) Service Revenue/Administrative Expenses.

(12) Service Revenue/Direct and Indirect Payroll Costs.

*This report may contain forward-looking statements. Such information reflects management's expectations, which may not materialize for reasons intrinsic or extrinsic to the Company. Words such as "believe", "anticipate," "wish," "predict," "expect," and similar expressions identify information that necessarily involves known or unknown future risks.*

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

*This report is current as of the date of publication and Banese cannot be held liable for any subsequent events not foreseen or mentioned in this report.*

### MESSAGE FROM MANAGEMENT

2018 was a year marked by high volatility in the Brazilian market, mainly due to political and economic uncertainty and a slow economic recovery. Nevertheless, Banese implemented strategic actions with the purpose of enhancing the Bank's performance, including investments to improve Digital Channels, which reached a record number of transactions, outperforming the other channels available to our clients.

Our team has actively engaged in the main changes in the banking market in order to offer our clients new service models, innovative solutions and easy access to credit, services and investments. As a consequence, we have witnessed the strengthening of our equity and liquidity indicators, despite the fragile economy.

As we could see in 2018, Banese is becoming more solid and sustainable every year, thanks to its focus on clients and better results for our shareholders, supported by a management model based on best governance and transparency practices.

We would like to acknowledge the dedication and efforts of our employees, which resulted in the Bank's many achievements this year. We thank our clients and shareholders for their trust.

### ANALYSIS OF OPERATIONS

#### Assets

Total Assets by Type – R\$ million

	4Q18	4Q17		YoY	3Q18		QoQ
Credit Assets	2,350.3	2,282.0	▲	+3.0%	2,221.1	▲	+5.8%
(-) Provisions	-80.9	-91.8	▼	-11.9%	-94.9	▼	-14.8%
Net Credit Assets	2,269.4	2,190.2	▲	+3.6%	2,126.2	▲	+6.7%
Financial Investments	2,136.6	1,858.6	▲	+15.0%	2,155.9	▼	-0.9%
Restricted Credits	347.1	359.1	▼	-3.3%	399.4	▼	-13.1%
Permanent Assets	95.4	74.9	▲	+27.4%	93.2	▲	+2.4%
Other	398.4	385.9	▲	+3.2%	422.2	▼	-5.6%
<b>Total</b>	<b>5,246.9</b>	<b>4,868.7</b>	▲	<b>+7.8%</b>	<b>5,196.9</b>	▲	<b>+1.0%</b>

Total assets amounted to R\$5,246.9 million in December 2018, up 7.8% from R\$4,868.7 million in December 2017. The variation in total assets in the last 12 months was specially impacted by the 15.0% increase in the volume of financial investments in the period. It is Banese's policy to invest the financial resources resulting from the difference between the volume raised and the funds allocated to credit operations and other legal destinations in order to improve results.

Net credit assets accounted for 43.3% of total assets, while marketable securities and short-term interbank investments accounted for 40.7% of the total, and restricted credits, permanent assets and other assets accounted for the remaining 16.0%.

The year-on-year increase in financial investments was driven by an upturn in funding (+7.9%) and modest credit growth. Credit assets moved up 3.0% over 4Q17 and 5.8% over 3Q18.

Permanent assets moved up in 2018 as a result of a capital contribution of R\$22.0 million to SEAC - Sergipe Administradora de Cartões e Serviços Ltda., a company belonging to the Banese conglomerate whose main purpose is the provision of means of payment solutions, focusing on credit debit and benefit (food and meal) cards, acting as an issuer, accreditor and processor. As a result, the conglomerate now holds a 49.75% interest in the company, up from 5%, pursuant to the relevant fact disclosed to the market on September 3, 2018.

## Funding

Banese's funding structure is highly diversified, which helps maintain comfortable liquidity levels and support the rebound of credit granting in a scenario of economic recovery.

In December 2018, total funding reached R\$4,635.7 million, up 7.9% over December 2017, mainly due to an increase of 11.0% in savings deposits (+R\$137.4 million), 13.6% in court deposits (+R\$117.6 million) and 18.9% in demand deposits (+R\$115.4 million).

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

	4Q18	4Q17		YoY	3Q18		QoQ
Time Deposits	726.2	610.7	▲	+18.9%	635.9	▲	+14.2%
Savings Deposits	1,384.8	1,247.4	▲	+11.0%	1,327.8	▲	+4.3%
Court Deposits	983.6	866.0	▲	+13.6%	972.5	▲	+1.1%
CDI/CDB/RDB Certificates	1,169.7	1,201.5	▼	-2.6%	1,262.9	▼	-7.4%
LFS/LF/LCI Financial Bills	257.6	223.0	▲	+15.5%	251.7	▲	+2.3%
Repurchase Transactions	48.4	67.7	▼	-28.5%	25.7	▲	+88.3%
Onlending Obligations	65.4	78.7	▼	-16.9%	69.6	▼	-6.0%
<b>Total</b>	<b>4,635.7</b>	<b>4,295.0</b>	▲	<b>+7.9%</b>	<b>4,546.1</b>	▲	<b>+2.0%</b>

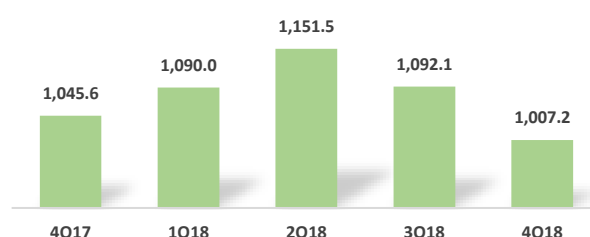
Funding from time and interbank deposits totaled R\$1,169.7 million in December 2018, down 2.6% (-R\$31.8 million) from December 2017 and 7.4% (-R\$93.2 million) from September 2018. These reductions were due to one-off deposit transactions by corporate clients.

The changes in funding from Financial Bills and Subordinate Financial Bills were due to inventory remuneration, while the change in Real Estate Bills in the last 12 months was caused by transactions totaling R\$12.1 million, enabled by credit operations backing LCIs.

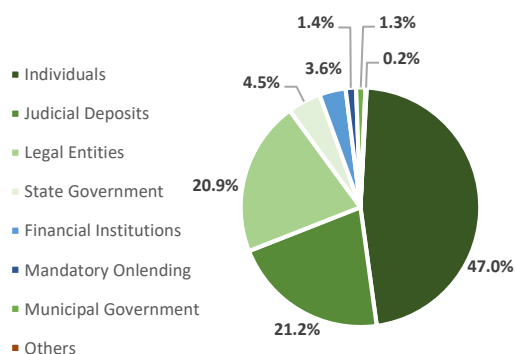
## Evolution of Time Deposits (CDB/RDB)

The final balance of time deposits fell 3.7% year on year and 7.8% quarter on quarter. These declines were observed in funding from corporate clients, one-off and identified withdrawals.

### Time Deposits - R\$ million



## Funding Sources (% of the total)



Individuals accounted for 47.0% of Banese's funding, while legal entities contributed 20.9%.

The diversification of funding between individuals and legal entities, with no concentration in major clients, mitigates liquidity risks that would require the settlement of large operations, with a potential impact on the Bank's profitability.

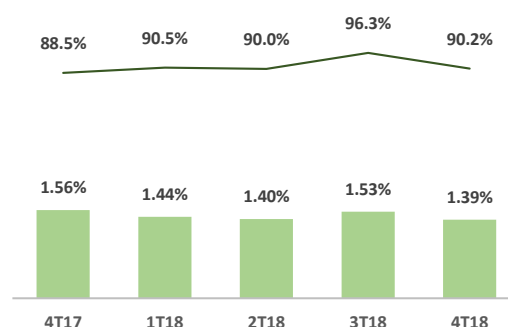
Court deposits represented 21.2% of Banese's total funding. Due to the agreement entered into between Banese and the Sergipe State Court of Justice, the Bank receives all court deposits in Sergipe.

In 4Q18, funding costs declined 0.14 pp from 3Q18 and 0.17 pp from 4Q17.

Considering the stable base interest rate, the reduction observed in 4Q18 was due to the remuneration of funding through Subordinated Financial Bills, impacted by lower inflation.

The growth in funding through CDI in the last 12 months reflected the decline in the country's interest rate, driven by funding indexed to fixed rates and inflation, such as subordinated debt, and the remuneration rules for savings accounts, given that a Selic rate below of 8.5% per year raises the cost of this funding in relation to the CDI. Remuneration of volumes raised through court deposits and savings accounts became more relevant with the decline of the CDI.

#### Funding costs (in absolute terms and as a % of the CDI)



#### Loans

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

	4Q18	4Q17		YoY	3Q18		QoQ
Commercial Portfolio	1,627.8	1,554.1	▲	+4.7%	1,524.0	▲	+6.8%
For Individuals	1,301.4	1,227.0	▲	+6.1%	1,198.6	▲	+8.6%
For Legal Entities	326.4	327.1	▼	-0.2%	325.4	▲	+0.3%
Development Portfolio	518.1	539.2	▼	-3.9%	525.4	▼	-1.4%
For Individuals	413.2	419.1	▼	-1.4%	409.8	▲	+0.8%
For Legal Entities	104.9	120.1	▼	-12.7%	115.6	▼	-9.3%
Securities and Credits Receivable	204.4	188.7	▲	+8.3%	171.7	▲	+19.0%
<b>Total</b>	<b>2,350.3</b>	<b>2,282.0</b>	▲	<b>+3.0%</b>	<b>2,221.1</b>	▲	<b>+5.8%</b>

Banese's loan portfolio reached R\$2.4 billion in assets, 3.0% more than in 4Q17 and 5.8% more than in 3Q18. In the commercial segment, the Bank has a prominent position in its market. According to the Brazilian Central Bank, Banese has a 39.6% share (Nov/2018) of the commercial credit market in Sergipe. Exposure is divided among a large number of small and mid-sized clients and transactions, mitigating individual credit risks and avoiding any negative impact that could result from the potential default of a large transaction.

The commercial credit portfolio grew 4.7% over 4Q17 and 6.8% over 3Q18. Banese believes that this scenario reflects the modest recovery in economic activity, as the population is adjusting its indebtedness and active companies are still recovering and are thus reluctant to make new investments to expand/modernize their business.

The increase in the invested balance of the commercial portfolio in 4Q18 was driven by the release of 13<sup>th</sup> salary prepayment lines for individuals, available in the self-service channels, and working capital financing lines for legal entities, mostly designed to finance the payment of the 13<sup>th</sup> salary.

Reflecting the Bank's business strategy, commercial credit for individuals grew R\$74.4 million, or 6.1%, over 4Q17 and R\$102.8 million, or 8.6%, over 3Q18, mostly driven by business initiatives designed to promote payroll-deductible loans, especially the products sold via correspondent banks. The balance of payroll-deductible loans reached R\$809.5 million in 4Q18, up R\$122.8 million, or 17.9%, over 4Q17 and R\$60.4 million, or 8.1%, over 3Q18.

The commercial portfolio for legal entities continued to increase, led by Progiro (working capital for micro, small and medium enterprises), thanks to the Bank's initiatives designed to focus the offer credit on companies with a good credit history with Banese.

The development credit portfolio fell R\$21.1 million in the last 12 months, due to the decline in real estate and industrial financing (-R\$31.3 million and -R\$2.9 million, respectively), as a result of the macroeconomic scenario. In 4Q18, the development portfolio decreased R\$7.3 million from 3Q18. It is important to mention that real estate loans, which account for most of the development

credit portfolio, are extremely sensitive to weak economic activity and low confidence levels since they involve large sums of money and long repayment terms.

#### Loan Portfolio Quality by Risk Rating

	R\$ million		Change	% of the portfolio		Change
	4Q18	4Q17		4Q18	4Q17	
AA	413.9	495.2	▼ -16.4%	17.6%	21.7%	▼ -4.1 pp
A	1,003.1	933.4	▲ +7.5%	42.7%	40.9%	▲ +1.8 pp
B	569.0	525.5	▲ +8.3%	24.2%	23.0%	▲ +1.2 pp
C	230.2	166.6	▲ +38.2%	9.8%	7.3%	▲ +2.5 pp
D - H	134.1	161.2	▼ -16.8%	5.7%	7.1%	▼ -1.4 pp
<b>Total</b>	<b>2,350.3</b>	<b>2,281.9</b>	▲ +3.0%	<b>100.0%</b>	<b>100.0%</b>	▶ NA

Loans with a risk rating of “AA” to “C” accounted for 94.3% of Banese’s total portfolio, up from 92.9% in 4Q17. Loans classified as “D” to “H”, which have a higher credit risk, represented 6.0% of Banese’s loan portfolio, down from 7.1% in 4Q17.

#### Breakdown of Loans by Risk Rating and Maturity Date in 4Q18 - R\$ million

	AA	A	B	C	D - H	Total
Overdue Installments	0.0	0.0	4.1	2.1	11.3	17.5
Due in up to 30 days	29.2	85.5	35.2	11.0	5.9	166.8
Due in 31-60 days	20.1	265.0	30.1	10.4	17.2	342.8
Due in 61-90 days	11.9	13.4	13.5	3.4	2.0	44.2
Due in 91-180 days	61.2	53.2	60.4	17.8	5.0	197.6
Due in 181-360 days	50.6	57.2	68.6	19.0	8.7	204.1
Due in over 360 days	240.9	528.8	357.1	166.5	84.0	1,377.3
<b>Total</b>	<b>413.9</b>	<b>1,003.1</b>	<b>569.0</b>	<b>230.2</b>	<b>134.1</b>	<b>2,350.3</b>

Most transactions with long maturities (to be settled in over 90 days) are concentrated in the low credit risk profiles (AA to C). For loans classified as “D” to “H”, 72.9% of the financial volume is due after 90 days.

#### Breakdown of Loans by Risk Rating and Portfolio in 4Q18 - R\$ million

	Total	Commercial	Industrial	Rural	Real Estate	Other
AA	413.9	413.9	0.0	0.0	0.0	0.0
A	1,003.1	393.6	14.5	39.9	354.1	201.0
B	569.0	522.2	16.3	7.0	21.5	2.0
C	230.2	212.8	5.4	7.5	3.8	0.7
D - H	134.1	85.3	26.6	17.8	3.7	0.7
<b>Total</b>	<b>2,350.3</b>	<b>1,627.8</b>	<b>62.8</b>	<b>72.2</b>	<b>383.1</b>	<b>204.4</b>

The industrial and rural segments have the highest share of low credit ratings, with 42.4% and 24.7% of the loans classified as “D” to “H”, respectively.

## Financial Investments

### Financial Investments – R\$ million

	4Q18	4Q17		YoY	3Q18		QoQ
Short-Term Interbank Investments	999.1	668.8	▲	+49.4%	950.5	▲	+5.1%
Marketable Securities	1,073.2	1,102.2	▼	-2.6%	1,164.2	▼	-7.8%
Mutual Fund Shares	101.9	28.0	▲	+263.9%	90.1	▲	+13.1%
Fixed Income	971.3	1,074.2	▼	-9.6%	1,074.1	▼	-9.6%
Repurchase Transactions + Guarantees	49.2	68.0	▼	-27.6%	25.9	▲	+90.0%
Compulsory Deposits	334.3	351.7	▼	-4.9%	386.8	▼	-13.6%
<b>Total</b>	<b>2,455.8</b>	<b>2,190.7</b>	▲	<b>+12.1%</b>	<b>2,527.4</b>	▼	<b>-2.8%</b>

The variation in the volume of financial investments in 2018 was mainly due to the increase in funding and regulatory changes to the rules for compulsory savings deposits and demand deposits. The quarter-on-quarter reduction was due to the expansion of the credit portfolio in the period.

Given the decline in the base interest rates and in order to better capitalize on treasury assets, we transferred part of our funds from fixed-income investments to mutual fund shares in 4Q18 and throughout 2018, as well as to DI Imobiliário assets in order to comply with Central Bank requirements between 4Q17 and 4Q18. We saw a decline in assets linked to rural credit (DI Rural) and Real Estate Financial Bills (LCI), resulting from regulatory changes that restrict the computation of LCIs for the purpose of meeting the requirements for savings deposits from January 2019, as well as the effect of the changes to the rules relating to rural credit for the new 2018-2019 agricultural period.

Banese complies with the rules in BACEN Circular no. 3,068, which establishes criteria for the recording and accounting valuation of marketable securities. This means that investments are made in short-term instruments, denominated in national currency and constantly marked to market, in order to mitigate risks related to changes in value and volatility of financial instruments.

## ANALYSIS OF RESULTS

### Revenue

#### Breakdown of Revenue – R\$ million

	2018	2017		YoY	4Q18	3Q18		QoQ
Credit Revenue	476.5	501.4	▼	-5.0%	119.1	120.2	▼	-0.9%
Income from Financial Investments	125.0	162.4	▼	-23.0%	31.8	32.9	▼	-3.3%
Service Revenue	130.9	119.2	▲	+9.8%	38.8	30.9	▲	+25.6%
Income from Equity Investments	5.1	0.8	▲	+537.5%	1.5	3.2	▼	-53.1%
Other Operating Income	95.3	137.5	▼	-30.7%	25.5	22.6	▲	+12.8%
Non-Operating Revenue	4.9	5.1	▼	-3.9%	2.6	0.8	▲	+225.0%
<b>Total</b>	<b>837.7</b>	<b>926.4</b>	▼	<b>-9.6%</b>	<b>219.3</b>	<b>210.6</b>	▲	<b>+4.1%</b>

Banese's total revenue amounted to R\$837.7 million in 2018, 9.6% less than in 2017, due to the 23.0% decline in income from financial investments, driven by the reduction in the base interest rate, and the 5.0% downturn in revenue from credit operations, as a result of the repricing of assets and fiercer competition.

In 4Q18, total revenue moved up 4.1% over 3Q18, thanks to non-recurring revenue from the recovery of loans written off to losses (CBP), the sale of a real estate property belonging to the Bank and service revenue arising from an annual performance bonus from Grupo Segurador Mapfre.

Service revenue grew R\$11.7 million over 4Q17 and R\$7.9 million over 3Q18, mainly driven by service package fees (*Clube Mais* Service Package and Fee Plan for Legal Entities) and an annual performance bonus from Grupo Segurador Mapfre.

The upturn in income from equity investments in 2018 was due to equity income from SEAC – Sergipe Administradora de Cartões e Serviços Ltda., after a capital contribution and an increase in the Bank's interest in said company.

### Costs and Expenses

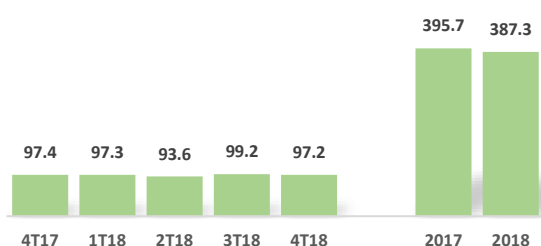
#### Direct Operating Costs – R\$ million

	2018	2017		YoY	4Q18	3Q18		QoQ
Funding Expenses	207.8	262.0	▼	-20.7%	51.7	52.5	▼	-1.5%
Earnings from Marketable Securities	0.5	0.2	▲	+150.0%	0.0	0.1	▼	-100.0%
Loan Obligations	5.0	5.8	▼	-13.8%	1.1	1.3	▼	-15.4%
<b>Total</b>	<b>213.3</b>	<b>268.0</b>	▼	<b>-20.4%</b>	<b>52.8</b>	<b>53.9</b>	▼	<b>-2.0%</b>

Funding costs fell 20.7% in the last 12 months, as a result of the fact that the average funding cost is strongly pegged to base interest rate, which declined in the period, offsetting the upturn in funding volume. Between 3Q18 and 4Q18, funding costs edged down 1.5%, due to the decline in the CDB/RDB balance in the period.



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



Net interest income (credit revenue plus income from financial investments less direct funding costs) fell 2.0% compared to 3Q18 and remained in line with 4Q17. In the 12-month period, net interest income dropped 2.1% compared to 2017.

This result was caused by a combination of factors mentioned earlier in this report, including the decline in the base interest rate.

## Personnel/Payroll Expenses

	2018	2017	YoY	4Q18	3Q18	QoQ
Salaries	100.5	95.5	▲ +5.2%	26.4	25.4	▲ +3.9%
Benefits	21.7	21.0	▲ +3.3%	6.0	5.2	▲ +15.4%
Social Charges	47.3	45.2	▲ +4.6%	12.0	11.9	▲ +0.8%
Training and Other	1.5	1.4	▲ +7.1%	0.5	0.3	▲ +66.7%
<b>Total</b>	<b>171.0</b>	<b>163.1</b>	<b>▲ +4.8%</b>	<b>44.9</b>	<b>42.8</b>	<b>▲ +4.9%</b>

Personnel expenses moved up 4.8% between 2017 and 2018 and 4.9% between 3Q18 and 4Q18. The increase in these expenses was driven by inflation and the collective bargaining agreement for bank employees in the period, and therefore does not represent real growth.

## Other Administrative Expenses – R\$ million

	2018	2017	YoY	4Q18	3Q18	QoQ
Third-Party Services	66.3	56.0	▲ +18.4%	18.5	17.1	▲ +8.2%
Consumption, Maintenance and Materials	22.0	21.9	▲ +0.5%	5.8	5.3	▲ +9.4%
Systems and Data Processing	26.5	24.2	▲ +9.5%	7.2	6.4	▲ +12.5%
Insurance	3.6	3.7	▼ -2.7%	1.1	0.8	▲ +37.5%
Transportation of Cash	7.7	7.7	▶ NA	1.9	1.9	▶ NA
Taxes	1.2	1.4	▼ -14.3%	0.3	0.2	▲ +50.0%
Other Expenses	16.1	22.2	▼ -27.5%	4.8	4.8	▶ NA
<b>Total</b>	<b>143.4</b>	<b>137.1</b>	<b>▲ +4.6%</b>	<b>39.6</b>	<b>36.5</b>	<b>▲ +8.5%</b>

Other administrative expenses climbed 4.6% (+R\$6.3 million) in 2018 over 2017 and 8.5% (+R\$3.1 million) in 4Q18 over 3Q18. The largest increases were seen in third-party services and systems and data processing, both of which stemming from the strategy of migration of Banese's services to digital channels and correspondents in the country.

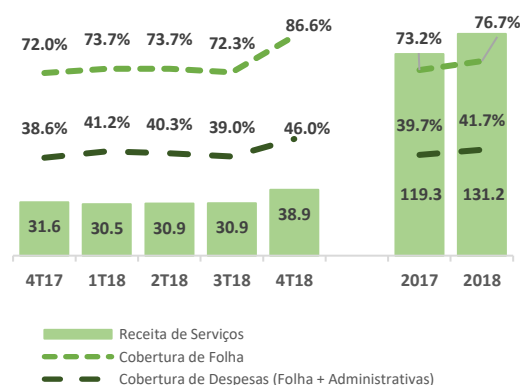
## 4Q18 and 2018 Earnings Release Banco do Estado de Sergipe S.A. - BANESE

The payroll coverage ratio climbed 3.5 pp in 2018 over 2017 and 14.3 pp in 4Q18 over 3Q18.

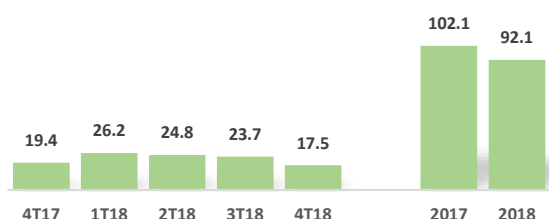
The total expense coverage ratio, which includes, in addition to payroll, administrative expenses, increased 2.0 pp between 2017 and 2018, to 41.7%, and 7.0 pp between 3Q18 and 4Q18.

The upturn in these ratios was due to non-recurring revenue in 4Q18, mentioned earlier in this report.

### Coverage Ratios (%)



### Provision Expenses - R\$ million



Expenses related to the allowance for loan losses came to R\$17.5 million in 4Q18, down 26.2% from 3Q18, and fell 9.8% between 2017 and 2018.

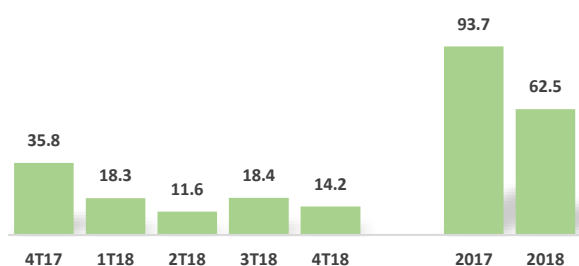
In 4Q18, we were able to recover high-risk loans, leading to reversals and lower expenses in the period.

### Other Operating Expenses – R\$ million

	2018	2017	YoY	4Q18	3Q18	QoQ
Amortization and Depreciation	16.7	16.9	▼ -1.2%	4.1	4.3	▼ -4.7%
Credit Depreciation	0.4	0.8	▼ -50.0%	0.1	0.1	▶ NA
Liability Provisions	7.4	13.2	▼ -43.9%	1.9	1.8	▲ +5.6%
Partnership with the Court of Justice	16.5	14.3	▲ +15.4%	4.1	4.1	▶ NA
ISS/PIS/COFINS Taxes	35.0	34.7	▲ +0.9%	9.3	8.7	▲ +6.9%
Discounts Granted	0.5	0.4	▲ +25.0%	0.0	0.2	▼ -100.0%
Interest on Equity	21.4	23.1	▼ -7.4%	5.1	6.1	▼ -16.4%
Profit Sharing	9.2	13.8	▼ -33.3%	2.8	2.0	▲ +40.0%
Other	11.1	4.5	▲ +146.7%	1.8	5.8	▼ -69.0%
<b>Total</b>	<b>118.2</b>	<b>121.7</b>	▼ -2.9%	<b>29.2</b>	<b>33.1</b>	▼ -11.8%

Other operating expenses (Other) declined between 2017 and 2018 and between 3Q18 and 4Q18. The largest changes in the last 12 months were due to the non-recurring recognition of provisions for civil liabilities totaling R\$5.0 million in 2017, which did not occur in 2018; higher expenses related to the partnership with the Court of Justice due to the increased balance of court deposits; and lower profit sharing due to a decline in net income.

## Net Income - R\$ million



## Net Income

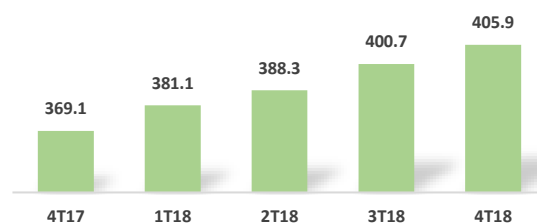
Banese's net income in 2018 and 4Q18 was directly affected by a non-recurring event related to the change in the social contribution on net income (CSLL) rate, which will be 15% again as of January 2019. In December 2018, the base of CSLL tax assets was adjusted, declining from 20% to 15%, in compliance with current standards, generating a negative impact of R\$9.5 million on the result.

Reflecting the behavior of the businesses presented in this report and the impact of the aforementioned adjustment of tax assets, net income totaled R\$14.2 million in 4Q18, down 22.8% from 3Q18, and R\$62.5 million in 2018, down 33.3% from 2017.

## Equity

Banese's equity moved up 10.0% over December 2017 and 1.3% over September 2018, due to the incorporation of the results for the period, having paid additional dividends in April 2018 and made an actuarial valuation adjustment in December 2018, related to the private pension plan of Banese employees with the Banese Social Security Institute (Instituto Banese de Seguridade Social – SERGUS), pursuant to CPC 33-R1, approved by CVM Resolution 695. The application of this standard had a negative impact of R\$3.9 million on Banese's equity.

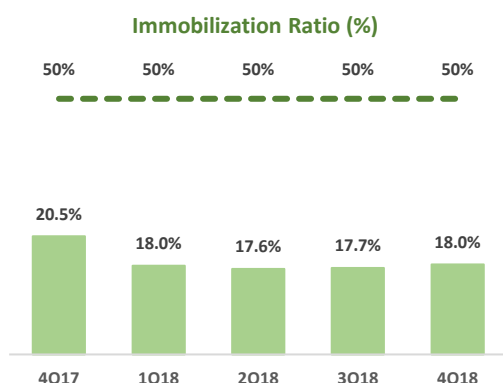
## Equity - R\$ million



### Capitalization and Basel Ratio

Ratios and Capitalization - R\$ million	4Q18	3Q18		QoQ	4Q17		YoY
Reference Equity (PR)	446.9	434.9	▲	+2.7%	434.9	▲	+2.7%
Tier I	376.0	365.7	▲	+2.8%	341.0	▲	+10.2%
Tier II	70.8	69.2	▲	+2.3%	93.9	▼	-24.6%
Basel Ratio	14.2%	14.6%	▼	-0.4 pp	15.2%	▼	-1.0 pp
Extended Basel Ratio	12.8%	13.2%	▼	-0.4 pp	14.1%	▼	-1.3 pp
Core Capital Ratio	11.9%	12.2%	▼	-0.3 pp	11.9%	▶	NA
Tier I Capital Ratio	11.9%	12.2%	▼	-0.3 pp	11.9%	▶	NA

Banese's Basel Ratio stood at 14.2% at the end of 4Q18, while the Extended Basel Ratio came to 12.8%, down 0.4 pp and 0.4 pp, respectively, from the figures recorded at the end of 3Q18, driven by an increase of 5.69% (around R\$169.3 million) in risk-weighted assets (RWA), stemming from an upturn of 4.31% (around R\$108.3 million) in credit risk-weighted assets and 100.1% (around R\$61 million) in market risk weighted assets.



The immobilization ratio closed 4Q18 at 18.0%, up 0.3 pp from 3Q18, with growth of 3.73% (around R\$3.5 million) in permanent assets. The result was substantially lower than the 50.0% maximum immobilization limit imposed by the Brazilian Central Bank.

It is worth noting that the lower this figure is the better.

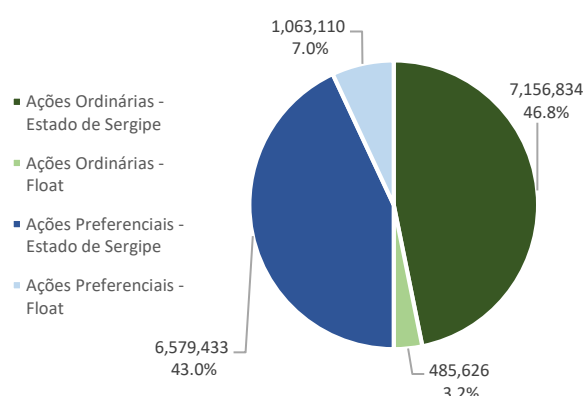
### Ratings

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 National Currency - Deposits	Ba2	Not Prime	Stable
	Global Foreign Currency - Deposits	Ba3	Not Prime	Stable

On August 14, 2018, Fitch Ratings upgraded Banese's national long-term rating to "A-(bra)", from "BBB+(bra)", and national short-term rating to "F1" (bra)", from "F2(bra)", and maintained the Stable long-term outlook. The improvement in Banese's national ratings reflected Fitch's opinion that the Bank's financial profile has become stronger. It also highlighted the consistent recovery of profitability, which has remained high since 2016, with growth supported by controlled credit and stable delinquency levels, despite the challenging operating environment.

On October 16, 2018, Moody's Investors Service reaffirmed Banese's "ba2" individual credit risk profile and deposit ratings in the Brazilian national scale of "Aa3.br" in the long term and "BR-1" in the short term, with a Stable outlook. The rating was maintained taking into account Banese's market share in Sergipe state (approximately one third of deposits and loans) and its focus on providing financial services to state civil servants, as well as small and medium enterprises, which are intrinsically connected to the state's economy.

#### Banese on B3



Banese's corporate structure comprises 15.2 million shares, of which 7.6 million are common (**BGIP3**) and 7.6 million are preferred (**BGIP4**). Approximately 10.2% of the total shares are free float, of which 31.3% common and 68.6% preferred, held by 2,620 individual investors and 349 corporate shareholders.

The Sergipe State Government is the majority shareholder of Banese, with approximately 89.8% of the shares.

Banese shares are listed in B3's ITAG index, which concentrates shares with special tag-along rights.

#### Clients and Service Channels

Banese manages 859,262 clients, of which 826,960 are individuals and 32,302 are legal entities. Thanks to the Bank's strategic focus on expanding its client portfolio, the number of clients increased 10.2% in the last 12 months and 0.5% in 4Q18 over 3Q18.

Supported by its channel strategy, Banese has been constantly offering new innovative solutions on its online platform (Internet and Mobile Banking), with investments in new features and improving the client experience. As a result, these channels reached record figures for the entire Banese network in 2018. A total of 82.6 million transactions were made in 2018, 24.8% more than in 2017, totaling R\$7.9 billion, 38.6% more than in 2017. It is important to mention that 67.1% of Banese's clients used online channels to conduct banking transactions in 2018.

#### Channel Data

	4Q18	3Q18	QoQ	2018	2017	YoY
Branches	63	63	▶ 0	63	63	▶ 0
Service Points	15	15	▶ 0	15	13	▲ 2
ATMs	506	502	▲ 4	506	508	▼ -2
Bank Correspondents in Brazil	233	233	▶ 0	233	240	▼ -7
Transactions in Branches, ATMs and Bank Correspondents	10.6 million	10.2 million	▲ 0.4 million	41.1 million	39.8 million	▲ 1.3 million
Transaction Volume	R\$10.3 billion	R\$9.7 billion	▲ R\$0.6 billion	R\$39.6 billion	R\$38.8 billion	▲ R\$0.8 billion
Online Transactions	23.2 million	21.4 million	▲ 1.8 million	82.6 million	66.2 million	▲ 16.4 million
Transaction Volume	R\$2.3 billion	R\$2.0 billion	▲ R\$0.3 billion	R\$7.9 billion	R\$5.7 billion	▲ R\$2.2 billion

### Commitment to Innovation – Banese 2.0

In 2018, Banese increased its investment in the main strategic areas, seeking to meet its clients' needs through innovative solutions and the adoption of new technologies to offer products and services. In order to offer our clients greater convenience, agility and a better experience, the Bank offers 78 cash recycling ATMs distributed across the state, in addition to 92 ATMs operated in partnership with the Saque e Pague network.

The Bank also offers remote check capture (RCC) and smart deposit services to legal entities. RCC simplifies check deposits for legal entity clients. In 2018, RCC totaled 61,300 checks and R\$100.7 million, 10.7% more than in 2017.

Smart deposits reached 548,800 transactions in 2018, totaling R\$436.6 million, up by more than 170.0% over 2017, both in terms of number and volume of deposits. The service led to a reduction in cash collection expenses and operational errors in the client's treasury department, in addition to gains from automated proactive cash management, mitigating the risk of fraud.

### Investments in Human Capital

The Bank's investments in training programs are in line with the organization's strategic plan, designed to develop skills, improve team performance and engagement levels, promote innovation opportunities and enhance competitive advantages.

The Professional Development Incentive Program is one of the main initiatives undertaken by Banese, offering its employees 50% scholarships for undergraduate and specialization programs and language courses. The Bank also has programs that enable employees to obtain certifications and attend events and training.

The Banese Corporate University, a virtual learning environment, offers employees more than 100 self-study courses, with more than 2,444 courses completed in 2018, focused on Information Security Principles, Prevention and Combat of Money Laundering, Basic Graphoscopy, Account Opening Process and Investment Profile Analysis.

### BANESE CONGLOMERATE

Banese's economic conglomerate is composed of Sergipe Administradora de Cartões e Serviços Ltda. (SEAC), Banese Corretora e Administradora de Seguros, Instituto Banese de Seguridade Social (SERGUS), Caixa de Assistência dos Empregados do Banese (CASSE) and Instituto Banese, the latter being responsible for managing its social and environmental responsibility initiatives and supporting cultural manifestations.

### Sergipe Administradora de Cartões e Serviços Ltda.

In 2018, Sergipe Administradora de Cartões e Serviços Ltda. (SEAC) pressed ahead with its growth plan, aiming to become a benchmark in means of payment in the Northeast region. Present in the states of Sergipe, Alagoas and Paraíba, SEAC has also debuted in the state of Ceará and Rio Grande do Norte, thanks to partnerships established in 2018. Over the coming years, these initiatives are expected to increase Banese Card's market share in each state.

In 2018, credit card Banese Card (the company's main product) reached a transaction volume of R\$1.47 billion, 10.4% more than in 2017. In 4Q18, SEAC recorded total revenue of R\$425.9 million. The number of clients eligible to make purchases reached 567,500 in 2018, up 5.04% from 2017.

SEAC continued its efforts focused on technological improvements and the development of new products and services. The launch of brand TKS and the creation of sub-acquiring activities allowed the company to offer new and more complete solutions to merchants, including new credit and debit card brands. In 2018, more than 5,000 establishments were accredited to operate using other brands through the TKS network, corresponding to 12% of the Banese card merchant base.



In the same period, SEAC also began distributing the first cards with chip technology, enhancing security in transactions. The benefits offered this year include bill payment and other services in the digital channels and the launch of the Banese Alimentação app.

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

In order to improve customer service, Banese Administradora e Corretora de Seguros Ltda. has consolidated its partnership with the main Brazilian insurance companies, seeking new products and investing in technology, such as the Insurance Portal. In 2018, the insurance broker recorded R\$92.2 million in contracted insurance, corresponding to an upturn of 7.6% over 2017, mainly driven by life, personal accident and social security insurance. Operating revenue totaled R\$6.6 million in 4Q18, 25.2% more than in 3Q18, and R\$23.7 million in 2018, up 12.1% over 2017.

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

Instituto Banese acts as a change agent through actions and investments focused on the interests of the community and the promotion of the state's scientific, technological, economic, artistic, socio-environmental and cultural development.

In 2018, the entity provided social benefits to strategic projects and assistance initiatives for 44,383 people, with a total investment of R\$538,000, in line with its statutory purposes and guided by the strategic objectives of Banese.

Museu da Gente Sergipana, an important hub of the arts and culture in the state of Sergipe, received 93,767 visitors in 2018. The remarkable number of visitors reflects how the region has become even more attractive for the local population and tourists after the opening of the Largo da Gente Sergipana (Square of the People of Sergipe) at the beginning of the year.

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

	12.31.2018	12.31.2017
<b>Revenue from Financial Intermediation</b>	<b>633,660</b>	<b>691,068</b>
Credit Transactions	494,699	511,152
Income from Marketable Securities Transactions	124,515	162,183
Earnings from Compulsory Investment	14,446	17,733
<b>Financial Intermediation Expenses</b>	<b>(287,556)</b>	<b>(340,786)</b>
Market Funding Operations	(204,417)	(255,727)
Loans and Onlending	(4,952)	(5,760)
Allowance for Loan Losses	(49,896)	(48,066)
Provision for Revolving Credit Card Loan	(28,291)	(31,233)
<b>Gross Income from Financial Intermediation</b>	<b>346,104</b>	<b>350,282</b>
Other Operating Revenues (Expenses)	(191,871)	(165,963)
Service Revenues	120,252	129,859
Banking Fee Revenue	70,390	39,468
Personnel Expenses	(203,162)	(194,417)
Other Administrative Expenses	(196,548)	(187,750)
Tax Expenses	(53,075)	(54,793)
Equity Income in Affiliates and Subsidiary	-	-
Other Operating Revenues	113,488	149,477
Other Operating Expenses	(43,216)	(47,807)
<b>Operating Income</b>	<b>154,233</b>	<b>184,319</b>
Non-Operating Income (Expenses)	2,252	2,593
<b>Pre-tax Income</b>	<b>156,485</b>	<b>186,912</b>
Income and Social Contribution Taxes	(75,795)	(72,146)
Provision for Income Tax	(30,774)	(34,536)
Provision for Social Contribution Tax	(25,968)	(28,882)
Deferred Tax Asset	(19,053)	(8,728)
Profit Sharing – Employees and Management	(9,237)	(13,831)
<b>Net Income Before Non-Controlling Interest</b>	<b>71,453</b>	<b>100,935</b>
Non-Controlling Interests	(8,913)	(15,283)
<b>Net Income</b>	<b>62,540</b>	<b>85,652</b>
Interest on Equity (IOE)	(21,420)	(23,143)



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

	12.31.2018	12.31.2017
<b>Revenue from Financial Intermediation</b>	<b>638,890</b>	<b>705,184</b>
Credit Transactions	499,934	525,268
Income from Marketable Security Transactions	124,510	162,183
Earnings from Compulsory Investment	14,446	17,733
<b>Financial Intermediation Expenses</b>	<b>(262,639)</b>	<b>(315,869)</b>
Market Funding Operations	(207,791)	(262,043)
Loans and Onlending	(4,952)	(5,760)
Allowance for Loan Losses	(49,896)	(48,066)
Provision for Revolving Credit Card Loan	-	-
<b>Gross income from Financial Intermediation</b>	<b>376,251</b>	<b>389,315</b>
Other Operating Revenues (Expenses)	(251,775)	(235,182)
Service Revenues	60,820	79,856
Banking fee Revenue	70,390	39,468
Personnel Expenses	(174,648)	(166,190)
Other Administrative Expenses	(155,329)	(149,587)
Tax Expenses	(36,195)	(36,041)
Equity Income In Affiliates and Subsidiary	4,154	804
Other Operating Revenues	14,599	28,886
Other Operating Expenses	(35,566)	(32,378)
<b>Operating Income</b>	<b>124,476</b>	<b>154,133</b>
Non-Operating Income	2,536	2,868
<b>Pre-Tax Income</b>	<b>127,012</b>	<b>157,001</b>
Income and Social Contribution Taxes	(55,235)	(57,518)
Provision for Income Tax	(25,770)	(29,077)
Provision for Social Contribution Tax	(21,765)	(24,387)
Deferred Tax Asset	(7,700)	(4,054)
Profit Sharing – Employees and Management	(9,237)	(13,831)
<b>Net Income Before Non-Controlling Interest</b>	<b>62,540</b>	<b>85,652</b>
Non-Controlling Interests	-	-
<b>Net Income</b>	<b>62,540</b>	<b>85,652</b>
Interest on Equity (IOE)	(21,420)	(23,143)



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

	12.31.2018	12.31.2017
<b>CURRENT ASSETS</b>	<b>3.659,081</b>	<b>3,565,665</b>
CASH AND CASH EQUIVALENTS	89,943	89,937
INTERBANK INVESTMENTS	999,053	668,757
Open Market Investments	584,993	389,995
Interbank Deposits	414,060	278,762
<b>MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>1,123,186</b>	<b>1,162,408</b>
Own Portfolio	1,058,817	1,074,726
Subject to Repurchase Agreements	48,442	67,769
Linked to Guarantees Given	237	223
Linked to Central Bank of Brazil	15,690	19,690
<b>INTERBANK ACCOUNTS</b>	<b>331,604</b>	<b>332,814</b>
Payments and Receivables to be Settled	2,300	546
Restricted Deposits	319,178	332,268
- Central Bank Deposits	319,109	331,970
- Agreements	69	298
Correspondents	10,126	-
<b>CREDIT TRANSACTIONS</b>	<b>683,135</b>	<b>924,976</b>
Credit Transactions	716,966	967,505
- Private Sector	716,966	967,505
Allowance for Loan Losses	(33,831)	(42,529)
<b>OTHER RECEIVABLES</b>	<b>426,046</b>	<b>384,329</b>
Unearned Income	10,405	6,724
Sundry	449,048	415,820
Allowance for Losses on Other Receivables	(1,217)	(1,117)
Provision for Receivables Related to Payment Transactions	(32,013)	(37,098)
Allowance for Losses on Other Receivables Without Loan Characteristics	(177)	-
<b>OTHER ASSETS</b>	<b>6,114</b>	<b>2,444</b>
Other Assets	1,403	1,383
Prepaid Expenses	4,711	1,061
<b>LONG-TERM RECEIVABLES</b>	<b>1,720,468</b>	<b>1,410,742</b>
<b>MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>24,422</b>	<b>27,442</b>
Own Portfolio	24,422	27,442
<b>INTERBANK ACCOUNTS</b>	<b>27,935</b>	<b>26,822</b>
Restricted Deposits	27,935	26,822
- National Housing System (SFH)	27,935	26,822
<b>CREDIT TRANSACTIONS</b>	<b>1,383,126</b>	<b>1,077,690</b>
Credit Transactions	1,428,935	1,125,811
- Private Sector	1,428,935	1,125,811
Allowance for Loan Losses	(45,809)	(48,121)
<b>OTHER RECEIVABLES</b>	<b>250,815</b>	<b>249,681</b>
Sundry	250,815	249,681
<b>OTHER ASSETS</b>	<b>34,170</b>	<b>29,107</b>
Other Assets	35,323	30,505
Allowance for Devaluation	(2,758)	(2,373)
Prepaid Expenses	1,605	975



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

	12.31.2018	12.31.2017
<b>PERMANENT ASSETS</b>	<b>97,060</b>	<b>98,531</b>
INVESTMENTS	6	6
Interest in Affiliates and Subsidiaries	-	-
Other Investments	454	454
Provisions for Losses	(448)	(448)
PROPERTY AND EQUIPMENT FOR USE	80,648	78,618
Property for Use	71,946	70,679
Other Property and Equipment Items for Use	132,804	124,922
Accumulated Depreciation	(124,102)	(116,983)
INTANGIBLE ASSETS	16,406	19,907
Intangible Assets	65,045	62,794
Accumulated Amortization of Intangible Assets	(48,639)	(42,887)
<b>TOTAL</b>	<b>5,476.609</b>	<b>5,074,938</b>

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

	12.31.2018	12.31.2017
<b>CURRENT LIABILITIES</b>	<b>3.948.211</b>	<b>3,456,942</b>
DEPOSITS	3,379,800	2,995,329
Demand Deposits	712,955	592,406
Savings Account Deposits	1,384,752	1,247,429
Interbank Deposits	162,486	155,881
Time Deposits	1,119,607	999,613
INTERBANK ACCOUNTS	1,241	1,561
Receivables and Payments to be Settled	1,241	1,561
OPEN MARKET FUNDING	22,001	23,213
Own Portfolio	22,001	23,213
FUNDS FROM ACCEPTANCE AND ISSUE OF NOTES	52,991	24,134
Funds from Real Estate, Mortgage, Credit and Similar Notes	52,991	24,134
INTERBRANCH ACCOUNTS	754	787
Third-Party Funds in Transit	754	787
LOCAL ONLENDING – OFFICIAL INSTITUTIONS	22,248	16,944
BNDDES	5,269	5,006
FINAME	2,507	3,365
Other Institutions	14,472	8,573
OTHER LIABILITIES	469,176	394,974
Collection of Taxes and Alike	2,054	2,175
Social and Statutory Charges	609	459
Tax and Social Security Obligations	80,993	78,234
Subordinated Debts	70,299	-
Sundry	315,221	314,106

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

	12.31.2018	12.31.2017
<b>NON-CURRENT LIABILITIES</b>	<b>1.083,426</b>	<b>1,226,223</b>
DEPOSITS	821,873	869,311
Time Deposits	821,873	869,311
OPEN MARKET FUNDING	26,405	44,525
Own Portfolio	26,405	44,525
FUNDS FROM ACCEPTANCE AND ISSUE OF NOTES	45,830	52,429
Funds from Real Estate, Mortgage, Credit and Similar Notes	45,830	52,429
LOCAL ONLENDING – OFFICIAL INSTITUTIONS	42,881	61,479
BNDES	342	7,023
FINAME	2,305	4,878
Other Institutions	40,234	49,578
OTHER LIABILITIES	146,437	198,479
Tax and Social Security Obligations	-	2,060
Subordinated Debts	88,539	146,432
Sundry	57,898	49,987
DEFERRED INCOME	11,632	12,220
Deferred Income	11,632	12,220
<b>SHAREHOLDERS' EQUITY</b>	<b>433,340</b>	<b>379,553</b>
Capital	348,000	232,000
- Domiciled in Brazil	348,000	232,000
Profit Reserves	61,796	140,481
Equity Valuation Adjustment	(3,856)	(11,415)
Non-Controlling Interests	27,400	18,487
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5.476.609</b>	<b>5,074,938</b>

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

	12.31.2018	12.31.2017
<b>VALUE ADDED CALCULATION</b>		
Revenue from Financial Intermediation	633,660	691,068
Financial Intermediation Expenses	(287,556)	(340,786)
Other Operating Revenues (Expenses)	70,272	101,670
Non-Operating Income	2,252	2,593
Service revenue	190,642	169,327
Materials, Energy, Third-Party Services and Other Expenses	(170,663)	(157,534)
Gross Value Added	<b>438,607</b>	<b>466,338</b>
Retentions	<b>(19,180)</b>	<b>(19,974)</b>
Amortization	(5,749)	(5,912)
Depreciation	(13,431)	(14,062)
<b>Net Value Added Produced by the Company</b>	<b>419,427</b>	<b>446,364</b>
<b>Value Added Received in Transfer</b>	-	-
Equity Pickup	-	-
<b>Value Added to be Distributed</b>	<b>419,427</b>	<b>446,364</b>
<b>DISTRIBUTION OF VALUE ADDED</b>		
<b>Government</b>	<b>128,870</b>	<b>126,939</b>
Tax Expenses	72,128	63,521
Income and Social Contribution Taxes	56,742	63,418
<b>Employees</b>	<b>212,399</b>	<b>208,248</b>
Salaries and Fees	121,688	115,898
Social Charges	45,038	42,751
Private Pension Plan	7,999	8,282
Benefits and Training	28,437	27,486
Profit Sharing	9,237	13,831
<b>Rents</b>	<b>4,410</b>	<b>4,493</b>
<b>Taxes and Contributions</b>	<b>2,295</b>	<b>5,749</b>
<b>Shareholders</b>	<b>21,420</b>	<b>26,949</b>
Dividends	-	3,805
Interest on Equity	21,420	23,144
<b>Non-Controlling Interests</b>	<b>8,913</b>	<b>15,283</b>
<b>(Accumulated Losses) / Retained Earnings</b>	<b>41,120</b>	<b>58,703</b>
<b>Value Added Distributed</b>	<b>419,427</b>	<b>446,364</b>



## Consolidated Cash Flow (R\$ thousand)

	12.31.2018	12.31.2017
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Adjusted net income</b>	<b>191,615</b>	<b>198,035</b>
Net Income	62,540	85,652
<b>Adjustment to Net Income</b>	<b>129,075</b>	<b>112,383</b>
Allowance for Loan Losses	49,896	48,066
Provision/ (reversal) for Restricted Deposits-FCVS	448	762
Depreciation and Amortization	19,425	20,288
PIS and COFINS tax Credit on Depreciation with Affiliates	(246)	(314)
Adjustment of Provision for Liabilities	9,678	16,236
Other Operational Provisions	10,608	-
Expense for Loyalty Bonus	794	526
Other Non-Operational Provisions	588	1,202
Provision for Impairment of Other Values and Asset	259	239
Marketable Securities Marking to Market	238	(864)
Deferred Tax Asset	19,053	8,728
Capital Losses	3,634	3,233
Reversal of Provision for Restricted Deposits to National Housing Finance System	-	(4,890)
Reversal of Other Operating Provisions	(8,979)	(8,529)
Reversal of Other Non-Operating Provisions	(4,612)	(3,533)
Equity Income in Subsidiaries	-	-
Provision for Revolving Credit Card Loan	28,291	31,233
Unpaid Interest on Equity	-	-
Variation in Deferred Income	-	51
<b>Variation in Assets and Liabilities</b>	<b>148,377</b>	<b>(356,674)</b>
(Increase)/ Decrease in Short-Term Liquidity Investments	10,089	2,492
(Increase) Decrease in Marketable Securities and Derivative Financial Instruments	42,003	(493,076)
(Increase) Decrease in Interbank / Interbranch Accounts (Assets/ Liabilities)	(704)	(172,727)
(Increase) decrease in Credit Transactions	(141,782)	(189,477)
(Increase) decrease in Other Assets	(8,734)	(26,426)
(Increase) / decrease in Other Credits	(51,574)	(75,615)
Increase (decrease) in Deposits	337,033	586,491
Increase/ (decrease) in Funds Obtained in the Open Market	(19,332)	14,723
Increase/(decrease) in Borrowings and Onlending	(13,294)	(10,528)
Actuarial Gains/Losses	7,559	(7,462)
Increase (decrease) in Deferred Income	(588)	12,201
Increase (decrease) in Other Liabilities	(12,299)	2,730
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>339,992</b>	<b>(158,639)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Transfer of Property in Use to Freelease	303	225
Acquisition of Property and Equipment for Use	(17,305)	(21,205)
Write-off of Property and Equipment for Use	1,300	3,986
Acquisition of Assets not for own use	-	(59)
Intangible Asset Investments	(2,251)	(2,805)
Capital Injection in Subsidiary	-	-
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(17,953)</b>	<b>(19,858)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Non-Controlling Interests	8,913	15,283
Additional Dividend Proposed and Paid	(3,805)	(8,408)
Interim Dividend	-	(20,039)
Interest on Equity Paid	(21,420)	(23,144)
Increase (decrease) in Funds from Real Estate Bills	22,258	29,250
Subordinated debts	12,406	8,925
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>18,352</b>	<b>1,867</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>340,391</b>	<b>(176,630)</b>
<b>Cash and banks at the beginning of the period</b>	<b>489,940</b>	<b>666,570</b>
<b>Cash and banks at the end of the period</b>	<b>830,331</b>	<b>489,940</b>