



# Banese



## BANCO DO ESTADO DE SERGIPE S/A – BANESE 4Q19 AND 2019 EARNINGS RELEASE

**For Immediate Disclosure:** Aracaju, February 19, 2019. Banco do Estado de Sergipe S.A. – **BANESE** (“Banese” or “Bank”), a mixed-capital company with shares traded on the B3 Stock Exchange, under tickers BGIP3 (Registered Common Shares) and BGIP4 (Registered Preferred Shares), and listed on ITAG (Special Tag-Along Stock Index), announces its earnings for the 4Q19 and year of 2019. Additional information can be found on the Banese investor relations website, at <https://ri.banese.com.br/>.

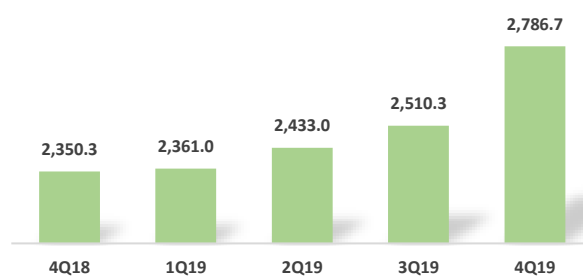
**BANESE RECORDS NET INCOME OF R\$ 83.6 MILLION.  
LOAN ASSETS AND FUNDING VOLUME REMAINS ON THE RISE.**

### 4Q19 Highlights

All comparisons in this section refer to 4Q18 (12M)

- Loan Operations totaled R\$2.8 billion (+18.6%);
- Total Assets amounted to R\$5.5 billion (+5.5%);
- Total Funding reached R\$4.8 billion (+3.8%);
- Accumulated Net Income of R\$83.6 million (+33.8%).

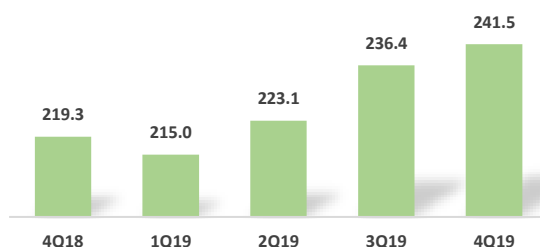
### CREDIT OPERATIONS - R\$ Millions



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

- Total Revenues increased by R\$5.1 million (+2.2%);
- Shareholders' Equity amounted to R\$433.9 million (+13.9%);
- Net Interest Income (NII) totaled 117.6 million (+9.1%);
- Basel Index stood at 13.3% (+1.6 p.p.)

### TOTAL REVENUES - R\$ Million



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Balance Sheet Items – R\$ million	4Q19	4Q18		V12M	4Q19	3Q19		V3M
Total Assets	5,534.2	5,246.9	▲	+5.5%	5,534.2	5,531.1	▲	+0.1%
Loan Operations	2,786.7	2,350.3	▲	+18.6%	2,786.7	2,510.3	▲	+11.0%
Financial Investments <sup>(1)</sup>	2,281.3	2,455.7	▼	-7.1%	2,281.3	2,519.9	▼	-9.5%
Total Funding	4,810.7	4,635.7	▲	+3.8%	4,810.7	4,744.8	▲	+1.4%
Shareholders' Equity	433.9	405.9	▲	+6.9%	433.9	380.9	▲	+13.9%

Income Statement Items – R\$ million	2019	2018		V12M	4Q19	3Q19		V3M
Total Revenues	916.0	837.7	▲	+9.3%	241.5	236.4	▲	+2.2%
Gross Income from Financial Intermediation	397.8	376.3	▲	+5.7%	93.9	98.6	▼	-4.8%
Operating Income	116.9	102.9	▲	+13.6%	22.9	25.5	▼	-10.2%
Financial Margin <sup>(2)</sup>	472.7	426.1	▲	+10.9%	131.7	114.8	▲	+14.7%
EBITDA <sup>(3)</sup>	121.1	137.1	▼	-11.7%	25.3	26.7	▼	-5.2%
Net Income	83.6	62.5	▲	+33.8%	25.9	16.3	▲	+58.9%
Net Interest Income (NII) <sup>(4)</sup>	438.5	387.3	▲	+13.2%	117.6	107.8	▲	+9.1%
Revenue from Services	134.6	131.2	▲	+2.6%	37.7	32.3	▲	+16.7%
Allowance for Loan Losses (PCLD)	125.9	92.1	▲	+36.7%	57.9	27.4	▲	+111.3%
Administrative Expenses	339.7	314.4	▲	+8.0%	89.0	85.9	▲	+3.6%
Net Margin <sup>(5)</sup>	9.1%	7.5%	▲	+1.6 p.p.	10.7%	6.9%	▲	+3.8 p.p.
EBITDA Margin <sup>(6)</sup>	13.2%	16.4%	▼	-3.2 p.p.	10.5%	11.3%	▼	-0.8 p.p.

Efficiency Ratios and Measures (%)	2019	2018		V12M	4Q19	3Q19		V3M
Default (% of portfolio)	1.18%	1.04%	▲	+0.14 p.p.	1.18%	1.30%	▼	-0.12 p.p.
Basel Index	13.3%	14.2%	▼	-0.9 p.p.	13.3%	11.7%	▲	+1.6 p.p.
Net Interest Margin (NIM) <sup>(7)</sup>	8.5%	8.0%	▲	+0.5 p.p.	2.3%	2.1%	▲	+0.2 p.p.
Return on Average Assets (ROAA) <sup>(8)</sup>	1.5%	1.2%	▲	+0.3 p.p.	1.5%	1.4%	▲	+0.1 p.p.
Return on Equity (ROE) <sup>(9)</sup>	20.8%	16.0%	▲	+4.8 p.p.	20.8%	19.4%	▲	+1.4 p.p.
Efficiency Ratio <sup>(10)</sup>	71.9%	71.0%	▲	+0.9 p.p.	71.2%	66.5%	▲	+4.7 p.p.
Provisioning Ratio	4.1%	3.4%	▲	+0.7 p.p.	4.1%	3.4%	▲	+0.7 p.p.
Coverage Ratio - Administrative <sup>(11)</sup>	39.6%	41.7%	▼	-2.1 p.p.	42.3%	37.6%	▲	+4.7 p.p.
Coverage Ratio - Payroll <sup>(12)</sup>	77.0%	76.7%	▲	+0.3 p.p.	81.0%	73.6%	▲	+7.4 p.p.

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

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

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

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

(5) Net Income/Total Revenue.

(6) EBITDA/Total Revenue.

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

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

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

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

(11) Revenue from Services/Administrative Expenses.

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

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

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

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

### MESSAGE FROM MANAGEMENT

Brazil ended 2019 with a start in economic recovery growth amidst the approval of the pension reform, cuts in government spending and credit incentives. Controlled inflation and lower interest rates also favored the country's gross domestic product, which is expected to grow by 1.17% in 2019.

The consolidation of the new service model for the branch network combined with the business generated through Banking Correspondents in the Country and the launching of new products and services through the self-service channels contributed to the results achieved in 2019 and enabled the Bank to be follow the changes taking place in the banking market.

In line with our strategic plan, we maintain ongoing investments in learning programs and the enhancement of our processes and our corporate governance, risk management and transparency structures. Our strategic actions offer Banese customers a more modern and digital platform, with innovative products and services that guarantee agility, security and practicality.

The actions taken by the management and employees of Banese have cooperated to increase the Institution's solidity, as well as more sustainable results.

### ANALYSIS OF OPERATIONS

#### Assets

Total Assets by Type – R\$ million

	4Q19	4Q18		V12M	3Q19		V3M
Loan Assets	2,786.7	2,350.3	▲	+18.6%	2,510.3	▲	+11.0%
(-) Provisions	-114.7	-80.9	▲	+41.8%	-86.1	▲	+33.2%
Net Loan Asset	2,672.0	2,269.4	▲	+17.7%	2,424.2	▲	+10.2%
Financial Investments	1,942.9	2,136.6	▼	-9.1%	2,193.5	▼	-11.4%
Restricted Loans	365.4	347.1	▲	+5.3%	348.8	▲	+4.8%
Permanent Assets	106.0	95.4	▲	+11.1%	105.7	▲	+0.3%
Other	447.9	398.4	▲	+12.4%	458.9	▼	-2.4%
<b>Total</b>	<b>5,534.2</b>	<b>5,246.9</b>	▲	<b>+5.5%</b>	<b>5,531.1</b>	▲	<b>+0.1%</b>

The balance of total assets reached R\$5,534.2 million at the end of the fourth quarter of 2019, an increase of 5.5% in 12 months. In this period, we highlight the increase in net loan assets by R\$402.6 million and a reduction of R\$193.7 million in financial investments. In 3 months, net loan assets increased by 10.2%, with a portfolio of R\$2.7 billion at the end of 4Q19.

Provisions increased in the past 12 months and during the last quarter, influenced by the negative variation in the risk rating of transactions in the portfolio for the corporate segment.

Net loan assets accounted for 48.3% of total assets; financial investments accounted for 35.1%; and restricted loans, permanent assets and other assets accounted for 16.6%.

Permanent assets continued with a positive variation, reaching 11.1% in 12 months after the capital contribution from investee SEAC – Sergipe Administradora de Cartões Ltda., a company comprising the Banese group.

## Funding

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

	4Q19	4Q18		V12M	3Q19		V3M
Demand Deposits	770.0	726.2	▲	+6.0%	689.2	▲	+11.7%
Savings Accounts	1,472.0	1,384.8	▲	+6.3%	1,408.1	▲	+4.5%
Judicial Deposits	1,036.7	983.6	▲	+5.4%	1,060.7	▼	-2.3%
CDB/RDB	1,115.8	1,007.2	▲	+10.8%	1,168.1	▼	-4.5%
CDI	126.7	162.5	▼	-22.0%	142.3	▼	-11.0%
LF/LFS/LCI	196.3	257.6	▼	-23.8%	193.2	▲	+1.6%
Repurchase Transactions	0.1	48.4	▼	-99.8%	5.7	▼	-98.2%
Onlending Obligations	92.9	65.4	▲	+42.0%	77.5	▲	+19.9%
<b>Total</b>	<b>4,810.5</b>	<b>4,635.7</b>	▲	<b>+3.8%</b>	<b>4,744.8</b>	▲	<b>+1.4%</b>

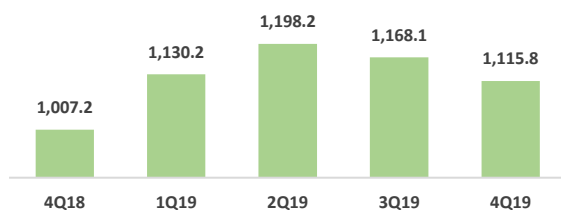
At the end of 4Q19, total funding amounted to R\$4,810.5 million, higher by 3.8% in 12 months, due to increases in demand deposits (R\$108.6 million), savings accounts (R\$87.2 million) and judicial deposits (R\$53.1 million). In the last quarter, the increase was by 1.4%, mainly due to demand deposits (R\$80.8 million) and savings accounts (R\$63.9 million).

The interbank deposits (CDI) reduced by 11.0% (R\$15.6 million) in 4Q19 and by 22.0% (R\$35.8 million) in 12 months, due to lower investments in interbank deposits subject to rural credit, given they have reciprocity provided by such funding.

The Bank's funding structure is diversified, which helps to maintain comfortable liquidity levels, as well as support credit concessions in a scenario of economic recovery.

## Growth in Time Deposits (CDB/RDB)

### Time Deposits - R\$ million



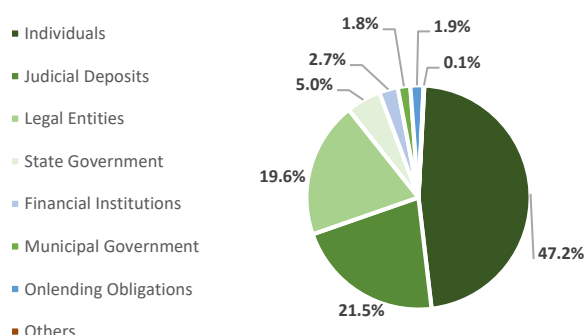
The closing balances of time deposits increased by 10.8% in the last 12 months (R\$108.6 million), due to the increase in funding from the state government and legal entities.

The variation observed in 4Q19 (a reduction of 4.5%, or R\$52.3 million) is due to retraction in funding from state and municipal governments.

Funding from Financial Bills remained stable in the last quarter and had a negative variation in the last 12 months (a reduction of 2.1%, or R\$1.1 million), resulting from the payment of interest in the period. Subordinated Financial Bills increased in the last quarter (2.5% higher, or R\$2.3 million), due to inventory compensation, and decreased in the last 12 months (a reduction of 38.8%, or R\$61.6 million), as a result of settlement on maturity dates and payment of interest.

The volume of Real Estate Credit Bills increased by 1.2% in 4Q19 (R\$0.6 million) and by 2.6% in 12 months (R\$1.3 million), resulting from new funds raised from loan operations to guarantee LCIs and operations with individuals. This is an attractive source of funding for being exempt from income tax thus increasing its chance of achieving more favorable profitability versus other products.

## Key Funding Sources (% of total)



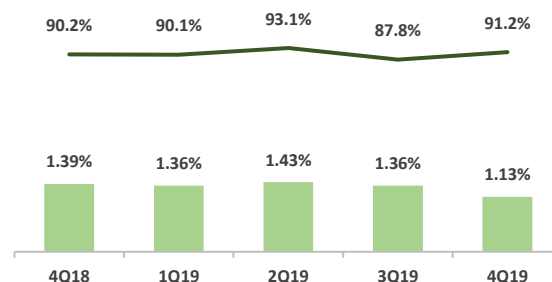
Banese's key funding sources are individuals, with approximately 47.2% of its total funding volume, and legal entities, accounting for 19.6%. The dilution of funding between individuals and legal entities reduce liquidity risks.

Judicial deposits account for approximately 21.5% of Banese's total funding volume.

Borrowing costs fell by 0.23 p.p. in the last quarter and by 0.26 p.p. in 12 months. The decrease recorded in 4Q19 versus 3Q19 resulted from the drop in Brazil's interest rate level. When compared to 4Q18, in addition to lower interest rates, the reduction was also due to the higher savings and judicial deposits and the settlement of a portion of the Subordinated Financial Bill (LFS).

As for the CDI, the growth recorded was due to the drop in Brazil's interest rate level, which affected pre-fixed indexes and inflation for certain funding instruments, such as subordinated debt.

## Funding Costs (Actual and % of CDI)



## Loans

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

	4Q19	4Q18		V12M	3Q19		V3M
Commercial Portfolio	1,939.0	1,627.8	▲	+19.1%	1,726.8	▲	+12.3%
For Individuals	1,588.5	1,301.4	▲	+22.1%	1,420.4	▲	+11.8%
For Legal Entities	350.5	326.4	▲	+7.4%	306.4	▲	+14.4%
Development Portfolio	594.4	518.1	▲	+14.7%	562.9	▲	+5.6%
For Individuals	464.7	413.2	▲	+12.5%	454.1	▲	+2.3%
For Legal Entities	129.7	104.9	▲	+23.6%	108.8	▲	+19.2%
Securities and Loans Receivable	253.3	204.4	▲	+23.9%	220.6	▲	+14.8%
<b>Total</b>	<b>2,786.7</b>	<b>2,350.3</b>	▲	<b>+18.6%</b>	<b>2,510.3</b>	▲	<b>+11.0%</b>

Banese's loan portfolio reached R\$2.8 billion in assets, increasing by 11.0% compared to 3Q19 and 18.6% versus 4Q18, being maintained at comfortable default levels, with highlight to the free credit lines (payroll, personal credit, and salary-linked loans).

Banese holds the largest portion of the free credit loan market in the State of Sergipe, with a market share of 41.2% according to the Central Bank of Brazil (database: Nov/19). The Bank's exposure is focused on retail operations, mainly payroll loans and small- and medium-sized companies.

The positive variation of the individual commercial loan portfolio is a result of the planned actions taken by the business areas with partner companies and state and municipal public agencies, while the expansion of the corporate commercial loan portfolio reflects

actions being carried out to identify companies with a positive credit score and cross selling actions between payment operations and the Bank.

The development loan portfolio, which includes the management of real estate, industrial and agribusiness portfolio, accounted for 21.3% of Banese's total loan portfolio. The development loan portfolio was influenced by the growth of the agribusiness and industrial segments since the first semester of 2019 and increased against 3Q19 (+5.6%) and the last 12 months (+14.7%). It should be noted that in the last 12 months, the real estate portfolio was the only portfolio with a reduction in investment balance (-0.34%) due to the large volume of settlement/amortization of operations in the period.

#### Loan Portfolio Quality by Risk Rating

	R\$ million		Variation	% Portfolio		Variation
	4Q19	4Q18		4Q19	4Q18	
AA	1,015.0	413.9	▲ +145.2%	36.4%	17.6%	▲ +18.8 p.p.
A	1,037.0	1,003.1	▲ +3.4%	37.2%	42.7%	▼ -5.5 p.p.
B	414.0	569.0	▼ -27.2%	14.9%	24.2%	▼ -9.3 p.p.
C	155.0	230.2	▼ -32.7%	5.6%	9.8%	▼ -4.2 p.p.
D - H	165.7	134.1	▲ +23.6%	5.9%	5.7%	▲ +0.2 p.p.
<b>Total</b>	<b>2,786.7</b>	<b>2,350.3</b>	▲ +18.6%	<b>100.0%</b>	<b>100.0%</b>	▶ ND

In relative terms, the loan operations classified under the "AA" to "C" risk ratings range account for 94.1% of Banese's total loan portfolio. Loans classified under the "D" to "H" range, which concentrate higher-risk transactions, account for 5.9% of Banese's loan portfolio.

#### Loan Quality by Portfolio in 4Q19 – R\$ million

	Total	Commercial	Industrial	Rural	Real Estate	Other
AA	1,014.9	1,014.9	0	0	0	0
A	1,037.0	362.6	10.3	70.5	346.9	246.7
B	413.5	333.5	35.5	22.8	16.4	5.3
C	155.1	116.0	16.2	7.3	15.1	0.6
D – H	166.2	111.9	30.3	19.9	3.4	0.7
<b>Total</b>	<b>2,786.7</b>	<b>1,938.9</b>	<b>92.3</b>	<b>120.5</b>	<b>381.8</b>	<b>253.3</b>

#### Financial Investments

##### Financial Investments – R\$ million

	4Q19	4Q18		V12M	3Q19		V3M
Short-term Interbank Investments	862.2	999.1	▼	-13.7%	1,117.9	▼	-22.9%
Marketable Securities (TVM)	1,079.4	1,073.2	▲	+0.6%	1,068.9	▲	+1.0%
Fund Units	45.6	101.9	▼	-55.3%	45.1	▲	+1.1%
Fixed Income	1,033.8	971.3	▲	+6.4%	1,023.8	▲	+1.0%
Repurchase + Collaterals	1.0	49.2	▼	-98.0%	6.5	▼	-84.6%
Remunerated Compulsory Deposits	338.7	334.3	▲	+1.3%	326.6	▲	+3.7%
<b>Total</b>	<b>2,281.3</b>	<b>2,455.8</b>	▼	-7.1%	<b>2,519.9</b>	▼	-9.5%

Short-term interbank investments and marketable securities totaled R\$1,941.6 million at the end of 2019, decreasing by 11.2% (R\$245.2 million) in 4Q19 and by 6.3% (R\$130.7 million) in 12 months as a result of the increase in the loan portfolio during the period.

Investment funds and private credit notes (CDB and DI) also reduced to the current strategy adopted by the Bank's treasury department, which is to focus on asset operations that require less capital. The assets with the Central Bank (Rural DI) increased due to the operations carried out for the 2019-2020 harvest period.

Banese complies with the provisions of Bacen Circular 3068/2001, which sets out criteria for accounting registration and valuation of marketable securities. This means that investments are made in liquidity instruments denominated in national currency and are marked to market in order to mitigate risks related to changes in value and volatility of financial instruments.

### Portfolio Profitability

Banese's treasury asset portfolio currently adopts a strategy that includes investing all liquid assets in low-risk instruments in order to maintain comfortable liquidity and capital levels.

The portfolio's accumulated profitability in 4Q19 was 100.7% of the CDI, slightly lower than the 100.8% of the CDI achieved in 3Q19 and was impacted by the performance of investment funds, and not the by non-renewal of overdue positions in private loans, but was higher than 100.3% of CDI recorded in 2018.

## ANALYSIS OF RESULTS

### Revenues

Revenue Breakdown – R\$ million								
	2019	2018		V12M	4Q19	3Q19		V3M
Revenues from Loans	522.2	476.5	▲	+9.6%	136.9	130.6	▲	+4.8%
Revenues from Financial Investments	129.5	125.0	▲	+3.6%	25.3	33.1	▼	-23.6%
Revenues from Services	134.4	130.9	▲	+2.7%	37.6	32.3	▲	+16.4%
Revenues from Equity Interests	11.9	5.1	▲	+133.3%	2.0	3.0	▼	-33.3%
Other Operating Revenues	115.5	95.3	▲	+21.2%	39.2	37.2	▲	+5.4%
Non-Operating Revenues	2.5	4.9	▼	-49.0%	0.5	0.2	▲	+150.0%
<b>Total</b>	<b>916.0</b>	<b>837.7</b>	▲	<b>+9.3%</b>	<b>241.5</b>	<b>236.4</b>	▲	<b>+2.2%</b>

Banese's revenues totaled R\$916.0 million in 2019, an increase of R\$78.3 million, +9.3% higher than the previous year, in which we highlight revenues from loan operations (R\$45.7 million) and other operating revenues arising from the reversal of operating provisions (R\$13.6 million) and the reversal of provisions for loan operations (R\$8.8 million). It should be noted that the growth in revenue from reversal of operating provisions is explained by the non-recurring revenue from the reversal of social security liabilities, in 3Q19, in the amount of R\$14.5 million, arising from the revaluation of the tax processes according to CMN Resolution 3282/2009 (Technical Pronouncement CPC 25) and Bacen Circular Letter 3429/2010.

Accumulated total revenues in 4Q19 increased by R\$5.1 million when compared to 3Q19, resulting from the growth in loan revenues (R\$6.3 million), in line with the portfolio growth in the period, and followed by revenues from services (R\$5.3 million), which was driven by the annual production bonus arising from operations with the Mapfre Insurance Group, and other operating revenues (R\$2.0 million).

In the last quarter, there were recovered revenues from Credits Written-off as Losses, in the amount of R\$13.9 million, mainly due to the incorporation of assets guaranteed as real estate collateral, and the strategic campaign to recover credits written off as losses. The total recovered amount in 2019 was R\$27.3 million.

## Costs and Expenses

### Direct Operating Costs – R\$ million

	2019	2018		V12M	4Q19	3Q19		V3M
Funding Expenses	204.8	207.8	▼	-1.4%	43.4	54.1	▼	-19.8%
Earnings from Marketable Securities	4.0	0.5	▲	+700.0%	0.03	0.6	▼	-95.0%
Loan Expenses	4.4	5.0	▼	-12.0%	1.1	1.2	▼	-8.3%
<b>Total</b>	<b>213.2</b>	<b>213.3</b>	▶	ND	<b>44.5</b>	<b>55.9</b>	▼	<b>-20.3%</b>

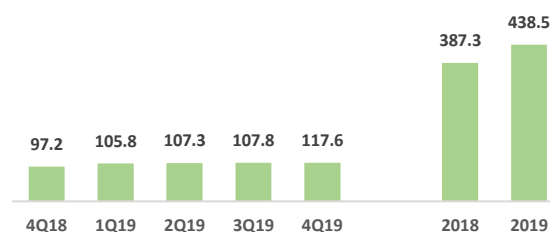
Funding expenses reduced by 1.4% in 12 months and by 19.8% in 3 months, mainly due to the redemption of Subordinated Financial Bills and the reduction in inflation affecting the costs of these bills, in addition to lower interest rates.

## Net Interest Income (NII)

Net Interest Income (Income from Loans plus Income from Financial Investments minus Direct Funding Costs) increased by 13.2% in 12 months and by 9.1% in the quarter.

The result is a combination of factors presented in the previous items mentioned in this report, as well as due to the increase revenues from loan operations and lower funding expenses.

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



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

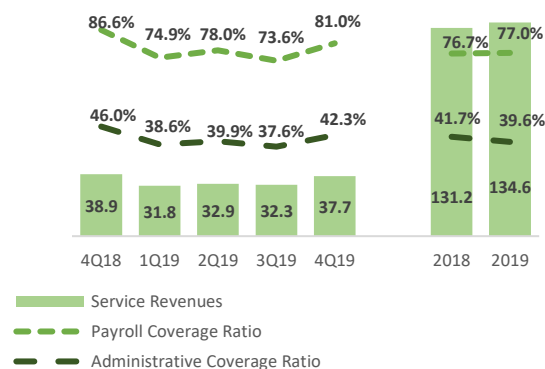
	2019	2018		V12M	4Q19	3Q19		V3M
Salaries	104.5	100.5	▲	+4.0%	27.6	26.4	▲	+4.5%
Benefits	22.9	21.7	▲	+5.5%	6.4	5.5	▲	+16.4%
Social Charges	46.4	47.3	▼	-1.9%	12.1	11.8	▲	+2.5%
Training Programs and Other	1.1	1.5	▼	-26.7%	0.4	0.1	▲	+300.0%
<b>Total</b>	<b>174.9</b>	<b>171.0</b>	▲	<b>+2.3%</b>	<b>46.5</b>	<b>43.8</b>	▲	<b>+6.2%</b>

Personnel expenses increased by 2.3% in 12 months and by 6.2% in 3 months, in line with inflation and adjustments to the category in the period. The increase in the quarter was due to the payment of the Food Basket - Collective Agreement (benefits expense) and training that was planned for the last month of the year (training expense).

### Coverage Ratio (%)

The Payroll Coverage Ratio was 77.0% in 2019, with a positive variation of 0.3 p.p. in 12 months. In 4Q19, this Ratio was 81.0%, +7.4 p.p. versus 3Q19, driven by the non-recurring increase in service revenues arising from the annual production bonus arising from operations with the Mapfre Insurance Group (R\$4.8 million).

The Administrative Coverage Ratio in 2019 was 2.1 p.p. lower than in 2018 (the increase in administrative expenses was relatively higher than the growth in service revenues). For the quarter, in 4Q19 this ratio was 4.7 p.p. higher than in 3Q19.



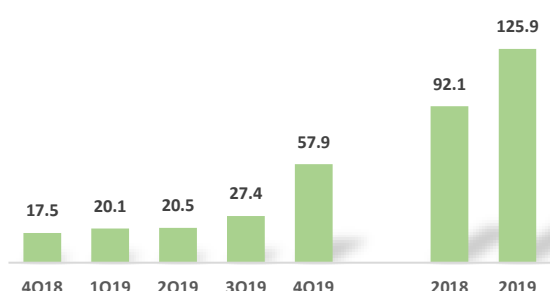
**Other Administrative Expenses – R\$ million**

	2019	2018		V12M	4Q19	3Q19		V3M
Third-party Services	76.4	66.3	▲	+15.2%	19.3	20.2	▼	-4.5%
Consumption, Maintenance and Materials	23.5	22.0	▲	+6.8%	5.8	6.1	▼	-4.9%
Data Processing Systems	31.4	26.5	▲	+18.5%	7.9	7.7	▲	+2.6%
Insurance	3.7	3.6	▲	+2.8%	1.1	0.8	▲	+37.5%
Cash Transports	8.6	7.7	▲	+11.7%	2.3	2.3	▶	ND
Tax	2.2	1.2	▲	+83.3%	0.5	0.2	▲	+150.0%
Other Expenses	19.0	16.1	▲	+18.0%	5.7	4.9	▲	+16.3%
<b>Total</b>	<b>164.8</b>	<b>143.4</b>	▲	<b>+14.9%</b>	<b>42.6</b>	<b>42.2</b>	▲	<b>+0.9%</b>

Other administrative expenses increased by 14.9% (R\$21.4 million) in 12 months, with highlights to expenses with Third-party Services, which are related to the payment for operations and sales carried out through the Banking Correspondent network in the country, followed by Data Processing Systems, which are also directly linked to the strategic migration service processes for digital channels.

The variation of 0.9% (R\$0.4 million) in the last quarter was due to the slight increase of expenses with Public Relations and Advertising (Other Expenses), and lower expenses with Third Party and Service Materials.

**Allowance Expenses - R\$ million**



Expenses from Allowance for Loan Losses (PCLD) totaled R\$125.9 million in 2019, R\$33.8 million higher than in 2018. When comparing 4Q19 with 3Q19, this variation was positive by R\$30.5 million.

The increase in provisions expenses was mainly due to migrations of high-risk “D – H” ratings in loan operations for individuals in the industrial segment during the last quarter.

**Other Operating Expenses – R\$ million**

	2019	2018		V12M	4Q19	3Q19		V3M
Depreciation and Maintenance	16.0	16.7	▼	-4.2%	4.4	4.2	▲	+4.8%
Impairment of Loans	0.5	0.4	▲	+25.0%	0.1	0.1	▶	ND
Provision for Liabilities	33.2	7.4	▲	+348.6%	4.7	20.1	▼	-76.6%
Agreement with Court of Appeals	18.2	16.5	▲	+10.3%	4.5	4.4	▲	+2.3%
ISS/PIS/COFINS	37.9	35.0	▲	+8.3%	10.2	9.3	▲	+9.7%
Discounted Granted	0.1	0.5	▼	-80.0%	0.0	0.0	▶	ND
Interest on Equity	0.0	21.4	▼	-100.0%	0.0	0.0	▶	ND
Profit Sharing	12.6	9.2	▲	+37.0%	4.2	2.2	▲	+90.9%
Other	11.9	11.1	▲	+7.2%	2.6	3.3	▼	-21.2%
<b>Total</b>	<b>130.4</b>	<b>118.2</b>	▲	<b>+10.3%</b>	<b>30.7</b>	<b>43.6</b>	▼	<b>-29.6%</b>

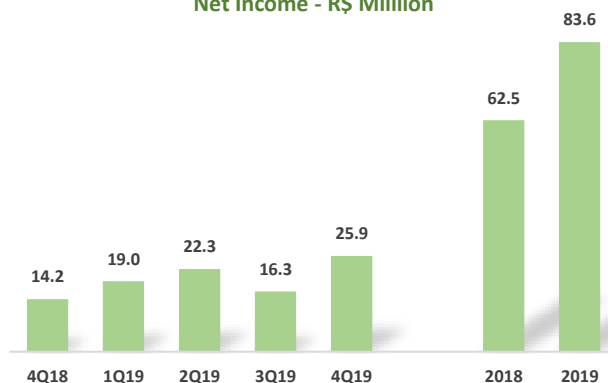
Other operating expenses increased by R\$12.2 million in the 12 months. It is worth highlighting that, in 3Q19, a provision for tax liabilities was created, in the amount of R\$15.9 million, as a result of the revaluation of the tax discussion on constitutionality, according to CMN Resolution 3282/2009 (Technical Pronouncement CPC 25) and Bacen Circular Letter 3429/2010.

#### Net Income

As a result of the operating performance presented in this report, net income reached R\$25.9 million in 4Q19, an increase of 58.9% over the amount recorded in 3Q19, and net income for 2019 totaled R\$83.6 million, +33.8% higher than in 2018.

Banese's net income in 2019 and 4Q19 was also affected by a non-recurring event related to the increase in the Contribution on Net Income (CSLL) rate, which will be 20% as of March/2020. In December/2019, the balance on tax credit over temporary additions had its CSLL base adjusted, from a rate of 15% to 20%, in order to comply with applicable regulations, generating a positive impact of R\$10.3 million on results.

#### Net Income - R\$ Million

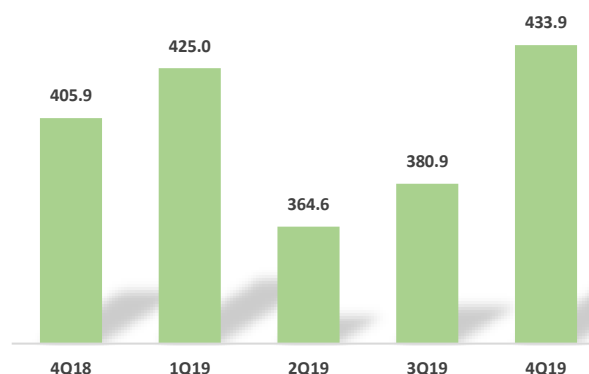


#### Shareholders' Equity

Banese's Shareholders' Equity increased by 6.9% in 12 months and by 13.9% in the last quarter. The growth in the period is due to the incorporation of results and actuarial adjustments made in 2019.

In 2Q19 and 4Q19, Banese made adjustments to the actuarial valuation relating to the supplementary pension plan for Banese employees through the Instituto Banese de Seguridade Social – SERGUS (defined benefit plan), according to CPC 33-R1, approved by CVM Resolution 695/2012, which negatively impacted Shareholders' Equity, reducing it by approximately R\$75.2 million at the end of 2Q19, due to lower market rates used to calculate the present value of actuarial obligations. At the end of 4Q19, these actuarial adjustments reduced Shareholders' Equity, by R\$39.5 million.

#### Shareholders' Equity - R\$ Million

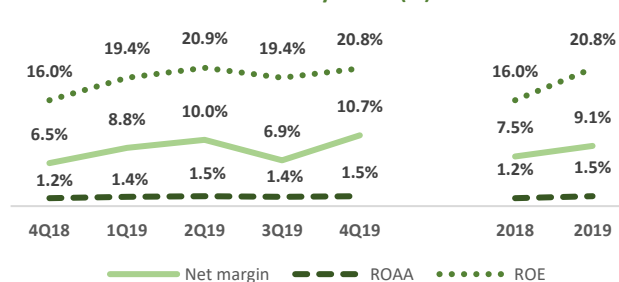


#### Profitability Ratios

Profitability ratios help us understand the returns on funds invested during a period.

Return on Equity (ROE), Net Margin and Return on Average Assets (ROAA) achieved by Banese at the end of 2019 had positive variations, arising from the results and operations presented in this report.

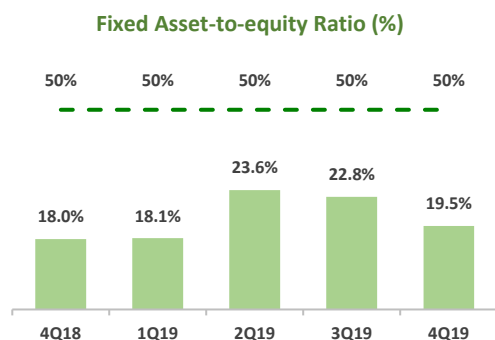
#### Profitability Ratios (%)



### Capitalization and Basel

Ratios and Capitalization (R\$ million)	4Q19	3Q19		V3M	4Q18		V12M
Reference Equity (PR)	451.2	375.3	▲	20.2%	446.9	▲	1.0%
PR Tier I	392.9	318.4	▲	23.4%	376.0	▲	4.5%
PR Tier II	58.3	56.9	▲	2.5%	70.8	▼	-17.7%
Basel Ratio	13.3%	11.8%	▲	1.5 p.p.	14.2%	▼	-0.9 p.p.
Core Capital Ratio	11.6%	10.0%	▲	1.6 p.p.	12.0%	▼	-0.4 p.p.
Tier I Capital Ratio	11.6%	10.0%	▲	1.6 p.p.	12.0%	▼	-0.4 p.p.
Minimum Basel Ratio + ACP	10.5%	10.5%	▶	ND	10.5%	▶	ND
Margin on Reference Equity, including capital for coverage of Interest Rate Risk of Banking Portfolio and ACP.	78,667	26,983	▲	291.5%	88,346	▼	-11.0%

Banese Conglomerate's Basel Ratio reached 13.3% at the end of 4Q19, increasing by 1.5 p.p. when compared to the ratio at the end of 3Q19, by virtue of the increase in PR Tier I by 23.4% (approximately R\$74.5 million), arising from the accumulated result in the period and the reduction of the actuarial liabilities of SERGUS in the Equity account, net of tax credit, by 52% (approximately R\$39.4 million versus R\$75.2 million), followed by a decrease in prudential tax credit deductions (approximately R\$23.8 million versus R\$43.1 million), mainly due to the reduction of said liability.



The fixed asset-to-equity ratio ended 4Q19 at 19.5%, a reduction of 3.3 p.p. compared to the ratio in 3Q19, due to the 20.2% increase in Reference Equity (approximately R\$75.9 million).

The result was substantially below the maximum fixed assets requirement established by the Central Bank of Brazil, which is 50.0%.

It is important to emphasize that, the lower the ratio, the better it is.

### Ratings

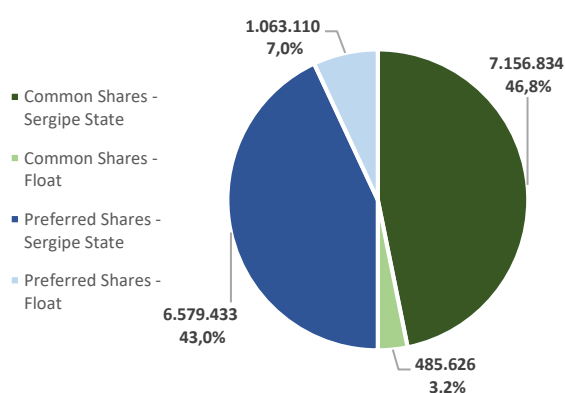
On July 31, 2019, Fitch Ratings defined the Bank's National Long-Term Rating at 'A-(bra)' (A minus (bra)) and the National Short-Term rating at 'F1(bra)', with a Stable long-term rating outlook. The maintenance of Banese's national ratings considered the Bank's risk appetite as moderate and the funding, liquidity and credit quality indicators as adequate. Fitch also highlighted that the Bank showed a consistent recovery in profitability, maintaining high levels since 2016, proving sustained growth in controlled credit and stable delinquency rates, even under a challenging operating environment. The agency also stressed that the institution has a good corporate governance structure, consistency of long-term objectives and good execution of its strategic planning.

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

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

#### ADDITIONAL INFORMATION

##### Banese on B3



Banese's ownership structure in 4Q19 was comprised by 89.8% of shares owned by the State of Sergipe and 10.2% of shares are Free Float. The outstanding shares are comprised of 31.3% ON shares and 68.7% PN shares.

The ownership structure represents 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.

##### Customer and Service Channels

Banese's customer base totaled 879,623 current and savings accounts in 2019, consisting of 846,616 individual customers and 33,007 legal entities. In the comparison with 2018, the number of customers increased by 2.37%.

At the end of 2019, the number of Internet and Mobile Banking transactions increased by 10.29% when compared to 2018. In relation to 3Q19, the number of transactions increased by 8.84%.

The focus on digital channels ensures convenience for customers and more agility for acquiring more products and services. The use of self-service channels to perform transactions is still the preferred method by Banese's customers, given that 82.4% of all transactions were done through the self-service channels until the month of December.

#### Details of Channels

	4Q19	3Q19		V3M	2019	2018		V12M
Branches	63	63	▶	0	63	63	▶	0
Customer Service Units	09	09	▶	0	09	15	▼	-6
ATM Terminals	488	482	▲	6	488	506	▼	-18
Banking Correspondents in Brazil	204	193	▲	11	204	233	▼	-29
Transactions at Branches, ATMs and Banking Correspondents	10.6 MM	10.1 MM	▲	0.5 MM	41.3 MM	41.1 MM	▲	0.2 MM
Transaction Volume	R\$10.5 Bn	R\$10.3 Bn	▲	R\$0.2 Bn	R\$41.5 Bn	R\$39.6 Bn	▲	R\$1.9 Bn
Online Transactions	24.6 MM	22.6 MM	▲	2.0 MM	91.1 MM	82.6 MM	▲	8.5 MM
Transaction Volume	R\$2.5 Bn	R\$2.3 Bn	▲	R\$0.2 Bn	R\$9.4 Bn	R\$7.9 Bn	▲	R\$1.5 Bn

#### Financial Services – Banese 2.0

The Intelligent Deposit service allows Legal Entities to obtain gains with an automated and proactive treasury management. This service speeds up the conversion of cash flows into working capital, reduces collection expenses and mitigates the operational failures. The transaction volume at the end of 4Q19 was 42.9 thousand and the total value for the period was R\$52.5 million.

A total of 89 ATMs are available across the State for the recycling of bills, in addition to 87 ATMs in partnership with the “Saque e Pague” network. Banese and SEAC also grant customized services and exclusive tariffs for small and medium-sized companies.

The Bank also expanded the digital services offered in its portfolio, providing customers with daily services, games and streaming products.

#### Investments in Human Capital

Investments in learning programs carried out by the Bank are in line with its strategic plans and are aimed at developing competencies, enhancing team performance and engagement, promoting opportunities for innovation and increasing competitive advantages.

The Vocational Training Incentive Program is one of the main actions held by Banese and promotes a corporate climate that favors learning and enables the professionalization of teams. Banese offers scholarships of 50% for undergraduate, specialization and foreign language courses through this program. Specialization courses account for the largest number of active scholarships, followed by foreign language courses.

The Banese Corporate University, a virtual learning environment, offers its employees more than 105 self-learning courses, in which we highlight the Introduction to the Card Market, Credit Collection and Recovery as the key finalized courses that were developed with the Bank’s content.

During 2019, several partnerships were established between Banese and higher education, specialization and language institutions that offer discounts on courses for employees and their dependents. The Bank also offers programs for mandatory certifications, in addition to promoting events and external trainings, both in-company and remotely.

Learning trails were also carried out as a representation of the development trajectory to be followed by employees, in addition to innovation actions, knowledge management and quarterly immersion programs.

Lastly, in compliance with the provisions from the Responsibility Law of State-Owned Companies, Law 13303/2016, a training program was also carried leadership positions regarding on corporate law and capital market legislation, disclosure of information, internal control, code of conduct, Law 12846/13 (Anticorruption Law), and other topics related to the activities and performance of mixed-capital companies listed on the stock exchange.

### THE BANESE CONGLOMERATE

Banese's economic conglomerate is comprised by Banese and Sergipe Administradora de Cartões e Serviços Ltda. (SEAC). In addition, Banese's grupo of companies also include: Banese Corretora e Administradora de Seguros, Instituto Banese de Seguridade Social (SERGUS), Caixa de Assistência dos Empregados do Banese (CASSE) and Instituto Banese.

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

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

The number of qualified customers increased by 2.62% versus 2018, reaching a total of 582.4 thousand customers in 2019. The volume of transactions using products managed by SEAC (Banese Debit, Banese Card and Banese Food/Meal Card) surpassed R\$2.0 billion/year, increasing by 22.1% when compared to 2018. The financial volume of the Banese Card (the main product) reached R\$1.8 billion, 23.9% higher than the previous year. This performance is due to the increase in credit limits and the expansion of SEAC.

The year of 2019 was marked by the offering of more convenience products to Banese Card holders, thus improving customers relationships, through the Banese Card ELO Virtual Card, and the launching of the chat service assistance at the Banese Card website, which has already attended more than 1,000 inquiries since its startup in mid-September 2019.

#### Banese Corretora de Seguros

Banese Administradora e Corretora de Seguros Ltda. has been in the market for 40 years, offering the best solutions in several insurance lines and ensuring peace of mind to its customers.

At the end of 2019, the volume of insurance policies hired reached R\$108.7 million, increasing by 17.9% over the accumulated volume in 2018. The increase in products such as vehicles/renewals, "troco premiado" (the cash returned from payments made at Ponto Banese can be exchanged for vouchers of up to R\$50 thousand and assistances to institutions supported by Instituto Banese), Lyscar and Banese pre-purchase financing pool and the Icatu pension and capitalization contributed with the significant increase in comparison with the previous year. Between the last two quarters of the year, the increase was 14.6%.

Revenues totaled R\$25.3 million in 2019, increasing by 6.2% in relation to the previous year.

#### Instituto Banese e Museu da Gente Sergipana

Instituto Banese is an agent of transformation through actions and investments directed to the community's interests and promotion of scientific, technological, economic, artistic, socio and environmental, and cultural development of the State of Sergipe. Responsibility actions are developed in line with public policies, focusing on promoting the cultural, defense and conservation of historical and artistic heritage.

Museu da Gente Sergipana Governador Marcelo Déda is the Institution's key project, developed to reinforce the Bank's social role as the great motivator and patron of several languages of the culture of the State of Sergipe.

The actions and projects sponsored by Instituto Banese benefited 54,268 individuals in 2019 and corresponded to investments of R\$324.1 thousand. The museum received 102,573 visitors in 2019, all of whom experienced folkloric events, symbols, nature, arts, history, cuisine, parties and costumes of the State of Sergipe. This was the first time the museum received more than 100,000 visitors in a year and, since its foundation in 2001, the museum has received a total of 691,027 visitors.

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

	12.31.2019	12.31.2018
<b>Revenue from Financial Intermediation</b>	<b>690,830</b>	<b>633,660</b>
Credit Transactions	538,497	494,699
Income from Marketable Securities Transactions	138,760	124,515
Earnings from Compulsory Investment	13,573	14,446
<b>Financial Intermediation Expenses</b>	<b>(313,810)</b>	<b>(287,556)</b>
Market Funding Operations	(201,556)	(204,417)
Loans and Onlending	(4,376)	(4,952)
Allowance for Loan Losses	(74,875)	(49,896)
Provision for Revolving Credit Card Loan	(33,003)	(28,291)
<b>Gross Income from Financial Intermediation</b>	<b>377,020</b>	<b>346,104</b>
Other Operating Revenues (Expenses)	(231,536)	(191,871)
Service Revenues	133,977	120,252
Banking Fee Revenue	78,307	70,390
Personnel Expenses	(209,925)	(203,162)
Other Administrative Expenses	(223,384)	(196,548)
Tax Expenses	(60,275)	(53,075)
Equity Income in Affiliates and Subsidiary	-	-
Other Operating Revenues	120,917	113,488
Other Operating Expenses	(71,153)	(43,216)
<b>Operating Income</b>	<b>145,484</b>	<b>154,233</b>
Non-Operating Income (Expenses)	(387)	2,252
<b>Pre-tax Income</b>	<b>145,097</b>	<b>156,485</b>
Income and Social Contribution Taxes	(36,883)	(75,795)
Provision for Income Tax	(31,443)	(30,774)
Provision for Social Contribution Tax	(20,132)	(25,968)
Deferred Tax Asset	14,692	(19,053)
Profit Sharing – Employees and Management	(12,589)	(9,237)
<b>Net Income Before Non-Controlling Interest</b>	<b>95,625</b>	<b>71,453</b>
Non-Controlling Interests	(12,011)	(8,913)
<b>Net Income</b>	<b>83,614</b>	<b>62,540</b>
Interest on Equity (IOE)	-	(21,420)

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

	12.31.2019	12.31.2018
<b>Revenue from Financial Intermediation</b>	<b>681,886</b>	<b>638,890</b>
Credit Transactions	542,894	499,934
Income from Marketable Security Transactions	125,419	124,510
Earnings from Compulsory Investment	13,573	14,446
<b>Financial Intermediation Expenses</b>	<b>(284,053)</b>	<b>(262,639)</b>
Market Funding Operations	(204,802)	(207,791)
Loans and Onlending	(4,376)	(4,952)
Allowance for Loan Losses	(74,875)	(49,896)
Provision for Revolving Credit Card Loan	-	-
<b>Gross income from Financial Intermediation</b>	<b>397,833</b>	<b>376,251</b>
Other Operating Revenues (Expenses)	(280,880)	(251,775)
Service Revenues	56,303	60,820
Banking Fee Revenue	78,307	70,390
Personnel Expenses	(179,254)	(174,648)
Other Administrative Expenses	(174,258)	(155,329)
Tax Expenses	(40,111)	(36,195)
Equity Income In Affiliates and Subsidiary	11,891	4,154
Other Operating Revenues	29,636	14,599
Other Operating Expenses	(63,394)	(35,566)
<b>Operating Income</b>	<b>116,953</b>	<b>124,476</b>
Non-Operating Income	(421)	2,536
<b>Pre-Tax Income</b>	<b>116,532</b>	<b>127,012</b>
Income and Social Contribution Taxes	(20,329)	(55,235)
Provision for Income Tax	(23,461)	(25,770)
Provision for Social Contribution Tax	(15,067)	(21,765)
Deferred Tax Asset	18,199	(7,700)
Profit Sharing – Employees and Management	(12,589)	(9,237)
<b>Net Income Before Non-Controlling Interest</b>	<b>83,614</b>	<b>62,540</b>
Non-Controlling Interests	-	-
<b>Net Income</b>	<b>83,614</b>	<b>62,540</b>
Interest on Equity (IOE)	-	(21,420)



Consolidated Balance Sheet - ASSETS (R\$ thousand)

	12.31.2019	12.31.2018
<b>CURRENT ASSETS</b>	<b>3,857,329</b>	<b>3,659,081</b>
CASH AND CASH EQUIVALENTS	93,628	89,943
INTERBANK INVESTMENTS	862,246	999,053
Open Market Investments	519,985	584,993
Interbank Deposits	342,261	414,060
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	1,209,380	1,123,186
Own Portfolio	1,208,219	1,058,817
Subject to Repurchase Agreements	104	48,442
Linked to Guarantees Given	858	237
Linked to Central Bank of Brazil	199	15,690
INTERBANK ACCOUNTS	362,040	331,604
Payments and Receivables to be Settled	7,330	2,300
Restricted Deposits	336,334	319,178
- Central Bank Deposits	336,184	319,109
- Agreements	150	69
Correspondents	18,376	10,126
CREDIT TRANSACTIONS	808,446	683,135
Credit Transactions	869,401	716,966
- Private Sector	869,401	716,966
Allowance for Loan Losses	(60,955)	(33,831)
OTHER RECEIVABLES	518,454	426,046
Unearned Income	12,116	10,405
Sundry	546,439	449,048
Allowance for Losses on Other Receivables	(1,580)	(1,217)
Provision for Receivables Related to Payment Transactions	(38,367)	(32,013)
Allowance for Losses on Other Receivables Without Loan Characteristics	(154)	(177)
OTHER ASSETS	3,135	6,114
Other Assets	1,395	1,403
Prepaid Expenses	1,740	4,711
<b>LONG-TERM RECEIVABLES</b>	<b>2,004,131</b>	<b>1,720,468</b>
MARKETABLE SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS	21,403	24,422
Own Portfolio	21,403	24,422
INTERBANK ACCOUNTS	29,106	27,935
Restricted Deposits	29,106	27,935
- National Housing System (SFH)	29,106	27,935
CREDIT TRANSACTIONS	1,611,927	1,383,126
Credit Transactions	1,664,072	1,428,935
- Private Sector	1,664,072	1,428,935
Allowance for Loan Losses	(52,145)	(45,809)
OTHER RECEIVABLES	298,021	250,815
Sundry	298,021	250,815
OTHER ASSETS	43,674	34,170
Other Assets	44,144	35,323
Allowance for Devaluation	(2,713)	(2,758)
Prepaid Expenses	2,243	1,605



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

	12.31.2019	12.31.2018
<b>PERMANENT ASSETS</b>	<b>102,590</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	88,110	80,648
Property for Use	73,440	71,946
Other Property and Equipment Items for Use	150,426	132,804
Accumulated Depreciation	(135,756)	(124,102)
INTANGIBLE ASSETS	14,474	16,406
Intangible Assets	68,554	65,045
Accumulated Amortization of Intangible Assets	(54,080)	(48,639)
<b>TOTAL</b>	<b>5,964,050</b>	<b>5,476,609</b>

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

	12.31.2019	12.31.2018
<b>CURRENT LIABILITIES</b>	<b>4,245,344</b>	<b>3,887,856</b>
DEPOSITS	3,574,253	3,379,800
Demand Deposits	757,056	712,955
Savings Account Deposits	1,472,015	1,384,752
Interbank Deposits	126,718	162,486
Time Deposits	1,218,464	1,119,607
INTERBANK ACCOUNTS	612	1,241
Receivables and Payments to be Settled	612	1,241
OPEN MARKET FUNDING	104	22,001
Own Portfolio	104	22,001
FUNDS FROM ACCEPTANCE AND ISSUE OF NOTES	48,439	52,991
Funds from Real Estate, Mortgage, Credit and Similar Notes	48,439	52,991
INTERBRANCH ACCOUNTS	407	754
Third-Party Funds in Transit	407	754
LOCAL ONLENDING – OFFICIAL INSTITUTIONS	20,333	22,248
BNDES	74	5,269
FINAME	1,033	2,507
Other Institutions	19,226	14,472
OTHER LIABILITIES	601,196	408,821
Collection of Taxes and Alike	1,698	2,054
Social and Statutory Charges	9,194	609
Tax and Social Security Obligations	16,495	20,638
Subordinated Debts	-	70,299
Sundry	573,809	315,221

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

	12.31.2019	12.31.2018
<b>NON-CURRENT LIABILITIES</b>	<b>1,234,383</b>	<b>1,143,781</b>
DEPOSITS	886,567	821,873
Time Deposits	886,567	821,873
OPEN MARKET FUNDING	-	26,405
Own Portfolio	-	26,405
FUNDS FROM ACCEPTANCE AND ISSUE OF NOTES	50,566	45,830
Funds from Real Estate, Mortgage, Credit and Similar Notes	50,566	45,830
LOCAL ONLENDING – OFFICIAL INSTITUTIONS	72,551	42,881
BNDES	270	342
FINAME	1,231	2,305
Other Institutions	71,050	40,234
OTHER LIABILITIES	224,699	206,792
Subordinated Debts	97,273	88,539
Sundry	127,426	118,253
DEFERRED INCOME	11,055	11,632
Deferred Income	11,055	11,632
SHAREHOLDERS' EQUITY	473,268	433,340
Capital	348,000	348,000
- Domiciled in Brazil	348,000	348,000
Profit Reserves	125,327	61,796
Equity Valuation Adjustment	(39,470)	(3,856)
Non-Controlling Interests	39,411	27,400
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>5,964,050</b>	<b>5,476,609</b>

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

	12.31.2019	12.31.2018
<b>VALUE ADDED CALCULATION</b>		
Revenue from Financial Intermediation	690,830	633,660
Financial Intermediation Expenses	(313,810)	(287,556)
Other Operating Revenues (Expenses)	49,764	70,272
Non-Operating Income	(387)	2,252
Service revenue	212,284	190,642
Materials, Energy, Third-Party Services and Other Expenses	(197,178)	(170,663)
<b>Gross Value Added</b>	<b>441,503</b>	<b>438,607</b>
<b>Retentions</b>	<b>(19,041)</b>	<b>(19,180)</b>
Amortization	(5,424)	(5,749)
Depreciation	(13,617)	(13,431)
<b>Net Value Added Produced by the Company</b>	<b>422,462</b>	<b>419,427</b>
<b>Value Added Received in Transfer</b>	-	-
Equity Pickup	-	-
<b>Value Added to be Distributed</b>	<b>422,462</b>	<b>419,427</b>
<b>DISTRIBUTION OF VALUE ADDED</b>		
<b>Government</b>	<b>97,158</b>	<b>128,870</b>
Tax Expenses	45,583	72,128
Income and Social Contribution Taxes	51,575	56,742
<b>Employees</b>	<b>222,514</b>	<b>212,399</b>
Salaries and Fees	127,397	121,688
Social Charges	47,845	45,038
Private Pension Plan	4,874	7,999
Benefits and Training	29,809	28,437
Profit Sharing	12,589	9,237
<b>Rents</b>	<b>4,709</b>	<b>4,410</b>
<b>Taxes and Contributions</b>	<b>2,456</b>	<b>2,295</b>
<b>Shareholders</b>	<b>224</b>	<b>21,420</b>
Dividends	224	-
Interest on Equity	-	21,420
<b>Non-Controlling Interests</b>	<b>12,011</b>	<b>8,913</b>
<b>(Accumulated Losses) / Retained Earnings</b>	<b>83,390</b>	<b>41,120</b>
<b>Value Added Distributed</b>	<b>422,462</b>	<b>419,427</b>



## Consolidated Cash Flow (R\$ thousand)

	12.31.2019	12.31.2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Adjusted net income</b>	<b>223,021</b>	<b>190,697</b>
Net Income	83,614	62,540
<b>Adjustment to Net Income</b>	<b>139,407</b>	<b>128,157</b>
Allowance for Loan Losses	74,875	49,896
Provision/ (reversal) for Restricted Deposits-FCVS	486	448
Depreciation and Amortization	19,334	19,425
PIS and COFINS tax Credit on Depreciation with Affiliates	(293)	(246)
Adjustment of Provision for Liabilities	36,038	9,678
Other Operational Provisions	10,821	10,608
Expense for Loyalty Bonus	1,897	794
Other Non-Operational Provisions	379	588
Provision for Impairment of Other Values and Asset	-	259
Marketable Securities Marking to Market	21	238
Deferred Tax Asset	(14,692)	19,053
Capital Losses	2,761	3,634
Reversal of Other Operating Provisions	(21,299)	(8,979)
Inflation Adjustment	(3,200)	(4,612)
Equity Income in Subsidiaries	(724)	(918)
Provision for Revolving Credit Card Loan	-	-
<b>Variation in Assets and Liabilities</b>	<b>(345,715)</b>	<b>149,295</b>
(Increase)/ Decrease in Short-Term Liquidity Investments	(83,596)	10,089
(Increase) Decrease in Marketable Securities and Derivative Financial Instruments	(83,196)	42,003
(Increase) Decrease in Interbank / Interbranch Accounts (Assets/ Liabilities)	(33,069)	(704)
(Increase) Decrease in Credit Transactions	(461,990)	(141,782)
(Increase) Decrease in Other Assets	(6,525)	(8,734)
(Increase) / Decrease in Other Credits	(102,460)	(50,656)
Increase (Decrease) in Deposits	259,147	337,033
Increase/ (Decrease) in Funds Obtained in the Open Market	(48,302)	(19,332)
Increase/(Decrease) in Borrowings and Onlending	27,755	(13,294)
Actuarial Gains/Losses	(35,614)	7,559
Increase (Decrease) in Deferred Income	(577)	(588)
Increase (Decrease) in Other Liabilities	222,712	(12,299)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>(122,694)</b>	<b>339,992</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Transfer of Property in Use to Freelease	1	303
Acquisition of Property and Equipment for Use	(21,366)	(17,305)
Write-off of Property and Equipment for Use	302	1,300
Intangible Asset Investments	(3,508)	(2,251)
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>	<b>(24,571)</b>	<b>(17,953)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Non-Controlling Interests	12,011	8,913
Required Dividend	(225)	-
Additional Dividend Proposed and Paid	-	(3,805)
Interest on Equity Paid	(19,858)	(21,420)
Increase (decrease) in Funds from Real Estate Bills	184	22,258
Subordinated debts	(61,565)	12,406
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(69,453)</b>	<b>18,352</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(216,718)</b>	<b>340,391</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>613,613</b>	<b>830,331</b>