



March 2016

# Financial Statements



**INDEX**

**PRESS RELEASE ..... 3**

FINANCIAL HIGHLIGHTS..... 5

OPERATIONAL HIGHLIGHTS..... 6

GUIDANCE ..... 9

**Table Index**

Table 1: Economic and Financial Indicators ..... 4

Table 2: Key Items of the Income Statement ..... 5

Table 3: Accounting Net Income Statement x Adjusted Net Income ..... 6

Table 4: Asset Evolution Statement ..... 6

Table 5: Statement of the Credit Portfolio ..... 7

Table 6: Other Indicators ..... 8

Table 7: Guidance ..... 9

# Press Release

This Press Release contains forward-looking statements, which not only relate to historic facts but also reflect the targets and expectations of the Company management.

The terms “anticipate”, “desire”, “expect”, “project”, “plan”, “intend” and similar words are intended to identify statements that necessarily involve known and unknown risks.

Known risks include uncertainties which are not limited to the impact of competitive services and pricing, acceptance of services by the market, Banrisul’s and its competitors’ service transactions, regulatory approval, currency fluctuations, changes in the mix of the portfolio of services and other risks described in the Company’s reports. This Press Release is up to date and Banrisul may or may not update it with new information and/or future events.

**TABLE 1: ECONOMIC AND FINANCIAL INDICATORS**

Main Income Statement Accounts - R\$ Million			1Q16	1Q15	1Q16	4Q15	3Q15	2Q15	1Q15	1Q16 / 1Q15	1Q16 / 4Q15
Financial Margin	1,268.4	1,052.7	1,268.4	1,192.9	1,080.3	1,088.1	1,052.7	20.5%	6.3%		
Allowance for Loan Losses Expenses	425.4	404.6	425.4	426.9	414.1	305.8	404.6	5.1%	-0.4%		
Gross Profit from Financial Operations	843.0	648.1	843.0	766.0	666.2	782.3	648.1	30.1%	10.1%		
Financial Income	2,598.9	2,929.3	2,598.9	2,602.1	3,168.6	2,104.3	2,929.3	-11.3%	-0.1%		
Financial Expenses	1,755.8	2,281.2	1,755.8	1,836.0	2,502.5	1,322.1	2,281.2	-23.0%	-4.4%		
Income from Services and Fees	401.4	324.9	401.4	399.3	369.4	351.1	324.9	23.5%	0.5%		
Recurring Administrative Expenses <sup>(1)</sup>	773.2	719.7	773.2	827.3	761.8	723.5	719.7	7.4%	-6.5%		
Other Recurring Operational Expenses	156.4	101.6	156.4	116.7	118.1	97.0	101.6	54.0%	34.0%		
Other Recurring Operational Income	94.8	123.7	94.8	73.6	341.4	74.1	123.7	-23.4%	28.7%		
Adjusted Net Income	188.1	147.0	188.1	148.9	269.7	192.9	147.0	27.9%	26.3%		
Net Income	188.1	147.0	188.1	149.5	359.3	192.9	147.0	27.9%	25.8%		
Main Balance Sheet Accounts - R\$ Million			Mar 2016	Mar 2015	Mar 2016	Dec 2015	Sep 2015	Jun 2015	Mar 2015	Mar 2016 / Mar 2015	Mar 2016 / Dec 2015
Total Assets	65,965.4	61,357.3	65,965.4	66,937.8	65,292.1	63,768.9	61,357.3	7.5%	-1.5%		
Securities <sup>(2)</sup>	14,450.6	14,645.9	14,450.6	13,927.4	14,294.9	16,652.8	14,645.9	-1.3%	3.8%		
Total Credit Portfolio	31,373.5	31,027.0	31,373.5	32,013.3	31,360.0	31,091.2	31,027.0	1.1%	-2.0%		
Allowance for Loan Losses	2,389.7	1,861.0	2,389.7	2,252.5	2,163.5	1,959.9	1,861.0	28.4%	6.1%		
Past Due Loans > 60 Days	1,883.7	1,324.0	1,883.7	1,601.1	1,659.1	1,345.3	1,324.0	42.3%	17.6%		
Past Due Loans > 90 Days	1,530.7	1,102.5	1,530.7	1,382.4	1,402.6	1,163.1	1,102.5	38.8%	10.7%		
Funds Raised and Under Management	51,672.4	49,248.5	51,672.4	51,990.2	49,830.4	51,006.1	49,248.5	4.9%	-0.6%		
Shareholders' Equity	6,322.8	5,742.2	6,322.8	6,208.6	6,115.1	5,851.3	5,742.2	10.1%	1.8%		
Prudential Conglomerate Reference Equity	7,313.6	6,927.7	7,313.6	7,389.2	7,300.5	7,033.8	6,927.7	5.6%	-1.0%		
Average Shareholders' Equity	6,265.7	5,706.7	6,265.7	6,161.8	5,983.2	5,796.7	5,706.7	9.8%	1.7%		
Average Total Assets	66,451.6	60,459.5	66,451.6	66,114.9	64,530.5	62,563.1	60,459.5	9.9%	0.5%		
Average Profitable Assets	58,863.3	55,443.2	58,863.3	59,116.8	58,067.0	56,867.8	55,443.2	6.2%	-0.4%		
Stock Market Information - R\$ Million			1Q16	1Q15	1Q16	4Q15	3Q15	2Q15	1Q15	1Q16 / 1Q15	1Q16 / 4Q15
Interest on Own Capital/Dividends <sup>(3)</sup>	76.2	77.0	76.2	101.5	93.5	84.4	77.0	-1.0%	-24.9%		
Market Capitalization	3,271.8	4,498.7	3,271.8	2,396.6	2,282.1	3,643.9	4,498.7	-27.3%	36.5%		
Book Value Per Share	15.46	14.03	15.46	15.18	14.95	14.31	14.03	10.2%	1.8%		
Average Price per Share (R\$)	5.72	12.23	5.72	5.90	8.10	10.56	12.23	-53.2%	-3.1%		
Earnings per Share (R\$)	0.46	0.36	0.46	0.37	0.88	0.47	0.36	27.8%	24.3%		
Financial Index			1Q16	1Q15	1Q16	4Q15	3Q15	2Q15	1Q15		
ROAA (pa.) <sup>(4)</sup>	1.1%	1.0%	1.1%	0.9%	1.7%	1.2%	1.0%				
ROAE (pa.) <sup>(5)</sup>	12.6%	10.7%	12.6%	10.0%	19.3%	14.0%	10.7%				
Efficiency Ratio <sup>(6)</sup>	49.4%	53.9%	49.4%	50.2%	50.8%	53.0%	53.9%				
Financial Margin <sup>(7)</sup>	8.90%	7.81%	8.90%	8.32%	7.65%	7.88%	7.81%				
Recurring Operating Cost	4.7%	4.6%	4.7%	4.5%	4.5%	4.5%	4.6%				
Default Rate > 60 Days <sup>(8)</sup>	6.00%	4.27%	6.00%	5.00%	5.29%	4.33%	4.27%				
Default Rate > 90 Days <sup>(9)</sup>	4.88%	3.55%	4.88%	4.32%	4.47%	3.74%	3.55%				
Cover Ratio 60 days <sup>(10)</sup>	126.9%	140.6%	126.9%	140.7%	130.4%	145.7%	140.6%				
Cover Ratio 90 days <sup>(11)</sup>	156.1%	168.8%	156.1%	162.9%	154.2%	168.5%	168.8%				
Provisioning Index <sup>(12)</sup>	7.6%	6.0%	7.6%	7.0%	6.9%	6.3%	6.0%				
Basel Ratio (Prudential Conglomerate)	18.3%	17.0%	18.3%	17.8%	17.9%	17.7%	17.0%				
Structural Indicators			Mar 2016	Mar 2015	Mar 2016	Dec 2015	Sep 2015	Jun 2015	Mar 2015		
Branches	536	531	536	536	536	534	531				
Service Stations	203	206	203	202	203	206	206				
Electronic Service Stations	519	593	519	541	557	569	593				
Employees	11,051	11,588	11,051	11,098	11,491	11,546	11,588				
Economic Indicator			1Q16	1Q15	1Q16	4Q15	3Q15	2Q15	1Q15		
Effective Selic Rate	3.26%	2.82%	3.26%	3.36%	3.43%	3.03%	2.82%				
Exchange Rate (R\$/USD - end of period)	3.56	3.21	3.56	3.90	3.97	3.10	3.21				
Exchange Rate Variation (%)	-8.86%	20.77%	-8.86%	-1.71%	28.05%	-3.29%	20.77%				
IGP-M (General Market Price Index)	2.97%	2.02%	2.97%	3.95%	1.93%	2.27%	2.02%				
IPCA (Extended Consumer Price Index)	2.62%	3.83%	2.62%	2.82%	1.39%	2.26%	3.83%				

(1) Includes Personnel Expenses and Other Administrative Expenses.

(2) Includes Interbank Deposits and deduces Repurchase Obligations.

(3) Interest on Own Capital and Dividends paid and/or provisioned (before retention of income tax).

(4) Net Income / Average Total Asset.

(5) Net Income / Average Shareholders' Equity.

(6) Efficiency Ratio for the last 12 months. Personnel Expenses + Other Administrative Expenses / Financial Margin + Income from Services and Fees + (Other Operational Income - Other Operational Expenses).

(7) Net Interest Income as a percentage of Average Profitable Assets.

(8) Past Due Loans > 60 days / Total Credit Portfolio.

(9) Past Due Loans > 90 days / Total Credit Portfolio.

(10) Allowance for Loan Losses / Past Due Loans > 60 days.

(11) Allowance for Loan Losses / Past Due Loans > 90 days.

(12) Allowance for loan losses / credit portfolio.

## FINANCIAL HIGHLIGHTS

We report Banrisul's most relevant numbers for 1Q16. The Analysis of Performance, Management Report, Financial Statements and the Accompanying Notes are available at the Bank's website [www.banrisul.com](http://www.banrisul.com).

**TABLE 2: KEY ITEMS OF THE INCOME STATEMENT**

Result - R\$ Million	1Q16	1Q15	1Q16	4Q15	3Q15	2Q15	1Q15	1Q16 / 1Q15	1Q16 / 4Q15
Net Interest Income	1,268.4	1,052.7	1,268.4	1,192.9	1,080.3	1,088.1	1,052.7	20.5%	6.3%
Allowance for Loan Losses	425.4	404.6	425.4	426.9	414.1	305.8	404.6	5.1%	-0.4%
Gross Profit from Financial Operations	843.0	648.1	843.0	766.0	666.2	782.3	648.1	30.1%	10.1%
Income from Services and Fees	401.4	324.9	401.4	399.3	369.4	351.1	324.9	23.5%	0.5%
Recurring Administrative Expenses	773.2	719.7	773.2	827.3	761.8	723.5	719.7	7.4%	-6.5%
Operating Income	312.3	187.9	312.3	197.0	359.9	293.5	187.9	66.2%	58.5%
Consolidated Net Income	188.1	147.0	188.1	149.5	359.3	192.9	147.0	27.9%	25.8%
Net Income Adjusted for Non-Recurring Events	188.1	147.0	188.1	148.9	269.7	192.9	147.0	27.9%	26.3%

**Consolidated net income** reached R\$188.1 million in the first quarter of 2016, 27.9% (R\$41.1 million) higher than the same period of 2015. From 4Q15 to 1Q16, recurring net income increased 26.3% (R\$39.2 million). Annualized return on average equity reached 12.6%.

Banrisul's **recurring performance** in **1Q16** compared to 1Q15 reflects the increase of the financial margin and the favorable performance of banking fees, although the environment of political and economic uncertainties has affected business within the banking industry. In comparison to 4Q15, 1Q16 is seasonally a quarter of slower pace of operations, credit in particular, given the demand slowdown context and the higher selectivity in granting, to deal with rising delinquency levels.

An important event of financial nature, concluded in first quarter of 2016, was the **settlement of derivative contracts** used as hedge of the subordinated **and the establishment of new swap contracts**. The new derivatives agreements signed are referenced in the updated notional of the debt. This operation produced an inflow of R\$1.2 billion into treasury funding and a positive net effect of R\$16.8 million on the income of January 2016.

**Net interest income** of R\$1,268.4 million in the first quarter of 2016 increased 20.5% (R\$215.7 million) from the same period last year and 6.3% (R\$75.5 million) from 4Q15. NII expanded due to the increase of revenues ahead that of financial expenses, in a context of growth in assets balances and portfolio repricing. Quarter on quarter, NII expansion reflects, especially, the increase of prices in the non-earmarked portfolio.

**Provision for loan losses** reached R\$425.4 million in 1Q16, increasing 5.1% (R\$20.8 million) from 1Q15 and relatively stable in relation to 4Q15, decreasing R\$1.5 million. From 1Q15 to 1Q16, the growth of the balance of overdue credit transactions and the rollover of the credit portfolio at riskier rating levels required additional default provisions, which took place in a period of credit slowdown and higher write-offs. The relative stability of the expenses in the last quarter reflected the expansion of the balance of overdue loans and the rollover of the credit portfolio by risk rating, in a context of decreasing write-offs.

**Banking Fees** totaled R\$401.4 million in 1Q16, driven by the performance of Banrisul Cartões and insurance, pension plan and capitalization products. Of the increase of 23.5% (R\$76.5 million) in fees, R\$52.4 million were produced by the acquiring business, R\$10.5 million from checking account fees and R\$6.8 million in fees from insurance, pension plan and capitalization products. Banking fees were relatively stable from 4Q15 to 1Q16.

The favorable performance of banking fees revenues has contributed to the improvement of the **personnel expenses coverage ratio**, an indicator that reached 99.3% in 1Q16, 14.7 pp. above the ratio recorded in 1Q15.

In 1Q16, **administrative expenses** (personnel expenses and other administrative expenses) totaled R\$773.2 million, increasing 7.4% (R\$53.5 million) since 1Q15. Compared to 4Q15, recurring administrative expenses in 1Q16 decreased 6.5% (R\$54.1 million).

**Personnel expenses** increased 5.3% (R\$20.3 million) from 1Q15 to 1Q16, reflecting last year's wage agreement and offset by the reduction of headcount on account of the retirement severance plan offered to employees in the second half of 2015. From 4Q15 to 1Q16, personnel expenses decreased 10.5% (R\$47.7 million), influenced by the vacation seasonality and the lower headcount due to the retirement incentive.

**Other administrative expenses** increased 9.9% (R\$33.1 million) from 1Q15 to 1Q16, especially impacted by the growth of interchange expenses in connection to the acquiring business. Other administrative expenses decreased 1.7% from 4Q15 to 1Q16, mostly because of lower marketing expenses.

The **reconciliation between net income and recurring net income is presented below**, due to the occurrence of extraordinary events in the year 2015. The reconciliation was used to demonstrate the ratios of return over equity and assets, and efficiency ratio (based on recurring net income).

**TABLE 3: ACCOUNTING NET INCOME STATEMENT X ADJUSTED NET INCOME**

Extraordinary Events - R\$ Million	1Q16	1Q15	1Q16	4Q15	3Q15	2Q15	1Q15
Adjusted Net Income	188.1	147.0	188.1	148.9	269.7	192.9	147.0
Extraordinary Events	-	-	-	0.6	89.6	-	-
Retirement Plan <sup>(1)</sup>	-	-	-	3.2	(51.6)	-	-
Insurance Distribution Agreement <sup>(2)</sup>	-	-	-	-	22.5	-	-
Tax Effects <sup>(3)</sup>	-	-	-	(2.5)	13.2	-	-
Tax Credits – CSLL Law No. 13169/15 <sup>(4)</sup>	-	-	-	-	105.5	-	-
Accounting Net Income	188.1	147.0	188.1	149.5	359.3	192.9	147.0
Adjusted ROAA	1.1%	1.0%	1.1%	0.9%	1.7%	1.2%	1.0%
Adjusted ROAE	12.6%	10.7%	12.6%	10.0%	19.3%	14.0%	10.7%
Adjusted Efficiency Ratio	49.4%	53.9%	49.4%	50.2%	50.8%	53.0%	53.9%

(1) Retirement Severance Plan, implemented in 2H15, through which occurred the exit of 471 employees.

(2) Complement to the amount paid in 2014 related to the agreement for the distribution of life insurance and pension plans products of Icatu Seguros in Banrisul channels. In 2015, the establishment of the holding company **Banrisul Icatu Participações S.A.** was completed, in which Banrisul holds 49.9% of the capital.

(3) Tax benefit related to the Retirement Severance Plan and the Insurance Distribution Agreement.

(4) Application of Provisional Measure No. 675/15, converted into Law No. 13169/15, which establishes the increase to 20% from 15% of the social contribution (CSLL), effective until December 2018.

**ROAE** is 12.6%, 1.9 pp. above what was recorded in 1Q15, as the result of a context that associated risk expansion, deceleration of credit growth, yet favored by the increase of net interest income, the expansion of banking fees and the less volatile performance of administrative expenses.

Based on recurring events, **efficiency ratio** reached 49.4% at the end of March 2016, improving 4.5 pp. in relation to the 53.9% of March 2015. The upward trend of the efficiency reflects the expansion of net interest income, services and banking fees, the favorable effect of the repurchase offer of the subordinated bond in 2015, partially offset by higher administrative expenses.

## OPERATIONAL HIGHLIGHTS

**TABLE 4: ASSET EVOLUTION STATEMENT**

Asset Evolution Statement - R\$ Million	Mar 2016	Dec 2015	Sep 2015	Jun 2015	Mar 2015	Mar 2016/ Mar 2015	Mar 2016/ Dec 2015
Total Assets	65,965.4	66,937.8	65,292.1	63,768.9	61,357.3	7.5%	-1.5%
Credit Operations	31,373.5	32,013.3	31,360.0	31,091.2	31,027.0	1.1%	-2.0%
Securities + Interbank Transactions - Repurchase Obligations	14,450.6	13,927.4	14,294.9	16,652.8	14,645.9	-1.3%	3.8%
Funds Raised and Under Management	51,672.4	51,990.2	49,830.4	51,006.1	49,248.5	4.9%	-0.6%
Shareholders' Equity	6,322.8	6,208.6	6,115.1	5,851.3	5,742.2	10.1%	1.8%

At the end of March 2016, **total assets** reached R\$65,965.4 million, growing 7.5% (R\$4,608.1 million) from March 2015 and decreasing R\$972.4 million from December 2015. The year-on-year increase in assets was originated mostly from the increase of R\$2,884.9 million in deposits and of R\$1,607.5 million in open market funding. The increase in funding led to expanding by R\$2,020.1 million the current balances of compulsory deposits at the Central Bank, apart from increasing treasury portfolios in R\$1,412.1 million and credit assets in R\$346.5 million. In the last quarter, the decrease in assets was mainly due to the decrease of R\$1,118.4 million in funds from deposits. The balance of credit assets decreased R\$639.7 million; and securities portfolio decreased R\$294.7 million.



Total **credit assets** (expanded concept) reached R\$32,751.1 million, increasing 1.1% in twelve months. Loan book alone increased 1.1% (R\$346.5 million) year-on-year, especially driven by the expansion of R\$495.1 million in non-earmarked credit portfolio and by the growth of R\$430.3 million in real estate financing, partially offset by the decrease of R\$390.2 million in long-term financing. Compared to December 2015, loan book decreased 2.0% (R\$639.7 million), especially due to the decrease of R\$311.3 million in the non-earmarked portfolio and of R\$173.7 million in long-term financing.

**TABLE 5: STATEMENT OF THE CREDIT PORTFOLIO**

Credit Operations - R\$ Million	Mar 2016	% Total Credit	Dec 2015	Sep 2015	Jun 2015	Mar 2015	Mar 2016/ Mar 2015	Mar 2016/ Dec 2015
Foreign Exchange	862.5	2.7%	910.3	857.8	876.7	760.9	13.4%	-5.3%
Commercial	21,034.7	67.0%	21,346.1	20,788.4	20,556.3	20,539.7	2.4%	-1.5%
Individuals	12,208.6	38.9%	11,878.9	11,334.4	11,113.3	10,932.0	11.7%	2.8%
Payroll	8,254.7	26.3%	8,309.8	8,352.5	8,153.5	8,020.9	2.9%	-0.7%
Other	3,953.8	12.6%	3,569.0	2,981.8	2,959.7	2,911.1	35.8%	10.8%
Companies	8,826.2	28.1%	9,467.2	9,454.1	9,443.1	9,607.7	-8.1%	-6.8%
Working Capital	6,396.6	20.4%	6,970.4	6,851.0	6,893.6	6,973.7	-8.3%	-8.2%
Other	2,429.6	7.7%	2,496.8	2,603.1	2,549.5	2,634.0	-7.8%	-2.7%
Long-term Financing	2,164.7	6.9%	2,338.4	2,384.7	2,478.2	2,554.9	-15.3%	-7.4%
Real Estate Financing	3,836.4	12.2%	3,829.1	3,797.4	3,621.9	3,406.0	12.6%	0.2%
Agricultural Financing <sup>(1)</sup>	2,696.7	8.6%	2,724.8	2,563.6	2,530.1	2,627.9	2.6%	-1.0%
Other <sup>(2)</sup>	778.5	2.5%	864.6	968.1	1,028.0	1,137.6	-31.6%	-10.0%
<b>Total of Credit-like Transactions</b>	<b>31,373.5</b>	<b>100.0%</b>	<b>32,013.3</b>	<b>31,360.0</b>	<b>31,091.2</b>	<b>31,027.0</b>	<b>1.1%</b>	<b>-2.0%</b>

(1) Includes securitization credits.

(2) Includes leasing, credits linked to acquired portfolio and public sector.

**Securities and interbank investments** totaled R\$20,821.4 million, decreasing 1.3% (R\$195.3 million) in the last twelve months, and with a net balance of R\$14,450.6 million (repurchase transactions deducted) at the end of March 2016. Quarter-on-quarter, the balance of securities and interbank investments expanded 3.8% (R\$523.2 million). The reduction of the treasury portfolio in twelve months was influenced by the partial repurchase of the subordinated bonds, by the reduction of the balance of the financial and development funds pursuant to the terms of State Law No. 14738/15, by the maturity of the first tranche of the bank notes and by the migration of funds to comply with compulsory deposits, although the substitution of swap contracts that occurred in January 2016 generated a funding inflow of R\$1.2 billion reflected in the expansion of own portfolio of securities.

**Funds raised and under management**, composed by deposits, bank notes, subordinated bonds and investment funds, totaled R\$51,672.4 million, increasing 4.9% (R\$2,423.9 million) in twelve months, especially driven by the increase of R\$2,884.9 million in deposits, and partially offset by the reduction of the subordinated debt, due to the partial early settlement of the debt. From December 2015 to March 2016, funds raised and under management reduced R\$317.8 million, given the decrease of 2.9% (R\$1,118.4 million) in deposits, yet partially minimized by the expansion of assets under management in 5.9% (R\$529.0 million).

**Shareholders' equity** reached R\$6,322.8 million at the end of March 2016, increasing 10.1% (R\$580.7 million) from March 2015 and 1.8% (R\$114.3 million) from December 2015, by the incorporation of results net of the payments of dividends and interest on own capital the reassessment of actuarial liabilities of the post-employment benefit plans adjusted to tax benefits, as per accounting procedures set forth by CPC 33 (R1).

As of 1Q16, Banrisul paid and provisioned R\$264.8 million in **taxes and contributions**. Tax withholding totaled R\$234.9 million, levied directly on financial intermediation and other payments.

**TABLE 6: OTHER INDICATORS**

Indicators - %	1Q16	1Q15	1Q16	4Q15	3Q15	2Q15	1Q15
Net Interest Margin	8.90%	7.81%	8.90%	8.32%	7.65%	7.88%	7.81%
Basel Ratio (Prudential Conglomerate)	18.3%	17.0%	18.3%	17.8%	17.9%	17.7%	17.0%
Loan Portfolio Normal Risk/Total Credit	88.5%	90.5%	88.5%	90.0%	89.7%	90.1%	90.5%
Loan Portfolio Risks 1 and 2/Total Credit	11.5%	9.5%	11.5%	10.0%	10.3%	9.9%	9.5%
Default Rate > 60 Days	6.00%	4.27%	6.00%	5.00%	5.29%	4.33%	4.27%
Default Rate > 90 Days	4.88%	3.55%	4.88%	4.32%	4.47%	3.74%	3.55%
Cover Ratio > 60 Days	126.9%	140.6%	126.9%	140.7%	130.4%	145.7%	140.6%
Cover Ratio > 90 Days	156.1%	168.8%	156.1%	162.9%	154.2%	168.5%	168.8%
Provision Ratio	7.6%	6.0%	7.6%	7.0%	6.9%	6.3%	6.0%

The increase of **NII** from 1Q15 to 1Q16 reflects movements of asset repricing and deceleration of credit growth, the expansion of interest-bearing liabilities balances and, consequently, the expansion of interest-earning assets. Therefore, the revenues produced by higher volume of interest-earning assets in relation to the expenses generated by the variation of balances of the interest-bearing liabilities, as well as the reduction of the expenses of these liabilities was offset by lower revenues from assets, in an environment where there was the early settlement of the subordinated debt, the replacement of swap contracts and foreign currency variation. Compared to 4Q15, the increase of margin reflects the repricing of the credit portfolio and the decrease of the volume of interest-earning assets and interest-bearing liabilities.

The 60-day **default rate** reached 6.00% in March 2016, an increase of 1.73 pp. in the last twelve months and 1.00 pp. in the last three months. Loans in arrears over 60 days totaled R\$1,883.7 million in March 2016, an increase of R\$559.7 million over March 2015. The 90-day default rate reached 4.88%, totaling R\$1,530.7 million in loans overdue. The 90-day delinquency ratio increased 1.33 pp. year-on-year and 0.56 pp. quarter-on-quarter.

**Cover ratio** reached 126.9% for loans in arrears over 60 days, lower than the 140.6% in March 2015 and the 140.7% in December 2015. The 90-day cover ratio reached 156.1%, lower than the 168.8% of March 2015 and the 162.9% of December 2015. Cover ratios were influenced by the increase of defaulted credits and by the volume of cost of credit reflecting the current levels of customer risk.

**Total provisions** reached 7.6% of the outstanding credit portfolio in March 2016, 1.6 pp. above March 2015 and 0.6 pp. higher than December 2015. The balance of credit provisions increased R\$528.7 million in twelve months, due to NPL growth and the increase of the outstanding balance of credit assets. Loan book by rating levels reduced 2.0 pp. year-on-year in the proportion of loans classified as normal risk in relation to the total portfolio. From 4Q15 to 1Q16, the balance of provision expenses increased R\$137.2 million, while and the representativeness of the normal risk loan portfolio decreased by 1.5 pp. in relation to the total loan book.



## GUIDANCE

The developments expected for credit, funding and performance indicators for 2016, released in the publication of the annual report of 2015, are maintained. Business goals are based on the strategy to cope with credit risk exposure given the scenario of slowdown in economic growth, policy that should reflect, along with the maintenance of a strong mobilization for recovery of past due loans, in improvement in provision indicators. The increase in funding also should behave in line with its historical evolution.

The improved margin over interest-earning assets, resulting from a strategy focused on shorter term assets, and the consolidation of the revenues from services and fees coming, especially, from the acquiring business, insurance, pension plans and capitalization, should follow favoring the performance of the ratios of return over average equity and assets, and efficiency ratio.

Studies related to the purchase operation of the State payroll are being finalized. The evaluation will support the terms of the negotiation with the Government of Rio Grande do Sul State under the terms of State Law No. 14837, enacted in January 2016, which authorizes the State of Rio Grande do Sul to onerously transfer to Bannrisul the payroll of active and retired civil servants.

**TABLE 7: GUIDANCE**

Guidance	2016
	Expected
Credit Portfolio	0% to 4%
Commercial Credit - Individuals	0% to 4%
Commercial Credit - Companies	0% to 4%
Real Estate Loans	4% to 8%
Allowance for Loan Losses Expenses/Credit Portfolio	3.5% to 4.5%
Allowance for Loan Losses Balance/Credit Portfolio	6.5% to 7.5%
Funding	10% to 14%
Recurring Return on Average Shareholders' Equity	14% to 17%
Efficiency Ratio	49% to 53%
Net Financial Margin / Interest-Earning Assets	7.5% to 8.5%

Porto Alegre, May 11, 2016.

# **GOVERNO DO ESTADO DO RIO GRANDE DO SUL**

Secretaria da Fazenda  
Banco do Estado do Rio Grande do Sul

## **Executive Board**

LUIZ GONZAGA VERAS MOTA  
**Chief Executive Officer**

IRANY DE OLIVEIRA SANT'ANNA JUNIOR  
**Vice-President**

JORGE FERNANDO KRUG SANTOS  
JORGE LUIZ OLIVEIRA LOUREIRO  
JÚLIO FRANCISCO GREGORY BRUNET  
LEODIR ANTÔNIO ARALDI  
OBERDAN CELESTINO DE ALMEIDA  
RICARDO RICHINITI HINGEL  
SUZANA FLORES COGO  
**Officers**

## **Board of Directors**

LUIZ ANTÔNIO BINS  
**Chairman**

LUIZ GONZAGA VERAS MOTA  
**Vice Chairman**

CARLOS ANTÔNIO BÚRIGO  
DILIO SERGIO PENEDO  
FLÁVIO POMPERMAYER  
IRANY DE OLIVEIRA SANT'ANNA JUNIOR  
JOÃO CARLOS BRUM TORRES  
JOÃO GABBARDO DOS REIS  
JOÃO VERNER JUENEMANN  
**Board Members**

WERNER KÖHLER  
**Accountant CRCRS 38,534**

