



Financial Statements

March 2017

 **Banrisul**

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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	1Q17	1Q16	1Q17	4Q16	3Q16	2Q16	1Q16	1Q17 / 1Q16	1Q17 / 4Q16
Financial Margin	1,232.5	1,268.4	1,232.5	1,341.0	1,290.3	1,269.4	1,268.4	-2.8%	-8.1%
Allowance for Loan Losses Expenses	375.7	425.4	375.7	402.6	530.7	309.0	425.4	-11.7%	-6.7%
Gross Profit from Financial Operations	856.8	843.0	856.8	938.4	759.6	960.5	843.0	1.6%	-8.7%
Financial Income	2,575.2	2,598.9	2,575.2	2,707.4	2,902.3	2,459.9	2,598.9	-0.9%	-4.9%
Financial Expenses	1,718.5	1,755.8	1,718.5	1,769.0	2,142.6	1,499.4	1,755.8	-2.1%	-2.9%
Income from Services and Fees	415.5	401.4	415.5	430.7	441.6	426.6	401.4	3.5%	-3.5%
Recurring Administrative Expenses ⁽¹⁾	886.0	773.2	886.0	951.8	876.6	860.2	773.2	14.6%	-6.9%
Other Recurring Operational Expenses	112.2	156.4	112.2	189.2	131.6	158.5	156.4	-28.3%	-40.7%
Other Recurring Operational Income	111.0	94.8	111.0	100.1	115.5	95.6	94.8	17.2%	10.9%
Recurring Net Income	183.3	188.1	183.3	157.6	105.0	201.5	188.1	-2.5%	16.3%
Net Income	128.5	188.1	128.5	165.0	105.0	201.5	188.1	-31.7%	-22.1%
Main Balance Sheet Accounts - R\$ Million	Mar 2017	Mar 2016	Mar 2017	Dec 2016	Sep 2016	Jun 2016	Mar 2016	Mar 2017 / Mar 2016	Mar 2017 / Dec 2016
Total Assets	68,889.8	65,965.4	68,889.8	69,038.5	67,888.1	67,864.8	65,965.4	4.4%	-0.2%
Securities ⁽²⁾	17,761.8	14,450.6	17,761.8	17,816.7	16,584.7	16,536.8	14,450.6	22.9%	-0.3%
Total Credit Portfolio	30,540.0	31,373.5	30,540.0	30,337.4	30,146.7	29,799.9	31,373.5	-2.7%	0.7%
Allowance for Loan Losses	2,717.0	2,389.7	2,717.0	2,638.6	2,539.5	2,311.1	2,389.7	13.7%	3.0%
Past Due Loans > 90 Days	1,516.9	1,530.7	1,516.9	1,516.7	1,638.1	1,433.1	1,530.7	-0.9%	0.0%
Funds Raised and Under Management	57,392.9	51,672.4	57,392.9	56,364.6	54,622.3	54,120.5	51,672.4	11.1%	1.8%
Shareholders' Equity	6,485.0	6,322.8	6,485.0	6,443.4	6,472.1	6,445.6	6,322.8	2.6%	0.6%
Prudential Conglomerate Reference Equity	6,038.0	7,313.6	6,038.0	6,521.5	6,655.3	6,657.8	7,313.6	-17.4%	-7.4%
Average Shareholders' Equity	6,464.2	6,265.7	6,464.2	6,457.8	6,458.8	6,384.2	6,265.7	3.2%	0.5%
Average Total Assets	68,964.2	66,451.6	68,964.2	68,463.3	67,876.5	66,915.1	66,451.6	3.8%	0.7%
Average Profitable Assets	61,115.1	58,863.3	61,115.1	60,151.0	58,936.9	59,722.6	58,863.3	3.8%	1.6%
Stock Market Information - R\$ Million	1Q17	1Q16	1Q17	4Q16	3Q16	2Q16	1Q16	1Q17 / 1Q16	1Q17 / 4Q16
Interest on Own Capital/Dividends ⁽³⁾	81.1	76.2	81.1	30.1	78.1	80.4	76.2	6.4%	169.4%
Market Capitalization	6,183.7	3,271.8	6,183.7	4,220.6	4,277.9	3,492.6	3,271.8	89.0%	46.5%
Book Value Per Share	15.86	15.46	15.86	15.76	15.83	15.76	15.46	2.6%	0.6%
Average Price per Share (R\$)	15.02	5.72	15.02	11.60	10.68	8.36	5.72	162.6%	29.5%
Earnings per Share (R\$)	0.31	0.46	0.31	0.40	0.26	0.49	0.46	-32.6%	-22.5%
Financial Index	1Q17	1Q16	1Q17	4Q16	3Q16	2Q16	1Q16		
ROAA (pa.) ⁽⁴⁾	1.1%	1.1%	1.1%	0.9%	0.6%	1.2%	1.1%		
ROAE (pa.) ⁽⁵⁾	11.8%	12.6%	11.8%	10.1%	6.7%	13.2%	12.6%		
Efficiency Ratio ⁽⁶⁾	53.5%	49.4%	53.5%	52.1%	51.3%	49.9%	49.4%		
Financial Margin ⁽⁷⁾	8.31%	8.90%	8.31%	9.22%	9.05%	8.78%	8.90%		
Recurring Operating Cost	5.2%	4.7%	5.2%	5.0%	4.9%	4.7%	4.7%		
Default Rate > 90 Days ⁽⁸⁾	4.97%	4.88%	4.97%	5.00%	5.43%	4.81%	4.88%		
Cover Ratio 90 days ⁽⁹⁾	179.1%	156.1%	179.1%	174.0%	155.0%	161.3%	156.1%		
Provisioning Index ⁽¹⁰⁾	8.9%	7.6%	8.9%	8.7%	8.4%	7.8%	7.6%		
Basel Ratio (Prudential Conglomerate)	15.8%	18.3%	15.8%	16.9%	17.1%	16.8%	18.3%		
Structural Indicators	Mar 2017	Mar 2016	Mar 2017	Dec 2016	Sep 2016	Jun 2016	Mar 2016		
Branches	536	536	536	536	536	536	536		
Service Stations	200	203	200	200	199	203	203		
Electronic Service Stations	501	519	501	501	499	511	519		
Employees	11,098	11,051	11,098	11,214	11,255	11,283	11,051		
Economic Indicator	1Q17	1Q16	1Q17	4Q16	3Q16	2Q16	1Q16		
Effective Selic Rate	3.03%	3.26%	3.03%	3.24%	3.47%	3.36%	3.26%		
Exchange Rate (R\$/USD - end of period)	3.17	3.56	3.17	3.26	3.25	3.21	3.56		
Exchange Rate Variation (%)	-2.78%	-8.86%	-2.78%	0.40%	1.13%	-9.81%	-8.86%		
IGP-M (General Market Price Index)	0.73%	2.97%	0.73%	0.67%	0.53%	2.86%	2.97%		
IPCA (Extended Consumer Price Index)	0.96%	2.62%	0.96%	0.74%	1.04%	1.75%	2.62%		

(1) Includes Recurring 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 > 90 days / Total Credit Portfolio.

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

(10) Allowance for loan losses / credit portfolio.

FINANCIAL HIGHLIGHTS

The summary of Banrisul's results for the first quarter of 2017 are presented below. The Analysis of Performance, Management Report, Financial Statements and the Accompanying Notes are available at the Bank's website www.banrisul.com.

TABLE 2: KEY ITEMS OF THE INCOME STATEMENT

Result - R\$ Million	1Q17	1Q16	1Q17	4Q16	3Q16	2Q16	1Q16	1Q17 / 1Q16	1Q17 / 4Q16
Net Interest Income	1,232.5	1,268.4	1,232.5	1,341.0	1,290.3	1,269.4	1,268.4	-2.8%	-8.1%
Allowance for Loan Losses	375.7	425.4	375.7	402.6	530.7	309.0	425.4	-11.7%	-6.7%
Gross Profit from Financial Operations	856.8	843.0	856.8	938.4	759.6	960.5	843.0	1.6%	-8.7%
Income from Services and Fees	415.5	401.4	415.5	430.7	441.6	426.6	401.4	3.5%	-3.5%
Recurring Administrative Expenses	886.0	773.2	886.0	951.8	876.6	860.2	773.2	14.6%	-6.9%
Operating Income	182.6	312.3	182.6	233.8	203.7	355.0	312.3	-41.6%	-21.9%
Net Income	128.5	188.1	128.5	165.0	105.0	201.5	188.1	-31.7%	-22.1%
Recurring Net Income	183.3	188.1	183.3	157.6	105.0	201.5	188.1	-2.5%	16.3%

Recurring net income reached R\$183.3 million in 1Q17, 2.5% lower than in 1Q16. In the same quarter, **net income** amounted R\$128.5 million, 31.7% lower than in 1Q16. Comparing to 4Q16, recurring net income in 1Q17 grew 16.3% and the reported result decreased 22.1%. The extraordinary event recorded in 1Q17 refers to the Voluntary Retirement Plan released in February 2017 to encourage the dismissal of employees eligible for the federal pension plan and complementary retirement plan.

Banrisul's **recurring performance** in 1Q17 reflects the effect of the relative improvement in the risk environment that persisted in 2016, although the reduction in the share of profitable assets helped reduce margins. From 1Q16 to 1Q17, gross income from financial intermediation increased R\$13.7 million and services and fees, R\$14.1 million. However, the higher flow of recurring administrative expenses (personnel plus others), offset by the reduction of other operating expenses, generated a recurring result R\$4.7 million lower than in 1Q16.

From a **managerial** standpoint, 1Q17 surpassed by 4.0% the results of 1Q16, excluding the effect of expenses that, on a timely basis, affected both quarters. In 1Q16, expenses linked to foreign exchange adjustments upon the equity of branches abroad were recorded against income; from 1Q17, they are to be recorded against the Bank's shareholders' equity. On the other hand, 1Q17 carries the effect of amortization expenses in connection with the purchase of payroll, whose impacts began to be recorded from 2H16 onwards.

Compared to the previous quarter, 1Q17 performance reflects the relative improvement in asset quality indicators and the margin retraction. Recurring result in 1Q17 increased R\$25.7 million, performance associated with seasonal factors. In 4Q16, the higher flow of credit collection generated a timely high volume of discounts granted, producing a reduction of said expenses at the beginning of the year. Personnel expenses were also lower at the beginning of the year due to the concentration of vacations in the period.

Net interest income of R\$1,232.5 million at the first quarter of 2017 decreased 2.8% (R\$36.0 million) over the same quarter last year. In 1Q17, net interest income decreased 8.1% (R\$108.5 million) from 4Q16.

Lower **NII** from 1Q16 to 1Q17 resulted from the performance of items affected by the exchange rate, since the switching of exchange swap contracts in January 2016 produced one-off non-recurring revenues. With regard to items affected by interest rates, the reduction of credit revenues and the increase in funding expenses were offset by the increase in treasury revenues, including income from compulsory deposits. From 4Q16 to 1Q17, the performance of margin reflects the reduction of credit revenues, mainly due to the lower flow of income upon the recovery of loans written off.

Provision for loan losses reached R\$375.7 million in 1Q17, decreasing 11.7% (R\$49.7 million) from 1Q16, on account of lower balance of credit portfolio, NPL reduction and by the mix of the risk-adjusted credit. In relation to 4Q16, provision expenses decreased 6.7% (R\$26.9 million), mainly due to the higher flow of provisions recorded in 4Q16, affected by the volume of recovery of write-off credits.

Banking Fees totaled R\$415.5 million in 1Q17, growing 3.5% (R\$14.1 million) from 1Q16 driven by the increase of checking account fees and the expansion of insurance, pension plan and capitalization products. From 4Q16 to 1Q17, banking fees decreased 3.5% (R\$15.3 million), particularly driven by the decrease in MDR revenues.

Recurring administrative expenses (recurring personnel expenses and other administrative expenses), totaled R\$886.0 million in 1Q17, increasing 14.6% (R\$112.9 million) over 1Q16 and reducing 6.9% (R\$65.8 million) from 4Q16.

In 1Q17, **recurring personnel expenses** increased 13.9% (R\$56.2 million) from 1Q16, mainly due to last year's wage agreement. From 4Q16 to 1Q17, personnel expenses decreased 11.7% (R\$60.9 million), particularly impacted by the holiday effect, which seasonally implies a reduction in personnel expenses during the first months of the year.

Other administrative expenses increased 15.3% (R\$56.6 million) from 1Q16 to 1Q17, especially impacted by the growth of the goodwill amortization expenses and the instalments of the payroll services agreement and expenses in connection to business of banking correspondents. Quarter-on-quarter, other administrative expenses decreased 1.1% (R\$4.8 million), in particular due to the reduction in marketing expenses.

The **reconciliation between reported net income and recurring net income** is presented below, due to extraordinary events that were recorded throughout 4Q16 and 1Q17. The reconciliation presents ROAE, ROAA and efficiency ratio based on the recurring net income.

At 11.8% in 1Q17, 0.8 pp. below 1Q16, recurring **ROAE** was the result of the increase in administrative expenses and the NII reduction, even though favored by the lower flow of other operating expenses and by the decrease in provision expenses.

TABLE 3: ACCOUNTING NET INCOME STATEMENT X RECURRING NET INCOME

Extraordinary Events - R\$ Million	1Q17	1Q16	1Q17	4Q16	3Q16	2Q16	1Q16
Recurring Net Income	183.3	188.1	183.3	157.6	105.0	201.5	188.1
Extraordinary Events	(54.8)	-	(54.8)	7.4	-	-	-
Voluntary Retirement Plan	(99.7)	-	(99.7)	-	-	-	-
Insurance Distribution Agreement ⁽¹⁾	-	-	-	13.5	-	-	-
Tax Effects ⁽²⁾	44.9	-	44.9	(6.1)	-	-	-
Net Income	128.5	188.1	128.5	165.0	105.0	201.5	188.1
Recurring ROAA	1.1%	1.1%	1.1%	0.9%	0.6%	1.2%	1.1%
Recurring ROAE	11.8%	12.6%	11.8%	10.1%	6.7%	13.2%	12.6%
Recurring Efficiency Ratio	53.5%	49.4%	53.5%	52.1%	51.3%	49.9%	49.4%

⁽¹⁾ Complement to the amount received 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.

⁽²⁾ Tax benefit related to the Voluntary Retirement Plan - PAV and the Insurance Distribution Agreement.

Banrisul launched, in February 2017, the Voluntary Retirement Plan, available to employees eligible for official and supplementary retirement plans. With a cap of 700 employees, the plan enrollment period lasted from February 15 to March 25, 2017. The costs (paid and/or provisioned) with the Voluntary Retirement Plan totaled R\$99.7 million, Net of taxes, the plan reduced 1Q17 net income by R\$54.8 million.

Based on recurring events, **efficiency ratio** reached 53.5% at the end of 1Q17, comparing to the 49.4% of 1Q16. The efficiency ratio trend reflects the basis of comparison, as (numbers in 1Q16 benefited from the results of the partial settlement of the subordinated bond), the purchase agreement of the payroll of State's civil servants affecting administrative expenses, the NII performance and the growth of banking fees.

OPERATIONAL HIGHLIGHTS

TABLE 4: ASSET EVOLUTION STATEMENT

Asset Evolution Statement - R\$ Million	Mar 2017	Dec 2016	Sep 2016	Jun 2016	Mar 2016	Mar 2017/ Mar 2016	Mar 2017/ Dec 2016
Total Assets	68,889.8	69,038.5	67,888.1	67,864.8	65,965.4	4.4%	-0.2%
Credit Operations	30,540.0	30,337.4	30,146.7	29,799.9	31,373.5	-2.7%	0.7%
Securities + Interbank Transactions - Repurchase Obligations	17,761.8	17,816.7	16,584.7	16,536.8	14,450.6	22.9%	-0.3%
Funds Raised and Under Management	57,392.9	56,364.6	54,622.3	54,120.5	51,672.4	11.1%	1.8%
Shareholders' Equity	6,485.0	6,443.4	6,472.1	6,445.6	6,322.8	2.6%	0.6%

At the end of March 2017, **total assets** reached R\$68,889.8 million, growing 4.4% (R\$2,924.4 million) from March 2016 and flat since December 2016. The year-on-year assets increase reflected the growth of funding, mostly related to the R\$5,495.5 million in deposits, partially compensated by the R\$1,384.8 million reduction in open market funding and by R\$812.0 million in bank notes. As to asset allocation, it is worth pointing out the growth of R\$2,154.1 million in balance of compulsory deposits with the Central Bank, the increase of R\$1,926.3 million in securities and interbank investments, the increase of R\$1,270.1 million in intangible assets due to the acquisition of the payroll of state employees, and the reduction of the loan portfolio of R\$833.5 million in over the last twelve months. From 4Q16 to 1Q17, assets trajectory reflects the stability of fund-raising sources, same trend observed in relation to asset allocation.

Total **credit assets** (expanded concept) reached R\$31,237.3 million in 1Q17, decreasing 4.6% in twelve months. Deducted of sureties and endorsements, loan book decreased 2.7% year-on-year, especially driven by the reduction of R\$1,362.0 million in non-earmarked credit for companies and of R\$577.1 million in long-term finance, partially minimized by the growth of R\$1,058.0 million in non-earmarked credit to individuals due to reclassification of credit and debit card transactions still to be invoiced, and by the increase of R\$308.2 million in to the acquired credit portfolio. Loan book remained flat from December 2016 to March 2017.

TABLE 5: STATEMENT OF THE CREDIT PORTFOLIO

Credit Operations - R\$ Million	Mar 2017	% Total Credit	Dec 2016	Sep 2016	Jun 2016	Mar 2016	Mar 2017/ Mar 2016	Mar 2017/ Dec 2016
Foreign Exchange	736.1	2.4%	780.8	792.6	848.0	862.5	-14.7%	-5.7%
Commercial	20,730.8	67.9%	20,295.0	20,028.1	19,554.8	21,034.7	-1.4%	2.1%
Individuals	13,266.6	43.4%	12,688.1	11,936.5	11,216.6	12,208.6	8.7%	4.6%
Payroll	9,124.4	29.9%	8,568.3	8,194.7	8,208.2	8,254.7	10.5%	6.5%
Other	4,142.2	13.6%	4,119.8	3,741.8	3,008.4	3,953.8	4.8%	0.5%
Companies	7,464.2	24.4%	7,606.9	8,091.6	8,338.3	8,826.2	-15.4%	-1.9%
Working Capital ⁽¹⁾	5,073.7	16.6%	5,179.1	5,606.0	5,878.2	6,119.0	-17.1%	-2.0%
Other	2,390.5	7.8%	2,427.8	2,485.6	2,460.1	2,707.1	-11.7%	-1.5%
Long-term Financing	1,587.6	5.2%	1,652.3	1,766.8	1,941.4	2,164.7	-26.7%	-3.9%
Real Estate Financing	3,835.6	12.6%	3,873.1	3,880.3	3,860.3	3,836.4	0.0%	-1.0%
Agricultural Financing ⁽²⁾	2,585.7	8.5%	2,564.5	2,446.7	2,421.4	2,696.7	-4.1%	0.8%
Other ⁽³⁾	1,064.2	3.5%	1,171.7	1,232.1	1,173.9	778.5	36.7%	-9.2%
Total of Credit-like Transactions	30,540.0	100.0%	30,337.4	30,146.7	29,799.9	31,373.5	-2.7%	0.7%

(1) Product regrouping.

(2) Includes securitization credits.

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

Securities and interbank investments totaled R\$22,747.7 million, increasing 22.9% (R\$3,311.1 million) year-on-year, with net balance of R\$17,761.8 million at the end of March 2017 (repurchase transactions deducted). The evolution of the treasury portfolio in twelve months was influenced by the expansion of deposits and the reduction of credit assets in a context of growth in reserve requirements and increase of intangible assets. In relation to December 2016, the balance of securities and interbank investments, net of repo operations, was relatively stable. Treasury in the last quarter was impacted by the increase in deposits, and of reserve requirements placed at the Central Bank of Brazil.

Funds raised and under management, composed by deposits, bank notes, subordinated bonds and investment funds, totaled R\$57,392.9 million, increasing 11.11% (R\$5,720.5 million) in twelve months, especially driven by the increase of R\$5,494.5 million in time deposits. From December 2016 to March 2017, funds raised and under management increased 1.8% (R\$1,208.3 million), especially because of the growth of R\$684.6 million in

investment funds and of R\$535.7 million in time deposits, trajectory minimized by the reduction of R\$119.9 million in bank notes.

Shareholders' equity reached R\$6,485.0 million at the end of March 2017, increasing 2.6% (R\$162.1 million) from March 2016 and R\$41.5 million from December 2016, on account of the incorporation of results after the payments of dividends and interest on own capital and the reassessment of actuarial liabilities on post-employment benefits adjusted to tax effects, as per accounting procedures set forth by CPC 33 (R1), and the exchange rate adjustments upon the equity of branches abroad.

Barrisul paid and provisioned R\$203.6 million in **taxes and contributions** in 2016. Tax withholding totaled R\$259.0 million, levied directly on financial intermediation and other payments.

TABLE 6: OTHER INDICATORS

Indicators - %	1Q17	1Q16	1Q17	4Q16	3Q16	2Q16	1Q16
Net Interest Margin	8.31%	8.90%	8.31%	9.22%	9.05%	8.78%	8.90%
Basel Ratio (Prudential Conglomerate)	15.8%	18.3%	15.8%	16.9%	17.1%	16.8%	18.3%
Loan Portfolio Normal Risk/Total Credit	87.0%	88.5%	87.0%	87.0%	87.0%	88.5%	88.5%
Loan Portfolio Risks 1 and 2/Total Credit	13.0%	11.5%	13.0%	13.0%	13.0%	11.5%	11.5%
Default Rate > 90 Days	4.97%	4.88%	4.97%	5.00%	5.43%	4.81%	4.88%
Cover Ratio > 90 Days	179.1%	156.1%	179.1%	174.0%	155.0%	161.3%	156.1%
Provision Ratio	8.9%	7.6%	8.9%	8.7%	8.4%	7.8%	7.6%

From 1Q16 to 1Q17, **NII** is the result from the reduction of profitable assets as a proportion of total assets, the reduction of the basic interest rate, with a direct effect on interest and treasury expenses, as well as the replacement of swap contracts that took place in 1Q16, producing comparison effects. Quarter-on-quarter, NII decreased particularly due to the reduction of interest income originated by changes in the mix of interest-earning assets.

The **90-day default rate** reached 4.97% in March 2017, increase of 0.09 pp. in twelve months and decrease of 0.03 pp. in the last three months. The balance of 90-day past due credit reached R\$1,516.9 million in March 2017. **Coverage ratio** reached 179.1% March 2017 (90-day past due portfolio), in relation to the compared to 156.1% in March 2016 and 174.0% in December 2016, influenced by the increase in the volume of credit provisions.

Total provisions reached 8.9% of the outstanding credit portfolio in March 2017, 1.3 pp. above March 2016 and 0.2 pp. above December 2016. The balance of credit provisions increased R\$327.3 million in twelve months due to the rollout of the loan book by risk ratings, in an environment of reduction of the credit portfolio. The portfolio of normal risk loans b reduced 1.5 pp. in relation to the level of September 2015. In the last quarter, the balance of provision expenses increased R\$78.3 million, while the representativeness of the normal risk loan portfolio in relation to the total loan book remained flat.

GUIDANCE

The expected evolution for credit, funding and performance indicators in 2017, disclosed in the publication of the annual balance sheet for 2016, is preserved. Business goals are referenced in the expectation of improving activity indicators and gradual reduction of credit risk, a situation that should favor the convergence of credit and funding growth rates, as well as provisioning indicators, for the expected ranges.

NIM and ROAE indicators, as well as efficiency, should confirm expectations, reflecting the policy of credit diversification per customer and the expansion of banking fees, especially from business with cards, acquiring, insurance, pension and capitalization.

TABLE 7: GUIDANCE

Guidance	2017
	Expected ⁽¹⁾
Credit Portfolio	3% to 7%
Non-direct Lending - Individuals	5% to 9%
Non-direct Lending - Companies	-2% to 2%
Real Estate Loans	1% to 5%
Allowance for Loan Losses Expenses/Credit Portfolio	4,5% to 5,5%
Allowance for Loan Losses Balance/Credit Portfolio	8,5% to 9,5%
Funding	10% to 14%
Recurring Return on Average Shareholders' Equity	9% to 12%
Efficiency Ratio	49% to 53%
Net Financial Margin / Interest-Earning Assets	7,5% to 8,5%

(1) Published in 4Q16 and maintained in 1Q17.

Porto Alegre, May 15, 2017.

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
OBERDAN CELESTINO DE ALMEIDA
OSMAR PAULO VIECELI
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

