



 **Banrisul**

**FINANCIAL
STATEMENTS**

DECEMBER

2019

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Message from the CEO

In 2019, Banrisul's current Board of Executive Officers took office committed to keeping the Bank connected with the present while, at the same time, preparing the Company for the future. Focused on being the financial agent for the local productive sectors, and specially by strengthening the participation into the agribusiness segment, which represents about 40% of Rio Grande do Sul's GDP, Banrisul relies on a skillful and qualified Management to deliver sustainable, consistent results and adequate profitability levels.

With close relationship with its client and investing in innovation and in a new customer service model, Banrisul advances into the digital transformation arena to offer more modern and agile platforms, in line with its clients needs and in connection with the communities in which it is present. In observance of such guideline, the Bank will continue to value each employee's professional growth, key factor to building innovative solutions and solid relationship with customers.

Aware of the market changes, with technology becoming a driver of society's behavior, Banrisul is investing in new operational and technological capabilities for the management of IT infrastructure. The Bank will continue investing in technologies focused on automating processes, seeking to reduce costs and increase efficiency and productivity.

The Institution is working on different fronts such as digital transformation, business remodeling and the monitoring of the main technological trends within the financial industry. This strategic performance allows Banrisul to be prepared to follow the changes in the financial market, of consumer behavior and expectations and, above all, it permits that investments be directed towards the customization of products and services customization focusing on providing the best experience for each and every customer.

The performance in 2019 reinforces the commitment of employees, the trust of customers and investors and the continuous strengthening of relationship with the communities where Banrisul operates.

For 2020, projects that foster operational efficiency and contribute to further solidify Banrisul's sound financial health and return levels will remain.

Cláudio Coutinho
CEO

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’ services 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	2019	2018	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018	2019/ 2018	4Q2019/ 3Q2019
Net Interest Income	5,525.0	5,691.1	1,393.1	1,434.7	1,351.5	1,345.7	1,578.1	-2.9%	-2.9%
Allowance for Loan Losses Expenses	1,193.9	1,280.0	265.1	349.0	294.4	285.4	449.8	-6.7%	-24.0%
Gross Profit from Financial Operations	4,331.1	4,411.1	1,128.0	1,085.7	1,057.2	1,060.3	1,128.3	-1.8%	3.9%
Financial Income	9,105.4	9,551.8	1,992.9	2,589.5	2,258.3	2,264.7	2,449.7	-4.7%	-23.0%
Financial Expenses	4,774.3	5,140.7	865.0	1,503.8	1,201.1	1,204.4	1,321.5	-7.1%	-42.5%
Income from Services and Fees	2,042.5	1,997.1	530.0	520.2	501.6	490.7	538.2	2.3%	1.9%
Adjusted Administrative Expenses ⁽¹⁾	3,793.9	3,808.6	963.6	945.9	933.6	950.8	989.3	-0.4%	1.9%
Adjusted Other Operational Expenses	757.9	618.5	172.9	259.7	195.9	129.3	147.7	22.5%	-33.5%
Adjusted Other Operational Income	466.1	331.3	100.0	144.6	123.9	97.5	79.1	40.7%	-30.8%
Adjusted Net Income	1,273.8	1,096.2	356.3	291.9	305.7	320.0	300.1	16.2%	22.1%
Net Income	1,344.4	1,048.6	397.2	291.9	335.4	320.0	252.5	28.2%	36.1%
Main Balance Sheet Accounts - R\$ Million	Dec 2019	Dec 2018	Dec 2019	Sep 2019	Jun 2019	Mar 2019	Dec 2018	Dec 2019/ Dec 2018	Dec 2019/ Sep 2019
Total Assets	81,549.6	77,427.9	81,549.6	80,637.6	79,465.7	77,870.6	77,427.9	5.3%	1.1%
Securities ⁽²⁾	22,553.1	21,067.1	22,553.1	23,310.5	22,109.4	21,096.4	21,067.1	7.1%	-3.2%
Total Credit Portfolio	36,182.7	34,063.7	36,182.7	34,647.1	34,237.2	34,301.9	34,063.7	6.2%	4.4%
Allowance for Loan Losses	2,764.3	2,612.1	2,764.3	2,722.0	2,594.0	2,582.3	2,612.1	5.8%	1.6%
Past Due Loans > 90 Days	1,219.4	868.5	1,219.4	984.8	752.7	878.0	868.5	40.4%	23.8%
Funds Raised and Under Management	72,037.5	67,780.4	72,037.5	70,105.5	69,370.9	67,887.4	67,780.4	6.3%	2.8%
Shareholders' Equity	7,794.4	7,278.9	7,794.4	7,734.9	7,522.5	7,369.0	7,278.9	7.1%	0.8%
Prudential Conglomerate Reference Equity	6,439.0	6,145.5	6,439.0	6,740.7	6,478.9	6,322.0	6,145.5	4.8%	-4.5%
Average Shareholders' Equity	7,536.6	7,157.0	7,764.6	7,628.7	7,445.7	7,323.9	7,265.4	5.3%	1.8%
Average Total Assets	79,488.7	75,357.6	81,093.6	80,051.7	78,668.2	77,649.2	76,633.9	5.5%	1.3%
Average Profitable Assets	70,212.7	66,860.5	70,971.1	70,840.7	70,671.1	68,941.7	67,693.1	5.0%	0.2%
Stock Market Information - R\$ Million	2019	2018	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018	2019/ 2018	4Q2019/ 3Q2019
Interest on Own Capital / Dividends ⁽³⁾	536.6	419.9	161.9	112.0	135.0	127.7	130.7	27.8%	44.6%
Market Capitalization	8,854.3	9,071.1	8,854.3	9,222.4	9,713.1	9,893.1	9,071.1	-2.4%	-4.0%
Book Value Per Share	19.06	17.80	19.06	18.91	18.39	18.02	17.80	7.1%	0.8%
Average Price per Share (R\$)	23.12	17.45	21.37	23.28	23.59	24.24	19.93	32.5%	-8.2%
Earnings per Share (R\$)	3.29	2.56	0.97	0.71	0.82	0.78	0.62	28.4%	36.0%
Financial Indexes	2019	2018	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018		
Adjusted ROAA (pa.) ⁽⁴⁾	1.6%	1.5%	1.8%	1.5%	1.6%	1.7%	1.6%		
Adjusted ROAE (pa.) ⁽⁵⁾	16.9%	15.3%	19.7%	16.2%	17.5%	18.7%	17.6%		
Adjusted Efficiency Ratio ⁽⁶⁾	52.1%	51.5%	52.1%	51.1%	51.4%	51.5%	51.5%		
Net Interest Margin on Profitable Assets	7.87%	8.51%	8.09%	8.35%	7.87%	8.04%	9.66%		
Adjusted Operating Cost	4.7%	4.9%	4.7%	4.7%	4.8%	4.9%	4.9%		
Default Rate > 90 Days ⁽⁷⁾	3.37%	2.55%	3.37%	2.84%	2.20%	2.56%	2.55%		
Cover Ratio 90 days ⁽⁸⁾	226.7%	300.8%	226.7%	276.4%	344.6%	294.1%	300.8%		
Provisioning Index ⁽⁹⁾	7.6%	7.7%	7.6%	7.9%	7.6%	7.5%	7.7%		
Basel Ratio (Prudential Conglomerate)	15.1%	15.2%	15.1%	16.2%	15.8%	15.6%	15.2%		
Structural Indicators	Dec 2019	Dec 2018	Dec 2019	Sep 2019	Jun 2019	Mar 2019	Dec 2018		
Branches	518	518	518	518	518	518	518		
Service Stations	178	187	178	178	181	184	187		
Electronic Service Stations	419	443	419	427	433	436	443		
Employees	10,283	10,763	10,283	10,313	10,276	10,182	10,763		
Economic Indicators	2019	2018	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018		
Effective Selic Rate	5.96%	6.43%	1.24%	1.54%	1.54%	1.51%	1.54%		
Exchange Rate (R\$/USD - end of period)	4.03	3.87	4.03	4.16	3.83	3.90	3.87		
Exchange Rate Variation (%)	4.02%	17.13%	-3.21%	8.67%	-1.66%	0.57%	-3.22%		
IGP-M (General Market Price Index)	7.32%	7.55%	3.09%	-0.28%	2.19%	2.16%	-0.69%		
IPCA (Extended Consumer Price Index)	4.31%	3.75%	1.77%	0.26%	0.71%	1.51%	0.39%		

(1) Includes Adjusted Personnel Expenses and Other Administrative Expenses.

(2) Includes Interbank Deposits and deduces Repurchase Obligations.

(3) Interest on Own Capital and Dividends paid credited 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) Past Due Loans > 90 days / Total Credit Portfolio.

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

(9) Allowance for Loan Losses / Credit Portfolio.

MATERIAL FACTS

On July 10, 2019, Banrisul's new management took office. Claudio Coutinho Mendes is the Chief Executive Officer and Irany de Oliveira Sant'Anna Junior is the Deputy CEO and Risk and Control Officer. Management is also composed by Claíse Müller Rauber (Chief Products, Segments and Digital Channels Officer), Fernando Postal (Chief Distribution and Retail Commercial Officer), Jorge Fernando Krug Santos (Chief Information Technology), Marcus Vinicius Feijó Staffen (Chief Financial and Investor Relations Officer), Osvaldo Lobo Pires (Chief Credit and Operations Officer), Raquel Santos Carneiro (Chief Institutional Officer) and Suzana Flores Cogo (Chief Administrative Officer).

FINANCIAL HIGHLIGHTS

The summary of Banrisul's 2019 and 4Q2019 results 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.br/ri.

Table 2: Key Items of the Income Statement - R\$ Million

	2019	2018	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018	2019/ 2018	4Q2019/ 3Q2019
Net Interest Income	5,525.0	5,691.1	1,393.1	1,434.7	1,351.5	1,345.7	1,578.1	-2.9%	-2.9%
Allowance for Loan Losses Expenses	1,193.9	1,280.0	265.1	349.0	294.4	285.4	449.8	-6.7%	-24.0%
Gross Profit from Financial Operations	4,331.1	4,411.1	1,128.0	1,085.7	1,057.2	1,060.3	1,128.3	-1.8%	3.9%
Income from Services and Fees	2,042.5	1,997.1	530.0	520.2	501.6	490.7	538.2	2.3%	1.9%
Adjusted Administrative Expenses	3,793.9	3,808.6	963.6	945.9	933.6	950.8	989.3	-0.4%	1.9%
Adjusted Operating Income	1,851.8	1,869.6	517.3	427.8	445.6	461.1	503.0	-1.0%	20.9%
Adjusted Net Income	1,273.8	1,096.2	356.3	291.9	305.7	320.0	300.1	16.2%	22.1%
Net Income	1,344.4	1,048.6	397.2	291.9	335.4	320.0	252.5	28.2%	36.1%

Net income in 2019 reached R\$1,344.4 million, increasing 28.2% (R\$295.8 million) since 2018. In 4Q2019 the net income totaled R\$397.2 million, increasing 57.3% from 4Q2018 and 36.1% from 3Q2019, having being impacted by one-off events such as: (i) the restructuring of post-employment benefits offered by Fundação Banrisul de Seguridade Social (FBSS – Banrisul's Social Security Company), (ii) the booking of labor provision and the reversal of civil lawsuits provisions, given the assessment of parameters and progress of legal proceedings, (iii) the tax effects derived from the two previous items, and (iv) the updating of the balance of tax credits and debts, deferred due to the increase in the CSLL rate to 20% from 15%, as set forth by the Constitutional Amendment - EC 103/2019, events treated as extraordinary for the purposes of income statement. Taking into account these events, **managerial net income** reached R\$1,273.8 million in 2019, 16,2% over 2018. In 4Q2019 the net income reached R\$356.3 million, increasing 18.7% from 4Q2018 and 22.1% from 3Q2019.

Banrisul's **performance** from 2018 to 2019 reflects: (i) lower provision expenses, (ii) increasing banking fees, (iii) controlled administrative expenses, (iv) reduction of NII, and (v) lower tax rate due to much to the lower calculation base and to the rescinding of Law No. 13,169/2015, which instituted the additional CSLL rate of 5% until the end of 2018, resulting in lower volume of taxes in 2019, fiscal year in which effective tax rate was also lower when compared to 2018.

From 3Q2019 to 4Q2019, taking in consideration the **managerial net income**, performance was mainly influenced by lower provision expenses, increasing banking fees, favorable trend of other adjusted operating income/expenses, decreasing NII and higher administrative expenses, as well as the by the consequent higher effective income tax.

Net interest income totaled R\$5,525.0 million in 2019 2.9% (R\$166.1 million) down from 2018. In 4Q2019, NII amounted to R\$1,393.1 million, decreasing 2.9% (R\$41.6 million) from 3Q2019. The decreasing of NII from 2018 to 2019 and from 3Q2019 to 4Q2019 reflects the more expressive reduction of financial interest income in comparison to that of financial expenses.

Provision for loan losses reached R\$1,193.9 million in 2019, decreasing 6.7% (R\$86.1 million) from 2018 and reflecting the rollover of credit portfolio by risk ratings, the lower amount of credit recovery (demanding full provisioning), the reversal of provision due to the liquidation of loans within the corporate segment (which was fully provisioned), and the increase in credit default. In 4Q2019, provision expenses totaled R\$265.1 million, decreasing 24.0% (R\$83.9 million) from 3Q2019, reflecting the rollover of the credit portfolio by risk ratings, the reversal or provisions and the increase of past due credit operations.

Banking Fees totaled R\$2,042.5 million in 2019, increasing 2.3% (R\$45.4 million) from 2018, particularly driven by current account fees, insurance and pension bond fees, offset by the decrease of net acquiring fees. From 3Q2019 to 4Q2019, banking fees increased 1.9% (R\$9.7 million), mostly due to storage fees from heavy equipment stored at Banrisul's controlled warehousing company and acquiring fees.

Administrative expenses (personnel and other opex) totaled R\$3,793.9 million in 2019, stable since 2018. Administrative expenses increased 1.9% (R\$17.7 million) from 3Q2019 to 4Q2019.

Personnel expenses were stable from 2018 to 2019, impacted by the wage agreement and the headcount reduction on the scope of the retirement dismissal plan. Personnel expenses were stable from 3Q2019 to 4Q2019.

Other administrative expenses decreased 1.1% (R\$20.2 million) from 2018 to 2019, mostly influenced by the reduction of third-party services expenses, offset by the increase in marketing. From 3Q2019 to 4Q2019, other administrative expenses increased 4.5% (R\$20.2 million), mostly due to the growth in expenses with third-party services and with data processing.

The reconciliation between reported and managerial net income is presented below, and considers the extraordinary events recorded in 4Q2018, 1H2019 and 4Q2019. ROE, ROA and efficiency ratio are calculated based on adjusted net income.

Table 3: Accounting Net Income Statement X Adjusted Net Income - R\$ Million and %

	2019	2018	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018
Adjusted Net Income	1,273.8	1,096.2	356.3	291.9	305.7	320.0	300.1
Adjustments	70.6	(47.6)	40.9	-	29.7	-	(47.6)
Retirement Plans ⁽¹⁾	-	(86.5)	-	-	-	-	(86.5)
Restructuring plans of the Fundação Banrisul de Seguridade Social – FBSS ⁽²⁾	49.5	-	-	-	49.5	-	-
Labor Lawsuits Provisions	(429.0)	-	(429.0)	-	-	-	-
Civil Lawsuits Provisions (reversal) ⁽³⁾	126.8	-	126.8	-	-	-	-
Tax Effects ⁽⁴⁾	101.1	38.9	120.9	-	(19.8)	-	38.9
Deferred Tax Assets – EC 103/2019 ⁽⁵⁾	222.2	-	222.2	-	-	-	-
Net Income	1,344.4	1,048.6	397.2	291.9	335.4	320.0	252.5
Adjusted ROAA	1.6%	1.5%	1.8%	1.5%	1.6%	1.7%	1.6%
Adjusted ROAE	16.9%	15.3%	19.7%	16.2%	17.5%	18.7%	17.6%
Adjusted Efficiency Ratio ⁽⁶⁾	52.1%	51.5%	52.1%	51.1%	51.4%	51.5%	51.5%

(1) Voluntary Retirement Plan (PDAV), launched in December 2018, with the retirement of 555 employees in 1Q2019.

(2) Voluntary migration process of participants from Benefit Plan I - PBI to Benefit Plan FBPREV III in 1H2019; approximately 35% of PBI participants migrated.

(3) Provisions (reversal) arising from review of parameters and to the trend of ongoing civil lawsuits.

(4) Related to Voluntary Retirement Plan and FBSS Plan Restructuring, Labor Lawsuits Provisions and Reversal of Civil Lawsuits Provisions.

(5) Refers to the update of deferred tax credits and debts stock resulting from the increase in the Social Contribution Rate on Net Income (CSLL) to 20% from 15%, as per the issuance of the Constitutional Amendment EC 103 of 2019.

(6) Personnel Expenses + Other Administrative Expenses / Financial Margin + Income from Services and Fees + (Other Operational Income – Other Operational Expenses). Considers the last 12 months.

Annualized ROAE reached 16.9% in 2019, 1.6 pp. above 2018, reflecting lower provision expenses, increasing banking fees and controlled administrative expenses, as well as NII compression and lower tax rates.

Adjusted efficiency ratio reached 52.1% in 2019, from 51.5% in 2018, reflecting the NII compression, the growth of banking fees and flattish administrative expenses.

OPERATIONAL HIGHLIGHTS

Table 4: Asset Evolution Statement - R\$ Million

	Dec 2019	Sep 2019	Jun 2019	Mar 2019	Dec 2018	Dec 2019/ Dec 2018	Dec 2019/ Sep 2019
Total Assets	81,549.6	80,637.6	79,465.7	77,870.6	77,427.9	5.3%	1.1%
Credit Operations	36,182.7	34,647.1	34,237.2	34,301.9	34,063.7	6.2%	4.4%
Securities + Interbank Transactions - Repurchase Obligations	22,553.1	23,310.5	22,109.4	21,096.4	21,067.1	7.1%	-3.2%
Funds Raised and Under Management	72,037.5	70,105.5	69,370.9	67,887.4	67,780.4	6.3%	2.8%
Shareholders' Equity	7,794.4	7,734.9	7,522.5	7,369.0	7,278.9	7.1%	0.8%

Total assets reached R\$81,549.6 million in December 2019, growing 5.3% (R\$4,121.7 million) from December 2018 and 1.1% (R\$912.0 million) from September 2019. The year-on-year asset increase was mainly driven by the R\$3,645.2 million increase in funding (deposits, bank notes and the subordinated debt). As to asset allocation, it is worth pointing out the increase of R\$2,119.0 million in the loan book and of R\$1,223.9 million in cash, securities and derivatives. Comparing to September 2019, the growth of assets reflects mostly the expansion of R\$1,665.6 million in funding, offset by the reduction of R\$664.0 million in interbank and interbranch accounts. As to asset allocation, credit assets increased R\$1,535.5 million, offset by the reduction of R\$918.0 million of securities and derivatives and cash.

Total **credit assets** (expanded concept) reached R\$36,425.5 million in December 2019, increasing 5.4% in twelve months. Excluding sureties and guarantees, loan book increased 6.2% from 2018, mostly influenced by the growth of R\$2,595.3 million in non-earmarked credit to individuals, performance that was offset by the reduction of R\$342.1 million in credits linked to acquired portfolio, and of R\$267.0 million in long-term loans. Credit assets increased 4.4% over September 2019, mainly driven by the R\$1,474.9 increase in non-earmarked credit, partially due to credit lines offered to civil servants linked to year-end 13th salary.

Table 5: Statement of the Credit Portfolio - R\$ Million

	Dec 2019	% Total Crédito	Sep 2019	Jun 2019	Mar 2019	Dec 2018	Dec 2019/ Dec 2018	Dec 2019/ Sep 2019
Foreign Exchange	774.6	2.1%	746.6	684.2	713.6	736.5	5.2%	3.8%
Commercial	27,469.0	75.9%	25,994.0	25,590.4	25,433.0	25,018.0	9.8%	5.7%
Individuals	21,385.7	59.1%	20,058.5	19,600.2	19,369.5	18,790.4	13.8%	6.6%
Payroll	15,655.0	43.3%	15,129.9	14,508.8	14,107.9	13,351.6	17.3%	3.5%
Other	5,730.7	15.8%	4,928.6	5,091.4	5,261.6	5,438.8	5.4%	16.3%
Companies	6,083.3	16.8%	5,935.5	5,990.1	6,063.5	6,227.6	-2.3%	2.5%
Working Capital	4,060.5	11.2%	3,877.0	3,979.6	3,977.5	4,153.8	-2.2%	4.7%
Other	2,022.8	5.6%	2,058.5	2,010.5	2,086.1	2,073.8	-2.5%	-1.7%
Long-term Financing	669.2	1.8%	751.1	837.1	883.1	936.2	-28.5%	-10.9%
Real Estate Financing	4,126.9	11.4%	4,096.8	4,209.3	4,167.9	4,112.7	0.3%	0.7%
Agricultural Financing	2,661.3	7.4%	2,527.0	2,311.5	2,411.9	2,459.2	8.2%	5.3%
Other ⁽¹⁾	481.6	1.4%	531.5	604.7	692.2	801.2	-39.9%	-9.4%
Total	36,182.7	100.0%	34,647.1	34,237.2	34,301.9	34,063.7	6.2%	4.4%

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

Securities and interbank investments totaled R\$25,944.6 million in December 2019, with net balance (deducted of repurchase transactions) of R\$22,553.1 million, increasing 7.1% (R\$1,486.0 million) from December 2018, mostly influenced by the increase of deposits and bank notes in an environment of increasing loan portfolio. From September 2019, the balance of securities and interbank investments, net of repo operations, decreased 3.2% (R\$757.4 million), mostly reflecting the allocation of funding into credit operations.

Funds raised and under management, composed by deposits, bank notes, subordinated bond and third-party funds, totaled R\$72,037.5 million in December 2019, increasing 6.3% (R\$4,257.1 million) in twelve months, driven by the increase of R\$2,776.0 million in deposits, of R\$720.2 million in bank notes and of R\$611.9 million in funds under management. Comparing to September 2019, funds raised and under management increased 2.8% (R\$1,932.0 million), mostly due to the increase of R\$1,665.6 million in deposits.

Shareholders' equity reached R\$7,794.4 million at the end of December 2019, increasing 7.1% (R\$515.5 million) from December 2018 and flattish from September 2019. The evolution in shareholders' equity in twelve months

reflects, especially, the incorporation of results, the payments of interest on own capital and the provision of dividends, the reassessment of actuarial liabilities on post-employment benefits pursuant to the procedures set forth by CPC 33 (R1) and the reclassification of results of future years. Comparing to September 2019, the shareholders' equity trend reflects the incorporation of results, the payment of interest on own capital and the provisioning of dividends, as well as the reassessment of actuarial liabilities from post-employment benefits.

Banrisul paid and provisioned R\$872.0 million in **taxes and contributions** in 2019. Taxes withheld and paid, directly levied on financial intermediation and other payments, amounted to R\$1,094.4 million in 2019.

Table 6: Other Indicators - %

	2019	2018	4Q2019	3Q2019	2Q2019	1Q2019	4Q2018
Net Interest Margin	7.87%	8.51%	8.09%	8.35%	7.87%	8.04%	9.66%
Basel Ratio (Prudential Conglomerate)	15.1%	15.2%	15.1%	16.2%	15.8%	15.6%	15.2%
Loan Portfolio Normal Risk / Total Credit	88.7%	87.1%	88.7%	87.9%	87.4%	87.5%	87.1%
Loan Portfolio Risks 1 and 2 / Total Credit	11.3%	12.9%	11.3%	12.1%	12.6%	12.5%	12.9%
Default Rate > 90 Days	3.37%	2.55%	3.37%	2.84%	2.20%	2.56%	2.55%
Cover Ratio > 90 Days ⁽¹⁾	226.7%	300.8%	226.7%	276.4%	344.6%	294.1%	300.8%
Provision Ratio ⁽²⁾	7.6%	7.7%	7.6%	7.9%	7.6%	7.5%	7.7%

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

(2) Allowance for Loan Losses / Credit Portfolio.

The **NIM** decrease from 2018 to 2019 reflects the decrease in financial income and expenses, especially impacted by the decrease of interest rates on the wake of increasing profitable assets volume, credit assets particularly.

90-day default rate reached 3.37% in December 2019, increasing 0.82 pp. in twelve months and 0.53 pp. from September 2019. The balance of 90-day past due credit reached R\$1,219.4 million in December 2019, increasing 40.4% in twelve months and 23.8% in the last quarter. 90-day past due **Coverage ratio** reached 226.7% in December 2019, vis-à-vis the 300.8% in December 2018 and 276.4% in September 2019. From December 2018 and September 2019, the trend of the 90-day coverage ratio reflects the increase in past due credit transactions ahead of the increase observed in credit provisions.

Total provisions reached 7.6% of the outstanding credit portfolio in December 2019, 0.1 pp. below December 2018 and 0.3 pp. below September 2019. Credit provisions increased by R\$152.3 million in twelve months, due to the rolling over of risk rating levels and the increase in credit defaults. The portfolio of normal risk loans increased 1.6 pp. in relation to December 2018. In the last quarter, the balance of provisions increased R\$42.4 million, and the share of normal risk loan portfolio in relation to the total loan book increased 0.8 pp.

GUIDANCE

Despite the slowdown in global economic activity, still reflecting global risk outbreaks and the expectation of a continuation of the slowdown in the central economies, Brazil's economic activity was marked by improvements in domestic economic prospects, with the approval of the reform Social Security, with basic interest rate at the lowest historical level ever, 4.5% per year, and with activity within the country starting to resume. In this context, in view of the evolution of activity data and in the credit market, particularly within the individual segment, the growth trend in the period continued.

As a result, goals for the evolution of credit to individuals exceeded expectations, and the Bank's performance indicators established at the end of 2018 were delivered. However, the growth of credit to companies still retracted, with volumes reduced beyond goals revision published in the third quarter of 2019, when Banrisul adjusted its forecast for non-earmarked credit and real estate loans as released disclosed at the end of 2018.

The growth of 13.8% of credit to individuals, including other loans with credit characteristic, was above expectations, in view of loans operations offered to state's civil servants year-end bonus that occurred in December and the increase in payroll loans. On the other hand, the contraction of credit to companies for companies, expected to be within the range from -2% and 2%, decreased 2.3%, driven by reduction in working capital and debtor credit lines, especially within the corporate-sized companies. Real estate loans increased 0.3%,

with the performance of mortgages to individuals compensating the decrease of corporate credit loans. At the end of the period, other credit products helped offset the movement poorer-than-expected performances, allowing the loan portfolio to remain within the range, growing 6.2% in the year.

Credit provisions of 3.3% of the credit portfolio remained within range boundaries, while total provisions representing 7.6% of the loan book, 0.1 pp. above expected goals. The balance of provision for credit losses reflected the rollover of the portfolio by rating, the provisions recorded upon credit renegotiations and the increase in defaulted credit.

As to managerial performance indicators, the disclosed intervals were met. Even with the compression of interest rates, NII drop was less significant, helping to deliver NIM of 7.9%. Accordingly, the Bank's behaved administrative expenses helped to maintain cost-to-income at 52.1%, within range. Lastly, ROE met the Company's expectations.

For 2020, economy's improvement, reinforced by consumption and employment levels. Thus, credit tends to increase, still driven by loans to individuals. The corporate segment should evolve, albeit at a slower pace, browsing for all sources of financing. Due to the slight recovery of the economy, credit losses tend to decrease, but provisioning levels are expected to be at 2019's levels, as well as fundraising.

As to performance indicators, upon BACEN Resolution No. 4765/2019 establishing a cap for interest rates on overdraft, and with the increase in capital expenditures, Banrisul expects impacts on margins and revenues, hence the decrease in the ranges for NIM and profitability in the coming twelve months. Despite these trend, and taking into account cost reduction actions, the range for the efficiency ratio has not changed.

Table 7: Guidance

	2019			2020
	Expected ⁽¹⁾	Revised Sep 2019	Delivered	Expected
Credit Portfolio	4% to 8%	4% to 8%	6.2%	9% to 13%
Non-direct Lending – Individuals	6% to 10%	6% to 10%	13.8%	10% to 14%
Non-direct Lending – Companies	1% to 5%	-2% to 2%	-2.3%	2% to 6%
Real Estate Loans	4% to 8%	0% to 4%	0.3%	3% to 7%
Provision Expenses / Credit Portfolio	3% to 4%	3% to 4%	3.3%	3% to 4%
Provision Balance / Credit Portfolio	6.5% to 7.5%	6.5% to 7.5%	7.6%	7% to 8%
Funding ⁽²⁾	6% to 10%	6% to 10%	5.4%	5% to 9%
Return on Average Equity	16% to 19%	16% to 19%	16.9%	14% to 17%
Efficiency Ratio	50% to 54%	50% to 54%	52.1%	50% to 54%
Net Interest Income / Interest-Earning Assets	7.5% to 8.5%	7.5% to 8.5%	7.9%	7% to 8%

(1) As originally disclosed in 4Q2018 and maintained until 2Q2019.

(2) Funding in 2019: Deposits + Assets under Management; in 2020: Deposits + Local Funding and Similars + Foreign Funding.

Porto Alegre, February 11, 2020.

