# Financial Statements

## September/2015

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 | 9M15 | 9M14 | 3Q15 | 2Q15 | 1Q15 | 4Q14 | 3Q14 | 9M15 / 9M14 | 3Q15 / 2Q15 |
|---|---|---|---|---|---|---|---|---|---|
| Financial Margin | 3,221.0 | 2,791.3 | 1,080.3 | 1,088.1 | 1,052.7 | 998.5 | 979.3 | 15.4% | -0.7% |
| Allowance for Loan Losses Expenses | 1,124.5 | 547.2 | 414.1 | 305.8 | 404.6 | 237.1 | 209.3 | 105.5% | 35.4% |
| Gross Profit from Financial Operations | 2,096.5 | 2,244.2 | 666.2 | 782.3 | 648.1 | 761.4 | 769.9 | -6.6% | -14.8% |
| Financial Income | 8,202.3 | 5,866.0 | 3,168.6 | 2,104.3 | 2,929.3 | 2,330.6 | 2,285.8 | 39.8% | 50.6% |
| Financial Expenses | 6,105.8 | 3,621.9 | 2,502.5 | 1,322.1 | 2,281.2 | 1,569.2 | 1,515.8 | 68.6% | 89.3% |
| Income from Services and Fees | 1,045.4 | 863.2 | 369.4 | 351.1 | 324.9 | 333.1 | 308.4 | 21.1% | 5.2% |
| Recurring Administrative Expenses[1] | 2,204.9 | 1,995.0 | 761.8 | 723.5 | 719.7 | 747.4 | 689.9 | 10.5% | 5.3% |
| Other Recurring Operational Expenses | 316.7 | 245.6 | 118.1 | 97.0 | 101.6 | 101.7 | 86.0 | 29.0% | 21.7% |
| Other Recurring Operational Income | 539.2 | 227.3 | 341.4 | 74.1 | 123.7 | 93.9 | 97.5 | 137.2% | 360.9% |
| Adjusted Net Income | 609.6 | 575.9 | 269.7 | 192.9 | 147.0 | 177.0 | 215.3 | 5.9% | 39.8% |
| Net Income | 699.3 | 443.2 | 359.3 | 192.9 | 147.0 | 248.2 | 215.3 | 57.8% | 86.3% |
| **Main Balance Sheet Accounts - R$ Million** | **Sep 2015** | **Sep 2014** | **Sep 2015** | **Jun 2015** | **Mar 2015** | **Dec 2014** | **Sep 2014** | **Sep 2015/ Sep 2014** | **Sep 2015/ Jun 2015** |
| Total Assets | 65,292.1 | 59,092.2 | 65,292.1 | 63,768.9 | 61,357.3 | 59,561.7 | 59,092.2 | 10.5% | 2.4% |
| Securities [2] | 14,294.9 | 12,719.5 | 14,294.9 | 16,652.8 | 14,645.9 | 14,599.0 | 12,719.5 | 12.4% | -14.2% |
| Total Credit Portfolio | 31,360.0 | 29,950.8 | 31,360.0 | 31,091.2 | 31,027.0 | 30,487.0 | 29,950.8 | 4.7% | 0.9% |
| Allowance for Loan Losses | 2,163.5 | 1,713.8 | 2,163.5 | 1,959.9 | 1,861.0 | 1,694.0 | 1,713.8 | 26.2% | 10.4% |
| Past Due Loans > 60 Days | 1,659.1 | 1,221.9 | 1,659.1 | 1,345.3 | 1,324.0 | 1,169.1 | 1,221.9 | 35.8% | 23.3% |
| Past Due Loans > 90 Days | 1,402.6 | 1,058.6 | 1,402.6 | 1,163.1 | 1,102.5 | 1,034.4 | 1,058.6 | 32.5% | 20.6% |
| Funds Raised and Under Management | 49,830.4 | 46,397.0 | 49,830.4 | 51,006.1 | 49,248.5 | 48,064.9 | 46,397.0 | 7.4% | -2.3% |
| Shareholders' Equity | 6,115.1 | 5,420.7 | 6,115.1 | 5,851.3 | 5,742.2 | 5,671.3 | 5,420.7 | 12.8% | 4.5% |
| Reference Equity [3]* | 7,300.5 | 6,812.6 | 7,300.5 | 7,033.8 | 6,927.7 | 7,062.3 | 6,812.6 | 7.2% | 3.8% |
| Average Shareholders' Equity | 5,893.2 | 5,285.2 | 5,983.2 | 5,796.7 | 5,706.7 | 5,546.0 | 5,347.2 | 11.5% | 3.2% |
| Average Total Assets | 62,426.9 | 56,151.4 | 64,530.5 | 62,563.1 | 60,459.5 | 59,326.9 | 58,152.1 | 11.2% | 3.1% |
| Average Profitable Assets | 56,792.7 | 51,834.6 | 58,067.0 | 56,867.8 | 55,443.2 | 53,756.4 | 52,432.6 | 9.6% | 2.1% |
| **Stock Market Information - R$ Million** | **9M15** | **9M14** | **3Q15** | **2Q15** | **1Q15** | **4Q14** | **3Q14** | **9M15 / 9M14** | **3Q15 / 2Q15** |
| Interest on Own Capital/Dividends [4] | 254.9 | 200.5 | 93.5 | 84.4 | 77.0 | 80.3 | 67.7 | 27.1% | 10.8% |
| Market Capitalization | 2,282.1 | 6,011.9 | 2,282.1 | 3,643.9 | 4,498.7 | 5,930.1 | 6,011.9 | -62.0% | -37.4% |
| Book Value Per Share | 14.95 | 13.25 | 14.95 | 14.31 | 14.03 | 13.87* | 13.25 | 12.8% | 4.5% |
| Average Price per Share (R$) | 10.26 | 12.19 | 8.10 | 10.56 | 12.23 | 13.91 | 13.26 | -15.8% | -23.3% |
| Earnings per Share (R$) | 1.71 | 1.08 | 0.88 | 0.47 | 0.36 | 0.61 | 0.53 | 58.3% | 87.2% |
| **Financial Index** | **9M15** | **9M14** | **3Q15** | **2Q15** | **1Q15** | **4Q14** | **3Q14** | | |
| ROAA (pa.) [5] | 1.3% | 1.4% | 1.7% | 1.2% | 1.0% | 1.2% | 1.5% | | |
| ROAE (pa.) [6] | 14.0% | 14.8% | 19.3% | 14.0% | 10.7% | 13.4% | 17.1% | | |
| Efficiency Ratio [7] | 50.8% | 55.2% | 50.8% | 53.0% | 53.9% | 55.3% | 55.2% | | |
| Financial Margin [8] | 7.63% | 7.24% | 7.65% | 7.88% | 7.81% | 7.64% | 7.68% | | |
| Recurring Operating Cost | 4.5% | 4.5% | 4.5% | 4.5% | 4.6% | 4.6% | 4.5% | | |
| Default Rate > 60 Days [9] | 5.29% | 4.08% | 5.29% | 4.33% | 4.27% | 3.83% | 4.08% | | |
| Default Rate > 90 Days [10] | 4.47% | 3.53% | 4.47% | 3.74% | 3.55% | 3.39% | 3.53% | | |
| Cover Ratio 60 days [11] | 130.4% | 140.3% | 130.4% | 145.7% | 140.6% | 144.9% | 140.3% | | |
| Cover Ratio 90 days [12] | 154.2% | 161.9% | 154.2% | 168.5% | 168.8% | 163.8% | 161.9% | | |
| Provisioning Index [13] | 6.9% | 5.7% | 6.9% | 6.3% | 6.0% | 5.6% | 5.7% | | |
| Basel Ratio - Financial Conglomerate[14]** | 17.9% | 17.2% | 17.9% | 17.7% | 17.0% | 17.8% | 17.2% | | |
| **Structural Indicators** | **Sep 2015** | **Sep 2014** | **Sep 2015** | **Jun 2015** | **Mar 2015** | **Dec 2014** | **Sep 2014** | | |
| Branches | 536 | 524 | 536 | 534 | 531 | 528 | 524 | | |
| Service Stations | 203 | 208 | 203 | 206 | 206 | 206 | 208 | | |
| Electronic Service Stations | 557 | 604 | 557 | 569 | 593 | 594 | 604 | | |
| Employees | 11,491 | 11,679 | 11,491 | 11,546 | 11,588 | 11,636 | 11,679 | | |
| **Economic Indicator** | **9M15** | **9M14** | **3Q15** | **2Q15** | **1Q15** | **4Q14** | **3Q14** | | |
| Effective Selic Rate | 9.58% | 7.90% | 3.43% | 3.03% | 2.82% | 2.78% | 2.75% | | |
| Exchange Rate (R$/USD - end of period) | 3.97 | 2.45 | 3.97 | 3.10 | 3.21 | 2.66 | 2.45 | | |
| Exchange Rate Variation (%) | 49.57% | 4.63% | 28.05% | -3.29% | 20.77% | 8.37% | 11.28% | | |
| IGP-M (General Market Price Index) | 6.35% | 1.75% | 1.93% | 2.27% | 2.02% | 1.89% | -0.68% | | |
| IPCA (Extended Consumer Price Index) | 7.64% | 4.61% | 1.39% | 2.26% | 3.83% | 1.72% | 0.83% | | |

*Revised

**(1)** Includes Personnel Expenses and Other Administrative Expenses.
**(2)** Includes Interbank Deposits and deduces Repurchase Obligations.
**(3)** Based on the Financial Conglomerate for the year 2014. From 2015 onwards, as set forth by CMN Resolutions No. 4192/13 and No. 4193/13, calculated based on the Prudential Conglomerate.
**(4)** Interest on Own Capital and Dividends paid and/or provisioned (before retention of income tax).
**(5)** Net Income / Average Total Asset.
**(6)** Net Income / Average Shareholders' Equity.
**(7)** 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).
**(8)** Net Interest Income as a percentage of Average Profitable Assets.
**(9)** Past Due Loans > 60 days / Total Credit Portfolio.
**(10)** Past Due Loans > 90 days / Total Credit Portfolio.
**(11)** Allowance for Loan Losses / Past Due Loans > 60 days.
**(12)** Allowance for Loan Losses / Past Due Loans > 90 days.
**(13)** Allowance for loan losses / credit portfolio.
**(14)** Based on the Financial Conglomerate for the year 2014. From 2015 onwards, as set forth by CMN Resolutions No. 4192/13 and No. 4193/13, calculated based on the Prudential Conglomerate.

## MATERIAL FACTS

On April 16, 2015, Banrisul's new Executive Board took office. Luiz Gonzaga Mota Veras and Irany de Oliveira Sant'Anna Junior are Banrisul's new CEO and Vice-President, respectively. Other executive positions, such as Chief Information Technology, Chief Asset Management Officer, Chief Business Planning and Expansion Officer, Chief Commercial Officer, Chief Credit Officer, Chief Administrative Officer and Chief Financial and Investor Relations Officer are occupied respectively by Jorge Krug Fernando Santos, Jorge Luiz Oliveira Loureiro, Júlio Francisco Gregory Brunet, Leodir Antonio Araldi, Oberdan Celestino de Almeida, Suzana Flores Cogo and Ricardo Richiniti Hingel. Of the nine new directors, seven are Banrisul's career employees.

The results produced in the nine months of 2015 reflect the adverse environment of businesses that has affected the Brazilian economy throughout the year, influencing especially credit provisions. 9M15's recurring net income is explained by the positive trend of the net interest income and banking fees and by administrative expenses, as well as by the effect of the partial repurchase of the subordinated bond. The result was also impacted by extraordinary events: (*i*) the Retirement Severance Plan, (*ii*) the capital injection made by Icatu Seguros S.A. on behalf of Banrisul into the holding Banrisul Icatu Participações S.A. (as part of the JV agreement) and (*iii*) the adjustment of tax credits arising from the increase of 5% in the social contribution tax rate (CSLL).

## FINANCIAL HIGHLIGHTS

We report Banrisul's most relevant numbers for 3Q15 and 9M15. 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 | 9M15 | 9M14 | 3Q15 | 2Q15 | 1Q15 | 4Q14 | 3Q14 | 9M15 / 9M14 | 3Q15 / 2Q15 |
|---|---|---|---|---|---|---|---|---|---|
| Net Interest Income | 3,221.0 | 2,791.3 | 1,080.3 | 1,088.1 | 1,052.7 | 998.5 | 979.3 | 15.4% | -0.7% |
| Allowance for Loan Losses | 1,124.5 | 547.2 | 414.1 | 305.8 | 404.6 | 237.1 | 209.3 | 105.5% | 35.4% |
| Gross Profit from Financial Operations | 2,096.5 | 2,244.2 | 666.2 | 782.3 | 648.1 | 761.4 | 769.9 | -6.6% | -14.8% |
| Income from Services and Fees | 1,045.4 | 863.2 | 369.4 | 351.1 | 324.9 | 333.1 | 308.4 | 21.1% | 5.2% |
| Recurring Administrative Expenses | 2,204.9 | 1,995.0 | 761.8 | 723.5 | 719.7 | 747.4 | 689.9 | 10.5% | 5.3% |
| Operating Income | 841.3 | 596.5 | 359.9 | 293.5 | 187.9 | 367.2 | 318.6 | 41.1% | 22.6% |
| Consolidated Net Income | 699.3 | 443.2 | 359.3 | 192.9 | 147.0 | 248.2 | 215.3 | 57.8% | 86.3% |
| Net Income Adjusted for Non-Recurring Events | 609.6 | 575.9 | 269.7 | 192.9 | 147.0 | 177.0 | 215.3 | 5.9% | 39.8% |

**Recurring net income** totaled R$609.6 million in 9M15, 5.9% (R$33.7 million) above 9M14. **Net income** reached R$699.3 million in 9M15, an increase of 57.8% (R$256.0 million) in relation to 9M14. Adjusted to non-recurring events, annualized ROAE reached 14.0% in 9M15. In 3Q15, recurring net income totaled R$269.7 million, 25.2% above 3Q14 and 39.8% above 2Q15. Net income in 3Q15 reached R$359.3 million, an increase of 66.9% comparing to 3Q14 and of 86.3% in relation to 2Q15.

Banrisul's **recurring performance** in **9M15** was impacted by higher credit provisions and expansion of net interest income, favored by the repricing of assets and by increase of balances. The growth of banking fees related to the acquiring business, insurance, pension and capitalization bonds and the growth of administrative expenses, especially due to costs with personnel, and to those in connection to the acquiring network and loans originated at banking correspondents, also contributed to the performance of the period, as well as the positive effect resulting from the partial repurchase of the subordinated notes.

**From 2Q15 to 3Q15**, **recurring bottom line** was especially influenced by the revenues from the partial repurchase of the subordinated notes. Excluding adjustments on results from linked derivatives operations, the repurchase tender offer produced revenues of R$171.0 million, whose effects from 2Q15 to 3Q15 were partially offset by the higher cost of credit, the stability of net interest income (in an operating environment of spreads compression), the increase of 5.2% in banking fees and of 5.3% in administrative expenses.

As to the tender offer for the partial **repurchase of subordinated bonds** issued in 2012 for the aggregate amount of USD775 million - two tranches, one of USD500 million in February and the other of USD275 million in December 2012, for a term of 10 years -, the partial settlement aimed at reducing the of funding, in environment of compression of spreads, and at providing liquidity to the bonds on the secondary market, given the context of currency devaluation and the increase of the Country risk. The partial repurchase tender offer reached USD249 million, settled for US$199 million. The obligation's carrying value of R$1,037.1 million was mark-to-market on the settlement date for R$911.3 million. The repurchase tender offer generated R$171.0 million in gross revenues which, deducted by R$60.2 million in adjustments related to derivative transactions associated with the settled amount and the costs and mark-to-market of the swap for the remaining outstanding amount of the bonds, produced gains of R$110.8 million in September 2015, with a net impact of R$55.8 million in the bottom line.

**Net interest income** of R$3,221.0 million in 9M15 increased 15.4% (R$429.7 million) from 9M14, 10.3% (R$101.0 million) from 3Q14 to 3Q15 and relative was stable from 2Q15 to 3Q15. Year to date, NII expansion improved due to the portfolio repricing and the growth of balances of assets. Quarter on quarter, the flattish performance of net interest income was due to the narrowing of spreads in an environment of increase of the basic interest rate and maintenance of default levels, influencing revenues.

**Provision for loan losses** reached R$1,124.5 million year-to-date, increasing 105.5% (R$577.4 million) from 9M14. Provision expenses increased R$204.8 million from 3Q14 to 3Q15 and R$108.3 million from 2Q15 to 3Q15. The roll-over of the credit portfolio demanded additional provisions for defaults at higher credit rating levels, which occurred in a period of increasing credit balance and higher write-offs, taking into account the flows in 9M15. In 3Q15, the increase of delinquency required provisions in higher rating levels.

**Service Fees** totaled R$1,045.4 million in 9M15, driven by the performance of Banrisul Cartões and insurance, pension plan and capitalization products. Of the increase of 21.1% (R$182.1 million) in service fees from 9M14 to 9M15, R$99.0 million were produced by the acquiring business, R$30.9 million originated from current account fees and R$22.9 million from insurance, pension plan and capitalization fees. Banking fees grew 19.8% (R$61.0 million) from 3Q14 to 3Q15 and 5.2% (R$18.3 million) from 2Q15 to 3Q15, benefiting from acquiring revenues and with fees from banking accounts and insurance, pension plans and capitalization.

Year-to-date **Recurring administrative expenses** of R$2,204.9 million, increasing 10.5% (R$210.0 million) since 9M14. From 3Q14 to 3Q15, administrative expenses grew 10.4% (R$71.8 million), and increased 5.3% (R$38.3 million) from 2Q15 to 3Q15. Personnel expenses represented 51.8% of the increase in administrative expenses, while other administrative expenses corresponds to 48.2% of the increase of total expenses recorded from 9M14 to 9M15, especially impacted by the increase in the costs related with interchange expenses from acquiring business and with the origination of payroll loans via banking correspondents. From 3Q14 to 3Q15, personnel expenses accounted for the major part of the increase in total administrative expenses, given the recording, in September 2015, of expenses related to the wage agreement. Other administrative expenses increased 7.4% in relation to 3Q14 and 5.3% since 2Q15, reflecting, especially, higher expenses related to the acquiring business.

**Recurring personnel expenses** increased 10.1% (R$108.8 million) from 9M14 to 9M15, already impacted by provisions for the wage increase. In 3Q15, personnel expenses grew 13.1% (R$47.6 million) from 3Q14, for the same reasons previously cited. From 2Q15 to 3Q15, personnel expenses increased 5.3% (R$20.5 million). Services fees covered 88.3% of the recurring personnel expenses in 9M15, 8.0 pp. above the ratio recorded in 9M14.

## EXTRAORDINARY EVENTS

The non-recurring events affecting the aggregate results at the end of 9M15 are commented below.

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

| Extraordinary Events - R$ Million | 9M15 | 9M14 | 3Q15 | 2Q15 | 1Q15 | 4Q14 | 3Q14 |
|---|---|---|---|---|---|---|---|
| Adjusted Net Income | 609.6 | 575.9 | 269.7 | 192.9 | 147.0 | 177.0 | 215.3 |
| Extraordinary Events | 89.6 | (132.7) | 89.6 | - | - | 71.1 | - |
| Retirement Plan (1) | (51.6) | (64.1) | (51.6) | - | - | - | - |
| Insurance Distribution Agreement | 22.5 | - | 22.5 | - | - | 115.0 | - |
| Banrisul Foundation (FBSS) Migrating/Restructuring Process | - | (204.5) | - | - | - | - | - |
| Tax Effects | 13.2 | 135.9 | 13.2 | - | - | (43.9) | - |
| Tax Credits – CSLL Law No. 13169/15 | 105.5 | - | 105.5 | - | - | - | - |
| Accounting Net Income | 699.3 | 443.2 | 359.3 | 192.9 | 147.0 | 248.2 | 215.3 |
| Adjusted ROAA | 1.3% | 1.4% | 1.7% | 1.2% | 1.0% | 1.2% | 1.5% |
| Adjusted ROAE | 14.0% | 14.8% | 19.3% | 14.0% | 10.7% | 13.4% | 17.1% |
| Adjusted Efficiency Ratio | 50.8% | 55.2% | 50.8% | 53.0% | 53.9% | 55.3% | 55.2% |

**(1)** Retirement incentive related to the Retirement Severance Plan in 2015 and the Retirement Incentive Plan in 2014.

In the beginning of the second half of 2015, Banrisul announced an incentive plan to stimulate employees eligible to both official and complementary retirement programs to retire, in order to reduce the pressure on costs for these relevant administrative expenses. 501 employees agreed to the **Retirement Severance Plan** from July 27 to September 25, 2015, and are expected to leave the Bank up to the end of 2015. The expenses paid and provisioned under the plan totaled R$51.6 million, and the reduction of headcount should result in a reduction of R$6.9 million per month on personnel expenses starting in 2016. Net of tax benefit, the cost of the plan impacted negatively the result in R$29.4 million.

Another initiative consolidated in August 2015 was the establishment of the holding company **Banrisul Icatu Participações S.A.**, in which Banrisul owns 49.9% of the capital. The creation of the Rio Grande Seguros e Previdência S.A., part of Banrisul’s economic group, marks an evolution in its business model, from a single commission-on–sales design to a full bancassurance model, starting to incorporate part of the results produced by the operation. The Insurance Company will operate exclusively for the selling of life insurance and private pension plan products through Banrisul's distribution channels. For the establishment of the holding company, Icatu Seguros S.A. invested R$22.5 million on behalf of Banrisul into the company. Net of tax effects, the creation of the new company positively affected the result in R$13.5 million.

Another extraordinary event recorded in 3Q15 refers to the application of PM No. 675, of May 21 2015, as set forth by Law No. 13169/15, which regulates the increase of the social contribution (CSLL) to 20% from 15%, effective until December 2018. although the recently increased rates will  increased expenses, the immediate effect under the new rules refers to the **update of the balance of deferred tax credits** for the value of the temporary additions that will become deductible by 2018 calculated based on the new rate, producing a tax gain of R$105.5 million in September 2015.

The herein mentioned extraordinary events generated **tax benefit** of R$13.2 million, with a net impact of R$89.6 million in the period’s results. Deducted the extraordinary events recorded in personnel expenses and in other operating income, and adjusted the income tax and social contribution, the recurring net income totaled R$609.6 million at the end of 9M15.

The **reconciliation between recorded and recurring net income** was used to calculate ROAE, assets indicators and efficiency ratio. Adjusted ROAE is 14.0%, 0.8 pp. below the indicator recorded in 9M14, reflecting a context that associates risk expansion, spreads compression and deceleration of credit growth, although favored by the performance of services and banking fees, the less volatile performance of administrative expenses and the favorable contribution of the result from the tender offer for the repurchase of part of the subordinated bonds.

The **efficiency ratio**, based on the recurring events, reached 50.8% in the twelve months ended September 2015, 4.4 pp. below the same period in 2014, due to the expansion of net interest income and services and banking fees and, the result of the repurchase offer of the subordinated bond, in particular, partially offset by higher administrative expenses.

## OPERATIONAL HIGHLIGHTS

### TABLE 4: ASSET EVOLUTION STATEMENT

| Asset Evolution Statement - R$ Million | Sep 2015 | Jun 2015 | Mar 2015 | Dec 2014 | Sep 2014 | Sep 2015/ Sep 2014 | Sep 2015/ Jun 2015 |
|---|---|---|---|---|---|---|---|
| Total Assets | 65,292.1 | 63,768.9 | 61,357.3 | 59,561.7 | 59,092.2 | 10.5% | 2.4% |
| Credit Operations | 31,360.0 | 31,091.2 | 31,027.0 | 30,487.0 | 29,950.8 | 4.7% | 0.9% |
| Securities + Interbank Transactions - Repurchase Obligations | 14,294.9 | 16,652.8 | 14,645.9 | 14,599.0 | 12,719.5 | 12.4% | -14.2% |
| Funds Raised and Under Management | 49,830.4 | 51,006.1 | 49,248.5 | 48,064.9 | 46,397.0 | 7.4% | -2.3% |
| Shareholders' Equity | 6,115.1 | 5,851.3 | 5,742.2 | 5,671.3 | 5,420.7 | 12.8% | 4.5% |

At the end of September 2015, **total assets** reached R$65,292.1 million, growing 10.5% (R$6,199.9 million) from September 2014 and R$5,730.4 million from December 2014. The year-on-year increase in assets was originated mostly from the increase of R$4,114.3 million in deposits, yet minimized by reduction of the bank notes balance. The increase in funding led to expanding treasury portfolios, which increased by R$2,266.8 million, deposits at the Central Bank by R$1,752.0 million, and credit assets by R$1,409.3 million. In the last quarter, assets increased 2,4% (R$1,523.2 million) mainly due to the growth of R$2,725.9 million in funds obtained from deposits and repurchase obligations, while the asset items that presented higher growth were the deposits at the Central Bank of Brazil, which grew by R$1,361.7 million, and credit operations, which grew by R$268.8 million.

Total **credit assets** (expanded concept) reached R$32,812.3 million, increasing 5.2% in the last twelve months. Loan book alone increased 4.7% (R$1,409.3 million) year-on-year, especially driven by the growth of R$766.9 million in the commercial (non-earmarked) credit portfolio. Real estate finance increased R$676.7 million; long-term finance increased R$261.2 million and foreign exchange portfolio, R$102.3 million in twelve months. Quarter-on-quarter, loan book remained stable due to the riskier environment, with the consequent restraint in credit offer and demand.

**Securities and interbank investments** totaled R$14,294.9 million at the end of September 2015, growing R$1,575.4 million in the last twelve months. Quarter-on-quarter, they decreased R$2,357.9 million. In the last quarter, the reduction of the treasury portfolio was influenced by the partial repurchase of the subordinated bonds, the maturity of the first tranche of the *bank notes* and the reduction of the balance of the financial and development funds, pursuant the terms of Law No. 14738/15, which allows the State Government to use up to 95% of the balances held in escrow deposits.

**Funds raised and under management**, composed by deposits, *bank notes*, subordinated bonds and investment funds, totaled R$49,830.4 million, increasing 7.4% (R$3,433.4 million) in twelve months, especially driven by the increase of R$4,114.3 million in deposits and of R$137.7 million in investment funds. From June to September 2015, funds raised and under management decreased 2.3% (R$1,175.7 million), given the partial settlement of the subordinated bonds issued in 2012 and of the two-year tranche of the bank notes issued in 2013, as well as the reduction of 4.9% (R$456.5 million) in the balance of investment funds, trend partially minimized by the increment of 4.4% (R$1,104.8 million) in time deposits.

**Shareholders' equity** reached R$6,115.1 million at the end of September 2015, increasing 12.8% (R$694.4 million) from September 2014 and R$263.8 million from June 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 9M15, Banrisul paid and provisioned R$523.1 million in **taxes and contributions**. Tax withholding totaled R$704.1 million, levied directly on financial intermediation and other payments.

### TABLE 5: OTHER INDICATORS

| Indicators - % | 9M15 | 9M14 | 3Q15 | 2Q15 | 1Q15 | 4Q14 | 3Q14 |
|---|---|---|---|---|---|---|---|
| Net Interest Margin | 7.63% | 7.24% | 7.65% | 7.88% | 7.81% | 7.64% | 7.68% |
| Basel Ratio (1) | 17.9% | 17.2% | 17.9% | 17.7% | 17.0% | 17.8% | 17.2% |
| Loan Portfolio Normal Risk/Total Credit | 89.7% | 90.4% | 89.7% | 90.1% | 90.5% | 91.3% | 90.4% |
| Loan Portfolio Risks 1 and 2/Total Credit | 10.3% | 9.6% | 10.3% | 9.9% | 9.5% | 8.7% | 9.6% |
| Default Rate > 60 Days | 5.29% | 4.08% | 5.29% | 4.33% | 4.27% | 3.83% | 4.08% |
| Default Rate > 90 Days | 4.47% | 3.53% | 4.47% | 3.74% | 3.55% | 3.39% | 3.53% |
| Cover Ratio > 60 Days | 130.4% | 140.3% | 130.4% | 145.7% | 140.6% | 144.9% | 140.3% |
| Cover Ratio > 90 Days | 154.2% | 161.9% | 154.2% | 168.5% | 168.8% | 163.8% | 161.9% |
| Provision Ratio | 6.9% | 5.7% | 6.9% | 6.3% | 6.0% | 5.6% | 5.7% |

**(1)** During the year 2014, based on the financial conglomerate. From 2015, as provided for CMN Resolutions No. 4192/13 and No. 4193/13, based on the Prudential Conglomerate.

The increase of NII from 9M14 to 9M15 reflects the contribution of the revenues produced by higher volumes and rates over interest-earning assets in relation to the expenses generated by the variation of balances and prices of the interest-bearing liabilities, in a context of increase in basic interest rates, currency depreciation and higher delinquencies. The quarterly flows reflect the relatively stable NII and the decrease of NIM (annualized), trend also favored by the repricing of the credit portfolio compared with the increase of balances.

The 60-day **default rate** reached 5.29% in September 2015, an increase of 1.21 pp. in the last twelve months, 1.46 pp. in the last nine months and 0.96 pp. in the last three months. Loans in arrears over 60 days totaled R$1,659.1 million in September 2015, an increase of R$437.3 million over September 2014. The 90-day default rate reached 4.47%, totaling R$1,402.6 million in loans overdue. The 90-day delinquency ratio increased 0.94 pp. year-on-year and 0.73 pp. quarter-on-quarter.

**Cover ratio** reached 130.4% for loans in arrears over 60 days, lower than the 140.3% in September 2014 and the 145.7% in June 2015. The 90-day cover ratio reached 154.2%, lower than the 161.9% of September 2014 and the 168.5% of June 2015. The cover ratio was 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 6.9% of the outstanding credit portfolio in September 2015, 1.2 pp. above September 2014 and 0.6 pp. higher than June 2015. The balance of credit provisions increased R$449.7 million due to the growth of the outstanding balance of credit assets and NPL. Loan book by rating levels reduced 0.7 pp. in the proportion of loans classified as normal risk in relation to the total portfolio in the last twelve months. From 2Q15 to 3Q15, the balance of provision expenses increased R$203.6 million, while and the representativeness of the normal risk loan portfolio decreased by 0.4 pp. in relation to the total loan book.

## GUIDANCE

The rollover of credit operations at higher rating levels throughout the 9M15, especially in the corporate segment, resulted in the increase of the stock and the flow of provisions in relation to the credit portfolio, affecting the range that provision indicators were expected to converge, reason why they are now being changed. The strong bad credit recovery policy supports the expected NPL stabilization at levels consistent with the ranges herein set forth for the year.

Other performance indicators forecasted for 2015 remain unaltered. NIM shall maintain the trend expected in early 2015, although portfolio repricing tends to soften up a little, with a consequent compression of spreads. ROAE and ROAA should benefit from NII stabilization and the consolidation of banking fees, in particular those related to acquiring, insurance, pension plans and capitalization products.

As to efficiency, indicators confirm the convergence trend towards more favorable levels, performance also observed in the ratio of services and fees revenues to personnel expenses, both in line with the maturation of new businesses and the control of administrative expenses.

Guidance for credit and funding reflects the environment of higher risk and of retraction in economic activity. However, Banrisul expects that they will be delivered in 2015.

**TABLE 6: GUIDANCE**

| Guidance | 2015 | | |
|---|---|---|---|
| | Expected | 1H15 Revised | Sep15 Revised |
| Credit Portfolio | 9% to 13% | 7% to 11% | 7% to 11% |
| Commercial Credit - Individuals | 10% to 14% | 8% to 12% | 8% to 12% |
| Commercial Credit - Companies | 8% to 12% | 6% to 10% | 6% to 10% |
| Real Estate Loans | 9% to 13% | 9% to 13% | 9% to 13% |
| Allowance for Loan Losses Expenses/Credit Portfolio | 2.5% to 3.5% | 2.5% to 3.5% | 3.5% to 4.5% |
| Allowance for Loan Losses Balance/Credit Portfolio | 5.5% to 6.5% | 5.5% to 6.5% | 6% to 7% |
| Funding | 10% to 14% | 10% to 14% | 10% to 14% |
| Recurring Return on Average Shareholders' Equity | 14% to 17% | 14% to 17% | 14% to 17% |
| Efficiency Ratio | 52% to 56% | 52% to 56% | 52% to 56% |
| Net Financial Margin / Interest-Earning Assets | 7% to 8% | 7% to 8% | 7% to 8% |

Porto Alegre, November 11, 2015.

# GOVERNO DO ESTADO
# DO RIO GRANDE DO SUL

Secretaria da Fazenda

Banco do Estado do Rio Grande do Sul

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**Chief Financial Officer**

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

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