Financial Statements

December 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	2015	2014	4Q15	3Q15	2Q15	1Q15	4Q14	2015 / 2014	4Q15 / 3Q15
Financial Margin	4,414.0	3,789.8	1,192.9	1,080.3	1,088.1	1,052.7	998.5	16.5%	10.4%
Allowance for Loan Losses Expenses	1,551.4	784.2	426.9	414.1	305.8	404.6	237.1	97.8%	3.1%
Gross Profit from Financial Operations	2,862.5	3,005.6	766.0	666.2	782.3	648.1	761.4	-4.8%	15.0%
Financial Income	10,804.3	8,196.7	2,602.1	3,168.6	2,104.3	2,929.3	2,330.6	31.8%	-17.9%
Financial Expenses	7,941.8	5,191.1	1,836.0	2,502.5	1,322.1	2,281.2	1,569.2	53.0%	-26.6%
Income from Services and Fees	1,444.6	1,196.3	399.3	369.4	351.1	324.9	333.1	20.8%	8.1%
Recurring Administrative Expenses (1)	3,032.3	2,742.4	827.3	761.8	723.5	719.7	747.4	10.6%	8.6%
Other Recurring Operational Expenses	433.4	347.2	116.7	118.1	97.0	101.6	101.7	24.8%	-1.2%
Other Recurring Operational Income	612.9	321.3	73.6	341.4	74.1	123.7	93.9	90.8%	-78.4%
Adjusted Net Income	758.5	753.0	148.9	269.7	192.9	147.0	177.0	0.7%	-44.8%
Net Income	848.8	691.4	149.5	359.3	192.9	147.0	248.2	22.8%	-58.4%
Main Balance Sheet Accounts - R$ Million	**Dec 2015**	**Dec 2014**	**Dec 2015**	**Sep 2015**	**Jun 2015**	**Mar 2015**	**Dec 2014**	**Dec 2015/ Dec 2014**	**Dec 2015/ Sep 2015**
Total Assets	66,937.8	59,561.7	66,937.8	65,292.1	63,768.9	61,357.3	59,561.7	12.4%	2.5%
Securities (2)	13,927.4	14,599.0	13,927.4	14,294.9	16,652.8	14,645.9	14,599.0	-4.6%	-2.6%
Total Credit Portfolio	32,013.3	30,487.0	32,013.3	31,360.0	31,091.2	31,027.0	30,487.0	5.0%	2.1%
Allowance for Loan Losses	2,252.5	1,694.0	2,252.5	2,163.5	1,959.9	1,861.0	1,694.0	33.0%	4.1%
Past Due Loans > 60 Days	1,601.1	1,169.1	1,601.1	1,659.1	1,345.3	1,324.0	1,169.1	37.0%	-3.5%
Past Due Loans > 90 Days	1,382.4	1,034.4	1,382.4	1,402.6	1,163.1	1,102.5	1,034.4	33.6%	-1.4%
Funds Raised and Under Management	51,990.2	48,064.9	51,990.2	49,830.4	51,006.1	49,248.5	48,064.9	8.2%	4.3%
Shareholders' Equity	6,208.6	5,671.3	6,208.6	6,115.1	5,851.3	5,742.2	5,671.3	9.5%	1.5%
Reference Equity (3)	7,389.2	7,062.3	7,389.2	7,300.5	7,033.8	6,927.7	7,062.3	4.6%	1.2%
Average Shareholders' Equity	5,940.0	5,410.5	6,161.8	5,983.2	5,796.7	5,706.7	5,546.0	9.8%	3.0%
Average Total Assets	63,249.7	56,386.2	66,114.9	64,530.5	62,563.1	60,459.5	59,326.9	12.2%	2.5%
Average Profitable Assets	57,373.7	52,315.0	59,116.8	58,067.0	56,867.8	55,443.2	53,756.4	9.7%	1.8%
Stock Market Information - R$ Million	**2015**	**2014**	**4Q15**	**3Q15**	**2Q15**	**1Q15**	**4Q14**	**2015 / 2014**	**4Q15 / 3Q15**
Interest on Own Capital/Dividends (4)	356.4	280.8	101.5	93.5	84.4	77.0	80.3	29.6%	8.6%
Market Capitalization	2,396.6	5,930.1	2,396.6	2,282.1	3,643.9	4,498.7	5,930.1	-59.6%	5.0%
Book Value Per Share	15.18	13.87*	15.18	14.95	14.31	14.03	13.87*	13.7%	1.5%
Average Price per Share (R$)	9.20	12.62	5.90	8.10	10.56	12.23	13.91	-27.1%	-27.2%
Earnings per Share (R$)	2.08	1.69	0.37	0.88	0.47	0.36	0.61	23.1%	-58.0%
Financial Index	**2015**	**2014**	**4Q15**	**3Q15**	**2Q15**	**1Q15**	**4Q14**		
ROAA (pa.) (5)	1.2%	1.3%	0.9%	1.7%	1.2%	1.0%	1.2%		
ROAE (pa.) (6)	12.8%	13.9%	10.0%	19.3%	14.0%	10.7%	13.4%		
Efficiency Ratio (7)	50.2%	55.3%	50.2%	50.8%	53.0%	53.9%	55.3%		
Financial Margin (8)	7.69%	7.24%	8.32%	7.65%	7.88%	7.81%	7.64%		
Recurring Operating Cost	4.5%	4.6%	4.5%	4.5%	4.5%	4.6%	4.6%		
Default Rate > 60 Days (9)	5.00%	3.83%	5.00%	5.29%	4.33%	4.27%	3.83%		
Default Rate > 90 Days (10)	4.32%	3.39%	4.32%	4.47%	3.74%	3.55%	3.39%		
Cover Ratio 60 days (11)	140.7%	144.9%	140.7%	130.4%	145.7%	140.6%	144.9%		
Cover Ratio 90 days (12)	162.9%	163.8%	162.9%	154.2%	168.5%	168.8%	163.8%		
Provisioning Index (13)	7.0%	5.6%	7.0%	6.9%	6.3%	6.0%	5.6%		
Basel Ratio - Financial Conglomerate (14)	17.8%	17.8%	17.8%	17.9%	17.7%	17.0%	17.8%		
Structural Indicators	**Dec 2015**	**Dec 2014**	**Dec 2015**	**Sep 2015**	**Jun 2015**	**Mar 2015**	**Dec 2014**		
Branches	536	528	536	536	534	531	528		
Service Stations	202	206	202	203	206	206	206		
Electronic Service Stations	541	594	541	557	569	593	594		
Employees	11,098	11,636	11,098	11,491	11,546	11,588	11,636		
Economic Indicator	**2015**	**2014**	**4Q15**	**3Q15**	**2Q15**	**1Q15**	**4Q14**		
Effective Selic Rate	13.27%	10.90%	3.36%	3.43%	3.03%	2.82%	2.78%		
Exchange Rate (R$/USD - end of period)	3.90	2.66	3.90	3.97	3.10	3.21	2.66		
Exchange Rate Variation (%)	47.01%	13.39%	-1.71%	28.05%	-3.29%	20.77%	8.37%		
IGP-M (General Market Price Index)	10.54%	3.67%	3.95%	1.93%	2.27%	2.02%	1.89%		
IPCA (Extended Consumer Price Index)	10.67%	6.41%	2.82%	1.39%	2.26%	3.83%	1.72%		

*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 Veras Mota 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 2015 were affected the adverse business environment that has upset the Brazilian economy throughout the year, influencing significantly credit provisions. 2015's recurring result also demonstrated the positive trend of net interest income and the outcome of the partial repurchase of the subordinated debt, as well as the favorable performance of banking fees and administrative expenses. Net income was also impacted by extraordinary events like (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 joint venture 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 4Q15 and 2015. 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	2015	2014	4Q15	3Q15	2Q15	1Q15	4Q14	2015 / 2014	4Q15 / 3Q15
Net Interest Income	4,414.0	3,789.8	1,192.9	1,080.3	1,088.1	1,052.7	998.5	16.5%	10.4%
Allowance for Loan Losses	1,551.4	784.2	426.9	414.1	305.8	404.6	237.1	97.8%	3.1%
Gross Profit from Financial Operations	2,862.5	3,005.6	766.0	666.2	782.3	648.1	761.4	-4.8%	15.0%
Income from Services and Fees	1,444.6	1,196.3	399.3	369.4	351.1	324.9	333.1	20.8%	8.1%
Recurring Administrative Expenses	3,032.3	2,742.4	827.3	761.8	723.5	719.7	747.4	10.6%	8.6%
Operating Income	1,038.3	963.7	197.0	359.9	293.5	187.9	367.2	7.7%	-45.3%
Consolidated Net Income	848.8	691.4	149.5	359.3	192.9	147.0	248.2	22.8%	-58.4%
Net Income Adjusted for Non-Recurring Events	758.5	753.0	148.9	269.7	192.9	147.0	177.0	0.7%	-44.8%

Recurring net income totaled R$758.5 million in 2015, R$5.5 million above 2014. **Net income** reached R$848.8 million in 2015, an increase of 22.8% (R$157.4 million) in relation to 2014. Adjusted to non-recurring events, ROAE reached 12.8% in 2015. In 4Q15, recurring net income totaled R$148.9 million, 15.9% (R$28.2 million) below 4Q14 and 44.8% (R$120.8 million) below 3Q15. Net income in 4Q15 reached R$149.5 million, a decrease of 39.8% (R$98.7 million) from 4Q14 and of 58.4% (R$209.8 million) from 3Q15.

Banrisul's **recurring performance** in **2015** was impacted by higher credit provisions and expansion of net interest income, favored by the repricing of loans and by increase of balances. The growth of banking fees related to the acquiring business, insurance, pension and capitalization bonds and the growth of personnel expenses and other administrative expenses, especially due to those in connection to the acquiring network and loans originated by 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.

Recurring bottom line decreased from 4Q14 to **4Q15**, especially due to higher credit provision expenses. Quarter-on-quarter, the lower result in 4Q15 reflects the comparison base effect, as 3Q15 was positively affected by revenues from the partial repurchase of the subordinated notes.

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 USD199 million or 80% of its face value. The obligation's carrying value of R$1,037.1 million was marked to market by R$911.3 million on the settlement date.

In September 2015, the partial repurchase tender offer produced gross revenues of R$171.0 million which, deducted by R$60.2 million in adjustments related to derivative transactions associated with the settled amount and costs and mark-to-market of the swap for the remaining outstanding balance of the subordinated bonds, produced gross gains of R$110.8 million and a net impact of R$55.8 million in the bottom line. In October 2015, there was the conclusion of the partial repurchase of subordinated debt, in the amount of USD2.8 million related to the notes tendered after the Early Tender period, generating R$2.7 million in revenues.

Net interest income of R$4,414.0 million in 2015 increased 16.5% (R$624.1 million) from 2014, 19.5% (R$194.4 million) from 4Q14 to 4Q15 and 10.4% (R$112.6 million) from 3Q15 to 4Q15. In 2015, NII expansion improved due to the growth of balances of assets and the portfolio repricing. Quarter on quarter, the expansion trend of net interest income reflects, especially, the increase of assets prices in an environment of increasing risk, which prevailed throughout the year.

Provision for loan losses reached R$1,551.4 million in 2015, increasing 97.8% (R$767.2 million) from 2014. In 4Q15, provision expenses totaled R$426.9 million, increasing R$189.8 million from 4Q14 and R$12.8 million from 3Q15. In 2015, the growth of the balance of overdue transactions and the rollover of the credit portfolio at worse risk rating levels required additional provisions for defaults, which took place in a period of credit slowdown and higher write-offs. In 4Q15, the increase of the flow of expenses reflected the rollover of the credit portfolio by risk rating, in a context of increasing write-offs and loan book, as well as of reduced delinquencies.

Banking Fees totaled R$1,444.6 million in 2015, driven by the performance of Banrisul Cartões and insurance, pension plan and capitalization products. Of the increase of 20.8% (R$248.3 million) in fees, R$142.1 million were produced by the acquiring business, R$40.8 million from checking account fees and R$27.5 million in fees from insurance, pension plan and capitalization products. Banking fees grew 19.9% (R$66.2 million) from 4Q14 to 4Q15 and 8.1% (R$29.9 million) from 3Q15 to 4Q15, benefiting from acquiring revenues.

In 2015, **recurring administrative expenses** totaled R$3,032.3 million, increasing 10.6% (R$289.9 million) since 2014. From 4Q14 to 4Q15, administrative expenses grew 10.7% (R$79.9 million), and increased 8.6% (R$65.6 million) from 3Q15 to 4Q15. Of the increase of total expenses from 2014 to 2015, personnel expenses represented 56.9%, and other administrative expenses, 43.1%.

Recurring personnel expenses increased 11.2% (R$164.9 million) from 2014 to 2015. From 4Q14 to 4Q15, personnel expenses increased 14.2% (R$56.1 million). From 3Q15 to 4Q15, personnel expenses increased 10.1% (R$41.4 million). Services fees covered 88.3% of the recurring personnel expenses in 2015, 7.0 pp. above the ratio reported in 2014. The increase in personnel expenses reflects the wage agreement and the increase of expenses related to post-employment benefits, resulting from the structuring of the complementary pension plans in 2014.

Other administrative expenses increased 9.8% (R$124.9 million) from 2014 to 2015, especially impacted by the growth of the costs related with interchange expenses from acquiring business and with the origination of payroll loans via banking correspondents. Other administrative expenses increased 6.8% from 4Q14 to 4Q15 and 6.9% quarter-on-quarter, reflecting, especially, higher expenses related to data processing and telecommunications. If these costs were not included (as they are directly related to business opportunities), other current administrative expenses would have increased only 3.6% in 2015, below price indexes in 2015.

EXTRAORDINARY EVENTS

The non-recurring events affecting the aggregate results of 2015 are commented below.

TABLE 3: ACCOUNTING NET INCOME STATEMENT X ADJUSTED NET INCOME

Extraordinary Events - R$ Million	2015	2014	4Q15	3Q15	2Q15	1Q15	4Q14
Adjusted Net Income	758.5	753.0	148.9	269.7	192.9	147.0	177.0
Extraordinary Events	90.3	(61.6)	0.6	89.6	-	-	71.1
Retirement Plan (1)	(48.5)	(64.1)	3.2	(51.6)	-	-	-
Insurance Distribution Agreement	22.5	115.0	-	22.5	-	-	115.0
Banrisul Foundation (FBSS) Migrating/Restructuring Process	-	(204.5)	-	-	-	-	-
Tax Effects	10.7	92.0	(2.5)	13.2	-	-	(43.9)
Tax Credits – CSLL Law No. 13169/15	105.5	-	-	105.5	-	-	-
Accounting Net Income	848.8	691.4	149.5	359.3	192.9	147.0	248.2
Adjusted ROAA	1.2%	1.3%	0.9%	1.7%	1.2%	1.0%	1.2%
Adjusted ROAE	12.8%	13.9%	10.0%	19.3%	14.0%	10.7%	13.4%
Adjusted Efficiency Ratio	50.2%	55.3%	50.2%	50.8%	53.0%	53.9%	55.3%

(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 initially responded positively to the **Retirement Severance Plan** during the enrollment period from July 27 to September 25, 2015. Excluding dropouts, final number reached 471 employees. Net of tax benefit, the cost of the plan influenced negatively the result in R$28.8 million.

Another initiative consolidated in August 2015 was the conclusion of process for the creation 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, which is now a full bancassurance model, starting to incorporate part of the results produced by the operation. The Insurance Company operate exclusively for the selling of life insurance and private pension plan products through Banrisul's distribution channels, according to the terms of the agreement from by which Icatu paid Banrisul the amount of R$115.0 million in 2014. 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 of 2015 in R$13.5 million.

Another extraordinary event recorded in 3Q15 refers to the application of Provisional Measure No. 675, of May 21 2015, as set forth by Law No. 13169/15, which establishes the increase to 20% from 15% of the social contribution (CSLL), 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$10.7 million, with a net impact of R$90.3 million in 2015 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$758.5 million in 2015.

The **reconciliation between recorded and recurring net income** was demonstrated by ROAE, assets indicators and efficiency ratio. Adjusted ROAE is 12.8%, 1.1 pp. below what was recorded in 2014, and a consequence of a context that associated risk expansion, deceleration of credit growth, although favored by the recovery of net interest income, the expansion of 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.

Efficiency ratio, based on recurring events, reached 50.2% at the end of December 2015, 5.1 pp. below 2014. The efficiency improvement is due to the expansion of net interest income, services and banking fees, the result of the repurchase offer of the subordinated bond and the currency variation registered in 2015, partially offset by higher administrative expenses.

OPERATIONAL HIGHLIGHTS

TABLE 4: ASSET EVOLUTION STATEMENT

Asset Evolution Statement - R$ Million	Dec 2015	Sep 2015	Jun 2015	Mar 2015	Dec 2014	Dec 2015/ Dec 2014	Dec 2015/ Sep 2015
Total Assets	66,937.8	65,292.1	63,768.9	61,357.3	59,561.7	12.4%	2.5%
Credit Operations	32,013.3	31,360.0	31,091.2	31,027.0	30,487.0	5.0%	2.1%
Securities + Interbank Transactions - Repurchase Obligations	13,927.4	14,294.9	16,652.8	14,645.9	14,599.0	-4.6%	-2.6%
Funds Raised and Under Management	51,990.2	49,830.4	51,006.1	49,248.5	48,064.9	8.2%	4.3%
Shareholders' Equity	6,208.6	6,115.1	5,851.3	5,742.2	5,671.3	9.5%	1.5%

At the end of December 2015, **total assets** reached R$66,937.8 million, growing 12.4% (R$7,376.1 million) from December 2014 and R$1,645.7 million from September 2015. The year-on-year increase in assets was originated mostly from the increase of R$4,562.9 million in deposits, yet minimized by reduction of the financial and development funds. The increase in funding led to expanding in R$2,725.1 million the current balances of interbank and interbranch accounts, apart from increasing treasury portfolios in R$2,198.8 million and credit assets in R$1,526.3 million. In the last quarter, the increase in assets was mainly due to the growth of R$2,346.0 million in funds from deposits and repurchase obligations, with credit assets (growth of R$653.2 million) and compulsory deposits at the Central Bank of Brazil (R$566.8 million in growth) presenting the highest increases.

Total **credit assets** (expanded concept) reached R$33,430.2 million, increasing 5.1% in the last twelve months. Loan book alone increased 5.0% (R$1,526.3 million) year-on-year, especially driven by the growth of R$1,157.6 million in the commercial (non-earmarked) credit portfolio. Real estate finance increased R$549.0 million and foreign exchange portfolio, R$171.6 million in twelve months. Quarter-on-quarter, loan book increased 2.1% (R$653.2 million), especially due to the credit lines of Christmas bonus advance available to state civil servants, with a balance of R$843.4 million.

Securities and interbank investments totaled R$21,116.1 million, which, deducted from repurchase operations, presented a net balance of R$13,927.4 million at the end of December 2015, decreasing 4.6% (R$671.7 million) in the last twelve months and 2.6% (R$367.5 million) quarter-on-quarter. The reduction of the treasury portfolio was influenced by the partial repurchase of the subordinated bonds, the maturity of the first tranche of *bank notes* amounting to R$700 million and the reduction of the balance of the financial and development funds, pursuant the terms of State Law No. 14738/15.

Funds raised and under management, composed by deposits, *bank notes*, subordinated bonds and investment funds, totaled R$51,990.2 million, increasing 8.2% (R$3,925.3 million) in twelve months, especially driven by the increase of R$4,562.9 million in deposits. From September to December 2015, funds raised and under management increased 4.3% (R$2,159.8 million), given the increment of 4.5% (R$1,663.9 million) in deposits.

Shareholders' equity reached R$6,208.6 million at the end of December 2015, increasing 9.5% (R$537.2 million) from December 2014 and 1.5% (R$93.5 million) from September 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 2015, Banrisul paid and provisioned R$716.0 million in **taxes and contributions**. Tax withholding totaled R$996.3 million, levied directly on financial intermediation and other payments.

TABLE 5: OTHER INDICATORS

Indicators - %	2015	2014	4Q15	3Q15	2Q15	1Q15	4Q14
Net Interest Margin	7.69%	7.24%	8.32%	7.65%	7.88%	7.81%	7.64%
Basel Ratio (1)	17.8%	17.8%	17.8%	17.9%	17.7%	17.0%	17.8%
Loan Portfolio Normal Risk/Total Credit	90.0%	91.3%	90.0%	89.7%	90.1%	90.5%	91.3%
Loan Portfolio Risks 1 and 2/Total Credit	10.0%	8.7%	10.0%	10.3%	9.9%	9.5%	8.7%
Default Rate > 60 Days	5.00%	3.83%	5.00%	5.29%	4.33%	4.27%	3.83%
Default Rate > 90 Days	4.32%	3.39%	4.32%	4.47%	3.74%	3.55%	3.39%
Cover Ratio > 60 Days	140.7%	144.9%	140.7%	130.4%	145.7%	140.6%	144.9%
Cover Ratio > 90 Days	162.9%	163.8%	162.9%	154.2%	168.5%	168.8%	163.8%
Provision Ratio	7.0%	5.6%	7.0%	6.9%	6.3%	6.0%	5.6%

(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 2014 to 2015 reflects the contribution of the revenues produced by higher rates and volumes 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 increase of NII and the decrease of NIM (annualized), trend resulting from the repricing of the credit portfolio.

The 60-day **default rate** reached 5.00% in December 2015, an increase of 1.17 pp. in the last twelve months and 0.29 pp. in the last three months. Loans in arrears over 60 days totaled R$1,601.1 million in December 2015, an increase of R$432.0 million over December 2014. The 90-day default rate reached 4.32%, totaling R$1,382.4 million in loans overdue. The 90-day delinquency ratio increased 0.93 pp. year-on-year and decreased 0.15 pp. quarter-on-quarter.

Cover ratio reached 140.7% for loans in arrears over 60 days, lower than the 144.9% in December 2014 and higher than the 130.4% in September 2015. The 90-day cover ratio reached 162.9%, lower than the 163.8% of December 2014 and higher than the 154.2% of September 2015. The annual 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. In the last quarter, the balance of defaulted credits reduced, reflecting the improvement of the cover ratios.

Total provisions reached 7.0% of the outstanding credit portfolio in December 2015, 1.4 pp. above December 2014 and 0.1 pp. higher than September 2015. The balance of credit provisions increased R$558.5 million due to the growth of the outstanding balance of credit assets and NPL. Loan book by rating levels reduced 1.3 pp. in the proportion of loans classified as normal risk in relation to the total portfolio in the last twelve months. From 3Q15 to 4Q15, the balance of provision expenses increased R$88.9 million, while and the representativeness of the normal risk loan portfolio increased by 0.3 pp. in relation to the total loan book.

GUIDANCE

The impacts of the confidence crisis in Brazil in 2015 generated negative impacts on the level of economic activity and on the financial capacity of companies and consumers. The year starts already with frustrating signals in relation to production and income. Business and performance goals for 2015, announced to the market in February were revised twice, in June and September. Even so, out of the ten items in Banrisul's Guidance, four were not reached, four of them ended within expected ranges and two exceeded expected levels.

The rollover of credit operations at higher rating levels throughout the 2015, especially in the corporate segment, resulted in the increase of the stock and the flow of provisions in relation to the credit portfolio. The ratio of provision balance in proportion to credit portfolio converged to the ceiling of the expected range. The ratio of provision expenses in relation to the credit portfolio frustrated expectations signaled to the market in September 2015.

The pace of credit growth was wittingly reduced and adjusted to conjectural risks exposure. Real estate finance grew above estimates for 2015, pursuant to the granting of already approved loans. The other lines reduced, especially in the companies segment, with the growth rates of credit to companies and of total portfolio ending the year below their expected ranges. The evolution of individual commercial portfolio reached 10.9%, within the expected range for 2015.

In a restrictive economic environment, preservation of liquidity is strategic and actions to reinforce retail, cheaper funding sources from customers were implemented, while more expensive funding lines were discontinued, such as the partial repurchase of subordinated debt and the settlement of a tranche of the local *bank notes*. The Institution reduced by around one third the foreign subordinated bonds, reducing its carrying global cost in a context of increasing country risk and currency depreciation. The stock of *bank notes* was also reduced due to the maturity of the tranche due 2015. The guidance for deposits was reached.

NIM expansion, resulting from portfolio repricing and the strong debt recovery policy, ended within range for 2015. Efficiency ratio, based on recurring events, followed above expected course, improving from the bottom range of the guidance for the year. At 12.8%, ROAE ended below expectations, especially due to the increase in the cost of credit, although NII, banking fees and administrative expenses had presented positive performances. ROAE based on the total net income (recurring and extraordinary results) reached 14.3% in 2015.

Two State Laws should generate future effects on business. Law No. 14797/15 authorizes Banrisul to create a company for the distribution of insurance, pension plans and capitalization products. In addition, Law No. 14837/16 authorizes the State of Rio Grande do Sul to transfer onerously to Banrisul the services related to the payroll of the State public servants. The Bank is establishing its insurance broker company and has initiated studies that support trading parameters and actions to be taken for the possible purchase of the payroll of the State civil servants.

Business goals for 2016 are based on the strategy to cope with credit risk exposure within the actual economic scenario, policy that should reflect in improvement in provision indicators. The increase in funding should behave in line with its historical evolution. As to ROAE, efficiency ratio and NII, it is expected a favorable performance, arising from the strategy focused on short term assets.

TABLE 6: GUIDANCE

Guidance	2015				2016
	Expected	Revised in 1H15	Revised in Sept/15	Actual	Expected
Credit Portfolio	9% to 13%	7% to 11%	7% to 11%	5.0%	0% to 4%
Commercial Credit - Individuals	10% to 14%	8% to 12%	8% to 12%	7.6%	0% to 4%
Commercial Credit - Companies	8% to 12%	6% to 10%	6% to 10%	-0.1%	0% to 4%
Real Estate Loans	9% to 13%	9% to 13%	9% to 13%	16.7%	4% to 8%
Allowance for Loan Losses Expenses/Credit Portfolio	2.5% to 3.5%	2.5% to 3.5%	3.5% to 4.5%	4.8%	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%	7.0%	6.5% to 7.5%
Funding	10% to 14%	10% to 14%	10% to 14%	10.8%	10% to 14%
Recurring Return on Average Shareholders' Equity	14% to 17%	14% to 17%	14% to 17%	12.8%	14% to 17%
Efficiency Ratio	52% to 56%	52% to 56%	52% to 56%	50.2%	49% to 53%
Net Financial Margin / Interest-Earning Assets	7% to 8%	7% to 8%	7% to 8%	7.7%	7.5% to 8.5%

Porto Alegre, February 16, 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

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Chairman

LUIZ GONZAGA VERAS MOTA
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CARLOS ANTÔNIO BÚRIGO
DILIO SERGIO PENEDO
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JOÃO CARLOS BRUM TORRES
JOÃO GABBARDO DOS REIS
JOÃO VERNER JUENEMANN
Board Members

WERNER KÖHLER
Accountant CRCRS 38,534

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