

BANCO BMG REPORTS 4Q17 CONSOLIDATED RESULTS

São Paulo, February 22, 2018 – Banco BMG S.A. and its subsidiaries (“BMG” or “Banco”) announces its consolidated results of the period ended on December 31, 2017 audited by PwC (PricewaterhouseCoopers) - independent external auditors.

In order to provide greater transparency for its customers, investors and general market and always seeking the best corporate governance practices, Banco BMG’s administration publishes this report highlighting the key aspects of the bank’s performance in the period.

BMG’s operational and financial information, except if otherwise indicated, are presented based on consolidated numbers and on Brazilian reais, in accordance to the rules adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (Bacen).

HIGHLIGHTS

- ✓ **Net Income** in the fiscal year of 2017 was **R\$26.3 million**, of which R\$ 5.9 million refers to 4Q17;
- ✓ **Shareholders' Equity** ended December 31, 2017 with a balance of **R\$ 2,572 million**;
- ✓ The **Basel Ratio** was **15.7%** at December 31, 2017, of which **13.4% of Core Capital**;
- ✓ The annualized **Net Interest Margin** was **13.2%** in the twelve months of 2017;
- ✓ The **Payroll Credit Card** portfolio reached **R\$ 6,321 million**, representing 20.7% growth in the last twelve months;
- ✓ Banco BMG maintains a **strong liquidity position** ending the quarter with a total cash of **R\$ 3,115 million**;
- ✓ The balance of **Time Deposits increased by 76.2%** in the last twelve months, as a result of BMG's efforts to spread its funding through the **BMG Invest**.

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CORPORATE PROFILE

With **87 years of solid presence** in the financial market, Banco BMG offers to its individual clients: payroll credit card (**BMG Card**), **Direct Debt Loan**, both exclusive to Social Security (INSS) retirees and pensioners and public servants, and digital personal credit (**Lendico**). For company clients, it offers financing, structured financial services, derivatives instruments and surety bond insurance for medium and large companies (**BMG Empresas** and **BMG Seguros**). BMG provides fixed income investment products for all audiences (**BMG Invest**).

FINANCIAL PERFORMANCE

Financial Highlights

Indicators (%)	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)	2017	2016	17/16 (%)
Net Income	6	4	57.2%	22	-73.6%	26	51	-48.8%
ROAA	0.1%	0.1%	0.0 p.p	0.5%	-0.4 p.p	0.2%	0.3%	-0.1 p.p
ROAE	0.9%	0.6%	0.3 p.p	3.2%	-2.3 p.p	1.0%	1.8%	-0.8 p.p
Basel Ratio	15.7%	17.6%	-1.9 p.p	20.5%	-4.8 p.p	15.7%	20.5%	-4.8 p.p
Net Interest Margin ¹	13.8%	15.1%	-1.3 p.p	8.2%	5.6 p.p	12.5%	9.4%	3.1 p.p
Efficiency Ratio ²	68.3%	55.6%	12.7 p.p	105.4%	-37.1 p.p	60.8%	75.8%	-15.0 p.p
NPL ³ – E-H Portfolio	7.2%	7.2%	0.0 p.p	6.0%	1.2 p.p	7.2%	6.0%	1.2 p.p
NPL ⁴ – Overdue installments	4.0%	4.2%	-0.2 p.p	4.0%	0.0 p.p	4.0%	4.0%	0.0 p.p

Balance Sheet (R\$ Million)	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)
Total Credit Portfolio	8,633	8,391	2.9%	8,487	1.7%
Core Retail Portfolio ⁵	6,834	6,515	4.9%	5,457	25.2%
Wholesale Portfolio	1,293	1,292	0.1%	1,538	-15.9%
Run off Portfolio ⁶	505	584	-13.5%	1,492	-66.1%
Total Assets	16,260	16,237	0.1%	15,616	4.1%
Shareholders' Equity	2,572	2,597	-1.0%	2,600	-1.1%
Total Funding	11,939	11,480	4.0%	10,215	16.9%

1) Excludes the non-recurring effects in 1Q17 e 3Q17.

2) Excludes the non-recurring effects in 1Q17, 3Q17 e 4Q17.

3) Methodology: Portfolio classified by E-H/Total Portfolio, including overdue plus falling due installments. Considers only Core Retail and Wholesale portfolios, excluding the portfolio in run-off.

4) Methodology: Installments overdue more than 90 days/Total Portfolio. Considers only Core Retail and Wholesale portfolios, excluding the portfolio in run-off.

5) The core retail portfolio includes Payroll Credit Card (BMG Card) and Personal Credit.

6) The run off portfolio includes the payroll loan, vehicles and home equity loan (BMG Realiza).

Financial Intermediation Result and Margin

Gross profit from financial intermediation in 4Q17 decreased by 12.4% compared to the previous quarter, with the main impacts being related to: (i) the adjustment of commissions paid to distributors in the amount of R\$ 38 million recognized in 3Q17 and (ii) the extraordinary result in marketable securities transactions carried out in the previous quarter. Revenues from credit operations maintained the growth trend, in line with the increase in the payroll credit card portfolio.

(R\$ Million)	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)	2017	2016	17/16 (%)
Income from financial intermediation	675	699	-3.4%	622	8.6%	2,707	2,266	19.5%
Credit and leasing operations	618	605	2.1%	554	11.5%	2,401	1,951	23.0%
Income from credit operations	731	702	4.1%	711	2.7%	2,793	2,606	7.2%
Assignment expenses	(33)	(23)	44.1%	(74)	100.6%	(90)	(226)	-60.2%
Expenses with agents' commissions	(80)	(74)	8.0%	(83)	-3.5%	(302)	(429)	-29.5%
Marketable securities transactions	57	94	-39.3%	67	-15.7%	307	315	-2.6%
Expenses on financial intermediation	(313)	(274)	14.2%	(408)	-23.1%	(1,278)	(1,269)	0.7%
Funds obtained in the market and derivatives	(302)	(261)	15.6%	(379)	-20.3%	(1,217)	(1,180)	3.2%
Loans, assignments and onlendings	(12)	(13)	-12.5%	(29)	-60.4%	(61)	(90)	-32.3%
Gross profit from financial intermediation before allowance for loan losses	361	424	-14.8%	214	69.0%	1,430	997	43.4%
Provision for impairment of credits net from recovery	(77)	(99)	-22.9%	(101)	-24.0%	(371)	(418)	-11.2%
Gross profit from financial intermediation	285	325	-12.4%	113	151.9%	1,059	579	82.8%

The net interest margin was 13.2% p.a. in 2017, an increase of 3.8 p.p. compared to 2016. In the quarter, the margin was 13.8% p.a., an increase of 5.6 p.p. compared to 4Q16 and a reduction of 2.8p.p. in relation to 3Q17, due to the extraordinary result in marketable securities transactions carried out in 3Q17. Excluding the effect of the adjustment to the recognition of commissions and adjustments in Annex IV, the margin in 3Q17 would have been 15.1% and in 2017, 12.5%.

Net Interest Margin (R\$ Million)	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)	2017	2016	17/16 (%)
Financial Margin	370	433	-14.5%	222	66.6%	1,466	1,048	40.0%
Gross profit before allowance for loan losses	361	424	-14.8%	214	69.0%	1,430	997	43.4%
Income from services rendered	9	9	1.9%	8	5.5%	37	51	-27.6%
Average interest-earning assets	11,268	11,039	2.1%	11,207	0.5%	11,082	11,182	-0.9%
Net Interest Margin % per year	13.8%	16.6%	-2.8 p.p	8.2%	5.6 p.p	13.2%	9.4%	3.8 p.p

Other Operational Income (Expenses)

In the fourth quarter of 2017, other operating expenses, net of other operating income, increased by 10.4% compared to 3Q17.

(R\$ Million)	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)	2017	2016	17/16 (%)
Other operating income (expenses)	(325)	(294)	10.4%	(445)	-27.1%	(1.066)	(1.065)	0.1%
Income from services rendered	9	9	1.9%	8	5.5%	37	51	-27.6%
Personnel expenses	(48)	(39)	23.6%	(46)	5.4%	(164)	(168)	-2.6%
Other administrative expenses	(148)	(155)	-4.7%	(165)	-10.4%	(607)	(597)	1.8%
Tax expenses	(23)	(21)	13.0%	(16)	44.2%	(78)	(60)	30.0%
Equity in the results	1	(2)	126.3%	3	-84.7%	(4)	40	-110.4%
Other operating income/ expense	(115)	(86)	33.3%	(230)	-50.2%	(249)	(331)	-24.8%

BMG invests continuously in its operational structure and client service, to support the operation and guarantee its relationship quality. In line with this strategy, over the course of 2017 the Bank was able to balance its expenses between investments in process improvements and efficiency gains.

In 4Q17, operating expenses/revenues presented non-recurring effects referring to provisions for transfer of funds from consignee entities in the amount of R\$ 33 million.

(R\$ Million)	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)	2017	2016	17/16 (%)
Personnel, Administrative and Operating Expenses	(311)	(280)	10.9%	(441)	-29.5%	(1.020)	(1.096)	-6.9%
Personnel expenses	(48)	(39)	23.6%	(46)	5.4%	(164)	(168)	-2.6%
Administrative expenses	(148)	(155)	-4.7%	(165)	-10.4%	(607)	(597)	1.8%
Other operating income/ expense	(115)	(86)	33.3%	(230)	-50.2%	(249)	(331)	-24.8%

Operating Efficiency Ratio

The Operating Efficiency Ratio stood at 61.7% in 2017, an improvement of 14.1p.p. in comparison with the previous year. In the quarter, efficiency was 77.8%, improvement of 27.6 p.p. in relation to 4Q16 and a worsening of 19.8 p.p. compared to 3Q17.

Excluding non-recurring effects on the margin and costs in 2017, the efficiency ratio in 4Q17 would have been 68.3%, in 3Q17 it would be 55.6% and in 2017 it would be 60.8%.

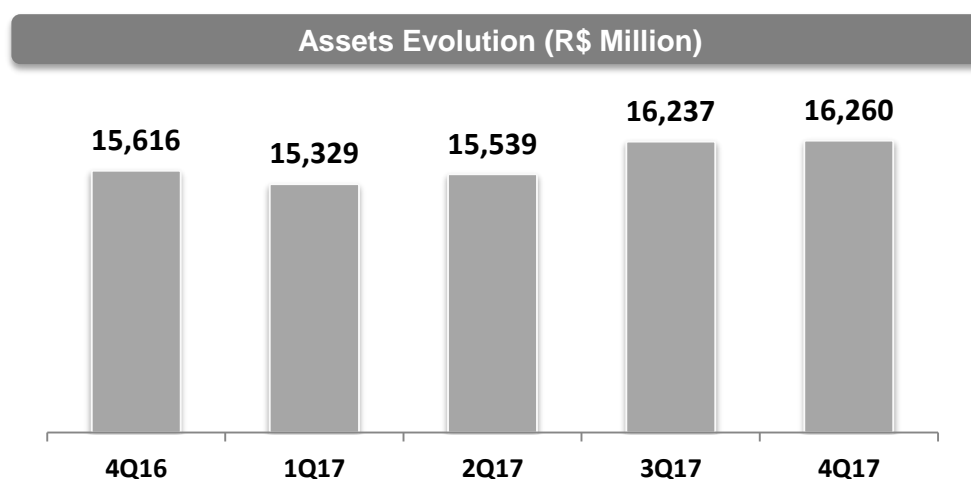
Operating Efficiency Ratio	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)	2017	2016	17/16 (%)
Operating Efficiency Ratio	77.8%	58.0%	19.8 p.p	105.4%	-27.6 p.p	61.7%	75.8%	-14.1 p.p

Methodology: Personnel Expenses + Other Administrative Expenses (doesn't consider amortization and depreciation) + Other Operating Expenses (net from operating income)/ Gross Profit from Financial Intermediation before allowance for loan losses + Income from Services Rendered + Tax Expenses

OPERATIONAL PERFORMANCE

Assets Evolution

At the end of the fourth quarter of 2017, total assets were R\$ 16,260 million, growth of 4.1% compared to the same period of 2016 and of 0.1% compared to the previous quarter.



Credit Portfolio Distribution

The total credit portfolio was R\$ 8,633 million in 4Q17, representing an increase of 2.9% in the quarter and of 1.7% compared to 4Q16.

In line with the Bank's strategy, the payroll credit card portfolio recorded a strong increase of 20.7% on the last twelve months and already represents 73.2% of the total portfolio.

Distribution of Total Credit Portfolio (R\$ Million)	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)
Core Retail Portfolio	6,834	6,515	4.9%	5,457	25.2%
Payroll Credit Card (BMG Card)	6,321	6,073	4.1%	5,238	20.7%
Personal Credit	513	442	16.2%	219	134.5%
Direct Debt Loan	250	211	18.5%	82	204.7%
Lendico	123	104	18.0%	40	211.5%
BMG Money	140	126	10.7%	97	44.0%
Wholesale Portfolio	1,293	1,292	0.1%	1,538	-15.9%
BMG Empresas	1,293	1,292	0.1%	1,538	-15.9%
Run off Portfolio	505	584	-13.5%	1,492	-66.1%
Payroll Loan	457	522	-12.5%	776	-41.1%
Vehicles	21	31	-34.4%	678	-97.0%
Home Equity Loan (BMG Realiza)	27	30	-9.0%	38	-27.7%
Total Credit Portfolio	8,633	8,391	2.9%	8,487	1.7%

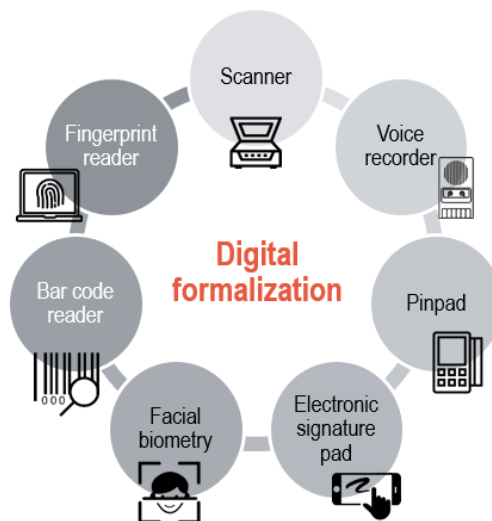
Distribution Channel **help!**



The "**help! loja de crédito**" is a franchise network of credit stores in Brazil. Focused on the retail segments of Social Security (INSS) retirees and pensioners and public servants, the chain is designed to be a multi-service solution for Brazilians. The stores are strategically located in easy access points where there is high movement of target clients. Among the products offered by the franchises are: payroll credit card, payroll loan, direct debt loan, mass insurances, among other financial and non-financial products.

BMG Group developed a system permitting the bank and the franchisee to share a horizontal view of the client, enabling a sale of products adhering to each client's profile and needs. The operation is formalized through the complete biometric profile, integrated to the operating system, which brings more security in credit quality and mitigates potential fraud.

The newly created distribution channel proved its value by entering into an agreement with the Generali Group, the fourth largest insurance group in the world, for the exclusive distribution of mass market insurance products.



Payroll Credit Card (BMG Card)

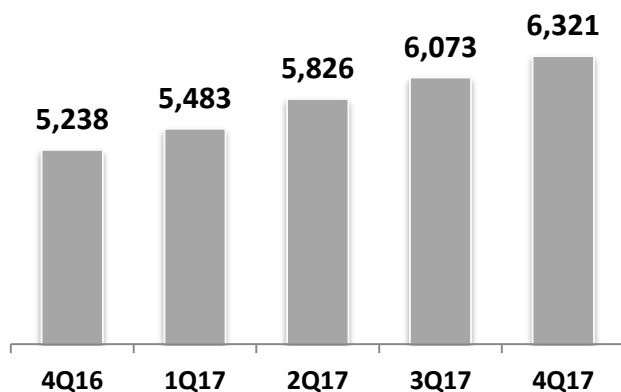
The BMG's **Payroll Credit Card (BMG Card)** is an international credit card, with minimum payment discounted on the payroll and with the benefits of conventional cards, but with the advantage of offering more attractive interest rates when compared to those charged by conventional credit cards.

In October, Law No. 13,172 was enacted, amending Law No. 10,820, allowing payroll deductions of up to a limit of thirty-five percent of salaries of the Social Security (INSS) pensioners and retirees, federal civil servants and employees duly registered under the CLT regime (official labor laws), of which five percent to be used exclusively for the amortization of credit card expenses, including use for cash withdrawals.

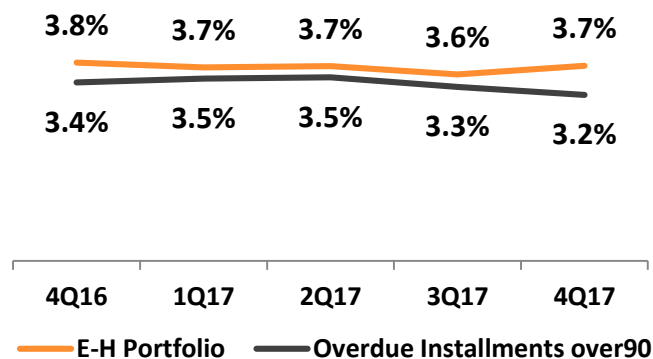
The payroll credit card portfolio's reached R\$ 6,321 million on December 31, 2017, representing a significant increase of 20.7% over the same period of the previous year and 4.1% compared to 3Q17. Regarding the portfolio, 77.3% is concentrated on Social Security (INSS) retirees and pensioners and federal civil servants.

An increase in the default rate is expected with to the maturing of the product. It is important to emphasize that, as a product feature, the card's consignable margin is subordinated to the payroll loan's margin, and thus more clearly reflects the product's technical default. However, the principal loss offenders are the same for both payroll instruments.

Portfolio Evolution (R\$ Million)



Credit Quality – NPL Evolution



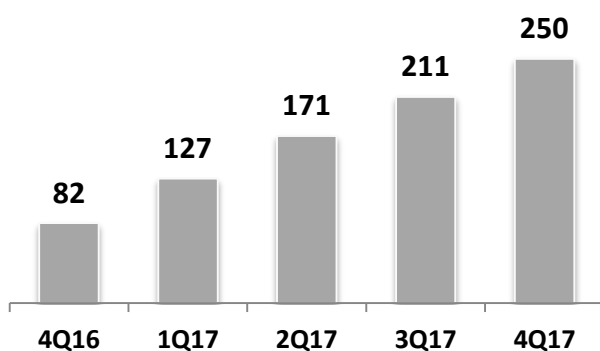
Personal Credit

Banco BMG's personal credit portfolio consists of three different products:

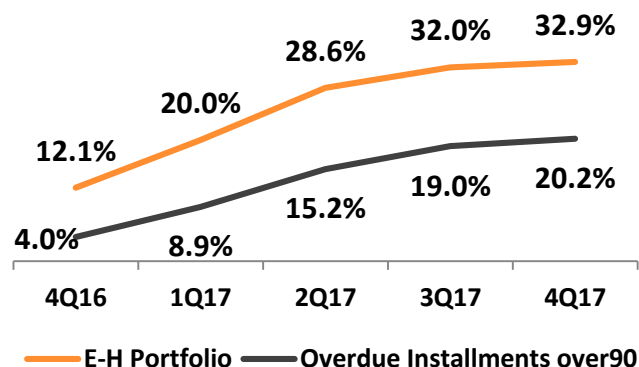
Direct Debt Loan

In January 2016, the bank launched the Direct Debt Loan: personal credit debited from the current account, exclusive for Social Security (INSS) retirees and pensioners and public employees. The product is directly linked to the payroll credit card users and has high cross-selling potential. The strategy for this product is for moderate growth and a conservative credit policy. To this end, BMG operates a credit intelligence system based on statistical analyses segmented by profile. On December 31, 2017 the portfolio totaled R\$ 250 million.

Portfolio Evolution (R\$ Million)



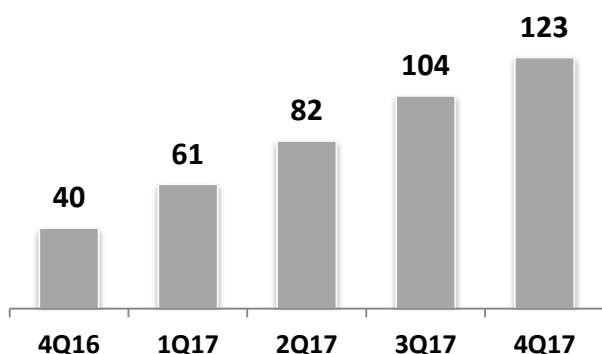
Credit Quality – NPL Evolution



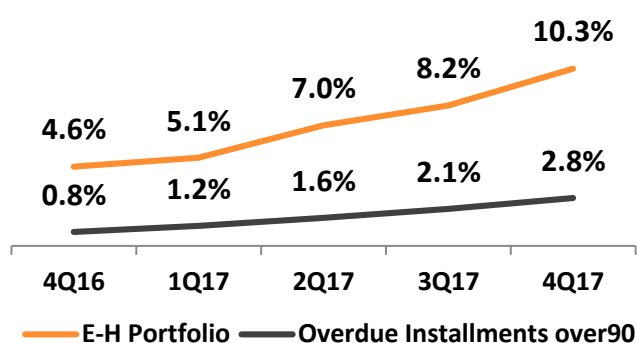
Lendico – Digital Personal Loans

Launched in July 2015, Lendico is a digital banking correspondent that offers personal credit through a 100% online platform. The product provides secure and easy access to the best interest rates in the market for clients who, even with good payment track records and credit profiles, are poorly priced by the banks or wish to pre-pay more burdensome debt. On December 31, 2017 BMG's personal credit portfolio originated through Lendico reached R\$ 123 million. Lendico is not part of BMG's financial conglomerate, although its shareholders own 50% interest in the company.

Portfolio Evolution (R\$ Million)



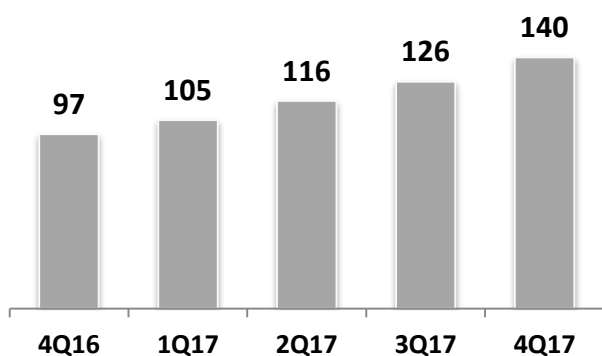
Credit Quality – NPL Evolution



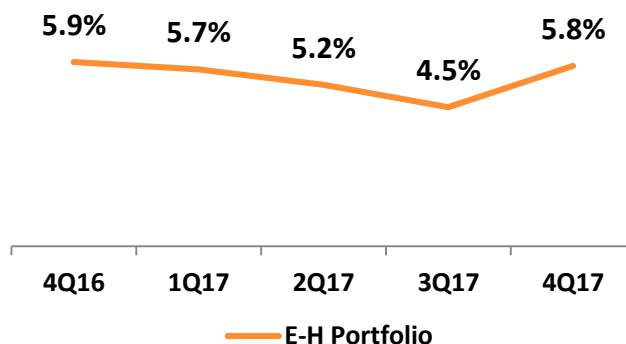
BMG Money –Payroll Loans in the United States

Since 2009, the shareholders of Banco BMG own 90% interest in a fully licensed consumer finance company with office in Florida/USA called "BMG Money", with a focus on payroll loans to public and private sector employees. This transaction is reflected in Banco BMG through participation agreements entered into between BMG Money and BMG Bank (Cayman) - a wholly-owned subsidiary of BMG (as a participant). This portfolio ended 4Q17 with R\$ 140 million.

Portfolio Evolution (R\$ Million)



Credit Quality – NPL Evolution



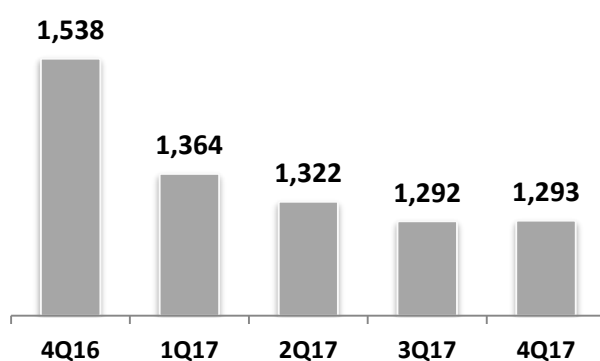
BMG Empresas

BMG provides financing and structured services for medium and large companies through its **BMG Empresas** platform.

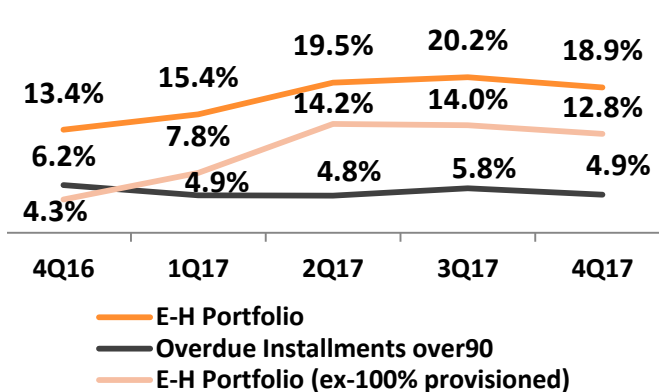
As expected, the portfolio declined by 15.7% compared to the same period of the previous year, reaching a balance of R\$ 1,293 million. BMG Empresas outlook is for a reduction in the loan portfolio while maintaining profitability, focusing on non-interest products, through a dealing desk, offering balance sheet protection for its clients.

The delinquency rate has been impacted by a challenging scenario, by the reduction of the loan portfolio and the deterioration of specific cases in the portfolio.

Portfolio Evolution (R\$ Million)



Credit Quality – NPL Evolution



BMG Seguros

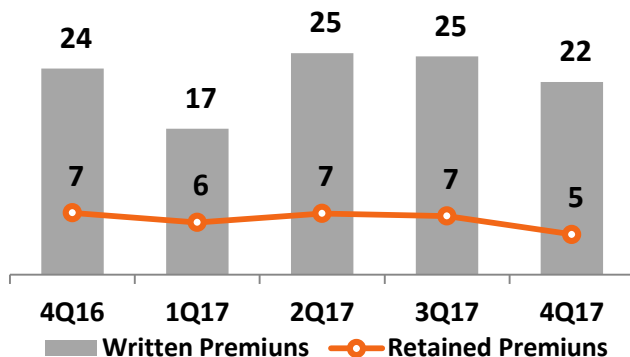
Created in July 2016, BMG Seguros is an insurance company focused exclusively on the Surety Bond segment. It is a subsidiary of Banco BMG, whose result is reflected through equity equivalence.

The Insurance Company has an own and independent governance structure, with a Board of Directors consisting of five members, of which three are independent members. It also has an exclusive executive board formed by highly experienced professionals.

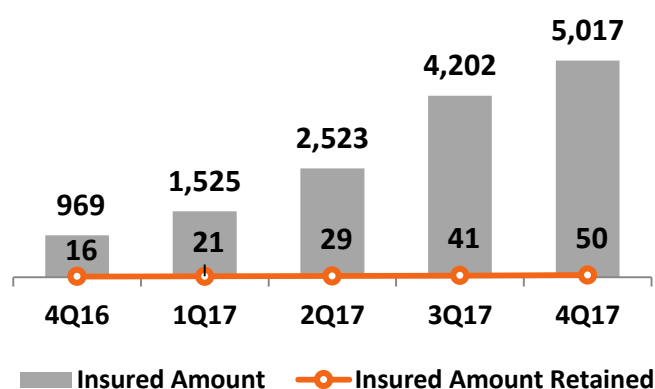
The Insurance Company offers distinctive financial solutions in the corporate segment, with a structure specialized in assessing corporate credit shared with Banco BMG, speedily offering quality and differentiated solutions.

BMG Seguros has already underwritten R\$ 135 million of premiums issued since its creation of which R\$ 22 million was in 4Q17. The aggregate amount insured totals R\$ 5,017 billion. In 2017, the Insurance Company presented a net income of R\$ 3 million.

Quarterly Written Premiums (R\$ Million)



Accumulated Insured Amount (R\$ Million)

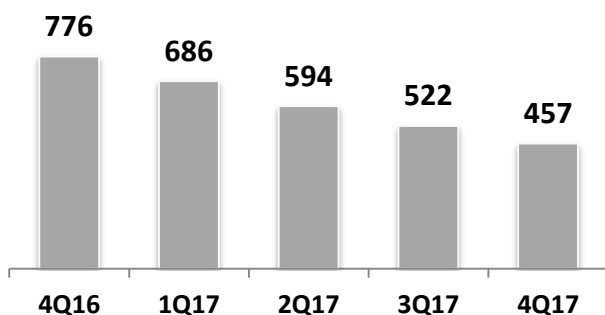


Payroll Loans – run off

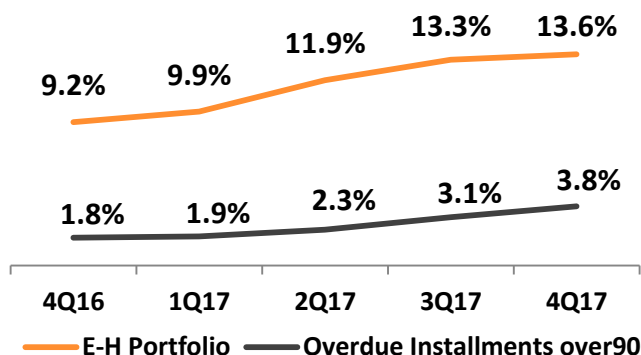
The residual portfolio of payroll loans was R\$ 457 million on December 31, 2017, representing a 41.1% reduction over the same period of the previous year and 12.5% down from 3Q17.

The default rate, which historically has been low, saw changes due to the significant volume of credit assignments without retention of risks and benefits of the not overdue portfolio that occurred until 2015 and losses that were written off. Such variations do not imply a change in the quality of the portfolio, which notably is low-risk.

Portfolio Evolution (R\$ Million)



Credit Quality – NPL Evolution



Vehicles – run off

In January 2016, management decided to discontinue origination of new contracts for vehicles in view of the low linkage of the customer base with the bank's main product, the payroll credit card. BMG had been offering **auto and motorcycle financing**, with a focus on the used vehicle market.

In order to mitigate the impact of the negative contribution margin the product was presenting, in the first quarter of 2017 BMG concluded assignments without retention of risks and benefits of a significant portion of its operations. The true sale included contracts registered as a credit portfolio

and contracts already written off as losses. The assignments resulted in a positive impact in the 1Q17 of R\$ 28 million on the gross profit from financial intermediation after provisions. After the assignment, the product closed the fourth quarter of 2017 with a balance of R\$ 21 million, which will remain in the run off process. Thus, the definitive sale process led to BMG's deleveraging of capital, greater liquidity and higher potential for generating results.

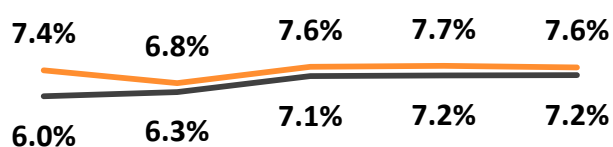
Credit Portfolio Quality

The credit policy is constantly and retroactively reassessed by the risk area according to the economic situation and the probability of default of each product, thereby seeking permanent alignment with market characteristics.

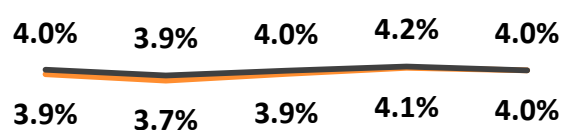
NPL – E-H Portfolio	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)
E-H Portfolio	236	216	9.0%	198	18.9%
Total Portfolio	6,321	6,073	4.1%	5,238	20.7%
Payroll Credit Card Portfolio NPL	3.7%	3.6%	0.1 p.p	3.8%	-0.1 p.p
E-H Portfolio	103	82	26.1%	18	488.2%
Total Portfolio	513	442	16.2%	219	134.5%
Personal Credit Portfolio NPL	20.1%	18.5%	1.6 p.p	8.0%	12.1 p.p
E-H Portfolio	244	261	-6.4%	206	18.8%
Total Portfolio	1,293	1,292	0.1%	1,538	-15.9%
BMG Empresas Portfolio NPL	18.9%	20.2%	-1.3 p.p	13.4%	5.5 p.p
E-H Portfolio	72	86	-16.0%	209	-65.4%
Total Portfolio	505	584	-13.5%	1,492	-66.1%
Run off Portfolio NPL	14.3%	14.8%	-0.5 p.p	14.0%	0.3 p.p
E-H Portfolio	656	646	1.6%	631	3.9%
Total Portfolio	8,633	8,391	2.9%	8,487	1.7%
Total Portfolio NPL	7.6%	7.7%	-0.1 p.p	7.4%	0.2 p.p

Methodology: Portfolio classified by E-H/Total Portfolio, including overdue plus falling due installments.

NPL - E-H Portfolio



NPL – Overdue installments over90



4Q16 1Q17 2Q17 3Q17 4Q17

— Total Portfolio
— Core Retail and Wholesale Portfolio

4Q16 1Q17 2Q17 3Q17 4Q17

— Total Portfolio
— Core Retail and Wholesale Portfolio

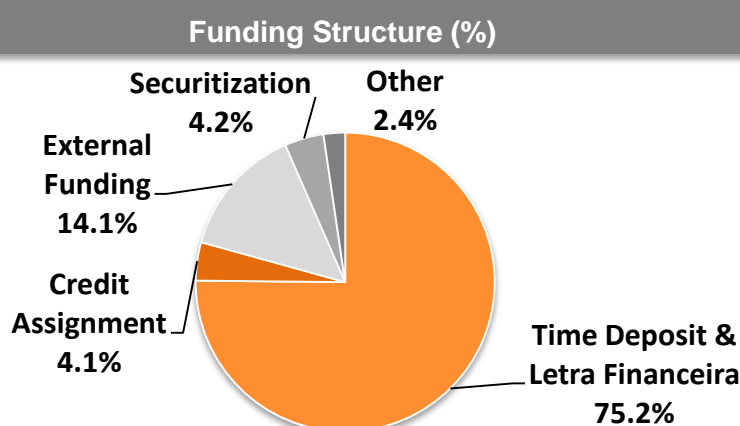
Funding

Total funding ended 4Q17 with a balance R\$ 11,939 million, representing a 4.0% increase in relation to the previous quarter and 16.9% compared to 4Q16.

The Bank works hard to diversify its funding, seeking sustainable and long-term lines. One way to diversify the funding is through **BMG Invest**, a fixed income platform focused on individuals and companies, helping broaden the number of clients in the Bank's funding base. Complementing this strategy, in September 2017 BMG launched **BMG Invest Digital**, through which it is possible to open accounts 100% digitally via the website or app. The platform provides the market with secure, cost-effective and easy-to-access investment solutions with a wide range of fixed income products tailored to each investor's profile.

Reflecting this strategy, the number of funding clients increased by 25.8% in the last 12 months.

Funding (R\$ Million)	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)
Deposits	8,341	7,814	6.7%	5,669	47.1%
Time Deposit (CDB)	7,828	7,221	8.4%	4,441	76.2%
DPGE	443	573	-22.6%	591	-24.9%
Other	70	20	246.5%	637	-89.0%
Subordinated Debt	1,399	1,349	3.7%	1,378	1.5%
External Funding	290	284	2.1%	1,030	-71.9%
Credit Assignment	494	638	-22.5%	1,192	-58.5%
Securitization	504	501	0.6%	-	n/a
Letras Financeiras	632	586	8.0%	586	7.8%
LCA & LCI	183	178	2.9%	199	-8.3%
Onlendings	96	131	-27.3%	160	-40.4%
Total	11,939	11,480	4.0%	10,215	16.9%



External Funding

BMG carried out its first foreign debt issue in 2005 and ever since the Bank has continued accessing external credit lines and maintaining an active relationship with investors.

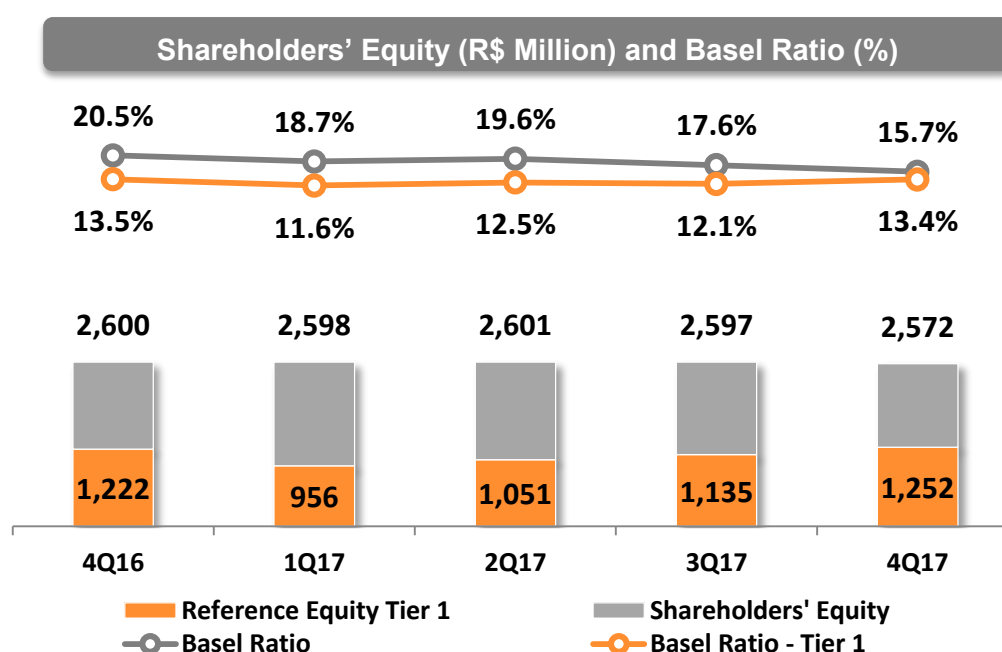
Respecting BMG's market risk policy, all external funding lines are hedged through derivative financial instruments.

In 4Q17, the external funding balance was US\$ 498 million. The next maturity is scheduled for April 2018 for the third and last amortization of the BMG18 bond, totaling US\$ 86 million.

(USD Million)	Type	Notional Issued	Yield (per year)	Principal Payment	Final Maturity	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)
BMG 17	Senior	150	9.625%	Bullet	03/27/2017	-	-	n/a	137	-100.0%
BMG 18	Senior	300	8.00%	Amortizing	04/15/2018	86	86	0.0%	172	-50.0%
BMG 19	Subordinated	300	9.95%	Bullet	11/05/2019	247	247	0.0%	247	0.0%
BMG 20	Subordinated	250	8.875%	Bullet	08/05/2020	165	165	0.0%	165	0.0%
Total		1,000				498	498	0.0%	720	-30.9%

Shareholder's Equity

Shareholders' Equity on December 31, 2017 was R\$ 2,572 million, 1.0% lower than in the previous quarter and 1.1% lower than in the same period of the previous year, mainly due to the provision for Interest on Capital in the volume of R\$ 45 million occurred in December 2017. As a subsequent event, was approved at the Extraordinary Shareholders' Meeting held on January 11, 2018, a capital increase of R\$38 million that should be settle until April 30, 2018, with funds from the distribution of the Interest on Capital. With this increase, the total Basel ratio would be 16.1% and the core capital would be 13.8%.



Basel Ratio

According to CMN Resolution 4.193/13 and complementary regulations, the financial institutions are obliged to maintain net equity compatible to the risk level of their assets structure, duly weighted by factors that vary from 0% to 1,250% and a minimum ratio of 9.25% of equity in relation to risk-weighted assets plus 1.25% of additional of main capital conservation.

Banco BMG's Reference Equity corresponded to 15.7% of risk-weighted assets on December 31, 2017, already including the implementation of the Basel III standards. Taking into account only the Core Capital (Tier I Capital) this ratio is 13.4%.

	BIS III	BIS III		BIS III	
Basel Ratio (R\$ Million)	4Q17	3Q17	4Q/3Q (%)	4Q16	4Q/4Q (%)
Reference Equity	1,474	1,656	-11.0%	1,866	-21.0%
Tier I	1,252	1,135	10.8%	1,222	2.9%
Tier II	218	522	-58.2%	644	-66.2%
Risk-Weighted Assets	9,371	9,406	-0.4%	9,081	3.2%
Credit Risk	8,741	8,741	0.0%	8,992	-2.8%
Market Risk	13	48	-72.9%	60	-78.1%
Operational Risk	616	616	0.0%	30	1981.9%
Basel Ratio	15.7%	17.6%	-1.9 p.p	20.5%	-4.8 p.p
<i>Minimum required by the Central Bank</i>	9.25%	9.25%		9.875%	
<i>Additional of Main Capital Conservation</i>	1.25%	1.25%		0.625%	
Tier I	13.4%	12.1%	1.3 p.p	13.5%	-0.1 p.p
<i>Minimum required by the Central Bank</i>	6.0%	6.0%		6.0%	
<i>Additional of Main Capital Conservation</i>	1.25%	1.25%		0.625%	
Tier II	2.3%	5.5%	-3.2 p.p	7.1%	-4.8 p.p

Basel III

In October 2013 was deducted 10% of eligible subordinated debt as Tier II capital, based on the reference balance of December 2012 (R\$ 1,185 million). In January 2014, were deducted another 10% of eligible subordinated debt, 20% of the balance of goodwill and 20% of the excess tax credits arising from tax losses and temporary differences (except the ALL). In January 2015 and every January thereafter, there will be an impact equivalent to January 2014 until 100% of the balances have been deducted. With regard to the deduction of subordinated debt, the previous rule (20% reduction per year of the debt of the last five years before maturity) remains valid, using the rule that generates the highest deduction.

Therefore, up until the present time, 84% of the subordinated debt was deducted, 80% of the balance of goodwill to be amortized and 80% of the excess tax credits from tax losses and temporary differences (except ALL).

RATINGS

Agencies	Date	Rating	Perspective
FITCH Ratings	November 2017	Local Currency A-(bra)	Negative
		Foreign Currency B+	
Moody's	January 2018	Local Currency Baa3.br	Negative
		Foreign Currency B1	
RISKbank	January 2018	10.01	Low Risk for Short Term 2

ANNEX I – Managerial Income Statements

INCOME STATEMENTS (R\$ Million)	4Q17	3Q17	4Q16	2017	2016
Income from financial intermediation	675	699	622	2,707	2,266
Credit and leasing operations	618	605	554	2,401	1,951
Income from credit operations	731	702	711	2,513	2,109
Assignment expenses	(33)	(23)	(74)	(33)	(74)
Expenses with agents' commissions	(80)	(74)	(83)	(80)	(83)
Marketable securities transactions	57	94	67	307	315
Expenses on financial intermediation	(313)	(274)	(408)	(1,278)	(1,269)
Funds obtained in the market	(322)	(159)	(325)	(1,022)	(415)
Result with derivative financial instruments	20	(102)	(54)	(195)	(765)
Loans, assignments and onlendings	(12)	(13)	(29)	(61)	(90)
Gross profit from financial intermediation before allowance for loan losses	361	424	214	1,430	997
Provision for impairment of credits	(133)	(136)	(165)	(554)	(604)
Credit operations recovered	56	36	65	183	186
Gross profit from financial intermediation	285	325	113	1,059	579
Other operating income (expenses)	(325)	(294)	(445)	(1,066)	(1,065)
Income from services rendered	9	9	8	37	51
Personnel expenses	(48)	(39)	(46)	(164)	(168)
Other administrative expenses	(148)	(155)	(165)	(607)	(597)
Tax expenses	(23)	(21)	(16)	(78)	(60)
Equity in the results of subsidiary and associated companies	1	(2)	3	(4)	40
Other operating income / expenses	(115)	(86)	(230)	(249)	(331)
Operating profit	(40)	31	(332)	(7)	(486)
Non-operating results	(1)	(2)	431	19	604
Profit before taxes and profit sharing	(41)	29	99	12	117
Income tax and social contribution	39	(5)	(12)	28	11
Statutory and non-controlling participations	7	(21)	(64)	(13)	(77)
Net Income	6	4	22	26	51

The financial information was standardized according to Annex IV.

ANNEX II – Balance Sheet

ASSETS (R\$ Million)	4Q17	3Q17	4Q16
Cash and balances at banks	25	38	29
Interbank investments	1,425	1,499	662
Marketable securities and derivatives	2,052	2,016	2,341
Interbank accounts	11	20	17
Credit and leasing operations	7,821	7,588	7,630
Credit and leasing operations	8,380	8,127	8,206
Provision for impairment of credits	(558)	(538)	(576)
Other receivables	3,924	4,044	3,768
Other assets	278	272	316
Permanent assets	724	759	853
Investments	108	109	104
Property and equipment	84	82	70
Intangible	532	568	676
Deferred charges	-	-	3
Total assets	16,260	16,237	15,616
LIABILITIES AND EQUITY (R\$ Million)	4Q17	3Q17	4Q16
Deposits	8,365	7,838	5,698
Funds obtained in the open market	9	-	300
Fund from acceptance and issue of securities	1,119	1,074	1,811
Interbank accounts	0	1	0
Borrowings and onlendings	540	569	571
Derivative financial instruments	236	629	897
Other liabilities	3,419	3,530	3,740
Non-controlling interest	0	0	0
Shareholders' equity	2,572	2,597	2,600
Total liabilities and equity	16,260	16,237	15,616

ANNEX III - Investment

Banco Itaú BMG Consignado S.A.

In July 2012, BMG signed a contract of association with Itaú Unibanco S.A. for supply, distribution and marketing of payroll loans in Brazil, forming a joint venture called Banco Itaú BMG Consignado S.A. In April 2014, the two institutions signed an agreement for unification of the business, focusing the payroll loan operations in the joint venture. In contrast, BMG increased its share from 30% to 40% on July 25, 2014.

On September 29, 2016, BMG announced the sale of its 40% stake in Banco Itaú BMG Consignado to Itaú Unibanco, and on December 28, 2016, after obtaining the necessary regulatory authorizations and the fulfillment of previous conditions, BMG concluded the sale operation in the amount of R\$ 1,460 million, generating a gain of R\$ 431 million.

BMG and Itaú Unibanco continue their partnership through the signing of a new agreement, with exclusivity for the supply, distribution and sale of payroll loans from Itaú Consignado and its affiliates through the own distribution channels linked to BMG.

ANNEX IV - Accounting x Managerial Results 1Q17

Vehicles: credit assignment without retention of risks and benefits

In January 2016, the vehicles operation was discontinued in view of the low linkage of the client base with the bank's other products. In order to mitigate the impact of the negative contribution margin the product was presenting, in the 1Q17 BMG concluded credit assignments without retention of risks and benefits of a significant portion of its operations. The sale included contracts registered as a credit portfolio and contracts already written off. Thus, the true sale process led to BMG's deleveraging of capital, greater liquidity and higher potential for generating results.

These assignments resulted in an extraordinary credit assignment expense of R\$ 101 million, offset by the reversal of provisions and credit recovery achieved in the amount of R\$ 129 million. To facilitate comparability, all effects were managerially reallocated to the transfer expenses line, generating a positive impact of R\$ 28 million in the margin.

Settlement of the Credit Guarantor Fund - FGC liquidity program

In June 2016, as a result of the change in the mix of credit assets originated by BMG, the Bank and the FGC entered into an irreversible transaction under Article 840 of the Civil Code and reduced the use of the FGC liquidity program. In addition, in January 2017, the final settlement of the program occurred, resulting in the receipt of R\$ 38 million, recognized by BMG as a non-operating result. Managerially, the amount was reallocated to the margin in the market funding expenses line.

The aforementioned reallocations are as follows, noting that there is no impact on net income:

(R\$ Million)	Accounting		Managerial
	1Q17	FGC Assignment	1Q17
Income from financial intermediation	536	129	665
Credit and leasing operations	448	129	577
Income from credit operations	664		664
Assignment expenses	(135)	129	(6)
Expenses with agents' commissions	(82)		(82)
Marketable securities transactions	89		89
Expenses on financial intermediation	(396)	38	(358)
Funds obtained in the market and derivatives	(376)	38	(338)
Loans, assignments and onlendings	(20)		(20)
Gross profit from financial intermediation before ALL	140	38	307
Provision for impairment of credits net from recovery	41	(129)	(88)
Gross profit from financial intermediation	181	38	219
Other operating income (expenses)	(195)		(195)
Operating profit	(14)	38	24
Non-operating results	36	(38)	(2)
Profit before taxes	23		23
Income tax and social contribution	(17)		(17)
Net Income	5	-	5