Banco BMG S.A.

Full Rating Report

Ratings

Foreign Currency (FC)

Long-Term IDR	B+
Short-Term IDR	B

Local Currency (LC)

Long-Term IDR	B+
Short-Term IDR	B

National Ratings

Long-Term Rating	A–(bra)
Short-Term Rating	F2(bra)
Support Rating	5
Viability Rating	b+

Sovereign Risk

Long-Term Foreign Currency IDR	BB–
Long-Term Local Currency IDR	BB–

Outlooks

National Long-Term Rating	Stable
Long-Term FC and LC IDRs	Stable
Sovereign Long-Term FC and LC IDRs	Stable

Financial Data

Banco BMG S.A.

	9/30/18	12/31/17
Total Assets (USD Mil.)	4,236.2	4,916.2
Total Assets (BRL Mil.)	16,958.8	16,260.0
Net Equity (BRL Mil.)	2,757.1	2,571.9
Operating Profit (BRL Mil.)	236.2	(58.7)
Net Profit (BRL Mil.)	131.1	26.3
Comprehensive Result (BRL Mil.)	131.1	26.3
Operating ROAA (%)	1.93	(0.37)
Operating ROAE (%)	11.84	(2.26)
Fitch Core Capital/ Risk-Weighted Assets (%)	15.58	14.67
Tier 1 Ratio (%)	13.10	13.40

Related Research

Fitch Affirms BMG's IDRs at 'B+' and National Rating at 'A–(bra)'; Outlook Revised to Stable (November 2018)

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Key Rating Drivers

Outlook Revised to Stable: Fitch Ratings affirmed Banco BMG S.A.'s ratings on Nov. 16, 2018. The Rating Outlook for the Issuer Default Ratings (IDRs) and Long-Term National Rating has been revised to Stable from Negative. The rating actions reflect mainly the bank's high profitability in 2017 and positive results during 9M18. The operating profit/risk-weighted assets ratio improved to 2.9% as of September 2018.

Profile Improvements: The recent improvements in BMG's company profile have also been highly relevant to the analysis and were driven by its sustained ability to grow its franchise in the payroll-backed credit card segment, which now accounts for over 75% of the total portfolio. The entity's credit risk appetite is now lower as compared with the previous business model and BMG's progressive diversification of revenues and business mix.

Improvement in Capitalization: Fitch also acknowledges the recent improvement in BMG's capitalization ratios. The Fitch Core Capital ratio (FCC), for example, increased to 15.6% as of 3Q18 from 14.7% at YE 2017. The regulatory indicator remained around 13% in 2018. The bank made the first filing in Securities and Exchange Commission (CVM) for the IPO process, which should improve its capitalization indicators in the future.

Still-High Delinquency: While BMG's asset quality indicators improved during 2018, the bank still shows a high impaired loans ratio, especially when compared to peers in the same rating category and considering the main product offered by the bank. The over 90-day NPL ratio was at 6.7% as of Sept. 30, 2018, while the impaired loans classified in the 'D–H' range of the Central Bank of Brazil's (Bacen) risk scale represented 7.5% of the total loan portfolio.

Comfortable Liquidity: BMG has been operating with a more comfortable liquidity position, which was partially enhanced by the sale of its vehicle-finance business and the downsizing of its commercial credit portfolio. Using its excess liquidity, the bank continues to reduce the amount of its more expensive liabilities and to diversify its funding sources. The volume of deposits captured mainly by distributors/brokers is increasing, and the bank also intends to evolve in its own funding platform. Fitch also believes BMG has an adequate assets and liabilities management.

Rating Sensitivities

Positive Rating Actions: Positive rating actions are not foreseen in the short term and could only occur from a consolidation of its business model, while BMG continues to present relevant and sustained improvement in its operating profitability. Also, BMG needs to reduce its impaired loan ratio (D–H) to below 5% of total loans, without deteriorating chargeoffs and foreclosed assets, and to keep its FCC ratio above 15%.

Negative Rating Actions: BMG's ratings could be downgraded from a sustained deterioration in its asset quality (over 90-day NPL ratio remaining above 8%) and weak performance, with negative trend on the operating profit/risk-weighted assets ratio, and/or a deterioration in capitalization, with FCC falling below 12%.

Operating Environment

Sovereign Rating: IDR 'BB–'; Outlook Stable

Fitch downgraded Brazil's Long-Term Foreign and Local Currency IDRs to 'BB–' in February 2018, from 'BB', and assigned a Stable Outlook. The downgrading of Brazil's ratings reflects its persistent and large fiscal deficits, a high and growing government debt burden, and the failure to legislate reforms that would improve the structural performance of public finances. Fitch affirmed the sovereign rating in August 2018.

Economic Environment

The Brazilian GDP grew 1% in 2017, supported by a recovery in consumption, after a contraction of 3.6% in 2016 and 3.8% in 2015. Lower inflation, the slight reduction in unemployment rates and the recovery of consumer credit supported the consumption dynamics. Fitch believes the Brazilian economy will continue to recover and projects a 1.3% growth in the GDP for 2018 and a 2.2% growth for 2019.

Financial Market Development

The Brazilian banking system is developed and highly concentrated among the 10 largest banks. However, credit and asset quality are under pressure due to the weak operating environment in recent years. Domestic capital markets are relatively sophisticated. Most of the liquidity comes from National Treasury bonds and from the private debt market, which grows gradually.

Regulatory Framework: Adequate and Well Established

The infrastructure supporting the financial system is adequate and well established in general. The regulatory environment is strong. The two main regulators, Bacen and the CVM, enjoy a good reputation due to their level of sophistication, controls, monitoring capacity and flexibility, as well as the ability to react promptly to adverse situations. Law enforcement is also adequate.

Company Profile

Franchise: Mid-Sized Bank

BMG is a mid-sized private bank with a well-known franchise in the payroll-deductible loan market, controlled by Flávio Pentagna Guimarães and four other members of his family. The bank has an 88-year history operating in various businesses, such as traditional payroll lending and commercial lending, with multiple distribution channels for its products: 17 bank branches, nearly 1.009 employees, 393 "help!" franchises and approximately 2,200 correspondents.

BMG entered into an association agreement with Itau Unibanco S.A. (AAA/Stable) in July 2012 to offer, distribute and commercialize payroll deductible loans in Brazil, forming the joint venture (JV) Banco Itau BMG Consignado S.A. BMG completed the sale of its interest in the JV to Itau Unibanco in December 2016. BMG had about 3.5 million active clients in its main businesses as of September 2018, but the bank has a low representation in the National Financial System (NFS), ranking 27th in terms of total funding (less than 1% of the NFS) and 32nd in total assets (less than 1% of NFS).

Business Model: Some Recent Changes

Following the sale of the payroll deductible loans business to Itau Unibanco, BMG's main activity became the payroll-deductible credit card. The bank has diversified its revenue streams through various initiatives, offering to its individual clients: payroll credit card (BMG Card), direct debt loan, both exclusive to Social Security (INSS) retirees and pensioners and public servants, digital personal credit (Lendico) and mass insurances through partnerships. To

Related Criteria

Bank Rating Criteria (October 2018)

National Ratings Criteria (July 2018)

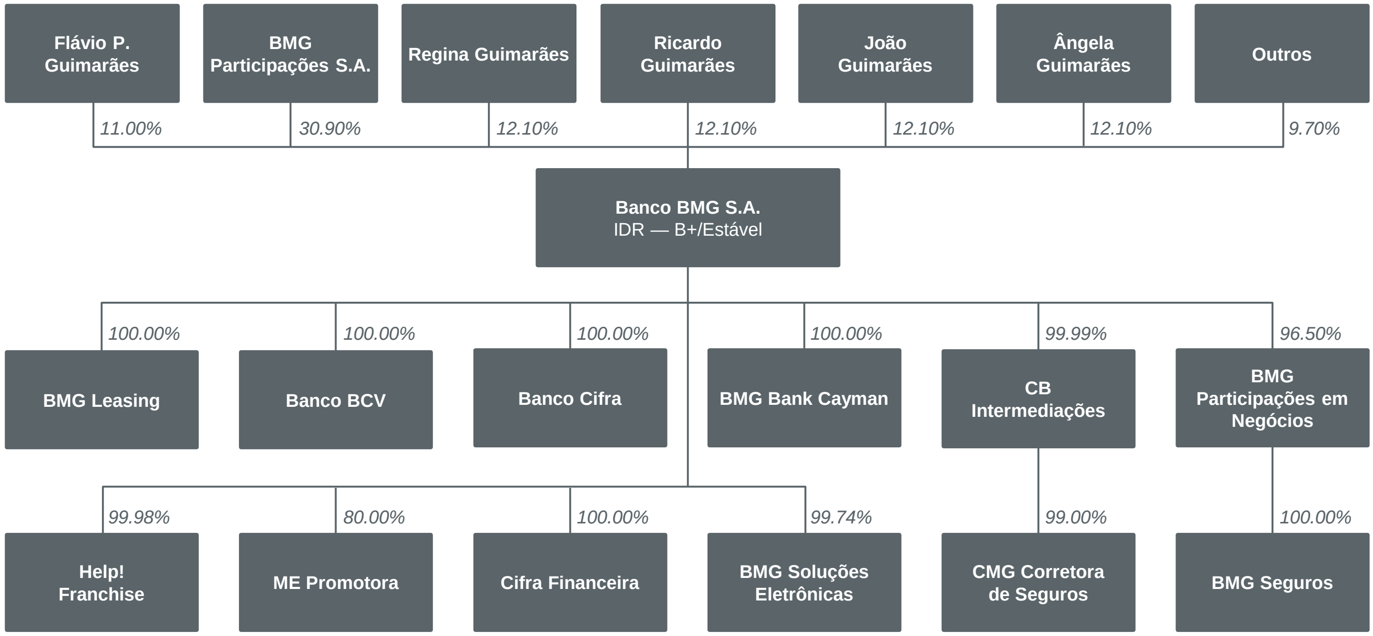
corporate clients, BMG offers structured financial services, derivatives instruments and surety bond insurance for medium and large companies (BMG Empresas and BMG Seguros). BMG provides fixed income investment products for all kinds of clients (BMG Invest).

BMG works with the insurance company Generali Do Brasil Companhia Nacional De Seguros to sell mass insurance in retail and through the subsidiary BMG Seguros to sell wholesale insurance. BMG also plans to raise its revenues through the "help" franchise network, which offers services to retirees and low-income segments that are not well served by larger institutions. A memorandum of understanding was signed between Banco BMG and Autopass in 2018 with the aim of establishing a commercial partnership for the supply and distribution of Banco BMG products. Also, in 2018, BMG acquired 65% of the sub-acquirer Pago Cartões (renamed Granito), a Brazilian technology company specialized in the segment. In addition to the existing distribution channels, BMG launched its digital bank in October 2018.

Clean Organizational Structure

BMG's organizational structure is common to other Brazilian entities, with good transparency of its subsidiaries. The bank is planning an IPO on B3 in 2019. BMG holds a majority stake in some operating companies that provide synergies to its core businesses.

Corporate Organization Chart — Banco BMG S.A.
(As of Sept. 30, 2018)



IDR – Issuer Default Rating.
Source: Fitch Ratings, Fitch Solutions, Banco BMG S.A.

Management and Strategy

Management Quality: Experienced Executives

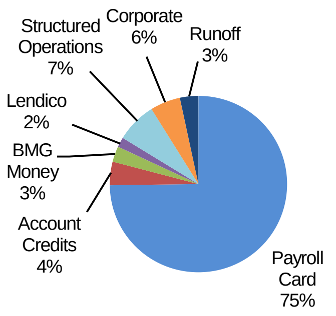
BMG's administration is well experienced in the Brazilian banking industry. The bank's management is exercised by the Board of Executive Officers under the supervision of the Board of Directors, which develops policies and guidelines to be implemented by the officers on a daily basis. In addition, the President Director of the Executive Board is responsible for overseeing and coordinating the bank's businesses. Elected by the Board of Directors, the members of the Executive Board serve two-year terms, with the possibility of re-election, and are subject to dismissal at any time or without justification.

Corporate Governance: Neutral to Ratings

Although it is a family banking business, most of the administration is composed of professionals who, for the most part, come from well-known and respected financial institutions. The Board of Directors meets once a month and extraordinarily, whenever necessary. It is responsible for defining the overall strategy and orientation of the business, among other attributes, approving the policies and overseeing the Executive Board so that it fulfills the commitment to implement the established guidelines.

According to BMG's bylaws, the Board of Directors must consist of four to nine members, four of whom may be independent directors. Board members are elected at the general meetings for two-year terms. The bank's external auditors are PricewaterhouseCoopers, which have issued unqualified reports (without restrictions).

Loan Portfolio by Product
(September 2018)



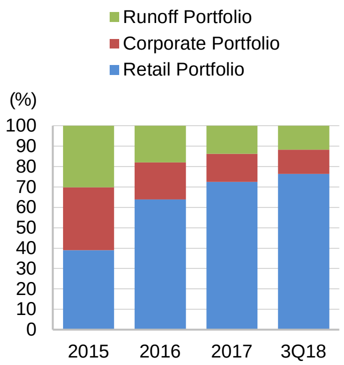
Source: Fitch Ratings, Fitch Solutions, BMG.

Solid Strategic Objectives

BMG's strategic objectives are consistent with the focus on the growth of its main business, payroll-deductible credit card, which represents 75% of its credit portfolio, with low risk. The strategy also targets the growth of other segments such as personal loans and loans to SMEs, and the increase of cross-selling of products by making use of the bank's digital platform. At the end of 3Q18, BMG had 3.5 million active clients, and the average client product consumption was 1.79 product (cross-selling ratio).

The payroll-deductible credit card portfolio reached BRL6.9 billion in September 2018 — an increase of 14.1% over the same month in 2017. From the total, 80.3% was concentrated on INSS retirees and pensioners and federal civil employees.

Loan Portfolio



Source: Fitch Ratings, Fitch Solutions, BMG.

The bank launched Credit in Account in January 2016, which is personal credit debited from checking account exclusively for retirees and pensioners of INSS and public servants. The strategy for this product is moderate growth and in September 2018 this portfolio reached BRL400 million.

The bank has been working with BMG Money – Payroll Loans in the U.S. since 2011. BMG Money also targets public servants and had BRL266 million in the portfolio at the end of 3Q18.

There is also Lendico – Digital Personal Loans, launched in July 2015 as digital banking correspondent. BMG's personal credit portfolio originated through Lendico reached BRL166 million on Sept. 30, 2018.

The corporate portfolio decreased by 7.6% compared with September 2017, reaching a balance of BRL1.193 billion. The wholesale segment is divided into two areas. One of them offers structured operations for banking correspondents and soccer clubs, with collateral that mitigates the issuers' risks. This portfolio totaled BRL686 million as of Sept. 30, 2018. The other segment is directed to financing and structured financial services for medium and large companies, focusing on products with low capital allocation. It reached BRL507 million in September 2018, representing a decrease of 38.7% compared with the same period in 2017.

Strategy Execution: Successful

BMG has been successful in its strategic plan, with goals consistent with its size. During 2017 and 2018, in addition to realigning its strategy, BMG discontinued its entire vehicle portfolio and the non-attractive businesses. The bank also reduced the size and risk of its corporate portfolio in view of the difficult operating environment. The bank continues the divestment process of the legacy payroll portfolio that has not been transferred to Itau Unibanco and which currently accounts for less than 5% of the loan portfolio.

Risk Appetite

Underwriting Standards: Conservative Appetite

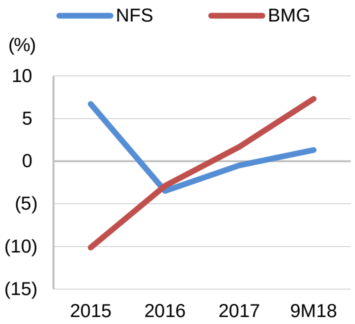
Underwriting standards are in line with its peers' practices. Credit risk continues to be the main risk for BMG. Risk appetite is conservative and underpinned by the safe nature of the credit card business with payroll discount. There are specific controls to ensure suitability and avoid fraud in its retail customer segment. The bank has also been more rigorous in the corporate segment. Loan portfolio concentrations are low, as the 20 largest borrowers represented only 6.3% of the total loan portfolio, and the 50 largest, 9.0%, as of September 2018. The credit risk represented 94% of risk-weighted assets.

Good Risk Controls

BMG's main line of business, the payroll-deductible credit card segment, continues to grow and is secured mainly by the nature of the product and the target customer. This low-impairment business is supported by high net interest margins and by stable sources of funding. There is a lower probability of unemployment in the public sector, despite the weak operating environment. The bank continually invests in management information systems, which identify internal and external risks. BMG has a sophisticated contingency system in place to protect data and allow the bank to continue operations at back-up sites with minimal delays. Operating risk represented 6.1% of risk-weighted assets as of September 2018.

Loan Growth

(December 2015–September 2018)



Source: Fitch Ratings, Fitch Solutions, Central Bank.

Growth Mainly in the Credit Card Segment

As part of the strategic growth plan, there was a significant growth in the low-risk retail portfolio, but this was partially offset by the strong reduction of the corporate portfolio and the discontinuity of some segments. The total portfolio grew by 7.3% as of September 2018 and 1.7% in the same period in 2017.

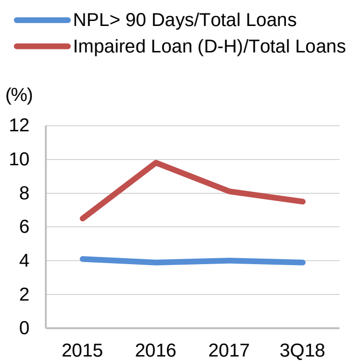
Low Market Risk

BMG's treasury department operates on a conservative basis, with modest exposure limits, and uses the value at risk (VaR) methodology, with a confidence interval of 99.0%. The Assets and Liabilities Committee meets weekly to review positions and strategies. The bank uses hedging instruments to mitigate risks from currency fluctuations, interest rates and corporate clients. BMG is subject to tenor risk because the payroll-deductible loans are generally long-term loans. To mitigate these risks, the bank has access to long-term funding. The subordinated debt issues are due in November 2019 (USD247 million) and in August 2020 (USD165 million).

Financial Profile Analysis

Asset Quality: Acceptable

Asset Quality



Source: Fitch Ratings, Fitch Solutions, BMG.

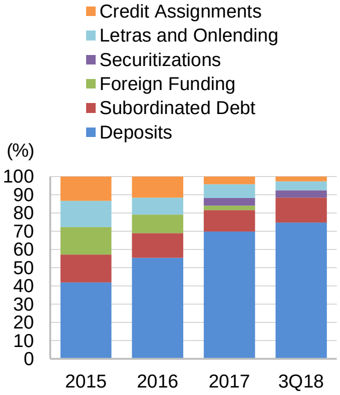
BMG's asset quality indicators improved during 2018, but the default rates remain elevated, especially when compared with peers in the same rating category and considering the main product offered by the bank. The over 90-day NPL ratio was at 6.7% as of Sept. 30, 2018, compared with 7.6% in 2017. The quality of the assets continues to be affected by the residual portfolio of an old portfolio, which is being discontinued, and for some problems in the corporate portfolio. In the credit portfolio, the impaired loans (loans classified in the D–H risk category) represented 7.5% of the total loans in September 2018, 8.0% in December 2017 and 9.8% in December 2016.

The coverage ratio of NPLs classified as ‘D–H’ also improved in 2018 and 2017 to slightly more than 80%. The level of chargeoffs remained relatively unchanged, in the range of 3.0%–3.5% in the last two years.

Results and Profitability: Improvement in 2018 and 2017

The operating profit/risk-weighted assets ratio improved to 2.9% as of September 2018, compared with a decline of 0.6% in 2017 and 10.2% in 2016. BMG’s management expects even more favorable results in 2019, in view of lower provisions and continued growth of the lower risk business. Profitability has improved since 2017.

Funding Structure



Source: Fitch Ratings, Fitch Solutions, BMG.

Capitalization and Leverage: Adequate Levels

The FCC increased to 15.6% as of 3Q18 from 14.7% at YE 2017. The regulatory indicator remained around 13% in 2018. Fitch believes capitalization will remain at comfortable levels as the bank continues to reduce its corporate loan portfolio and increases the lower ticket and lower-risk retail portfolio. Tier II Reference Equity is zero, in view of the fact that, by choice, BMG fully deducted the subordinated debt maturing in October 2019 and August 2020, issued under the former rules of subordination.

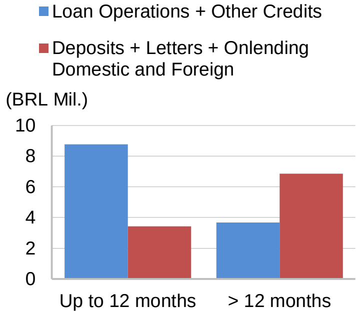
Funding and Liquidity: Diversified and Comfortable

BMG has access to multiple sources of funding at reasonable rates. The bank’s total funding balance was BRL12.5 billion at the end of September 2018, an increase of 8.8% in the last 12 months. BMG has been working to diversify its funding base, seeking more stable and granular lines. One way to diversify the funding is through BMG Invest, a fixed income platform focused on individuals and companies that helps to broaden the number of clients in the bank’s funding base. The bank continues to reduce its more expensive obligations and diversify funding sources. The volume of deposits, mainly through dealers and brokers, is increasing.

BMG carried out its first foreign debt issue in 2005 and ever since has been accessing external credit lines and maintaining an active relationship with investors. In accordance with BMG’s market risk policy, all external funding lines are hedged through derivative financial instruments. The external funding balance was USD410 million in 3Q18.

BMG has been operating with a more comfortable liquidity position, improved in part by the sale of its vehicle-finance business and the downsizing of its corporate loan portfolio. The bank has an adequate assets and liabilities management.

Credit versus Funding
(By Maturity–September 2018)



Source: Fitch Ratings, Fitch Solutions, BMG.

Support

BMG’s Support Rating and Support Rating Floor are based on Fitch’s belief that the bank is not considered a domestic systemically important financial institution because of the size of its market share in deposits and credits. Thus, it is unlikely to receive external support from the Brazilian sovereign in case of need.

Subordinated Debt

BMG’s subordinated debt is rated two notches below its VR to reflect its subordinated status. The Recovery Rating ‘RR6’ remained unchanged for subordinated notes, according to Fitch’s rating criteria.

Income Statement — Banco BMG S.A.

(BRL Mil., Year End as of Dec. 31)	9/30/18[a,b] Nine Months — 3rd Quarter			2017[a,b]		2016[a,b]		2015[a,b]		2014[a,b]	
	(USD Mil.)		As % of Earning Assets		As % of Earning Assets		As % of Earning Assets		As % of Earning Assets		As % of Earning Assets
Interest Income on Loans	519.0	2,077.9	22.35	2,271.7	19.47	1,951.3	17.68	1,603.8	12.90	2,822.0	22.00
Other Interest Income	88.6	354.6	3.81	137.1	1.17	(449.8)	(4.08)	1,636.9	13.16	643.1	5.01
Dividend Income	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Gross Interest and Dividend Income	**607.6**	**2,432.5**	**26.17**	**2,408.8**	**20.64**	**1,501.5**	**13.61**	**3,240.7**	**26.06**	**3,465.1**	**27.01**
Interest Expense on Customer Deposits	273.4	1,094.7	11.78	1,060.0	9.08	774.7	7.02	2,649.2	21.30	1,652.8	12.89
Other Interest Expense	9.8	39.3	0.42	71.5	0.61	89.7	0.81	45.8	0.37	19.4	0.15
Total Interest Expense	**283.3**	**1,134.0**	**12.20**	**1,131.5**	**9.70**	**864.4**	**7.83**	**2,695.0**	**21.67**	**1,672.2**	**13.04**
Net Interest Income	**324.4**	**1,298.5**	**13.97**	**1,277.3**	**10.94**	**637.1**	**5.77**	**545.7**	**4.39**	**1,792.9**	**13.98**
Net Fees and Commissions	8.2	32.7	0.35	36.6	0.31	50.6	0.46	106.6	0.86	92.4	0.72
Net Gains (Losses) on Trading and Derivatives	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Net Gains (Losses) on Assets and Liabilities at Fair Value	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Net Gains (Losses) on Other Securities	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Net Insurance Income	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Other Operating Income	(54.3)	(217.4)	(2.34)	(263.4)	(2.26)	(331.2)	(3.00)	(85.8)	(0.69)	(310.6)	(2.42)
Total Non-Interest Operating Income	**(46.1)**	**(184.7)**	**(1.99)**	**(226.8)**	**(1.94)**	**(280.6)**	**(2.54)**	**20.8**	**0.17**	**(218.2)**	**(1.70)**
Total Operating Income	**278.2**	**1,113.8**	**11.98**	**1,050.5**	**9.00**	**356.5**	**3.23**	**566.5**	**4.56**	**1,574.7**	**12.28**
Personnel Expenses	30.2	121.0	1.30	177.3	1.52	245.1	2.22	221.6	1.78	238.7	1.86
Other Operating Expenses	132.3	529.6	5.70	685.7	5.88	656.8	5.95	551.9	4.44	720.5	5.62
Total Non-Interest Expenses	**162.5**	**650.6**	**7.00**	**863.0**	**7.39**	**901.9**	**8.17**	**773.5**	**6.22**	**959.2**	**7.48**
Equity-Accounted Profit/Loss — Operating	(0.1)	(0.3)	(0.00)	(4.2)	(0.04)	40.4	0.37	149.1	1.20	126.0	0.98
Pre-Impairment Operating Profit	**115.6**	**462.9**	**4.98**	**183.3**	**1.57**	**(505.0)**	**(4.58)**	**(57.9)**	**(0.47)**	**741.5**	**5.78**
Loan Impairment Charge	56.6	226.7	2.44	242.0	2.07	417.8	3.79	243.0	1.95	492.5	3.84
Securities and Other Credit Impairment Charges	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Operating Profit	**59.0**	**236.2**	**2.54**	**(58.7)**	**(0.50)**	**(922.8)**	**(8.36)**	**(300.9)**	**(2.42)**	**249.0**	**1.94**
Equity-Accounted Profit/Loss — Non-Operating	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Goodwill Impairment	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Nonrecurring Income	0.0	0.0	—	57.2	0.49	963.6	8.73	1.7	0.01	17.2	0.13
Nonrecurring Expense	1.8	7.2	0.08	0.0	—	0.0	—	0.0	—	0.0	—
Change in Fair Value of Own Debt	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Other Non-Operating Income and Expenses	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Pretax Profit	**57.2**	**229.0**	**2.46**	**(1.5)**	**(0.01)**	**40.8**	**0.37**	**(299.2)**	**(2.41)**	**266.2**	**2.08**
Tax Expense	24.5	97.9	1.05	(27.8)	(0.24)	(10.5)	(0.10)	(376.0)	(3.02)	(26.7)	(0.21)
Profit/Loss from Discontinued Operations	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Net Income	**32.7**	**131.1**	**1.41**	**26.3**	**0.23**	**51.3**	**0.46**	**76.8**	**0.62**	**292.9**	**2.28**
Change in Value of AFS Investments	0.0	0.0	—	0.0	—	0.0	—	0.0	0.00	0.0	0.00
Revaluation of Fixed Assets	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Currency Translation Differences	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Remaining OCI Gains/(Losses)	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Fitch Comprehensive Income	**32.7**	**131.1**	**1.41**	**26.3**	**0.23**	**51.3**	**0.46**	**76.8**	**0.62**	**292.9**	**2.28**
Memo: Profit Allocation to Noncontrolling Interests	0.0	0.0	—	0.0	—	0.0	—	0.0	0.00	0.0	0.00
Memo: Net Income after Allocation to Noncontrolling Interests	32.7	131.1	1.41	26.3	0.23	51.3	0.46	76.8	0.62	292.9	2.28
Memo: Common Dividends Relating to the Period	0.0	0.0	—	44.6	0.38	118.0	1.07	142.8	1.15	170.5	1.33
Memo: Preferred Dividends and Interest on Hybrid Capital Accounted for as Equity Related to the Period	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—

[a]Exchange rate: 2018 — USD1 = BRL4,0033; 2017 — USD1 = BRL3,3074; 2016 — USD1 = BRL3,2585; 2015 — USD1 = BRL3,9042; 2014 — USD1 = BRL2,6556.
[b]Audited — Unqualified. AFS – Available for sale. OCI – Other comprehensive income.
Source: Fitch Ratings, Fitch Solutions.

Balance Sheet — Banco BMG S.A.

(BRL Mil., Year End as of Dec. 31)	9/30/18[a] Nine Months — 3rd Quarter (USD Mil.)		As % of Assets	2017[a]	As % of Assets	2016[a]	As % of Assets	2015[a]	As % of Assets	2014[a]	As % of Assets
Assets											
Loans											
Residential Mortgage Loans	2.3	9.2	0.05	29.7	0.18	54.9	0.35	121.1	0.71	0.0	—
Other Mortgage Loans	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Other Consumer/Retail Loans	2,031.8	8,133.8	47.96	7,421.8	45.64	7,038.9	45.07	6,188.6	36.23	7,415.0	43.59
Corporate and Commercial Loans	280.3	1,122.0	6.62	1,181.3	7.27	1,392.7	8.92	2,428.8	14.22	2,309.1	13.57
Other Loans	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Less: Loan Loss Allowances	138.2	553.2	3.26	558.5	3.43	576.5	3.69	442.6	2.59	699.8	4.11
Net Loans	**2,176.2**	**8,711.8**	**51.37**	**8,074.3**	**49.66**	**7,910.0**	**50.65**	**8,295.9**	**48.57**	**9,024.3**	**53.05**
Gross Loans	**2,314.3**	**9,265.0**	**54.63**	**8,632.8**	**53.09**	**8,486.5**	**54.34**	**8,738.5**	**51.16**	**9,724.1**	**57.17**
Memo: Impaired Loans included Above	172.7	691.2	4.08	695.7	4.28	828.8	5.31	568.6	3.33	924.2	5.43
Memo: Specific Loan Loss Allowances	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Other Earning Assets											
Loans and Advances to Banks	38.8	155.2	0.92	20.8	0.13	333.2	2.13	139.0	0.81	165.5	0.97
Reverse Repos and Securities Borrowing	365.0	1,461.2	8.62	1,424.0	8.76	661.4	4.24	504.7	2.95	1,172.0	6.89
Derivatives	46.3	185.3	1.09	183.9	1.13	265.8	1.70	628.8	3.68	191.0	1.12
Trading Securities and at Fair Value Through Income	3.2	13.0	0.08	8.0	0.05	2.2	0.01	25.1	0.15	0.0	-
Available for Sale Securities	443.4	1,775.1	10.47	1,851.2	11.38	569.5	3.65	673.4	3.94	526.7	3.10
Held to Maturity Securities	0.0	0.0	—	0.0	—	1,187.8	7.61	1,169.4	6.85	1,075.9	6.32
Other Securities	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Total Securities	**446.7**	**1,788.1**	**10.54**	**1,859.2**	**11.43**	**1,759.5**	**11.27**	**1,867.9**	**10.94**	**1,602.6**	**9.42**
Memo: Government Securities Included Above	808.4	3,236.3	19.08	3,090.4	19.01	2,396.1	15.34	2,238.6	13.11	2,718.4	15.98
Memo: Total Securities Pledged	66.9	267.7	1.58	388.9	2.39	473.4	3.03	776.7	4.55	866.7	5.10
Equity Investments in Associates	31.7	126.8	0.75	108.3	0.67	103.9	0.67	999.5	5.85	671.2	3.95
Investments in Property	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Insurance Assets	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Other Earning Assets	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Total Earning Assets	**3,104.5**	**12,428.4**	**73.29**	**11,670.5**	**71.77**	**11,033.8**	**70.66**	**12,435.8**	**72.80**	**12,826.6**	**75.40**
Non-Earning Assets											
Cash and Due From Banks	11.1	44.4	0.26	24.7	0.15	29.5	0.19	71.4	0.42	59.5	0.35
Memo: Mandatory Reserves included Above	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Foreclosed Assets	13.8	55.3	0.33	51.6	0.32	0.0	—	0.0	—	0.0	—
Fixed Assets	23.6	94.4	0.56	83.8	0.52	70.0	0.45	71.6	0.42	69.7	0.41
Goodwill	106.2	425.3	2.51	531.4	3.27	676.4	4.33	821.4	4.81	965.8	5.68
Other Intangibles	0.0	0.0	—	0.5	0.00	2.8	0.02	6.6	0.04	10.7	0.06
Current Tax Assets	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Deferred Tax Assets	580.3	2,323.1	13.70	2,361.6	14.52	2,395.9	15.34	2,231.8	13.07	1,587.6	9.33
Discontinued Operations	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Other Assets	396.6	1,587.9	9.36	1,535.9	9.45	1,408.0	9.02	1,442.7	8.45	1,490.4	8.76
Total Assets	**4,236.2**	**16,958.8**	**100.00**	**16,260.0**	**100.00**	**15,616.4**	**100.00**	**17,081.3**	**100.00**	**17,010.3**	**100.00**

[a]Exchange rate: 2018 — USD1 = BRL4,0033; 2017 — USD1 = BRL3,3074; 2016 — USD1 = BRL3,2585; 2015 — USD1 = BRL3,9042; 2014 — USD1 = BRL2,6556.
Continued on next page.
Source: Fitch Ratings, Fitch Solutions.

Balance Sheet — Banco BMG S.A. (Continued)

	9/30/18[a] Nine Months — 3rd Quarter			2017[a]		2016[a]		2015[a]		2014[a]	
(BRL Mil., Year End as of Dec. 31)	(USD Mil.)		As % of Assets		As % of Assets		As % of Assets		As % of Assets		As % of Assets
Liabilities and Equity											
Interest-Bearing Liabilities											
Total Customer Deposits	2,340.5	9,369.7	55.25	8,294.8	51.01	5,574.0	35.69	5,036.9	29.49	5,280.4	31.04
Deposits from Banks	0.2	0.8	0.00	69.9	0.43	123.6	0.79	98.8	0.58	156.0	0.92
Repos and Securities Lending	0.0	0.0	—	8.6	0.05	300.2	1.92	0.0	-	0.0	-
Commercial Paper and Short-Term Borrowings	107.7	431.0	2.54	977.4	6.01	1,229.8	7.88	1,778.8	10.41	1,027.4	6.04
Customer Deposits and Short-Term Funding	**2,448.4**	**9,801.5**	**57.80**	**9,350.7**	**57.51**	**7,227.6**	**46.28**	**6,914.5**	**40.48**	**6,463.8**	**38.00**
Senior Unsecured Debt	170.9	684.1	4.03	681.8	4.19	1,151.8	7.38	2,114.4	12.38	2,429.3	14.28
Subordinated Borrowing	0.0	0.0	—	1,361.5	8.37	1,341.4	8.59	1,802.4	10.55	1,593.4	9.37
Covered Bonds	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Other Long-Term Funding	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Total Long-Term Funding	**170.9**	**684.1**	**4.03**	**2,043.3**	**12.57**	**2,493.2**	**15.97**	**3,916.8**	**22.93**	**4,022.7**	**23.65**
Memo: o/w matures in less than One Year	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Trading Liabilities	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Total Funding	**2,619.2**	**10,485.6**	**61.83**	**11,394.0**	**70.07**	**9,720.8**	**62.25**	**10,831.3**	**63.41**	**10,486.5**	**61.65**
Derivatives	37.3	149.4	0.88	236.2	1.45	896.7	5.74	259.8	1.52	104.5	0.61
Total Funding and Derivatives	**2,656.6**	**10,635.0**	**62.71**	**11,630.2**	**71.53**	**10,617.5**	**67.99**	**11,091.1**	**64.93**	**10,591.0**	**62.26**
Non-Interest Bearing Liabilities											
Fair Value Portion of Debt	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Credit Impairment Reserves	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Reserves for Pensions and Other	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Current Tax Liabilities	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Deferred Tax Liabilities	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Other Deferred Liabilities	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Discontinued Operations	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Insurance Liabilities	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Other Liabilities	890.9	3,566.7	21.03	2,057.9	12.66	2,398.8	15.36	3,014.6	17.65	2,887.0	16.97
Total Liabilities	**3,547.5**	**14,201.7**	**83.74**	**13,688.1**	**84.18**	**13,016.3**	**83.35**	**14,105.7**	**82.58**	**13,478.0**	**79.23**
Hybrid Capital											
Pref. Shares and Hybrid Capital Accounted for as Debt	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Pref. Shares and Hybrid Capital Accounted for as Equity	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Equity											
Common Equity	687.3	2,751.5	16.22	2,583.4	15.89	2,604.9	16.68	2,972.1	17.40	3,536.8	20.79
Noncontrolling Interest	0.0	0.0	-	0.0	-	0.0	-	0.0	0.00	0.0	0.00
Securities Revaluation Reserves	1.4	5.6	0.03	(11.5)	(0.07)	(4.8)	(0.03)	3.5	0.02	(4.5)	(0.03)
Foreign Exchange Revaluation Reserves	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Fixed Asset Revaluations and Other Accumulated OCI	0.0	0.0	—	0.0	—	0.0	—	0.0	—	0.0	—
Total Equity	**688.7**	**2,757.1**	**16.26**	**2,571.9**	**15.82**	**2,600.1**	**16.65**	**2,975.6**	**17.42**	**3,532.3**	**20.77**
Memo: Equity plus Pref. Shares and Hybrid Capital Accounted for as Equity	688.7	2,757.1	16.26	2,571.9	15.82	2,600.1	16.65	2,975.6	17.42	3,532.3	20.77
Total Liabilities and Equity	**4,236.2**	**16,958.8**	**100.00**	**16,260.0**	**100.00**	**15,616.4**	**100.00**	**17,081.3**	**100.00**	**17,010.3**	**100.00**
Memo: Fitch Core Capital	418.5	1,675.2	9.88	1,374.9	8.46	1,087.2	6.96	1,383.6	8.10	1,950.4	11.47

[a]Exchange rate: 2018 — USD1 = BRL4,0033; 2017 — USD1 = BRL3,3074; 2016 — USD1 = BRL3,2585; 2015 — USD1 = BRL3,9042; 2014 — USD1 = BRL2,6556.
OCI – Other comprehensive income.
Source: Fitch Ratings, Fitch Solutions.

Summary Analytics — Banco BMG S.A.

(%, Year End as of Dec. 31)	9/30/18 Nine Months — 3rd Quarter	2017	2016	2015	2014
Interest Ratios					
Interest Income/Average Earning Assets	27.50	21.61	12.63	24.94	19.91
Interest Income on Loans/Average Gross Loans	31.03	27.30	22.79	19.15	19.25
Interest Expense on Customer Deposits/Average Customer Deposits	16.77	14.74	14.54	50.71	27.38
Interest Expense/Average Interest-Bearing Liabilities	13.36	10.17	7.95	24.19	15.08
Net Interest Income/Average Earning Assets	14.68	11.46	5.36	4.20	10.30
Net Interest Income Less Loan Impairment Charges/Average Earning Assets	12.12	9.29	1.85	2.33	7.47
Net Interest Income Less Preferred Stock Dividend/Average Earning Assets	14.68	11.46	5.36	4.20	10.30
Other Operating Profitability Ratios					
Operating Profit/Risk-Weighted Assets	2.94	(0.63)	(10.16)	(2.87)	2.01
Non-Interest Expense/Gross Revenues	58.41	82.15	252.99	136.54	60.91
Loans and Securities Impairment Charges/Pre-Impairment Operating Profit	48.97	132.02	(82.73)	(419.69)	66.42
Operating Profit/Average Total Assets	1.93	(0.37)	(5.57)	(1.74)	1.13
Non-Interest Income/Gross Revenues	(16.58)	(21.59)	(78.71)	3.67	(13.86)
Non-Interest Expense/Average Total Assets	5.31	5.46	5.45	4.47	4.34
Pre-Impairment Operating Profit/Average Equity	23.21	7.07	(17.20)	(1.81)	21.33
Pre-Impairment Operating Profit/Average Total Assets	3.78	1.16	(3.05)	(0.33)	3.36
Operating Profit/Average Equity	11.84	(2.26)	(31.44)	(9.40)	7.16
Other Profitability Ratios					
Net Income/Average Total Equity	6.57	1.01	1.75	2.40	8.42
Net Income/Average Total Assets	1.07	0.17	0.31	0.44	1.33
Fitch Comprehensive Income/Average Total Equity	6.57	1.01	1.75	2.40	8.42
Fitch Comprehensive Income/Average Total Assets	1.07	0.17	0.31	0.44	1.33
Taxes/Pretax Profit	42.75	1,853.33	(25.74)	125.67	(10.03)
Net Income/Risk-Weighted Assets	1.63	0.28	0.56	0.73	2.36
Capitalization					
FCC/FCC-Adjusted Risk-Weighted Assets	15.58	14.67	11.97	13.18	15.72
Tangible Common Equity/Tangible Assets	10.55	9.13	7.71	8.93	12.64
Equity/Total Assets	16.26	15.82	16.65	17.42	20.77
Basel Leverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Common Equity Tier 1 Capital Ratio	13.10	13.40	13.45	9.17	15.13
Fully Loaded Common Equity Tier 1 Capital Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Tier 1 Capital Ratio	13.10	13.40	13.45	9.17	15.13
Total Capital Ratio	13.10	15.70	20.54	17.07	22.90
Impaired Loans less Loan Loss Allowances/Fitch Core Capital	8.24	9.98	23.21	9.11	11.51
Impaired Loans less Loan Loss Allowances/Equity	5.01	5.33	9.70	4.23	6.35
Cash Dividends Paid & Declared/Net Income	N.A.	169.58	230.02	185.94	58.21
Risk-Weighted Assets/Total Assets	63.42	57.63	58.15	61.48	72.95
Risk-Weighted Assets — Standardized/Risk-Weighted Assets	N.A.	N.A.	N.A.	N.A.	N.A.
Risk-Weighted Assets — Advanced Method/Risk-Weighted Assets	N.A.	N.A.	N.A.	N.A.	N.A.
Loan Quality					
Impaired Loans/Gross Loans	7.46	8.06	9.77	6.51	9.50
Growth of Gross Loans	7.32	1.72	(2.88)	(10.14)	(51.70)
Loan Loss Allowances/Impaired Loans	80.03	80.28	69.56	77.84	75.72
Loan Impairment Charges/Average Gross Loans	3.38	2.91	4.88	2.90	3.36
Growth of Total Assets	4.30	4.12	(8.58)	0.42	(39.48)
Loan Loss Allowances/Gross Loans	5.97	6.47	6.79	5.06	7.20
Net Chargeoffs/Average Gross Loans	3.47	3.12	3.32	8.07	4.07
Impaired Loans + Foreclosed Assets/Gross Loans + Foreclosed Assets	8.01	8.61	9.77	6.51	9.50
Funding and Liquidity					
Loans/Customer Deposits	98.88	104.07	152.25	173.49	184.15
Liquidity Coverage Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Customer Deposits/Total Funding (Including Pref. Shares & Hybrids)	89.36	72.80	57.34	46.50	50.35
Interbank Assets/Interbank Liabilities	19,400.00	29.76	269.58	140.69	106.09
Net Stable Funding Ratio	N.A.	N.A.	N.A.	N.A.	N.A.
Growth of Total Customer Deposits	12.96	48.81	10.66	(4.61)	(22.04)

Source: Fitch Ratings, Fitch Solutions.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.