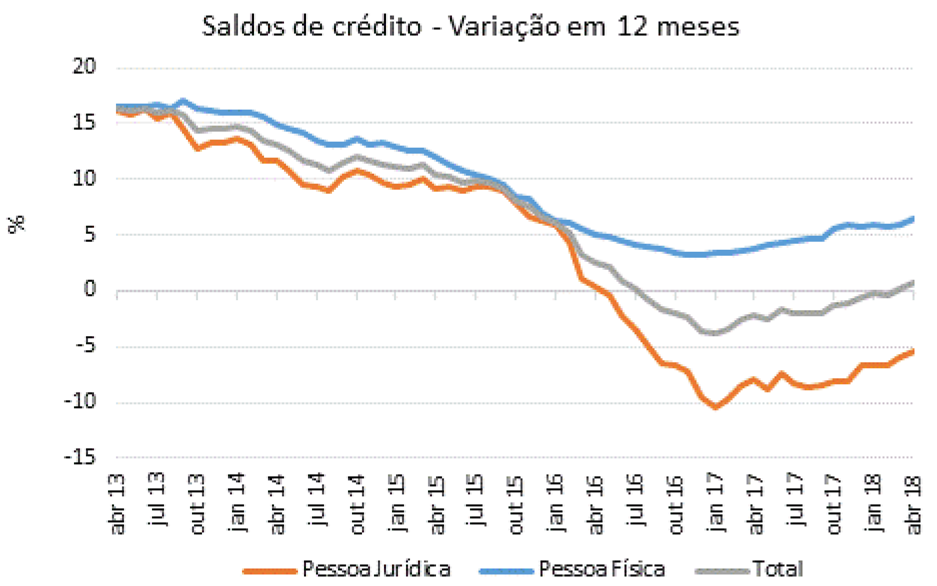
PRESS RELEASE – May 28, 2018

1. Credit operations

The balance of the financial system's credit operations reached R$3.1 trillion in April, an increase of 0.3% in the month, reflecting the persistent expansion of the household portfolio (0.6%) and stability of the corporate portfolio (-0.1%). Over the last 12 months up to April, the total portfolio grew 0.6%, thus interrupting the declining trajectory observed since August 2016. The credit/GDP ratio reached 46.5% in the month.

As for the household portfolio, expansion occurred notably in operations with nonearmarked resources – 0.8% in the month and 7.8% in the twelve months – highlighting increases in the modalities of vehicle financing and credit card with immediate payment. The balance of household credit operations with earmarked resources registered respective increases of 0.4% and 4.9% in the same comparison basis, with emphasis on rural credit operations, which has been exceeding real estate funding.

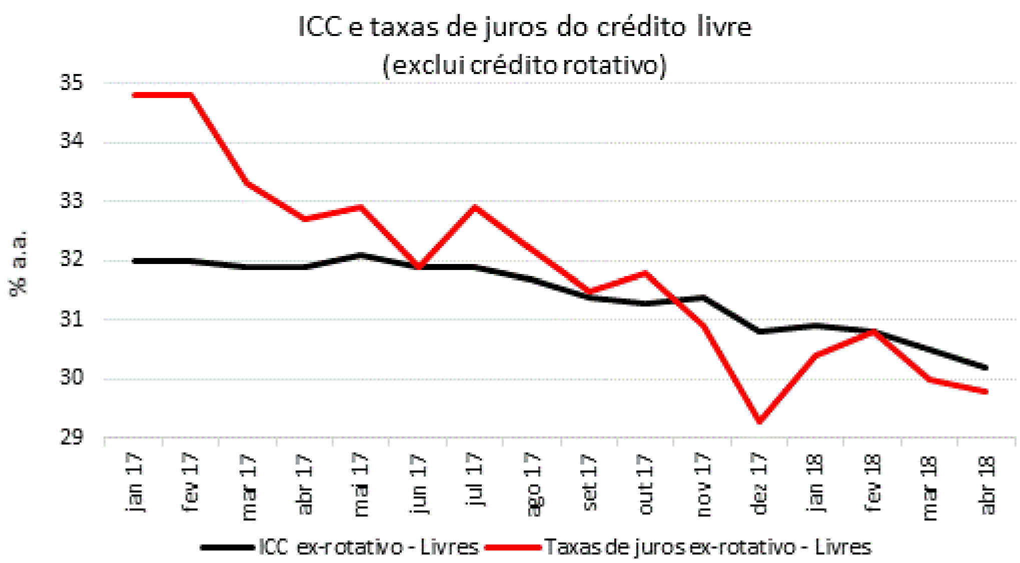


As for the corporate portfolio, nonearmarked credit operations are undergoing a recovery process since the beginning of this year, having expanded 0.4% in April (1.7% in twelve months), with emphasis on advance payments on exchange contracts (ACC). With regard to corporate operations with nonearmarked resources, with respective declines of -0.7% and -12.1%, only rural credit operations registered a positive trajectory.

Lending operations decreased 0.4% in April, totaling R$300 billion, remaining on an upward trajectory over the longer term, as shown by expansions of variations 12.9% in the year and 7.7% in twelve months.

In relation to interest rates, the Cost of Credit (ICC), which measures the cost of the portfolio, remained stable in April at 21.5% (-1.2 p.p in twelve months). The ICC for credit operations with nonearmarked resources reached 34.5%, dropping -0.1 p.p. in the month and -3.8 p.p. in 12 months. It should be highlighted the monthly reduction of 0.3 p.p. in the ICC for nonearmarked non-revolving credit (30.2% in twelve months). The spread of ICC and ICC with nonearmarked resources reached 14.5 p.p. and 25.9 p.p., in the order, a 0.1 p.p. variation, in both cases, in the month.

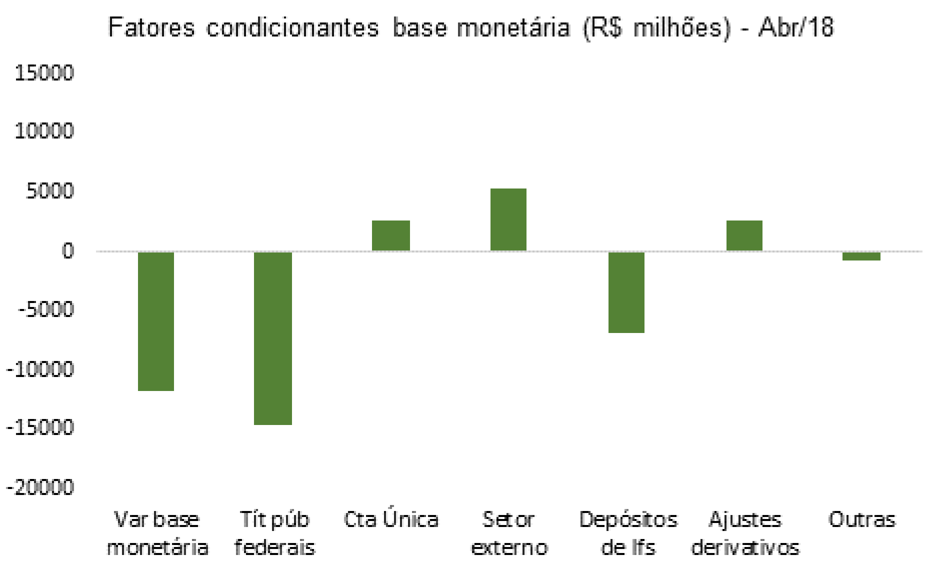
The average interest rate of credit operations reached 25.9% p.y. in April, dropping 0.3 p.p. in the month and 4.2 p.p. in 12 months. This trajectory particularly reflected the reduction of 0.6 p.p. in the cost of corporate operations in the month to 16% p.y., especially for working capital, -0.4 p.p. In the household segment, the average interest rate declined by 0.2 p.p. to 32.8% p.y., with declines spread among the various modalities.



In April, the banking spread of the credit flow reached 19.7 p.p., with a monthly decline of 0.3 p.p. The spread for nonearmarked credit operations also declined in the month, 0.4 p.p., closing at 33.3 p.p. In the 12-month comparison, reduction in the spreads were also observed in both categories, -2.5 p.p. and -5.7 p.p., respectively, in line with the effect of the monetary policy about the spread of credit agreements.

2. Monetary aggregates

In April, the monetary base reached R$263.3 billion, dropping 4.3% in the month and 0.1% in twelve months. The component of bank reserves declined 21.2% in the month, while the currency issued fell by -0.4%. The main factors underlying the monetary base reduction were the operations with federal public securities, R$14.7 billion (net sales of R$21.6 billion in the secondary market and net redemptions of R$6.9 billion in the primary market), and financial institutions' deposits, R$6.9 billion, indicating an increase in the amount of compulsory deposits. These flows offset the expansionary effects that occurred in the month in the Single Treasury Account, R$2.6 billion; in the operations with the external sector, R$5.3 billion, reflecting net FX purchases in the forward market; and payments related to adjustments with derivatives in exchange swaps, R$2.6 billion.



With regard to the means of payment owned by non-currency issuing agencies, M1 (currency and demand deposits) reached R$333 billion, up 0.7% in the month, due to an expansion of 2.6% in demand deposits. M2 totaled R$2.5 trillion, up 0.5% in the month, highlighting the 0.7% growth in savings deposits, reflecting net inflows of R$1.2 billion in the month. M3 reached R$6 trillion, up 0.7% in the month, due to increases of 0.5% in fixed income funds and 9.8% in the securities owned by currency holders acquired in repurchase agreements with the issuing sector. The broadest monetary aggregate, M4, reached R$6.8 trillion, growing 1% in the month and 8.2% in twelve months.