Realize Crédito, Financiamento e Investimento S.A

Financial statements as of December 31, 2017
-- Free Translation --

MANAGEMENT REPORT 2017

MESSAGE FROM MANAGEMENT

In accordance with the legislation and corporate statutes, we provide the Management Report and Financial Statements of Realize Crédito, Financiamento e Investimento S.A. ("Realize CFI"), for the fiscal year ending on December 31, 2017. Realize CFI is indirectly controlled by Lojas Renner S.A. ("Company") and its strategic purpose is to provide financial products in support of the Company's retail business, with increased management governance, bringing greater flexibility, agility and transparency.

Realize CFI was established on March 21, 2017. Its corporate purpose is to carry out asset, liability and acessory operations inherent to Credit, Financing and Investment Companies in accordance with the legal and regulatory rules in force. On March 24, 2017, Realize CFI submitted to the Central Bank of Brazil ("Bacen") an application for an audit of the organizational structure in place. This procedure is a requirement to be satisfied in advance of authorization to operate. The authorization was issued on June 27, 2017 through *Ofício* 12.314/2017 BCB/Deorf/GTPAL.

Based on the Company's plans and strategies, operations began in July 2017 for the "Meu Cartão" product, a co-branded card with Visa and Mastercard operators that may also be used in other establishments as well as internationally. These operations stem from the takeover operation involving Realize CFI and Renner Administradora de Cartões de Crédito Ltda., a directly controlled company of Lojas Renner. In line with the plan to transition products to Realize CFI, new personal loan contract operations began in November 2017.

ECONOMIC SCENARIO

The year 2017 was marked by the beginning of economic recovery with a marked drop in inflation rates, stable employment levels and gradual gains in consumption, a consequence of rising income, falling interest rates and lower household indebtedness. After eight consecutive quarters of negative results, Brazil's GDP resumed growth. In this scenario, Lojas Renner continued to invest and Realize CFI instituted its structuring and operations startup process as planned.

In 2017, the focus was also on the completion of important projects allowing the Company to compete in any scenario. To this end, all areas had to continue to operate in coordination and consistently with the long-term strategy, in a constant attempt to enchant every stakeholder, whether the thousands of customers that shop at our stores and use our credit products, the employees dedicated to exceeding proposed goals, shareholders who invest in the business, or partner suppliers, showing constant respect to and collaborating with society and the environment.

SUSTAINABILITY

Sustainability is present in Lojas Renner's mission and values, driving our commitment with sustainable development of our business strategy. The Company is a signatory of the United Nations (UN) Global Compact, which supports human rights, best labor practices, preservation of the environment and the combat of corruption.

Realize CFI understands its role and responsibility and uses customer interaction and communication means to foster financial education and encourage the adoption of conscious credit and consumption habits as a means to boost sustainable development.

PEOPLE

The Company's culture and its human resources assets are among its main business strengths. Realize CFI employs a total of 63, which, like those at Renner, Camicado and Youcom, bring enchantment to all of their stakeholders.

The Company believes that "Enchanters are Enchanted" and therefore provides opportunities for every employee to progress along their careers and development by means of structured People Management Programs and practices. We also encourage protagonism and learning-by-doing, offering the same opportunities for every employee to achieve growth at the pace of their talent, efforts and results.

OPERATIONAL PERFORMANCE

With activities startup, Realize CFI enjoyed greater agility and flexibility to manage the Company's financial business, and was even able to offer new features and services to Meu Cartão customers, generating increased relationship and interactivity with the Renner brand.

Realize CFI reached year-end 2017 with R$ 204.0 million in financial intermediation revenues and R$ 79.9 million in gross profit. Net profit was R$ 33.6 million with 16.5% net margin and 18.3% ROE.

Realize CFI's operational results are in line with the strategic objectives laid out in the Business Plan submitted to the Central Bank of Brazil (BACEN).

PROSPECTS

The year 2018 begins with the prospect of continued economic recovery in Brazil, the first signs of which have appeared in the past 12 months. In this context, Realize CFI believes that new opportunities for growth and business-model strengthening will emerge. As always, it will continue to tirelessly pursue excellence for developing the competitiveness of its value proposition.

ACKNOWLEDGMENTS

Realize CFI thanks all of its shareholders, employees, customers and suppliers for their engagement, dedication and trust over the course of 2017.

Porto Alegre, March 14, 2018

Realize Crédito, Financiamento e Investimento S.A.

Balance Sheet as of December 31, 2017+A34

(Reais thousands)

Assets	Note	12/31/2017	Liabilities	Note	12/31/2017
Current		**1.120.347**	**Current**		**796.835**
Cash and cash equivalents		**48.136**			
Bank deposits	**4**	47.293	**Deposits**		**16.007**
Foreign currency cash and cash equivalents	**4**	843			
			Interfinancial deposits	**10**	16.007
Securities		**50.782**			
			Other obligations		**780.828**
Treasury bonds	**5**	50.782			
			Collection and funding		124
Credit operations	**6**	**264.345**	Taxes and social security	**12**	39.474
			Provision for payments owed		2.260
Credit operations		405.836	Other administrative expenses		6.609
Provision for credit losses		(141.491)	Contingencies provisions	**14**	1.737
			Amounts payable to Affiliated Concerns	**19**	195.484
Other credits		**757.048**	Various creditors	**13**	535.140
Advances		24			
Tax credit	**8 and 16 b**	66.323	**Long-term liabilities**		
Taxes and contributions		950			
Securities and credits receivable	**6**	674.576	**Funds from real-estate, mortgage, credit and**	**11**	**150.768**
Provision for credit losses - other credits	**6**	(4.135)			
Amounts receivable - related parties	**19**	12.591	Funds from financial bonds		150.768
Various obligors		6.719			
Other values and goods		**36**	**Shareholders' Equity**		**183.628**
Advanced expenses		36	Capital	**15 a.**	150.001
			Profits Reserve	**15 b. and c.**	33.626
Long-term receivable		**1.593**	Equity Income Adjustment	**15**	1
Credit operations	**6**	**1.565**			
Credit operations		1.577			
Provision for credit losses		(12)			
Other credits	**6**	**28**			
Securities and credits receivable		28			
Permanent assets		**9.291**			
Property, Plant & Equipment	**9**	**1.425**			
Property, Plant & Equipment		1.615			
Accumulated depreciation		(190)			
Intangible assets	**9**	**7.866**			
Intangible assets		9.174			
Accumulated amortization		(1.308)			
Total assets		**1.131.231**	**Total liabilities and shareholders' equity**		**1.131.231**

Explanatory notes are an integral part of the financial statements.

Realize Crédito, Financiamento e Investimento S.A.

Income Statement

For the period from March 21, 2017 to December 31,2017 and the semester ending on December 31, 2017

(Reais Thousands)

		2017	
	Note	**2nd Semester**	**Fiscal Year**
Financial Intermediation Revenues		**203.083**	**204.040**
Credit operations		201.598	201.598
Fixed income securities		770	1.727
Return from liquid interfinancial investments		715	715
Financial Intermediation Expenses		**(124.113)**	**(124.113)**
Funding operations		(5.478)	(5.478)
Provision for credit losses	**6 d.**	(118.635)	(118.635)
Gross Intermediation Income		**78.970**	**79.927**
Other operating revenues (expenses)		**(22.919)**	**(24.316)**
Revenues from services provided	**17**	60.991	60.991
Payroll expenses		(6.957)	(7.690)
Contingency expenses		(1.737)	(1.737)
Other administrative expenses	**18**	(49.925)	(50.396)
Tax expenses		(15.075)	(15.075)
Other operating revenues		21	21
Other operating expenses		(10.237)	(10.430)
Earnings before taxes on profits		**56.051**	**55.611**
Income tax and social contribution	**16 a**	**(22.183)**	**(21.985)**
Current income tax and social contribution		(78.994)	(78.994)
Deferred income tax and social contribution		56.811	57.009
Net earnings for the period		**33.868**	**33.626**
Number of equity shares		150.001	150.001
Earnings per share		0,23	0,22

Explanatory notes are an integral part of the financial statements

Realize Crédito, Financiamento e Investimento S.A.

Equity change statement

For the period from March 21, 2017 to December 31,2017 and the semester ending on December 31, 2017

(Reais thousands)

			Profit reserves				
	Note	**Equity capital**	**Required Rserves**	**Expansion Reserves**	**Equity Income**	**Accumulated profits or losses**	**Total**
Balances as of March 21, 2017		-	-	-	-	-	-
Startup capital paid in		15.000	-	-	-	-	15.000
Capital increase authorized on 07/11/2017	**15 a.**	135.000	-	-	-	-	135.000
Period losses		-	-	-	-	(242)	(242)
Balances as of June 30, 2017		**150.000**	**-**	**-**	**-**	**(242)**	**149.758**
Incorporation authorized on 07/01/2017	**15 a.**	1	-	-	-	-	1
Period net earnings		-	-	-	-	33.868	33.868
Earnings earmarking	**15 b. and 15 c.**	-	1.693	31.933	-	(33.626)	-
Equity Income Adjustment		-	-	-	1	-	1
Balances as of December 31, 2017		**150.001**	**1.693**	**31.933**	**1**	**-**	**183.628**

Explanatory notes are an integral part of the financial statements

Realize Crédito, Financiamento e Investimento S.A.

Cash Flow Statement

For the period from March 21, 2017 to December 31,2017 and the semester ending on December 31, 2017

(Reais thousands)

		2017	
	Note	**2nd semester**	**Fiscal Year**
Cash flow from operating activities			
Profit or loss before taxes		56.051	55.611
Reconciliation adjustments for cash and cash equivalents generated by operating activities :			
Depreciation and amortization		1.355	1.499
Provision for credit operations		118.251	118.251
Contingencies provision	**14**	1.737	1.737
Deferred income tax and CSLL	**16**	66.124	66.323
		187.467	**187.810**
Changes in assets and liabilities			
Securities (increase)		(50.782)	(50.782)
Credit operations (increase)		(162.928)	(162.928)
Other credits (increase)		(214.503)	(215.697)
Other amounts and goods (increase)		(36)	(36)
Interfinancial deposits (reduction)		(133.994)	16.007
Other liabilities (reduction)		(77.855)	(76.120)
Increase in proceeds from financial, mortgage, credit and similar bonds	**11**	150.768	150.768
		(489.331)	**(338.788)**
Net cash allocated to operating activities		**(245.812)**	**(95.367)**
Income tax and social contribution paid		(42.585)	(42.587)
		(42.585)	**(42.587)**
Cash flow from investment activities			
Fixed assets acquisition	**9**	(10)	(1.615)
Intangible assets acquisition	**9**	(204)	(3.092)
Net cash allocated to investment activities		**(214)**	**(4.707)**
Cash flow from financing activities			
Capital paid in	**15 a.**	1	150.001
Net cash allocated to financing activities		**1**	**150.001**
Cash received from incorporation		**40.796**	**40.796**
Cash and cash equivalents increase (reduction)		**(247.814)**	**48.136**
Beginning of the fiscal year		295.950	-
End of the fiscal year		48.136	48.136

Explanatory notes are an integral part of the financial statements

Explanatory notes to the financial statements

(Reais thousands)

1 Operational context

Realize Crédito, Financiamento e Investimento S.A. ("Financing Company") has its head offices in the city of Porto Alegre, state of Rio Grande do Sul, at Travessa Francisco Leonardo Truda, and was formed on March 21, 2017. Realize Crédito, Financiamento e Investimento S.A.'s corporate purpose is to carry out asset, liability and accessory operations inherent to Credit, Financing and Investment Companies in accordance with the legal and regulatory rules in force. On March 24, 2017, Realize CFI submitted to the Central Bank of Brazil ("Bacen") an application for an audit of the organizational structure in place. This procedure is a requirement to be satisfied prior to authorization to operate. The authorization was issued on June 27, 2017 through *Ofício* 12.314/2017 BCB/Deorf/GTPAL.

On July 1, 2017, at a meeting of the partners of Renner Administradora de Cartões de Crédito Ltda. And the General Shareholders' Meeting of Realize Crédito, Financiamento e Investimento S.A., both of which are directly and indirectly controlled by Lojas Renner S.A., Management approved a partial spin off from the assets and liabilities of Renner Administradora de Cartões de Crédito Ltda. ("Transferor"), that were incorporated into Realize Crédito, Financiamento e Investimento S.A. ("Transferee"). The operation, as discussed in an accounting opinion issued on July 1, 2017, and with June 1, 2017 for a date of reference, resulted in a net portfolio of R$ 1 (one thousand Reais), R$ 779.121 thousand in assets and R$ 779,120 thousand in liabilities, all of which correspond to "Meu Cartão" operations. The corporate documents approving the operation provide that the equity changes taking place between the mentioned date and the date of effective transfer would be absorbed by Realize Crédito, Financiamento e Investimento S.A ("Transferee"). From that date, the Transferee has succeeded the Transferor in connection with the rights and obligations mentioned in the related corporate acts, but only in connection with those.

2 Basis for the preparation and presentation of the financial statements

The Financial Statements were prepared in accordance with the standards and instructions issued by the National Monetary Council and the Central Bank of Brazil – BACEN, as materialized in the Accounting Plan for Nacional Financial Systems Institutions – COSIF.

Preparation of the Financial Statements used estimates and assumptions in the determination of the amounts of certain assets, liabilities, revenues and expenses, in accordance with accounting practices applicable to institutions under Central Bank of Brazil authorization to operate. The main operations and assessments significantly impacted by estimates include: provision for credit losses, fair value of financial instruments, and useful life of fixed assets.

Effective results may differ from the estimates and assumptions made.

On February 8, 2018, Management approved the financial statements and authorized their disclosure from that date.

3 Description of the main accounting practices

a. Functional currency

These financial statements are presented in Brazilian Reais, the Financing Company's functional currency. All balances have been rounded to the nearest thousand, except were otherwise indicated.

b. Income determination

Revenues and expenses are booked on accrual basis.

c. Foreign-currency transactions

Transactions in foreign currency are converted into the Financing Company's functional currency (Reais) at the exchange rates in force on the date of the respective transactions. Balances are converted into the functional currency at the exchange rate at the end of each fiscal year. Non-monetary assets and liabilities measured at fair value in foreign currency are converted into the functional currency at the exchange rate of the date of the transaction.

d. Cash and cash equivalents

Represents cash and liquid interfinancial investments whose maturity on the date of effective investment is 90 days or less and show insignificant risk of a change in fair value, being used by the Financing Company to manage its short-term obligations.

e. Securities

According to BACEN Circular Letter 3.068, of November 8, 2001 do BACEN, securities are categorized according to the Management's trading intent into three specific classes meeting the following accounting criteria:
(i) Securities for trading – acquired with the intent of active and frequent trading. Restated at market value against the period's income;
(ii) Securities held for sale – those that are not categorized as securities for trading or held to maturity; adjusted at market value against the appropriate equity capital account, net of tax effects; and
(iii) Securities held to maturity – acquired with the intent of and financial capacity for being held in portfolio until maturity. Valued at the acquisition cost plus returns against the period's income.

f. Credit operations and provisions for credit losses

Booked at cost plus returns. The risk rating of credit operations and the constitution of provisions for credit losses have been defined to cover potential losses and take into account the portfolio's specific and global risks, in light of the CMN's parameters, which require analyzing the portfolio and rating it according to nine levels, from AA (minimum risk) to H (maximum risk), as well as the rating of operations more than 14 days overdue as operations in ordinary proceeding.

Provisions were formed according to the credit operation rating criteria set forth in CMN Resolution 2.682 and supplementary laws. Management deems the amount of the reserves sufficient to cover probable credit losses.

Revenues from credit operations more than 60 days late, regardless of their risk level, are only booked as revenues when effectively received.

Renegotiated operations are kept at least at the same level at which they were originally rated. Renegotiations for credit operations that had already been booked against provisions are rated H and any proceeds from renegotiations are only recognized as revenues when effectively received.

Credit operations are booked as losses after a period of six months of their rating as H, as long as they are more than 180 days past due. In this case, they are booked against existing provisions and controlled in compensating accounts.

g. Other current and long-term assets

Booked at principal, restated at the agreed index, as the case may be, plus accrued returns and charges, minus the corresponding provisions for losses.

h. Credit card operations

Amounts receivable from credit card users for the use of the cards as a means of payment at affiliated establishments are booked as "Securities Receivable" with credit characteristics. Installment-purchase operations and the outstanding balance of operations where payments have been made at the minimum billing amount (revolving credit) are re-rated as "Credit Operations".

i. Permanent assets

PP&E and intangible assets are booked at their cost/acquisition value. PP&E depreciations are booked linearly, using annual rates at 10% for furniture, utensils and facilities, and 20% for data processing systems and equipment.

Intangible assets are represented by software implementation expenses. Amortization for these assets is calculated on a linear basis for a period of five years until complete amortization.

Non-financial assets are subject to impairment valuation in the fiscal year or more frequently if the conditions or circumstances indicate a potential for the reduction of their impairment value.

The Financing Company has ascertained the need for impairment and failed to identify events or conditions requiring a need for it.

j. Current liabilities

Booked at known or calculable amounts, including, in the majority of cases, interfinancial deposits, payroll expenses associated with employees, and amounts due to storeowners and credit card companies.

k. Provisions and contingent liabilities

The booking, measurement and disclosure of provisions and contingent liabilities are carried out according to the criteria provided in CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution 3.823/2009.

Provisions are booked in the Accounting Statements when, based on the opinion of legal counsel and the Administration, a loss is deemed probable or possible in judicial or administrative proceedings, with a probable outflow of funds to the settlement of obligations, and when the amounts involved can be measured with sufficient confidence; those deemed as remote loss risks do not require provisioning or disclosure.

l. Taxes

Taxes are booked based on their rates as shown next:

Tax	Taxable Base	Tax Rate in Force
Income Tax	Profit	25%
Social Contribution on Net Profits - CSLL	Profit	20%
PIS/PASEP	Revenue	0.65%

Social Security Financing Contribution - COFINS	Revenue	4%
Services Tax – ISSQN	Serv. Rendered	5%

Income tax and social contribution tax credits are made up of temporarily non-deductible differences, losses for income-tax purposes, and negative social contribution base. The applicable rates are 20% for social contribution and 15% (plus a 10% add-on, pursuant to the applicable law) for income tax on taxable period profits, restated for permanent and temporary differences.

Realization of these tax credits will occur at the time of the realization of the provisions made and the generation of taxable profits. As concerns losses for ta-purposes and negative taxable base, a limit shall apply of 30% of the real profits of the relevant fiscal year.

m. Profit per share

Profit per share is calculated by dividing Net Profit by the weighted average of the number of common shares outstanding in each fiscal year.

4 Cash and cash equivalents

	2017
Bank deposits	47,293
Foreign-currency cash and cash equivalents (a)	843
Total	**48,136**

(a) In 2017, foreign-currency (US Dollar) cash and cash equivalents correspond to the collateral for operations with a credit-card accrediting company.

5 Securities

Securities available for sale	**Until 12 months**	**Market value (book)**	**Value at cost**	**Mark-to-market**
Treasury Bonds (LFT) - (a)	50,782	50,782	50,780	2

(a) Treasury Bonds ("Letras Financeiras do Tesouro") are indexed at 100% of the SELIC basic rate. They are marked to market considering the risk-free interest rate, which expresses the projected SELIC and the issuer's credit spread.

6 Credit operations and securities and credits receivable

Includes loans granted to individuals as a result of credit and credit-card operations.

(a) Breakdown of credit operations and securities and credits receivable:

			12/31/2017
Card Marquee ("Meu Cartão")	Portfolio	Provision	% Coverage
A – 0-14 days	829,983	(4,733)	0.6%
B – 15-30 days	28,296	(357)	1.3%
C – 31-60 days	29,762	(1,443)	4.9%
D – 61-90 days	25,952	(4,246)	16.4%
E – 91-120 days	27,023	(13,509)	50.0%
F – 121-150 days	22,444	(15,709)	70.0%

G – 151-180 days	19,471	(17,338)	89.1%
H - 180 days ore more	88,202	(88,202)	100.0%
Total	1,071,133	(145,537)	13.6%
Balance of Prov. for losses x Minimum requirement (Bacen)			112.7%

			12/31/2017
Personal Loan ("Saque Rápido")	Portfolio	Provision	% Coverage
A – 0-14 days	10,677	(60)	0.6%
B – 15-30 days	118	(1)	1.3%
C – 31-60 days	35	(2)	4.9%
D – 61-90 days	10	(2)	16.4%
E – 91-120 days	11	(5)	50.0%
F – 121-150 days	8	(6)	70.0%
G – 151-180 days	7	(7)	89.1%
H - 180 days ore more	18	(18)	100.0%
Total	10,884	(101)	0.9%
Balance of Prov. for losses x Minimum requirement (Bacen)			116,4%

(b) Portfolio breakdown by maturity:

Credit operations show the break down by installment maturity range as follows:

	2017
Past due	229,941
Upcoming up to 3 months	636,564
Upcoming 3-12 months	213,907
Upcoming 1-3 years	1,605
Total	**1,082,017**

(c) Credit operations breakdown by risk levels and provisioning for losses:

31/12/2017

			PCL								
Arrears	**Portfolio**	**%**	**A**	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**Total**
0-14 days	840,661	0.6%	4,793								4,793
15-30 days	28,414	1.3%		358							358
31-60 days	29,797	4.9%			1,445						1,445
61-90 days	25,962	16.4%				4,247					4,247
91-120 days	27,033	50.0%					13,514				13,514
121-150 days	22,452	70.0%						15,714			15,714
141-180 days	19,479	89.1%							17,348		17,348
180-plus days	88,219	100.0%								88,219	88,219
Total	1,082,017		4,793	358	1,445	4,247	13,514	15,714	17,348	88,219	145.638
% BACEN coverage			0,50%	1%	3%	10%	30%	50%	70%	100%	
Required provisions (BACEN)			4,203	284	894	2,596	8,11	11,226	13,635	8,219	129,167
Complementary provision (a)			590	74	551	1,651	5,404	4,488	3,713	-	16,471

(a) Allocated to each risk level to explicitate the complementary volume

The Financing Company complements the provision for credit losses beyond the requirements of Resolution 2.682/1999 by taking account of the portfolio's loss history.

(d) Change in provisions for credit losses:

	2017
Provision constitution	118,635
Balance of provision from incorporation	27,381
Written off losses	(378)
Balance as of December 31, 2017	**145,638**

7 Credit risk

The Financing Company's sales and credit approval policies are subordinated to the credit policies laid down by Management, supported by technology systems and advanced processes of the risk and fraud area, intended to minimize any problems associated with defaulting customers. The Financing Company's Management achieves this objective by carefully selecting the customers portfolio, considering payment capacity (credit analysis) and the diversification of operations (risk pulverization).
Credit quality in terms of portfolio risk analysis breaks down as follows:

			12/31/2017
Credit risk rating	Meu Cartão	Personal Loan	Total
Low	538,058	1,396	539,454
Lower medium	164,405	5,017	169,422
Medium	87,888	8	87,896
Upper medium	85,537	4,231	89,768
High	195,245	232	195,477
Total	1,071,133	10,884	1,082,017

The internal rating of the credit-quality risk of the accounts receivable portfolio is described as follows:

i. Low: Customers with probability of 9.3% or less of payment later than 60 days from the due date.
ii. Lower Medium: Customers with a probability over 9.3% and up to 16.8% of payment later than 60 days from the due date.
iii. Medium: Customers with up to 4 months of Meu Cartão membership, and little usage history for the purposes of probabilistic default measurement.
iv. Upper medium: Customers with a probability over 16.8% and up to 31.3% of payment later than 60 days from the due date.
v. High: Customers with a probability over 31.3% of payment later than 60 days from the due date.

The Financing Company's receivables originate from their mass individual credit operations, with individual credit analysis and low average ticket. They are characterized by utter pulverization of credit risk and the absence of collateral, so that the amounts booked in accounts receivable properly represent the Financing Company's exposure to credit risk.

8 Tax credits

The balance concerns deferred income tax and social contribution booked to reflect the future effects ascribable to the offsetting of losses for tax purposes, Provisions for credit losses, Contingency provisions, and Securities. According to the applicable law, all requirements have been met for the constitution and maintenance of tax credits (explanatory note 16).

9 PP&E and Intangible Assets

a. Property, Plant & Equipment

	Depreciation rate	Initial balance as of March 21, 2017	Addition	Incorporation	Accumulated depreciation	Net book value
Facilities	10%	-	-	483	(32)	451
Furniture and equipment	10%	-	10	117	(12)	115
IT Equipment	20%	-	-	1,005	(146)	859
Total		**-**	**10**	**1,605**	**(190)**	**1,425**

b. Intangible assets

	Amortization rate	Initial balance as of March 21, 2017	Addition	Incorporation	Accumulated amortization	Net book value
IT Systems	20%	-	204	8,970	(1,308)	7,866
Total		**-**	**204**	**8,970**	**(1,308)**	**7,866**

In fiscal year 2017, the Financing Company incorporated from related parties the amounts of R$ 1,605 and R$ 8,970 in PP&E and Intangible Assets.

10 Interfinancial Deposits

Portfolio breakdown by mode and counterpart

	2017
Interfinancial deposits (a) – Non-affiliated	16,007
Total	**16,007**

(a) Floating income security pegged to the daily change of CDI – CETIP, with basic return at 105.7% of the CDI change. The portfolio matures in its entirety in January 2018.

11 Funds from property, mortgage, credit and similar bonds

	2017
Proceeds from securities acceptance and issuance (a)	150,768
Total	**150,768**

(a) Floating income financial bond pegged to the daily change of CDI – CETIP, with basic return at 103.25% of the CDI change. The portfolio matures in its entirety in December 2019.

12 Taxes and Social Security

	2017
Income tax and social contribution	36,407
Other taxes and contributions payable	3,067
Total	**39,474**

13 Various creditors

	2017
Amounts payable to marquees (a)	524,581
Outstanding credit card creditor balance	3,220
Other	7,339
Total	**535,140**

(a) The balance of this group of accounts concerns amounts owed to credit card marquees. The marquees are responsible for payment to acquirers, who, in turn, pay affiliated Companies. Operations are booked on the date of the purchase and passed on in 28 days for domestic operations and on the subsequent day for international ones.

14 Contingencies

Type	Probability of loss	2017
Civil	Possible	1,205
Civil	Probable	532
Total		**1,737**

In December 31, 2017 the balance of R$ 1,205 for civil litigation with possible loss probability concerned 338 lawsuits. The provision considers a 63% risk of loss for all lawsuits (total of 536 lawsuits in 2017).

For cases where loss is deemed probable, the Financing Company considers the lawsuits in their entirety (total of 149 lawsuits in 2017).

15 Shareholders' Equity

a. Capital

The Financing Company's paid-in capital on December 31, 2017 was R$ 150,001 (one hundred and fifty million and one thousand Reais), held entirely by shareholders domiciled in Brazil and made up of 150,001 (one hundred and fifty million and one thousand) common voting shares, all nominative and without face value. The startup capital of R$ 15,000 (fifteen million) had been paid in on March 21, 2017. On June 7, the Financing Company increased its capital to R$ 135,000 (one hundred and thirty-five million Reais), as per the minutes filed with the Rio Grande do Sul Board of Trade on July 11, 2017 and, on July 1, 2017, the Financing Company's capital incorporated R$ 1 (one thousand Reais), as per the minutes filed with the Rio Grande do Sul Board of Trade. The Financing Company's direct controller is Realize Participações S.A. and its ultimate indirect controller is Lojas Renner S.A.

Change in capital statement

	Valor
Balances as of March 21, 2017	**-**
Startup capital paid in	15,000
Capital increase authorized on 07/11/2017	135,000
Balances as of June 30, 2017	**150,000**
Incorporation authorized on 07/01/2017	1
Balances as of December 31, 2017	**150,001**

b. Required Reserves

Constitute at 5% of the net profit reported in each fiscal year pursuant to article 193 of Law 6.404/76, up to a limit of 20% of capital. The balance as of December 31, 2017 was R$ 1,693.

c. Expansion Reserves

The purpose of expansion reserves is to book retained earnings as provided in the capital budget as proposed by Management and approved by the General Shareholders' Agreement. The balance as of December 31, 2017 was R$ 31,933.

d. Dividends

Pursuant to the Financing Company's statutes, Chapter VII, article 30, "Dividends shall not be mandatory in fiscal years where Management deems them incompatible with the financial situation, and the Executive Board may propose to the General Shareholders' Meeting a distribution of dividends below that required or no dividends at all." In minutes of a meeting of the Executive Board held on December 28, 2017, and as also provided in the "Business Plan", it was proposed that the Financing Company's shareholders should decide at the Shareholders' Meeting for the non-distribution of dividends.

16 Income tax and social contribution – tax credit

a. Income tax and social contribution

Reconciliation of the expenses calculated by the application of the combined tax rates and income tax and social contribution expense debited from results is breaks down as follows:

	2nd semester	Fiscal Year
Earnings before IT and SC	**56,051**	**55,611**
Combined tax rate	45%	45%
Tax expense at the nominal rate	**25,223**	**25,025**
Permanent Additions (Exclusions)		
Tax benefits (PAT)	(15)	(15)
Share exempt from the 10% add-on	(18)	(18)
CSLL rate differences– Incorporation	(3,007)	(3,007)
IT and SC in the period	**22,183**	**21,985**
Current	78,994	78,994
Deferred	(56,811)	(57,009)
Effective rate	**39.57%**	**39.53%**

b. Deferred income tax and social contribution

On December 31, 2017, the deferred tax asset arises from provisions for credit losses, market adjustments and contingencies, and is booked in the "Other Credits" group, breaking down as follows:

Determination

	2017
Provision for credit losses	145,647
Provision for civil contingencies	1,737
Securities – marked to market	1
Total	**147,385**
Combined tax rate	45%
Tax credit balance (deferred tax asset)	**66,323**
Tax credit balance (Shareholders' Equity)	**1**

Basis for deferred taxes calculations

	12/31/2017

Basis for deferred IT-SC calculations	**IRPJ**	**CSLL**
Provision for credit losses	145,647	145,647
Provision for civil contingencies	1,737	1,737
Securities – mark to market	1	1
Deferred tax asset	147,385	147,385
Nominal rate	25%	20%
Deferred income tax and social contribution	36,846	29,477

Present value of tax credits

As provided in Article 3, item V, of Central Bank of Brazil Circular Letter 3.171, the present value of tax credits calculated based on the Selic funds rate at 7% p.a., is represented by R$ 34,429 for income tax and R$ 28,461 for social contribution.

Realization

Tax credits are booked at their nominal values and will be reversed as they are excluded from the taxable earnings in future fiscal periods, when the accounting value of the assets are recovered or liquidated, which is expected to occur as follows:

	Nominal Value	**Present Value**
In 2018	66,323	63,618
Total	**66,323**	**63,618**

17 Income from services

Concerns revenues from priority services charges collected from credit cards (annuity, card replacement, emergency evaluation, draft fee) and distinctive services fees (application fee and text).

18 Other administrative expenses

	2nd semester	**Fiscal year**
Rent expenses	223	297
Third-party services expenses	8,127	8,230
Data-processing expenses	18,186	18,186
Technical services expenses	1,688	1,688
Postal, telegraph and telephone expenses	6,817	6,817
Collections and banking expenses	9,743	9,743
Meu Cartão expenses	2,584	2,584
Other expenses	2,557	2,851
Total	**49,925**	**50,396**

19 Related parties transactions

On December 31, 2017, the main assets and liabilities balances, as well as those of the transactions that influenced results, or services provided, according to the conditions as agreed between the parties, are as follows:

	Renner Administradora de Cartões de Crédito Ltda.	**Lojas Renner S.A.**	**Maxmix Comercial Ltda.**	**Total**
Assets	-	12,591	-	12,591
Amounts receivable – Marquee Card Operations (Meu Cartão)	-	12,591	-	12,591

(Liabilities)	(5,728)	(186,679)	(3,076)	(195,483)
Shared expenses (a)	(5,728)	(7,330)	-	(13,058)
Marquee Card Operations (Meu Cartão) and Personal Loans	-	(179,349)	(3,076)	(182,425)
Results	25,336	16,324	-	32,918
Corporate expenses sharing (a)	25,336	7,582	-	32,918
Services provision expenses (b)	-	7,359	-	-
Funding expenses(c)	-	1,383	-	-

(a) Administrative expenses payable concern expenses incurred at the Financing Company and borne by Lojas Renner S.A. and Renner Administradora de Cartões de Crédito Ltda,.which will be reimbursed, and shared expenses of Realize and the Indirect Controller.

(b) Concerns remuneration paid to Lojas Renner S.A for banking correspondent services provided.

(c) Remuneration on the bank deposit receipt issued by Realize CFI and invested by Lojas Renner S.A.

20 Management remuneration

On December 31, 2017 the benefits provided by the Financing Company as fixed remuneration in line with the duties of its Managers broke down as follows:

	2017
Remuneration	791
Total	**791**

Realize Crédito, Financiamento e Investimento S.A. does not grant long-term benefits and stock-based remuneration to key Management personnel.

Pursuant to the applicable law in force, no loans or advances were given to: (i) Officer and Directors, as well as to the respective spouses and relatives up to the second degree; (ii) Natural or legal entities holding equity shares in excess of 10% (ten percent), except with case-by-case consent from the Central Bank of Brazil, for operations funded by the commercial effects resulting from merchandise purchase and sale or pledge, at general limits to be set by the CMN; (iii) Legal entities in which they hold equity shares in excess of 10% (ten percent); (iv) Legal entities where in excess of 10% (ten percent) of equity capital is held by any director or officer of the financial institution, as well as their spouses and relatives up to the second degree.

21 Risk Management

Realize Crédito, Financiamento e Investimento S.A. has in place a structure allocated at the Risk and Compliance Management, dedicated to ongoing and integrated management of compliance risks, which includes Compliance, internal controls, money-laundering prevention and terrorism-financing combat, financial risk, to include market, liquidity, credit and capital management risks, and non-financial risks, represented operational risks, business-continuity plans, image and socio-environmental risks.

The principal risk-management strategies in place are as follows:

Capital Management: consists in the construction of prospective scenarios taking account of ordinary and stressed assumptions, and determinant to actions intended to prevent insufficient capital. On December 31, 2017, the Basel Ratio ascertained for Realize Crédito, Financiamento e Investimento S.A. was 15.31% according to the standards in force. For Market Risk purposes, the Financing Company uses Value at Risk (VaR) as a monitoring methodology for ordinary scenarios, and sensitivity and extreme historical changes to develop stress scenarios.

- **Liquidity Risk:** this consists in the monitoring of daily cash flows projected for an horizon of at least 90 days, in addition to projected funding needs over the 6-month and 1-year horizons, according to the Financing Company's strategy.

- **Operational Risk:** monitored in semestral cycles comprehending investigation, analysis and decision-making regarding the risks as mapped according to their estimated severity and probability.

- **Credit Risk:** The Financing Company constantly pursues best practices in file-keeping, modeling and collections under the responsibility of the Credit and Collections Management, and monitoring, conducted by the Risk and Compliance Management, segregating purviews according to best practices. Finally, governance is jointly exercised by the Cash Committee, the Assets and Liabilities Committee, the Credit and Collections Committee., and the Risk Committee.

- **Risk and Compliance:** Realize Crédito, Financiamento e Investimento pursues a balance between risk exposure and profitability, in constant compliance with the applicable law.

22 Insurance coverage

On December 31, 2017, insurance coverage against operational risks was R$ 3,004 for material losses.

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Independent audit report on the financial statements

To the Officers of

Realize Crédito, Financiamento e Investimento S.A.

Porto Alegre - RS

Opinion

We have audited the financial statements of Realize Crédito, Financiamento e Investimento S.A. (Financing Company), including the balance sheet as of December 31, 2017 and respective statements of profit or loss,

change in equity, and cash flow for the fiscal year and semester ending on that date, as well as the corresponding notes, including a summary of principal accounting policies.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the equity and financial situation of Realize Crédito, Financiamento e Investimento S.A. as of December 31, 2017, its operational performance, and its cash flow for the period from March 21, 2017 to December 31, 2017, as well as for the period ending on the latter date, pursuant to the accounting practice adopted in Brazil and applicable to institutions with Central Bank authorization to operate.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the following section denominated "Auditors' Responsibilities for the Audit of the Financial Statements". We are independent of the Financing Company in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information accompanying the financial statements and the audit report

Management of the Financing Company is responsible for other information comprising the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the financial statements

Management is responsible for the preparation and presentation of the financial statements in accordance with the accounting practices adopted in Brazil for institutions that require authorization to operate from the Central Bank of Brazil, and for the internal controls it deems needed to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Financing Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Financing Company or to cease operations, or has no realistic alternative but to do so or has no realistic alternative to avoid the closure of operations.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and international standards on auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and international standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control, collusion, falsification, omission or intentional misrepresentations.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Financing Company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Financing Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Financing Company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation and communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies that we identify during our audit.

Porto Alegre, March 14, 2018

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