



# MANAGEMENT REPORT 3Q16



This document is based on the Consolidated Financial Statements of CAIXA on September 30, 2016, and contains statements about expectations, growth estimates, projections of results. These statements are not guarantee of future performance and involve risks and uncertainties that could extrapolate the control of Management, and may thus result in balances and values different from those anticipated and discussed herein.

The information presented in this report is consolidated and includes statements from CAIXA Financial Institution and its subsidiaries CAIXA Seguridade and CaixaPAR.

Managerial statements for previous periods may have been reclassified for comparative purposes, generating possible differences with accounting publications due to reallocations or any grouping of items, which aim to provide a better understanding or vision of changes in assets, liabilities and results, or preserve data comparability between periods.

The figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them due to rounding adjustments. All indexes and variations presented were calculated based on whole numbers, there may be divergence when the calculation is made on the rounded values.

Hereafter, we present the Management Report and Consolidated Financial Statements in 3Q16, according to the accounting practices adopted in Brazil, applied to institutions authorized to operate by the Central Bank of Brazil.

## MANAGEMENT REPORT – 3Q16

### INTRODUCTION

In the third quarter of 2016, CAIXA kept its continuous search for efficiency in management, which enabled the Institution to continue in its role as important vector for the development of national economy, specially in areas related to housing and infrastructure and in the operationalization of policies aimed at reducing social and regional inequalities.

Reflecting this management, CAIXA's accumulated net profit in nine months reached R\$ 3.4 billion. The operating profit totaled R\$ 1.6 billion, advance of 8.7% if compared to the nine months of 2015 e R\$ 421 million higher than the second quarter of 2016, as a result of the improvement of the business of the Institution and of the advance related to operating profit. On this context, we highlight the efficient control of financial expenses, especially allowance for loan losses, which were R\$ 534 million lower in comparison to the accumulated in the previous year, result from our active risk management.

Loan operations totaled R\$ 70.3 billion, advance of 10.1% in 12 months, impacted by the Income from housing loans, and by the development of actions in sanitation and infrastructure. With these segments, the balance of the credit portfolio totaled R\$ 699.6 billion in september 2016, advance of 5.0% in 12 months, and a gain of 1.36 p.p. of market share.

Regarding the execution of government programs, in the accumulated until september 2016, R\$ 20.9 billion were paid in social benefits and R\$ 179.5 billion in benefits to workers. The main income transfer program, Family Allowance paid R\$ 20.1 billion in benefits in the period, being fundamental to the reduction of child mortality and school dropout rates due to the conditionalities of the Program.

In face of this scenario, In the period, CAIXA's activities where responsible for injecting R\$ 516.4 billion in Brazilian economy until september through loan contracts, distribution of social benefits, own infrastructure investments, salaries, social destination of lotteries, among others.

This report presents CAIXA results in third quarter of 2016 that endorse its role as a financial institution and public policies agent, and justify the recognition by society as one of the Institutions that most contribute to the growth of the country and the improvement of people's life quality.

## CUSTOMERS AND SERVICE CHANNELS

For CAIXA, the strengthening of the relationship with its customers and the continuous improvement in its services are critical to its operations. In this sense, for excellence in customer service, the Institution continually invests in improving its products, services and channels.

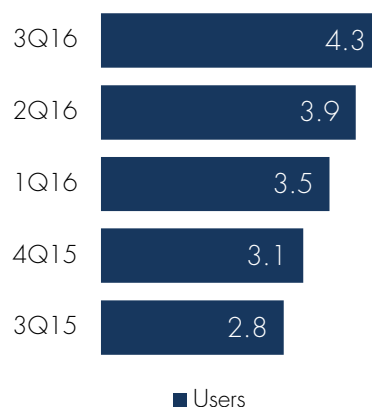
In september 2016, CAIXA's customer base reached 85,9 million of account holders and savers, which represents an evolution of 3.5 million customers in 12 months. The individual portfolio reached 83.4 million and the corporate portfolio 2.5 million.

At the digital ambient, CAIXA invests in the constant improvement of the applications, which allows access to the account by smartphones, and Internet Banking (including tablets) that reached in the period, a basis of 4.3 million and 16.4 million users, respectively.

Through the mobile banking application, the customer has access to many kinds of services, such as check the balance and the credit card bill, payments, investments, transfers, loans, simulations, and lotteries.

We highlight the new features of the CAIXA mobile banking app, which can already be used by its users. Besides the renovation of payroll loan contracts, now the customer has the possibility of new loans in the modality. The application and recovery of investments in CDB and LCI, and the viewing of the applications of RDB are also available on the smartphone.

Users registered for access by smarthpone  
(in million)



The amount of registered users basis for access via smartphones increased 52.3% in relation to september 2015, and the users' basis that access Internet Banking CAIXA increased 19.7% in the same comparison.

The amount of transactions in smartphones raised in 66.5%, in comparison to the same period of the last year, totaling 412 million transactions.

Besides these channels, CAIXA network has 60.6 thousand service points. There are 4.2 thousand branches and service points, 25.0 thousand of lotteries and correspondent outlets, 31.4 thousand machines distributed around the country and 3 riverboat branches.

## ECONOMIC-FINANCIAL PERFORMANCE

In nine months, CAIXA reached net profit of R\$ 3.4 billion. Impacted at the reaching of this result the increase of 10.1% in loans operations income and in income from services and banking fees in 9.1%.

Reflecting the movement of the Institution, aimed at the increase of the operation efficiency, CAIXA presented a growth of 8.7 % on its operating profit, finishing september with R\$1.6 billion. The expenses with financial intermediation evolved 2.7% and totaled R\$ 94.7 million. Allowance for loan losses totaled R\$ 15.2 million, descent of 3.4%.

Total income increased 3.9% in 12 months, totaling R\$ 134.7 billion in the first nine months of 2016, highlight to the income from services and banking fees that reached R\$ 16.5 billion, evolution of 9.1% in 12 months.

Other administrative expenses totaled R \$ 8.8 billion, an increase of 3.2% in twelve months, and a decrease of 0.3% in relation to the previous quarter, showing an evolution below the inflation of the period.

Items (in R\$ Billion)	9M14	9M15	9M16
CAIXA's Asset	1,019	1,156	1,231
Amplified Loan Portfolio	576	666	700
Saving Deposits	223	234	241
Managed assets (Third party)	713	792	857

CAIXA's assets totaled R\$ 1.2 trillion, increment of 6.5% in 12 months. Amplified loan portfolio represented 56.8% from this total, with R\$ 699.6 billion, and securities and derivatives with R\$ 182.0 billion corresponding to 14.8%.

The assets under management by CAIXA totaled R\$ 2.1 trillion, highlight to FGTS with a balance of R\$ 490.4 billion, and Asset Management that amounted R\$ 278.4 billion, evolutions of 9.3% and 8.6%, in 12 months, respectively.

Demand deposits presented a balance of R\$ 25.9 billion and time deposits totaled R\$ 206.9 billion, evolution of 24.5% in relation to the previous year. Saving deposits totaled a balance of R\$ 241.1 billion in september 2016, growth of 2.8%.

CAIXA's net equity totaled a balance of R\$ 63.4 billion, including R\$ 36.5 billion in Hybrid capital and debt instrument eligible as capital to compose the main capital in Basel III.

In september 2016, the return on average equity (accumulated in 12 months), was 6.5%, the Basel ratio was 13.5%, 2.5 p.p. above the legal requirement of 11.0%.

Coverage ratio of administrative expenses improved 1.8 p.p. in 12 months, reaching 67.2%. Coverage for personnel expenses increased to 104.8%, growing 1.0 p.p. in relation to the same period of the last year. The betterment of these ratios is a result of improvement actions implemented in order to optimize CAIXA's expenses and increase in servisse revenues and banking fees.

<b>Ratios (in %)</b>	<b>9M14</b>	<b>9M15</b>	<b>9M16</b>
Return on Average Assets (accumulated 12 months)	0.8	0.8	0.3
Return on Average Equity (accumulated 12 months)*	17.8	13.2	6.5
Total Capital Ratio	15.3	14.2	13.5
Public Sector Debt	29.0	28.5	35.7
Fee Income / Administrative Expenses (accumulated 12m)	63.4	65.4	67.2
Fee Income / Personnel Expenses (accumulated 12m)	102.9	103.8	104.8
Operating Efficiency Ratio (accumulated 12m)	56.7	53.0	54.4

\*According to CMN Resolution 4,192/13, Net equity includes the Hybrid capital and debt instruments in amount of R\$ 36.5 billion.

## **S**ECURITIES AND DERIVATIVES FINANCIAL INSTRUMENTS

At the end of the third quarter of 2016, securities and derivatives financial instruments portfolio totaled a balance of R\$ 182.0 billion, evolution of 4.3% in 12 months. From the total, R\$ 163.3 billion were government bonds and R\$ 17.5 billion were private-issued securities.

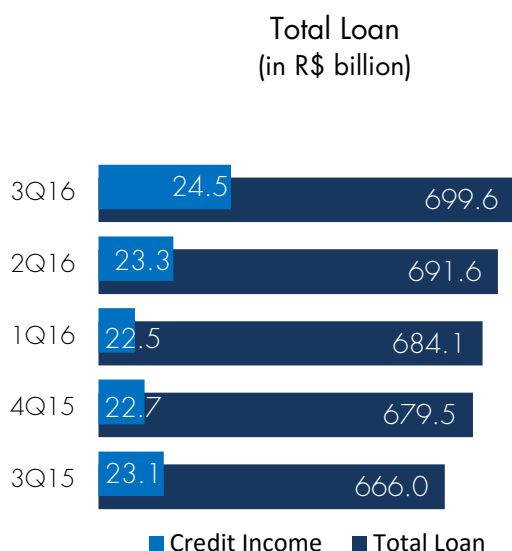
Operations with securities and derivatives financial instruments reached R\$ 31.8 billion, 5.8% lower in comparison to the same period in

2015, influenced by the exchange rate.

In compliance with the dispositions of BACEN Circular 3,068/2001, Article 8º, CAIXA states the intention of maintaining the securities classified in Tier III, which totaled R\$ 50.0 billion in the period, until their respective maturities, and states to have the financial capability required to do so.

## AMPLIFIED LOAN PORTFOLIO

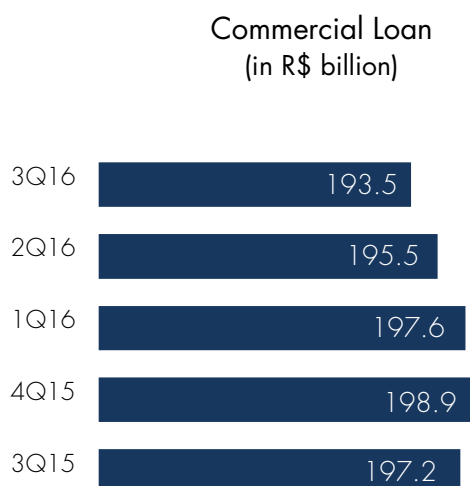
In september 2016, CAIXA's amplified loan portfolio totaled a balance of R\$ 699.6 billion, evolution of 5.0% in relation to the previous year. Commercial loan portfolio totaled a balance of R\$ 193.5 billion.



Operations with individuals reached a balance of R\$ 103.4 billion, evolution of 0.2% in 12 months. Among the products for the individual segment, we highlight the payroll deduction loans with balance of R\$ 62.9 billion, growth of 8.0% in relation to the same period of last year. The market share was 21.9%, at the end of the quarter, growth of 0.5 p.p in 12 months.

Corporate segment totaled a balance of R\$ 90.1 billion in september 2016, reduction of 4.2% in 12 months, the same behavior observed in the Brazilian Financial System.

Sanitation and infrastructure operations evolved 13.8% in 12 months, totaling a balance of R\$ 77.8 billion at the end of september 2016.

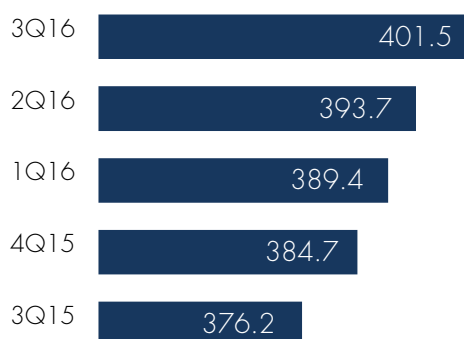


Caixa Rural Credit reached a balance of R\$ 6.6 billion in september 2016. We highlight the modality available for corporate, which presented a growth of 20.4% in comparison to the last quarter.

To facilitate access to this credit line, the Institution takes the CAIXA's Agribusiness truck to the main trade shows and events of this sector, a wheel agency where the producer can even contract the CAIXA Costing Easy (CAIXA Custeio Fácil), and have access to various information and products.

New loans in housing loan portfolio totaled R\$ 57.1 billion in nine months of 2016, of this amount, R\$ 44.3 billion were made with FGTS resources including subsidies, R\$ 11.5 billion with Brazilian Savings and Loans System (Sistema Brasileiro de Poupança e Empréstimo, or SBPE) resources and R\$ 1.3 billion with other resources.

Housing Loan  
(in R\$ billion)



In “My House, My Life Program”, in the third quarter of 2016, CAIXA reached R\$ 8.8 billion in new loans, totaling 75.3 thousand housing units. Of this amount, 6.1% were destined to families with maximum income of R\$ 1.8 thousand.

The balance of real estate portfolio totaled a



Residencial José Martins, enterprise of the “MCMV” in Queimados, on Baixada Fluminense.  
Source: Jornal da Caixa 2016

balance of R\$ 401.5 billion in september 2016, evolution of 6.7% in 12 months.

CAIXA remained the market leader with 66.8% of market share, not including mortgage-backed security.

At the end of september 2016, the quality of the loan portfolio remained high, with approximately 90,7% of its total classified with ratings of AA-C, keeping its historic profile.

The delinquency rate above 90 days was 3.48% in the end of the third quarter, and it remains below the market average of 3.73%. These effects were a result of the performance of one economic group of the Corporate segment.



Caixa Agribusiness Truck, at Agroleite 2016.  
Source: Jornal da Caixa 2016

## DEPOSITS AND FUNDING

The total funding reached a balance of R\$ 954.4 billion at the end of september 2016, evolution of 5.7% in relation to the same period in the previous year, and 2.3% in comparison to the last quarter.

CAIXA deposits reached a balance of R\$ 487.7 billion, growth of 10.8% in 12 months.

Highlight to the time deposits, with a balance of R\$ 206.4 billion, growth of 24.5% in 12 months and 11.6 % in the quarter.

Demand deposits totaled R\$ 25.9 billion, evolution of 5.9% in 12 months.

Savings, with R\$ 241,1 billion of balance, grew 2.8% in comparison to september 2015, keeping its recovery trend, with a gain of 1.1 p.p. of market share.

In the first nine months of 2016, savings accounts totaled 67.6 million, growth of 5.3 million accounts in comparison to the same period in the last year.

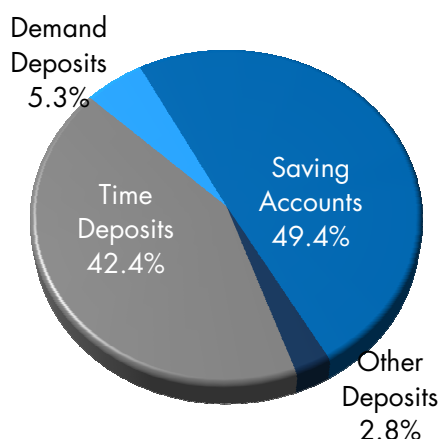
CAIXA's current account basis totaled 24.9 million distributed as follows: 22.6 million of individual accounts (including CAIXA Easy Account - CAIXA Fácil), and 2.3 million of corporate accounts.

Judicial deposits increased R\$ 11.9 billion in 12 months, reaching a balance of R\$ 69.0 billion. The remaining deposits totaled a balance of R\$ 13.8 billion.

The balance of Notes totaled R\$ 140.5 billion. Emphasis on the mortgage linked notes that evolved 10.6% in 12 months.

CDB/RDB presented gain of 5.7 p.p. in 12 months, reaching 28.2 % of market share, and totaled a balance of R\$ 137.8 billion.

Deposits Balance Composition



## BANKING SERVICES

Until september 2016, 4.2 billion of banking transactions were performed, evolution of 7.4% in relation to registered in third quarter of 2015.

The increasing in transactions reflected the evolution of 9.1% in income from services and fees in relation to the same period of the previous year, totaling R\$ 16.5 billion at the end of september 2016.

From the total number of transactions, 284 million were made using cellphones and smartphones, a growth of 60.2% in 12 months.

Aiming to offer new solutions to the customers, CAIXA launched a new online process, for debt negotiation.

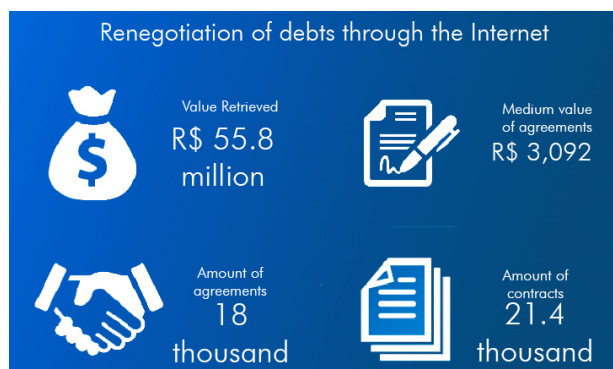
Through the CAIXA's web site, the customer can get information and negotiate loans and financing, housing and overdue credit card, in an easy and quick way.

At the negotiation web site, the customer can choose the due date of the first payment of the negotiation, for the next 30 days—with a minimum payment of 10% of the total value— and can parcel

the debt up to 96 times, with a minimum payment of R\$ 50 for each parcel.

CAIXA platform has adopted security tools inspired on the frequent flier miles programs. After informing the CPF on the first screen, the customer chooses a cellphone number, among the ones registered with the bank, and fills hidden numbers. In the chosen number, the customer receives a code which allows the access to the web site that shows which contracts can be negotiated and the available conditions.

Initiated at the end of july, the on-line renegotiation had expressive results on the first months:



Source: Caixa News Agency

## GOVERNMENT SERVICES

As the main operating agent of the Federal Government social programs, CAIXA contributes actively to eradicating poverty and improving income distribution for the Brazilian population. At the end of September 2016, approximately 123.4 million of social benefits were paid, corresponding to R\$ 20.9 billion.

The main income transfer program, Family Allowance has paid about 119.1 million of benefits in the nine months of 2016. The amount paid totaled R\$ 20.1 billion.

In relation to the programs intended for workers, in nine months, the Institution paid 123.8 million of benefits, totaling R\$ 179.5 billion in the period. Including Unemployment Insurance (Seguro Desemprego), Salary Allowance (Abono Salarial) and Brazilian Social Integration Program—PIS, corresponding to R\$ 41.4 billion.

Retirement and pensions to the beneficiaries of National Institute of Social Security - INSS totaled 49.0 million of payments, representing an amount of R\$ 59.2 billion in nine months.

Until September 2016, the FGTS collection reached R\$ 88.3 billion and the withdrawals totaled R\$ 78.9 billion. In September 2016, the Fund was comprised of 150.8 million accounts.

In September, the FGTS completed 50 years.

Since its creation, more than R\$ 426 billion were invested in popular housing, highways, docks, watercourses, airports, railways, renewable

energy and basic sanitation. More than 4 thousand Brazilian counties had constructions funded with FGTS resources.

As operator of the FGTS resources, at every 10 minutes, CAIXA enables the payment of resources from the Fund to about a thousand workers. There are 60.6 thousand branches spread in Brazil and Internationally, which attend more than 10 million users permanently.

Celebrating the anniversary, CAIXA released a lottery ticket with a print allusive to the 50 years of the FGTS.



Source : Caixa News Agency

## LOTTERIES

CAIXA Lottery have the certification WLA-SCS:2012, an international regulation of information security patterns of control for the lotteries sector, published in 2012 by the WLA. This regulation evaluates the basis of management of information security, including the ISO 27001, with additional security controls, specific for lotteries, that represent the best practices up to date.

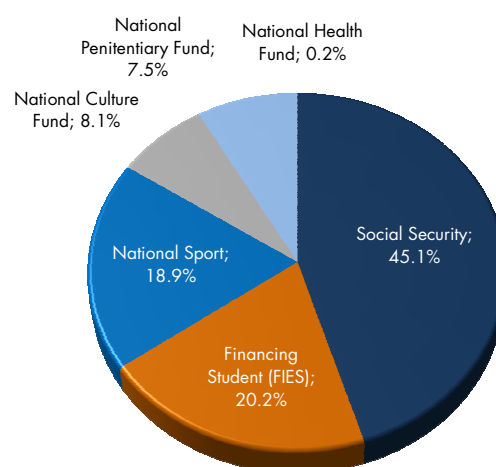
This certification is the acknowledgement of the adoption, by CAIXA Lotteries, of the best practices in governance and management of information security, risk and continuity of business in the operation of federal lotteries, ensuring to CAIXA the conformity of its processes with the legal requirements, the credibility of its image as games operator, and the confidence of gamblers and others.

In the third quarter of 2016, CAIXA Lottery revenue was R\$ 3.2 billion, remaining in the same level of the previous period. Mega Sena was the most demanded product by gamblers, corresponding to 34.3% of the total bettings carried out in in the third quarter of 2016.

Lotteries Destination (in R\$ million)	3Q15	4Q15	1Q16	2Q16	3Q16
Social destination	1,280	1,939	1,007	1,203	1,195
Prizes	1,258	1,818	979	1,105	1,144
Taxes	293	530	208	298	260
Expenses of Costs and Maintenance	669	1,014	518	616	614
Total	3,501	5,301	2,713	3,221	3,213

### Social Destination

In addition to provide the dreams of millions of gamblers for millionaire awards, CAIXA Lotteries are an important source of resources for social development. From the amounts collected in the Lotteries portfolio in the period, approximately R\$ 1.2 billion were transferred to social programs from the federal government in areas of social security, sport, culture, public safety, education and health.



# STRATEGIC INVESTMENTS

CAIXA's conglomerate, group of companies formed by the financial institution CAIXA and its direct and indirect interests, seeks to optimize its performance from the capture of gains arising from the integration with their interests.

The CAIXA Conglomerate Policy establishes guidelines for the management, investments and new loans within the Conglomerate, covering the business relationship and governance between CAIXA and the other companies of that conglomerate and seeking to establish strategic partnerships that enable access, on competitive conditions, to markets considered strategic and services that allows to achieve their goals.

In this context, we highlight the following strategic and commercial partners:

- Banco Pan (payroll deduction loans, vehicles, housing, high income segment and insurance);
- CAIXA Seguros (insurance, capitalization, pension and health);
- Elo, Vale Presente e CIELO: for cards market;
- Partners with support profile CAIXA operations, such as Capgemini (IT) and TecBan (service network);
- Habitar (network correspondent for housing).

<b>Compositions of Investments (in R\$ million)</b>	<b>3Q14</b>	<b>3Q15</b>	<b>3Q16</b>
CAIXA Seguros Holding S.A.	2,232,189	2,502,141	2,941,268
Banco PAN	1,050,450	819,918	971,662
Capgemini	243,644	198,225	125,489
Elo Serviços	12,453	18,359	25,441
CIBRASEC – Cia Brasileira de Securitização	6,793	6,885	6,933
Crescer	691	-	-
Branes	1,859	-	1,868
Newco S.A.	-	1,840	280
BIAPE	547.0	238	14.0
FGO - Fundo de Garantia de Operações	82,136	116,909	270,465
FGHAB - Fundo Garantidor da Habitação Popular	198,153	250,319	265,210
Asset Management - Share	39,382	32,576	31,963
TECBAN	-	105,914	105,129
PAN Corretora	-	28,017	32,931
PAN Seguros	-	346,626	383,306
Others*	1,640	349,181	6,827
<b>TOTAL</b>	<b>3,869,937</b>	<b>4,777,148</b>	<b>5,168,786</b>

\* Investments valued at acquisition cost.

## CORPORATE GOVERNANCE

CAIXA maintains its performance to become a reference in corporate governance practices, either by the Current Management Model, which has governance as one of its components, either by adopting management practices aligned to principles such as transparency, equity, accountability, corporate social responsibility, compliance, strategic risk management and sustainability. Principles that materialize in various management tools, such as the CAIXA's Code of Ethics, Competence Regime and CAIXA's Performance Policies.

The corporate governance is structured in a system that emphasizes an agile and decentralized collegial decision by means of instruments that helps the strategic decision, the organization of decision levels, the work agenda and vision of the key management issues.

CAIXA has collegiate and specific units that perform the functions related to supervision and oversight of CAIXA administrator's management, besides monitoring and external control agencies.

As part of its governance system, the Institution has instruments that ensure the inhibition of interest conflicts among its various levels of management. In addition to the rules related to the non-participation of the Vice-Presidents of the

segregated areas as Board of Directors, CAIXA's Statute contains other segregation rules of duties that must be observed by the Management.

CAIXA published on its page on Internet the Manual of Corporate Governance that contains important information about the Institution's governance, such as the conglomerate and the governance structure - model, collegiate bodies, leaders and specific assignments, documents and used instruments

This action seeks to promote improvements in the practices adopted by CAIXA, besides contributing to the consolidation of its governance model. The Manual of Corporate Governance is available on page: [http://www.caixa.gov.br/Downloads/caixa\\_governanca/caixa\\_governanca\\_corporativa2407.pdf](http://www.caixa.gov.br/Downloads/caixa_governanca/caixa_governanca_corporativa2407.pdf)

## INTERNATIONAL OPERATIONS

By means of the partnerships and the offering of products and services, CAIXA international operation is aligned to the expectations of the Federal Government to support Brazilians living abroad and the institutions from several countries.

In the third quarter of 2016, in the foreign trade segment, CAIXA performed R\$ 1.6 billion in foreign exchange transactions and working capital for export credit. In the period, we highlight the increase of 13.0% in the operations of ACC/ACE in relation to the third quarter of 2015, which reflects the CAIXA commitment in offering products and services that contribute to the increased participation of Brazilian companies in the international trade.

CAIXA offers a program for international money transfer, whereby its customers that live abroad can send resources to Brazil. The program has collected in the third quarter of 2016, R\$ 205.9 million through correspondent banks and partner banks, representing a growth of 17% in comparison to the same period of 2015.

On the scope of international technical cooperation, CAIXA sent a technical mission to Nicaragua, for a training seminar for Nicaraguan technicians about the many aspects involved in social housing. The seminar was an activity of the project " Apoyo institucional ao programa

Viviendas de Interés Social", coordinated by the Brazilian Agency of Cooperation from the Ministry of External Relations.

Invited by CNI, CAIXA participated in the discussion group of the Brazilian Section of the Brazil– Japan Cooperation Committee, which had as objective to deepen economic relations and improvement of the environment for bilateral business.

CAIXA also participated , through its office in the United States, in a important event about sustainable investment in the city of New York. Many panels debated themes such as: Profit of sustainable investment, Paris Agreement, urban mobility, and portfolio of sustainable investment.

At the occasion, CAIXA's representatives had a meeting with representatives of the largest pension fund in the world, and resource managers specialized on sustainable investment.

## INTERNAL CONTROLS

CAIXA's Internal Control System is composed of policies, rules, standards of conduct and culture adopted by the Institution to achieve its goals, to maintain and provide managerial and financial information, and to have all its activities performed in accordance with the laws, internal and external rules, reducing the risk of damages to its image.

The Institution's Internal Controls Policy and Compliance aims to promote conditions to ensure the effectiveness of CAIXA's Internal Control System to ensure, with reasonable certainty, the achievement of the Institution's goals.

It is structured according to the five COSO (Committee of Sponsoring Organizations of the Tread way Commission) components: Control Environment, Risk Assessment, Activities, Information and Communication control and Monitoring Activities.

The Monitoring of the System of Internal Controls had its structure reviewed by the Board of Directors, and the Monitoring Structure is now composed by:

- Strategic Monitoring
- Tactical Monitoring
- Operational Monitoring.

Monitoring now contemplates the methodology suggested by COSO as in the Guidance on Monitoring Internal Control Systems, published in 2009. The result of this monitoring is submitted to

the Board of Directors and it is available to the supervision, monitoring and control bodies.

In relation to the Compliance activities, we highlight the prevention of money laundering and combating financing of terrorism and corruption, whose guidelines are consolidated in Prevention Policy Money Laundering and Terrorism Financing; Monitoring the adequacy of CAIXA to External Standards and in compliance with mandatory activities; and compliance procedures in the development, launch, review and withdrawal of products and services.

From the point of view of operational risk management, CAIXA is structuring the Defense Lines, with the following objectives:

- Fortify the risk control culture on the entire Institution;
- Improve controls and risk management; know, deal with and report;
- Establish clear parameters of risk tolerancy and to monitor the results.
- Reduce losses

The 1st Line of Defense represents the first confrontation of the risks, which is carried out by managers, responsible for the implementation of controls and to manage the risks, during the execution of the activities.

The 2nd Line of Defense performed by the areas of Control, Compliance and Risk is responsible for the definition of the strategy, policy and methodology in relation to risk and control, and for monitoring if the first line of defense is effective, as well as if the materialized risks are inside the established tolerance limits. Its also executed by a specialized and dedicated structure, according to the theme, for example, security, financial, legal and labor, monitors the first line of defense, as for the effectiveness of its acting in fighting the risks, having a reactive performance, focused on more relevant risks. Due to be reactive, its responsibility is detect deviations and forward corrections and improvement of control necessary to prevent further occurrences.

The 3rd Line of Defense is Audit activity; responsible for evaluating the processes of the Institution in a large and independent way, which is executed both the 1st as the 2nd LD, including its effectiveness.

The process of registry information on the activities of Internal Control, developed by the various units of the Institution is automated supporting the system monitoring and the development of internal control reports in compliance with CMN Resolution No. 2,554/1998 the Central Bank Circular No. 3.467/2009 and CVM Instructions that predicts periodic reports.

In order to establish rules for the prevention and correction to mitigate the risk of involvement of employees, suppliers and the conglomerate partners of CAIXA in acts of corruption, the Anti-corruption policy was published in compliance with legal requirements, on June 9, 2016.

This policy was structured according to the characteristics and the risks of CAIXA's activities and it is applied in attitudes and behavior of its officers, employees, contractors, suppliers and partners to inhibit the practice of corruption acts actively or passively, with principles, guidelines, clearly defined indicators and responsibilities.

## RISK AND CAPITAL MANAGEMENT

CAIXA adopts national and international good practices in the management of credit risk, operational, market, liquidity, interest rate, concentration, counterparty, strategy, reputation, actuarial and environmental risks, including an active capital management in line with the principles, values, guidelines and limits set by the Board of Directors.

Management of risks and capital are perceived by senior management as a competitive differential in the financial market and primary means to preserve the solvency, liquidity and profitability of CAIXA.

The risk and capital management structures are in accordance with current regulation, appropriate to the nature and complexity of financial instruments, products, services and operations of CAIXA and to good corporate governance practices, allowing Senior management to identify the compromised capital to face the risks, evaluate the impact on the results and decide promptly on acceptable exposure limits.

For the Risk Management Policy, Capital Management Policy and Result Distribution Policy, the exposure limits and capital limits are reviewed at least annually in accordance with the strategy macroeconomic factors, business environment and ability to take risk, and its revisions are clearly communicated to all employees in the internal system of disclosure rules.

The risk management activities are segregated from the business and audit activities, and are maintained independent structures of monitoring models in order to avoid conflicts of interest and safeguard the impartiality of the work performed.

The credit risk control occurs by monitoring ratios of delinquency, realized, expected and unexpected loss, provision and requirement of regulatory and economic capital in several sizes and groups, allowing a broad view of the profile of exposures, by borrower, operating, portfolio segments, geographic region and activity sector, among others.

Based on the assessment, it can be observed that the delinquency ratios, the provision for loan losses and the loss of the portfolio remained according to expectations.

A detailed description of the risk management and capital structures, including responsibilities, practices, processes, procedures and models, is available on the site: <http://www.caixa.gov.br>, about CAIXA, Corporate Governance.

## SOCIAL ENVIRONMENTAL RESPONSIBILITY

CAIXA has a standardized Environmental Responsibility Policy - PRSA according to BACEN Resolution n° 4,327/2014.

In order to guarantee the promotion of sustainable development and citizenship, CAIXA supports environmental projects through financial incentives. One of the instruments that enable the induction of socially and environmentally responsible practices is the CAIXA Environmental Fund - FSA, to which are allocated resources corresponding to 2% of CAIXA's net income. In the third quarter of 2016, CAIXA Environmental Fund disbursed R\$ 6.6 million on 17 projects.

Among the projects covered with FSA resources there are those ones which act through the Sustainable and Integrated Development of Territories - DIST methodology. It is a strategy of action in specific territories, with the objective of encourage and fortify the local governance of the territories, to streamline local economy, to promote social and cultural actions, driven to education and income generation, to environmental management of the territories, articulation and revitalization of social networks, democratization of the relationships, and integration of the actions to the public policy.

Through the FSA, the DIST is developed in territories of the "Programa Minha Casa Minha Vida", and on the 10 counties where the riverboat branch " Ilha do Marajó" sails, which are composed mainly by beneficiaries of "Bolsa Família".

The DIST MCMV acts in 8 territories, encompassing 41 enterprises of the "Programa Minha Casa Minha Vida", totalizing more than 19 thousand housing units, on the five regions of Brazil, with resources from FSA CAIXA, amounting for R\$ 14.1 million.

Five new projects have entered the project portfolio of the DIST MCMV, which will act in the following counties: Campinas/SP , Fortaleza/CE, Lauro de Freitas/BA, Ribeirão das Neves/MG e Rio Largo/AL. These territories comprise 31 enterprises, totalizing 30.588 housing units. The amount predicted for the execution of DIST MCMV Fase II projects on the 5 MCMV territories is over R\$ 10 million.

The DIST project "EMBARCA MARAJÓ— Navegando na maré da Sustentabilidade" acts on the 10 counties where the riverboat branch " Ilha de Marajó" sails. The partnership has an investment of R\$ 3 million of FSA CAIXA resources.

Besides that, we highlight the financial cooperation agreement signed with Artemisia, a nonprofit organization, pioneer in the dissemination and encouragement of business with social impact in Brazil, for support and acceleration of startups with financial solutions for the improvement of life for the population with low income.

## PEOPLE MANAGEMENT

The current people's management model aims to consolidate an organizational culture based on proactive talent management and competence. The idea is to give emphasis in meritocracy, innovation, high efficiency and continuous improvement, promoting the identification of employees with the values and the mission of CAIXA, engagement of leadership and excellence in customer and society relations.

In addition to several programs for health and safety of employees, the Institution seeks to integrate corporate education to management of performance and skills and to knowledge management, by means of training, creation and maintenance of systems and processes of knowledge dissemination and skills development. During the third quarter of 2016, CAIXA invested R\$ 26.4 million in training programs and higher education.

Aiming to expand further more the education of its employees, CAIXA offers the Universidade CAIXA App. This initiative allows the access at any time, providing information and relevant content for formation and professional growth.

Any internet user can access the public area, making the CAIXA University an encourager of the dissemination of content aimed to financial, professional and educational qualification. At the end of september 2016, CAIXA totaled in

its staff 95.1 thousand gazetted employees and 14.8 thousand trainees and apprentices. In the third quarter of 2016, personal expenses totaled R\$ 5.5 billion.

Another benefit that the Institution offers to employees is the possibility to supplement their income after retirement, by means of sponsorship of pension benefit plans, administered by the CAIXA's Employee Foundation - FUNCEF. In the third quarter of 2016, FUNCEF reached about 96.83% of the staff in the period, totaling 135.925 thousand associates. From these, 94.371 thousand are active employees; 34.229 thousand are retirees and 7.325 thousand pensioners.

## SUPPORT FOR CULTURE AND SPORTS

CAIXA, important Brazilian sports stimulator, includes in its strategic planning, cultural marketing actions oriented for the following aspects: social inclusion, human development, national values, democratization, decentralization and transparency.

In the third quarter of 2016, nearly R\$ 13.4 million were invested in theater, movies and expositions, in 164 events that took place at the CAIXA Cultural units in Brazil, which were attended by more than 300 thousand people.

CAIXA is the greatest sponsor of national sports, linking its brand to modalities such as athletics, gymnastics, cycling and olympic wrestling, besides its support to the parasports. The objective is to boost the growth and popularization of these sports, contributing to the dissemination of its practice. CAIXA also supports the brazilian athletes and invests in projects aimed at social inclusion through sports.

CAIXA also invests in featured modalities, on the national and international scenario, such as the sponsorship of the "Novo Basquete Brasil" - NBB, through the "Liga Nacional de Basquete"- LNB, and to female basketball, through the "Liga de Basquete Feminino" - LBF, both for a 4 year period.

In soccer, CAIXA consolidate its position as the greatest supporter of the sport that is a national passion, of the brazilians, by sponsoring teams, arenas and championships.

CAIXA is the sponsor of the following teams: Atlético Goianiense, Atlético Mineiro, Atlético Paranaense, Avaí, Bahia, Corinthians, Coritiba, Chapecoense, CRB, Cruzeiro, Figueirense, Flamengo, Goiás, Náutico, Paysandu Sport, Vasco and Vitória.

## AWARDS AND RECOGNITION

In the third quarter of 2016, we highlight the following awards and recognitions received by CAIXA:

- The Institution was chosen for the third consecutive time as the most loved bank in Brazil, according research conducted by the consulting firm Oficina Sophia .
- CAIXA was the bank with the best performance on the financial sector of the “Prêmio Empresas Mais” from “Estadão”.
- First Place on the “Top of Mind” award, from Folha de São Paulo , in the savings category.

## ACKNOWLEDGEMENTS

The results achieved in the period reflect the commitment and tireless work of all our employees and contractor, which we appreciate the effort. We also thank our customers and partners for their trust and loyalty, which drive us in the constant search for improvement, essential to the development of the CAIXA and Brazil.

**CAIXA**