

China Construction Bank (Brasil)
Banco Múltiplo S/A

**Consolidated financial statements for the
years ended December 31, 2017**

China Construction Bank (Brasil) Banco Múltiplo S/A

Consolidated financial statements at December 31, 2017

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MANAGEMENT REPORT | Financial Statements | 2st. Half 2017

Dear Shareholders,

The Senior Management of China Construction Bank (Brasil) Banco Múltiplo S.A “CCB Brasil” or “Bank” hereby submits for your consideration the Bank’s Management Report, the Financial Statements and the related Unqualified Independent Auditors’ Report for the year ended December 31, 2017. All information contained in this Report, unless stated otherwise, is presented on a consolidated basis, including its subsidiaries, and in local currency (Brazilian Reais - R\$). The consolidated financial statements have been prepared based on international standards issued by the International Accounting Standards Board (IASB) and they will be disclosed, within the legal term, on the website www.br.ccb.com

The subsidiary China Construction Bank (Brasil)

Since August 29, 2014, the Bank has been part of the China Construction Bank Corporation (CCB) Group, headquartered in Beijing, China's second largest bank. With an operating history since 1954, CCB shares are traded on the Hong Kong Stock Exchange and on the Shanghai Stock Exchange.

Economic Environment

By the end of 2017, the increased confidence in Brazil was confirmed in the economic indicators, consolidating the perception that the severe recession started in 2014 had ended its cycle. Actually, the economic fundamentals, over the course of the months of 2017, have gradually converged towards appreciable levels of a stable economy, paving the way for growth of upcoming periods.

The IPCA (Extended Consumer Price Index), which measures the country’s official inflation, ended 2017 at 2.95%, the lowest annual inflation in the country since 1998. The good results of the agricultural crops pulled down the prices of most of the food, which contributed to slow down inflation. The basic interest rate (Selic) was progressively reduced to 7.0% at the end of 2017.

With a production of about 240 million tons of grains and growth of over 30% compared to the previous year's crop, 2017 ended with record results in agriculture, according to the Brazilian Institute of Geography and Statistics (IBGE). The effects reverberated in the chain: the good harvest increased the supply of products allowing the fall of prices of food for the consumer, increased the export of agricultural products; besides boosting the participation of agriculture in the country's GDP, as a result of the increase in demand for goods, employment and income in the countryside.

The industry has shown signs of a consistent recovery, with widespread growth in several sectors, after three consecutive years of decline. According to IBGE, industrial production increased by 2.5% in 2017, and positive signs were registered in 19 of the 26 surveyed sectors.

Total loans in the financial system reached R\$ 3.09 trillion in December 2017, or 0.64% down in twelve months. In opposite directions, credit with free resources expanded by 1.72% in the year and totaled R\$ 1,582.7 billion, while directed credit fell by 3.00% in the period and totaled R\$ 1,503.0 billion. The stock of credit as a proportion of GDP reached 47.10% compared to 49.6% at the end of 2016.

The exchange rate showed low volatility during the year. The quotation at the end of the year was R\$ 3.31 / US\$ against R\$ 3.26 / US\$ in 2016.

In 2017, the Brazilian trade balance registered a record surplus of US\$ 67.00 billion, a balance higher than the US\$ 47.68 billion recorded in the previous year. Exports totaled US\$ 217.75 billion (US\$ 185.24 billion in 2016), while imports reached US\$ 150.75 billion (US\$ 137.55 billion in 2016).

Brazil's trade with China was also a record in 2017. The commercial balance, the highest in the historical series, was US\$ 20.17 billion, exports and imports reached US\$ 47.49 billion and US\$ respectively 27.32 billion.

Notably, the reduction of the inflation and interest rates; the growth of the GDP on a positive route, as a reflex of the improvement in domestic activity progressively disseminated among sectors and the expansion of foreign trade, allow us to envisage 2018 as a year of opportunities for Brazil and of resilience to the challenges.

Business Strategy

Since the beginning of CCB Brasil activities, on August 29, 2014, the Bank's Management has focused its efforts on integrating the Brazilian subsidiary into the broad and global network of CCB (China Construction Bank Corporation), taking control of activities and ensuring more prudent risk management. These efforts have gradually resulted in a more stable operation and in a reduced risk profile for both the Bank and clients.

In August 2017, the Bank submitted to the Central Bank a long-term Business and Strategy Plan for the fiscal years 2017-2021.

The summary of that plan takes into account the following aspects: (i) the opportunities of the Brazilian market; (ii) China's long-term commitment to the Brazilian economy; (iii) respect for bi-national culture; (iv) the achievements and main lessons learned in the last three years; and (v) the undeniable value of our Financial Institution associated with the weight of our Brand.

For the next five years, the challenge established is to transform the Bank into a new institution, with a clear vision of what will be the most appropriate choice to support the network created by the investment and business channel between Brazil and China.

With Brazil emerging from an economic recession, and already showing signs of resuming its activities, the Controller Group reiterates its long-term commitment to the

country's economy, joined with strong confidence in the opportunities offered by the Brazilian market to CCB Global.

Based on the aforementioned factors, the Bank has analyzed the main sectors of the Brazilian economy, in order to identify which of them are more attractive, using the sector macro-trends, the scope of the Brazil - China trade flows, and the China's investment agenda in Brazil.

The main objectives of the Strategic Plan are: 1) repositioning the Bank in the market by the use of its main competitive differential: its representativeness in the Sino-Brazilian business channel emphasizing the Corporate segments; 2) searching for growth focused on sectors such as energy, oil and gas, mining, agribusiness and industrialized goods; 3) diversifying the portfolio of clients, prioritizing companies with annual revenues between R\$ 500 million and R\$ 5.0 billion, and 4) developing products for the Corporate segment.

Capital Increase

Aiming to support the Bank's operating portfolios and capitalize it for future periods, in which the Bank intends to expand its activities, on October 26, 2017, the Extraordinary General Meeting approved the capital increase proposed by the Board of Directors, by R\$ 1,258 billion. This increase was approved by the Central Bank on December 12, 2017, leading the Bank's Basle index standing at 28.52% and Level 1 at 18.28%.

Initiatives to improve the Bank's capital structure were taken at the end of 2016, when CCB Brasil issued US\$ 70 million Perpetual Bonds. On April 10, 2017, Bacen approved this funding as eligible to compound the Bank's Capital Level 1.

Premises

In conformity with the Strategic Plan, in 2017 the Bank adapted the physical structure of its franchise, aiming at: (i) operational efficiency, obtaining a better correlation between the volume of its revenues provided by its current and future portfolios and the administrative structure and associated costs; and (ii) proximity to the target market, defined by companies with higher revenues and corporate profile, replacing the previous model that prioritized medium-sized companies.

At the end of 2017, the Bank's service network was composed of nine points of sale (compared to 37 in previous years) and 511 employees (597 in 2016).

Operating Performance

As a result of the adopted measures and the final adjustments in the value of its assets, CCB Brasil ended 2017 with a net loss of R\$ 842.7 million (compared to R\$ 244.2 million in 2016). The result includes: (i) tax credits arising from tax losses written off in the amount of R\$ 317 million and new credits calculated but not recorded as assets during the year in the amount of R\$ 205.1 million; and (ii) non-recurring administrative and personnel expenses, associated to the adjustment of the new operational structure implemented.

At the end of 2017, credit operations reached R\$ 6,723.4 million, a decrease of 14.29% compared to the portfolio of R\$ 7,844.6 million in the previous year. The expanded credit portfolio, which includes guarantees and sureties provided, reached R\$ 8,179. million (R\$ 9,566.4 million in 2016).

The total funding reached R\$ 14,781.6 million, a decrease of 23.22% over the R\$ 19,250.9 million in 2016. The Bank's Headquarters provides funds to the Brazilian subsidiary according to its operational needs; at the end of 2017, these funds accounted for 35.1% of total funds.

As a result of the capital increase, at the end of 2017, the Bank's shareholders' equity reached R\$ 2,005.7 million and the Basel ratio stood at 28.52% and Level 1 at 18.28%.

New members of the Board of Directors

The Extraordinary General Meeting held on June 30, 2017 elected new members appointed by the Controlling Shareholder to be part of the Bank's Board of Directors. The new structure, approved by Bacen on December 11, 2017, is made up of the Chairman Mr. Xilai Feng and the five directors, Mr. Xi Zhang (also CEO of CCB Brasil), Mr. Fanggen Liu, Mr. Qiuyue Fang, Mr. Daniel Joseph McQuoid (Independent Director) and Mr. Heraldo Gilberto de Oliveira (Independent Director).

e-Banking

In November 2017, CCB Brasil launched its new e-Banking in Portuguese and English languages. The client service channel has been improved so that the Client can perform in an interactive and secure environment their online transactions such as: checking account movement, payment schedule, electronic transfers and consultation of their portfolios of loans, investments, services, besides quoting and closing exchange operations.

Redemption of remaining shares

On December 22, 2017, an Extraordinary General Meeting (AGM) authorized the redemption of all common and preferred shares of the Company that were outstanding in the market, after the conclusion of the unified public offering for the acquisition of shares ("OPA"). Banco Bradesco was the financial institution hired to pay the shareholders of the redeemed shares, as applicable by the Brazilian Corporate Law and instructions of the Brazilian Securities and Exchange Commission (CVM). The amount paid per share of R\$ 10.75 consisted of the Option II Price of R\$ 7.30, on the closing date of the Company's acquisition by the current shareholder, on August 29, 2014, monetarily restated by the variation of the Selic rate until the date of the deposit of the redemption, on December 26, 2017. The remaining shareholders, who held the BICB3 and BICB4 shares received the payment for the redemption of their shares as of January 4, 2018, at the branches of Banco Bradesco throughout the Brazilian national territory.

Having completed the process of remaining shares redemption, also known as "squeeze out", the China Construction Bank Corporation Group became the owner of all the shares of the subsidiary CCB Brasil SA - Banco Múltiplo.

Circular Letter No. 3,068/01 BACEN

CCB Brasil declares to have the financial capacity and intention to hold to maturity the securities classified as held to maturity, in the amount of R\$ 1,254.5 million, equivalent to 14.5% of total securities of the Bank's portfolio.

Final considerations

We thank our shareholders, clients and suppliers for the support and trust in our management, and our employees, for the valuable contribution.

(Disclosure authorized at the Board of Directors' Meeting held on March 20, 2018).

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(A free translation of the original in Portuguese)

China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries

***Consolidated financial statements
at December 31, 2017
and independent auditor's report***



Independent auditor's report on the consolidated financial statements

To the Board of Directors and Shareholders
China Construction Bank (Brasil) Banco Múltiplo S.A.

Opinion

We have audited the accompanying consolidated financial statements of China Construction Bank (Brasil) Banco Múltiplo S.A. ("Bank") and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statements of operations, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

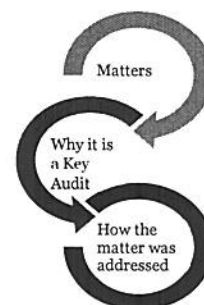
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries as at December 31, 2017, and their consolidated financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Bank and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, 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 audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.





China Construction Bank (Brasil) Banco Múltiplo S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Impairment of loans and receivables – (Notes 1c(ii), 2(i) e 8d)	
The determination of the amount of impairment of loans and receivables is an area that requires judgment and the use of a set of considerations by Management of the Bank and its subsidiaries. In this process, Management considers evidence of impairment for individually significant assets as well those assessed at the collective level. Loans and receivables identified individually as impaired are evaluated in relation to the estimated recovery, considering aspects such as the counterparty's economic and financial situation, expected future cash flows, guarantees, among others. To determine the impairment of loans and receivables of the collective portfolio, Management uses historical loss studies, average prices charged on loans assignments and the behavior of groups of assets with similar characteristics and credit risks. Considering all those aspects, this is a critical accounting estimation area and has been defined as a focus in our audit.	Our procedures considered, among others, the understanding and testing of the relevant internal controls related to the determination of the impairment of loans and receivables which deal with the integrity of the database and underlying systems, credit granting and its corresponding risk analysis and monitoring of the counterparty, including renegotiated contracts. We compared the accrued amounts of impairment of loans and receivables and the amounts recorded, as well, we tested in a sample base: (i) the relevant assumptions adopted to identify the impaired situation, (ii) the criteria used to determine historical loss for the collective portfolio, (iii) the underlying guarantees, and (iv) the impairment calculation considering the assumptions established by Management. We considered that the criteria and assumptions adopted by Management to determine and accounting recording of the impairment of loans and receivables are reasonable and consistent with the disclosure in the notes to the financial statements.
Tax credits (Notes 1(iv), 2u e 23d)	
The China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries recognized tax credits arising from temporary differences, income tax and social contribution losses, recorded based on a study of the taxable profit projections regarding the realization of these tax credits. The taxable income projection involves judgments and assumptions of a subjective nature established by management based on a study of the current and future scenarios. During the year ended 2017, it was carried out a written off of tax credits arising from fiscal losses of income tax and negative base of social contribution, to which are not expected to be realized.	Our main procedures considered the understanding of the process of determination and records of the tax credits in accordance with the tax and accounting standards. With the assistance of our experts, we have analyzed the consistency of the relevant assumptions used in the study of tax credit realization with the macroeconomic data disclosed in the market, when applicable, as well as the methodology used to estimate the taxable profits, and the consistency logical and arithmetic of the calculations.



China Construction Bank (Brasil) Banco Múltiplo S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Considering that the use of different assumptions in the future taxable profit projection could significantly modify the terms expected for the realization of the tax credits, with consequent accounting impact, this is an area of critical estimation and was defined as a focus in our audit.	Based on the audit procedures results and in the context of the inherent uncertainties of realization of the amounts registered as tax credits, we consider that the assumptions adopted by Management are reasonable and consistent with the disclosure in the notes to the financial statements.

Information technology environment

China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries are dependent on their technology structure to manage and generate information used to process their operations and, consequently, to prepare the financial statements.

Therefore, if the technology structure and the respective general controls are not adequate, there could be the incorrect processing of critical information for decision-making or for their own operations.

Therefore, the information technology environment was considered as an area of focus in our audit.

Our procedures considered, among others, the understanding and testing of the information technology environment, including the automated controls or dependent of technology relevant to the preparation of the financial statements.

With the assistance of our experts, the main procedures performed involved tests of controls related to information security, linked to the processes of management and development of systemic changes, security of accesses to programs and database, physical security of the data processing center, including access management and segregation of duties.

We considered that the information technology environment and the controls established by Management have provided a reasonable basis to support the main business processes, which provide information used in the preparation of the financial statements.

Other matters

The audit of the consolidated financial statements for the year ended December 31, 2016, presented for comparison purposes, was conducted by another firm of auditors, whose unqualified audit report was dated July 14, 2017.

Other information accompanying the consolidated financial statements and the auditor's report

The Bank's management is responsible for the other information that comprises the Management Report.



China Construction Bank (Brasil) Banco Múltiplo S.A.

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

In connection with the audit of the consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report 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 in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Bank and its subsidiaries' ability to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Bank and its subsidiaries.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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.
- 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 internal control of the Bank and its subsidiaries.



China Construction Bank (Brasil) Banco Múltiplo S.A.

- 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 Bank's and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 21, 2018

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Luís Carlos Matias Ramos
Contador CRC 1SP171564/O-1

CONSOLIDATED BALANCE SHEETS
At December 31
 (Amounts expressed in thousands of reais)

ASSETS	Note	2017	2016
CASH AND CASH EQUIVALENTS AND RESERVES AT THE CENTRAL BANK OF BRAZIL	3	114,702	121,046
FINANCIAL ASSETS FOR TRADING		297,439	4,182,604
Debt instruments	5	-	3,845,365
Equity instruments	6	-	256
Derivatives	7f	297,439	336,983
FINANCIAL ASSETS AVAILABLE FOR SALE		7,086,902	2,632,750
Debt instruments	5	7,086,646	2,632,750
Equity instruments	6	256	-
FINANCIAL ASSETS HELD TO MATURITY			
Debt instruments	5	1,254,478	1,220,217
LOANS AND RECEIVABLES		7,346,675	11,572,071
Loans and advances to financial institutions	4	731,232	4,142,733
Loans and advances to clients	8	6,723,414	7,844,580
Other loans and receivables	9	54,464	92,342
Other financial assets		19,573	-
(-) Impairment of loans and receivables	8d	(182,008)	(507,584)
ASSETS HELD FOR SALE	10	280,426	267,842
INVESTMENTS	11	125	1,851
TANGIBLE ASSETS	12	51,776	105,866
INTANGIBLE ASSETS	13	110,082	108,476
TAX CREDITS		1,252,038	1,621,810
Current		11,434	33,878
Deferred	23c	907,303	1,207,270
Presumed	23d	333,301	380,662
OTHER ASSETS	14	114,009	124,590
TOTAL ASSETS		17,908,652	21,959,123

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
At December 31
 (Amounts expressed in thousands of reais)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2017	2016
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS			
Derivatives	7f	5,152	29,786
OTHER LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS			
Subordinated debts	18	3,670,000	5,453,208
Foreign borrowings	20	988,046	1,065,605
Hedged financial liabilities	20	76,611	115,392
		2,605,343	4,272,211
FINANCIAL LIABILITIES AT AMORTIZED COST			
Subordinated debts	18	11,111,607	13,820,312
Deposits from financial institutions	15	971,969	920,563
Deposits from clients	16	3,481,635	7,068,214
Securities issued	17	2,853,356	2,112,377
Domestic borrowings	19	406,611	434,932
Foreign borrowings	20	41,700	116,813
Other financial liabilities		3,356,336	3,144,858
		-	22,555
PROVISIONS	22	993,516	906,882
TAX LIABILITIES			
Current		8,297	-
OTHER LIABILITIES	24	114,335	142,467
TOTAL LIABILITIES		15,902,907	20,352,655
SHAREHOLDERS' EQUITY			
Capital stock		2,956,864	1,696,148
Capital reserve		899	24,956
Treasury shares		(55,105)	(55,105)
Accumulated losses		(900,500)	(57,833)
Other comprehensive income		3,587	(1,698)
TOTAL SHAREHOLDERS' EQUITY	25	2,005,745	1,606,468
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		17,908,652	21,959,123

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENTS OF OPERATIONS
Years ended December 31
(Amounts expressed in thousands of reais)

	Note	2017	2016
Interest and similar income	27	2,946,214	3,520,055
Interest and similar expenses	27	(2,737,028)	(3,340,010)
INTEREST AND SIMILAR INCOME (EXPENSES) (NET)		209,186	180,045
Gains (losses) on financial assets and liabilities (net)	28	108,028	(71,984)
Foreign exchange differences (net)	29	56,264	29,990
NET INTEREST INCOME		373,478	138,051
Equity income (loss)		(1,726)	(2,479)
Income from fee and commissions	30	67,679	85,258
Other operating income (expenses)	31	(152,710)	364,834
TOTAL INCOME		286,721	585,664
Personnel expenses	32	(197,948)	(238,954)
Other administrative expenses	33	(128,875)	(147,046)
Tax expenses	34	(34,451)	(33,129)
Depreciation and amortization		(19,418)	(20,179)
Impairment of financial assets	8d	(321,814)	(451,847)
Gains (losses) on other assets (net)	35	(51,919)	(12,007)
LOSS BEFORE TAX		(467,704)	(317,498)
Current and deferred income tax and social contribution	23	(374,963)	73,265
LOSS FOR THE YEAR		(842,667)	(244,233)

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF COMPREHENSIVE INCOME

Years ended December 31

(Amounts expressed in thousands of reais)

	2017	2016
LOSS FOR THE YEAR	(842,667)	(244,233)
Gains (losses) on assets available for sale	8,808	5,521
Tax charges on comprehensive income	(3,523)	(2,209)
COMPREHENSIVE LOSS FOR THE YEAR	(837,382)	(240,921)

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31

(Amounts expressed in thousands of reais)

	Capital stock	(-) Unpaid capital	Capital reserve (Goodwill on subscription of shares)	(-) Treasury shares	Other comprehensive income	Accumulated losses	Total
Balances at January 01, 2016	2,012,810	-	-	(55,105)	(5,010)	(1,031,550)	921,145
Carrying value adjustments	-	-	-	-	3,312	-	3,312
Capital decrease	(1,217,950)	-	-	-	-	1,217,950	-
Capital increase in cash	905,026	(3,738)	24,956	-	-	-	926,244
Loss for the year	-	-	-	-	-	(244,233)	(244,233)
December 31, 2016	1,699,886	(3,738)	24,956	(55,105)	(1,698)	(57,833)	1,606,468
Balances at January 01, 2017	1,699,886	(3,738)	24,956	(55,105)	(1,698)	(57,833)	1,606,468
Carrying value adjustments	-	-	-	-	5,285	-	5,285
Capital increase in cash	1,256,978	3,738	1,103	-	-	-	1,261,819
Redemption of shares	-	-	(25,160)	-	-	-	(25,160)
Loss for the year	-	-	-	-	-	(842,667)	(842,667)
December 31, 2017	2,956,864	-	899	(55,105)	3,587	(900,500)	2,005,745

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS
Years ended December 31
 (Amounts expressed in thousands of reais)

Cash flows from operating activities	2017	2016
Consolidated loss for the year	(842,667)	(244,233)
Depreciation and amortization	19,418	20,179
Equity in earnings of subsidiaries	1,726	2,479
Changes in tax credits and deferred tax liabilities	228,204	(96,478)
Provisions - Impairment of loans and receivables	321,814	451,847
Setting up of provisions	86,634	39,445
Provision / (reversal) others	559	(243)
Gain (loss) on sale of assets not for own use	(4,256)	(1,134)
Exchange variation on cash and cash equivalents	(55,639)	(2,239)
Changes in assets and liabilities	(4,638,075)	1,867,622
Decrease (increase) in loans and advances to financial institutions	(58,929)	(55,120)
Decrease (increase) in debt instruments	(637,507)	(3,649,746)
Decrease (increase) in equity instruments	-	1,862
Increase (decrease) in derivatives	14,911	630,048
Decrease (increase) in loans and advances to clients	473,777	(2,157,315)
Decrease (increase) in other loans and receivables	37,878	(58,684)
Decrease (increase) in other financial assets	(19,573)	160,091
Decrease (increase) in assets held for sale	(78,733)	(49,256)
Decrease (increase) in other assets	70,975	(49,708)
Increase (decrease) in deposits from financial institutions	(3,585,579)	4,742,541
Increase (decrease) in deposits from clients	740,979	(830,099)
Increase (decrease) in securities issued	(28,321)	(138,793)
Increase (decrease) in domestic borrowings	(75,113)	48,795
Increase (decrease) in foreign borrowings	172,697	1,344,621
Increase (decrease) in other financial liabilities	(22,555)	22,555
Increase (decrease) in other liabilities	14,692	26,647
Increase (decrease) in hedged financial liabilities	(1,666,868)	1,880,989
Income tax and social contribution paid	10,194	(1,806)
Cash provided by (used in) operating activities	(4,882,282)	2,037,245
Cash flows from investing activities		
Sales of tangible assets	48,628	2,535
Sales of assets not for own use	70,406	36,281
Sales of investments	-	95
Investments in tangible assets	(11,361)	(10,914)
Investments in intangible assets	(4,763)	(3,748)
Cash provided by (used in) investing activities	102,910	24,249
Cash flows from financing activities		
Subordinated debt eligible for capital instruments level I	-	228,146
Perpetual subordinated debt eligible for capital instruments level II	(26,152)	(137,471)
Capital increase (Note 24)	1,260,716	901,288
Goodwill on issue of shares	1,103	24,956
Cash provided by financing activities	1,235,667	1,016,919
Cash flow (used in) provided by in the year	(3,543,705)	3,078,414
Cash and cash equivalents at the beginning of the year	3,825,117	744,464
Exchange variation on cash and cash equivalents	55,639	2,239
Cash and cash equivalents at the end of the year	337,051	3,825,117

The accompanying notes are an integral part of these consolidated financial statements.

1. Operations, presentation of consolidated financial statements, and other information

a. Operations.

China Construction Bank (Brasil) Banco Múltiplo S/A, formerly Banco Industrial e Comercial SA – Bicbanco, ("Company", "Institution", "CCB Brasil", "Bank" or "Consolidated") was incorporated on December 29, 1938 and authorized by the Brazilian Central Bank - BACEN to operate as a Multiple Bank, developing its operations through commercial, investments, mortgage and foreign exchange portfolios.

Through its subsidiaries, the Bank operates in the markets of Leasing, Credit, Financing and Investment, brokerage and dealing of securities and credit card administration. The Bank also has a 50% participation in a Joint Venture for operations in factoring and forfaiting markets.

On August 29, 2014, the transfer of control from the Bank to CCB Brazil Financial Holding - Investimentos e Participações Ltda (CCB Holding) ("Parent Company"), wholly-owned subsidiary of China Construction Bank Corporation was completed.

Afterwards, in 2015, the public company registration was canceled at CVM (Brazilian Exchange Commission). On September 30, 2015, an Extraordinary General Meeting was held to approve the change of the name to China Construction Bank (Brasil) - Banco SA to standardize the company name with the investees. The Brazilian Central Bank approved the change of the name on October 29, 2015, and on November 16, 2015 it was registered with the JUCESP (the Commercial Regulatory Board of Sao Paulo State).

Through the Extraordinary General Meeting of Shareholders held on December 22, 2017, regularly convened, the redemption of 2,369,260 Shares that are part of the Company's Capital Stock, of which 550,940 are common and 1,788,320 are preferred shares held by minority shareholders, was approved. The financial settlement, due to the redemption of shares, began on January 4, 2018, as permitted by the Brazilian Corporate law. Upon the redemption of shares held by minority shareholders, CCB Holding will assume the ownership of 100% of the common and preferred shares of CCB Brasil.

As of the transfer of control, the Bank's operations began to be conducted in the operational context of its new controlling shareholder, the CCB Group with headquarters in the People's Republic of China which, complying with the Brazilian regulation, establish the guidelines which include the development of internal policies, accounting policies and operating and business practices alignment. Toward this, Management has implemented a set of measures to adapt the Bank and its subsidiaries to the new policies of conducting business vis-à-vis the Brazilian economic scenario, which can be summarized as follows:

(a) Equalization and improvement of funding costs, by obtaining credit lines directly from the Headquarters in China.

(b) Foreign funding through the issuance of securities abroad, of which:

A 10-year subordinated debt, in the amount of USD 100 million issued on September 30, 2015, to integrate the Tier II Capital.

Perpetual Bonds in the amount of USD 70 million, issued on December 29, 2016, eligible for the composition of the Tier I Capital and

(c) Capital increases in cash:

- . R\$ 760 million fully paid, in April 2016;
- . R\$ 145 million fully paid, in December 2016;
- . R\$ 1,258 million fully paid, in November 2017

(d) Implementation of a new international business profile for the Bank and the development of products and services provided to strategic clients;

(e) Improvement in credit recovery processes, and conducting of securitization transactions in 2016 and 2017;

(f) Linking loan operations to borrowings as stated in the CMN Resolution No. 2.921/02;

(g) Review and adjustment of administrative and operational costs by aligning the Bank's structure to the operational levels in practice;

(h) Investment in the development of products with technological support; and implementation of "Internet Banking" from 2017.

Those measures completed by the Controlling Shareholder are in line with the objective of recovering the capacity for future generation of positive taxable income and consequently higher margins and restoring compliance with the minimum capitalization level required.

b. Presentation of consolidated financial statements.

The consolidated financial statements of CCB Brasil were prepared in accordance with the International Accounting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the IFRS Interpretations Committee (current denomination of IFRIC).

c. Critical accounting estimates

Consolidated income and the determination of consolidated equity are impacted by accounting policies, assumptions, estimates and measurement methods used by CCB Brasil Management in the preparation of financial statements. All estimates and assumptions emphasized below, applied by Management in conformity with IFRS, are the best estimates

in accordance with the applicable standard. The main accounting policies and measurement methods are detailed in **note 2**.

Consolidated financial statements include estimates and assumptions, such as the fair value measurement of financial assets and liabilities, assessment of impairment of financial and non-financial assets and the recognition and measurement of deferred taxes.

These estimations, made with the best available information, are basically the following:

i. Fair value measurement of certain financial instruments;

The fair value of a financial instrument in a certain date is interpreted as the amount by which it could be acquired or sold on that date by two well-informed parties, acting deliberately and with prudence, in a transaction under regular market conditions. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it in an active, transparent and significant market ("quoted price" or "market price").

If there is no market price available for a financial instrument, its fair value will be estimated based on the price established in recent transactions involving the same instrument or similar instruments and, in the absence of those, based on valuation techniques normally used by the financial market, considering, when applicable, observable market data.

In addition to the methodology for discount to present value of financial instruments (mainly applicable to debt instruments, swaps and forward transactions); where the expected future cash flows are discounted to the present value using the curves calculated based on observable market data (PU Anbima, DIs and Futures DDIs etc.).

The methodology used for fair value measurement of certain financial instruments is described in detail in **note 2d**:

ii. Impairment of financial assets;

CCB Brasil recognizes the losses inherent to financial assets not measured at fair value taking into account the historical experience of impairment and other circumstances known at the time of the measurement. Further details are given in **note 2i**.

Income from loans and receivables overdue for more than 60 days, regardless of their level of risk, are only recognized as income when effectively received.

iii. Assessment of impairment of tangible and intangible assets

At the end of the reporting period, CCB Brasil assesses the existence of objective evidence of impairment of non-financial assets. This measurement may involve subjective assessment criteria, such as the technical and operational obsolescence analysis or the expected replacement of the asset by another asset that generates higher future economic benefits.

iv. Recognition and measurement of deferred taxes;

Deferred tax assets are recognized in respect to temporary differences and tax losses to be offset to the extent it is probable that the Bank will generate future taxable income that will allow the utilization of deferred tax assets.

Estimates regarding the determination of future taxable income are based on current expectations and estimated future events and trends, which may affect the consolidated financial statements.

v. Provisions, Contingencies and Other Commitments;

CCB Brasil periodically review its contingencies. Such contingencies are assessed based on best Management estimates, taking into consideration the opinion of legal advisors, whenever it is probable that funds will be required to settle obligations and when the amount of the obligations may be reasonably estimated.

Contingencies classified as "Probable Losses" are recognized in the Balance sheet as "Provisions".

Contingency amounts are defined using models and criteria that allow proper measurement, despite uncertainties inherent to terms and amounts, as detailed in Note 22.

The details of Provisions, Contingencies and Other Commitments are described in Note 22.

The sensitivity analysis is detailed in Note 39 - "Risks Management".

2. Accounting practices and calculation criteria.

The accounting practices and calculation criteria used in the preparation of the consolidated financial statements are as follows:

a) Foreign currency transactions and functional currency

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (functional currency). For financial statements consolidation purposes, the results and the financial position of consolidated entities are expressed in Brazilian Reais, CCB Brasil's functional currency and the consolidated financial statements presentation currency. Monetary assets and liabilities are translated at the foreign exchange rate prevailing at the end of the year.

Foreign exchange variations arising from the translation of foreign currency balances to the functional currency are usually recognized at the net amount as "Net Foreign Exchange Differences" in the consolidated statement of income, except for foreign exchange variations arising from financial instruments at fair value through profit or loss, which are recognized in the consolidated statement of income as "Gains (losses) on financial assets (net)" without separating them from other changes in fair value.

b) Consolidation basis

i. Subsidiaries

The Company consolidates all entities over which it holds control, which means, when it is exposed to or has right to variable returns of its involvement with the investee and/or has the ability to direct the significant activities of the investee.

The subsidiaries included in the consolidation are specified below:

Company name	Country of origin	Consolidation method	Interest	
			2017	2016
<u>Foreign branch</u>				
Cayman	Cayman	Full	100%	100%
<u>Direct subsidiaries in the country</u>				
CCB Brasil Arrendamento Mercantil S/A	Brazil	Full	100%	100%
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S/A	Brazil	Full	100%	100%
CCB Brasil Informática S/A	Brazil	Full	100%	100%
CCB Brasil Administradora de Cartões de Crédito Ltda.	Brazil	Full	100%	100%
CCB Brasil S/A – Crédito, Financiamentos e Investimentos	Brazil	Full	100%	100%
CCB Brasil Promotora de Vendas Ltda.	Brazil	Full	100%	100%
CCB Brasil Cobrança Ltda.	Brazil	Full	100%	100%

The subsidiaries had the following equity positions and income (loss):

	Total assets		Total liabilities		Income (loss)		Total shareholders' equity	
	2017	2016	2017	2016	2017	2016	2017	2016
CCB Brasil DTVM	21,596	20,911	979	1,075	781	1,668	19,836	18,168
CCB Brasil Leasing	308,893	292,934	42,004	45,037	18,419	19,420	248,470	228,477
CCB Brasil Financeira	1,816,341	2,386,435	1,723,606	2,269,901	(756)	(14,242)	93,492	130,773
Other	35,844	110,111	21,167	93,804	(1,363)	(83)	16,040	16,390

c) Definitions and classification of financial instruments

i. Recognition date

All financial assets and liabilities are originally recognized on the trade date, that is, the date in which CCB Brasil becomes a party to the contractual instrument. This includes: Financial assets purchases or sales requiring the asset to be delivered within a determined period established by regulation or market standards.

ii. Initial recognition of financial instruments

The classification of financial instruments on initial recognition depends on their characteristics and the purpose for which financial instruments were purchased by Management. All financial instruments are initially recognized at fair value plus transaction costs.

iii. Classification of financial assets for measurement purposes.

Financial assets are classified into one of the following categories, for measurement purposes:

- Financial assets measured at fair value through profit or loss: this category includes financial assets acquired for the purpose of short-term income generation due to their trading or classified into this category on initial recognition. Due to their characteristics, derivatives are classified into this category.
- Other financial assets at fair value through profit or loss: This category includes financial assets not held for trading and measured at fair value. Financial assets may only be included in this category on the date they are acquired or originated.
- Financial assets available for sale: This category includes financial assets not classified as "Investments held to maturity", "Loans and receivables" or "Financial assets at fair value through profit or loss" and equity instruments issued by entities other than subsidiaries, associates and jointly-controlled subsidiaries. Financial assets available for sale are stated at fair value, and changes in fair value are recognized in a separate line of "other

comprehensive income" in shareholders' equity, net of tax effects, except for impairment losses and interest on these assets, which are recognized in income. When the investment is disposed of or there are indications of impairment, income previously accumulated in the fair value adjustment account in shareholders' equity is reclassified to income.

- **Loans and receivables:** This category includes loans, financing and other receivables with or without loan characteristics, based on their nature, regardless of the type of borrower and the manner in which credit was granted. The main characteristic of the loans and receivables group is the lack of an active market; they are measured at amortized cost less any impairments, and the revenues of this group are recognized using the effective interest method.
- **Investments held to maturity:** This category includes debt instruments traded in an active market, with fixed maturity and fixed or determinable payments for which CCB Brasil has the intention and ability to hold them to maturity. These investments are measured at amortized cost less impairment losses, with revenues recognized using the effective interest method.

d) Measurement of financial assets and liabilities and recognition of changes in fair value.

In general, financial assets and liabilities are initially recognized at fair value, which is considered equivalent to the transaction price, unless otherwise proven. Financial instruments not measured at fair value through profit or loss are adjusted at transaction costs. Financial assets and liabilities are later measured, at the end of each year, as follows:

i. Measurement of financial assets

Financial assets are measured at fair value without the deduction of estimated transaction costs that would possibly be incurred upon disposal, except loans and receivables, investments held to maturity, equity instruments whose fair value cannot be calculated in a sufficiently objective manner, and financial derivatives whose object is this type of equity instruments and that are settled with the delivery of these instruments.

All derivatives are recognized in the balance sheet at fair value since the trading date. When the fair value is positive, they are recognized as assets; when negative, as liabilities. Fair value at the trading date is equivalent to the transaction price, unless otherwise proven. Changes in fair value of derivatives since the trading date are recognized under "Gains (losses) on financial assets and liabilities, net" in the consolidated statement of income. Specifically, the fair value of a financial derivative included in portfolios of financial assets or liabilities held for trading is considered as equivalent to their daily quoted price; if, for exceptional reasons, it is not possible to calculate the quoted price on a specific date, these derivatives are measured through methods that are similar to those used to measure derivatives traded in the over-the-counter market.

The fair value of derivatives traded in the over-the-counter market is considered equivalent to the sum of the instrument future cash flows, discounted to present value on measurement date ("present value" or "theoretical closing"), using the valuation techniques commonly adopted by financial markets: NPV (net present value), option pricing models and other methods.

"Loans and receivables" are measured at amortized cost, using the effective interest method. The "amortized cost" is considered as equivalent to the acquisition cost of a financial asset or liability, plus or less, as appropriate, principal and accumulated amortization payments (included in the statement of income) of the difference between the initial cost and the value on maturity. In the case of financial assets, the amortized cost includes possible impairment losses or losses due to uncollectibility. In the case of hedged loans and receivables, changes in fair value related to the hedged risk are recognized (note 28).

The "effective interest rate" is the discount rate that corresponds exactly to the initial amount of the financial instrument in relation to its total estimated cash flows over their remaining useful life. For fixed rate financial instruments, the effective interest rate is similar to the contract interest rate defined on contract date plus commissions and transactions costs that, due to their nature, are part of their financial return, as applicable. For variable rate financial instruments, the effective interest rate is equal to the prevailing return rate of all commitments up to the next interest renewal reference date.

Equity instruments whose fair value cannot be calculated in a sufficiently objective basis and financial derivatives whose object is this type of instrument and that are settled with the delivery of these instruments are measured at acquisition cost, adjusted, as applicable, to related impairment losses.

Amounts by which financial assets are recognized represent, under all material aspects, the Bank's maximum exposure to credit risk on each of the financial statement dates. In addition, the Bank received guarantees and other credit improvements to mitigate its credit risk exposure, which is comprised mainly of mortgages, cash collaterals, equity instruments, collateral signatures, leased assets, assets acquired through repurchase commitments, security and derivative loans.

ii. Measurement of financial liabilities

Generally, financial liabilities are measured at amortized cost, as previously defined, except for those recorded in "Financial liabilities for trading" and hedged financial liabilities (or hedging instruments) at fair value, measured at fair value.

iii. Valuation techniques

The methods used by CCB Brasil to calculate the fair value of financial instruments are rated in three different levels, as follows:

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(in thousands of reais unless otherwise stated)

- Level 1: Uses public quotations and prices available in the active market as references. This level includes, mainly, securities issued by the national treasury, private securities with an "active" secondary market, and equity instruments (shares) of other entities.

- Level 2: In the absence of public quotations, CCB Brasil, through internal models, makes its best estimate of the price that would be determined by the market for trading of the instrument. For this, it uses data based on observable market inputs. Derivative financial instruments, which are measured using curves determined through rates disclosed by B3 S.A. - Brasil, Bolsa, Balcão, are assigned to this level, including the issuances abroad with prices available in the secondary market.

- Level 3: If there is no available data based on observable market inputs, Management uses internal information and models to determine the best fair value of financial assets and liabilities. As of December 31, 2017 and 2016, there were no financial instruments qualifying for this level.

There were no reclassifications between level 1 and level 2 in the years ended December 31, 2017 and 2016.

The chart below shows a summary of financial assets and liabilities fair values for the years ended December 31, 2017 and 2016, classified based on several measurement methods adopted by the Company to determine their fair values:

	2017			2016		
	Published price quotations in active markets (Level 1)	Internal models (Level 2)	Total	Published price quotations in active markets (Level 1)	Internal models (Level 2)	Total
Financial assets for trading	-	297,439	297,439	3,845,621	336,983	4,182,604
Financial assets available for sale	7,086,902	-	7,086,902	2,632,750	-	2,632,750
Financial assets held to maturity	1,254,478	-	1,254,478	1,220,217	-	1,220,217
Financial liabilities for trading	-	5,152	5,152	-	29,786	29,786
Other liabilities at fair value through profit or loss	988,046	76,611	1,064,657	-	1,180,997	1,180,997
Obligations to a subsidiary (Hedge)	-	2,605,343	2,605,343	-	4,272,211	4,272,211

The main techniques used by CCB Brasil internal models (level 2) to determine the fair value of financial instruments detailed in the chart below are as follows:

	Fair values calculated using internal models		Valuation techniques	Main assumptions
	2017	2016		
Derivatives assets	297,439	336,983		
Swap contracts	295,854	334,972	Present value method	Observable market data (discount rates and interest)
Forward transactions	1,585	2,011	Present value method	Observable market data and liquidity (exchange rates and interest)
Derivatives liabilities	5,152	29,786		
Swap contracts	4,438	27,759	Present value method	Observable market data (discount rates and interest)
Purchase/Sale obligation of share option	714	2,027	Black-Scholes model	Observable market data and liquidity (exchange rates and interest)
Other liabilities at fair value through profit or loss	3,670,000	5,453,208		
Subordinated debts	988,046	1,065,605	Present value method	Observable market data (discount rates and interest)
Hedged financial liabilities	2,605,343	4,272,211	Present value method	Observable market data (discount rates and interest)
Foreign borrowings	76,611	115,392	Present value method	Observable market data (discount rates and interest)

iv. Other financial liabilities measured at fair value.

The classification of external fund raising under category "financial liabilities at fair value through profit or loss" supports the neutralization of derivatives fair value measurement effect, as liabilities originally assigned as such are measured at fair value.

The chart below is intended to compare the fair value that is being used to measure said liabilities (including all risk factors) and the fair value that does not consider the credit risk factor (used to measure the base value to settle obligations on maturity):

	2017		2016	
	Amortized cost	Fair value	Amortized cost	Fair value
Subordinated debts	909,366	988,046	1,001,781	1,065,605
Foreign borrowings	76,255	76,611	118,516	115,392
Obligations to parent company	2,605,343	2,605,343	4,272,211	4,272,211
Total	3,590,964	3,670,000	5,392,508	5,453,208

e) Fair value of financial assets and liabilities not measured at fair value

The financial assets are measured at fair value in the consolidated balance sheet, except for loans and receivables. In the same sense, financial liabilities, except for financial liabilities measured at fair value through profit or loss, are measured at amortized cost.

The purpose of the chart below is to demonstrate the fair value of assets and liabilities not measured at fair value.

	2017		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS HELD TO MATURITY				
Debt instruments	1,254,478	1,324,780	1,220,217	1,209,604
LOANS AND RECEIVABLES				
Loans and advances to clients	6,723,414	7,284,901	7,844,580	8,802,239
FINANCIAL LIABILITIES AT AMORTIZED COST				
Subordinated debts	971,969	1,313,633	920,563	1,065,605
Deposits from financial institutions	3,481,635	3,481,801	7,068,214	7,068,185
Deposits from clients	2,853,356	2,869,513	2,112,377	2,280,596

f) Write-off of financial assets and liabilities

Financial assets are written off when the rights to receive cash flow have expired or have been transferred, in this case, since the Institution had significantly transferred all the risks and rewards of ownership, in compliance with the requirements of IAS 39. Otherwise, the control should be assessed to determine if the continued involvement related to any retained control does not prevent the write-off.

Financial liabilities are written off when they are settled or extinguished.

g) Normal purchases of financial assets.

Normal purchases of financial assets are recognized on transaction date. Assets are reversed when the rights to receive cash flows expire or when CCB Brasil has substantially transferred all ownership risks and rewards.

h) Net reporting of financial instruments.

Financial assets and liabilities and their respective income and expenses are presented net in the financial statements if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if there is intention of offsetting, or realizing the asset and settling the liability simultaneously.

Income and expenses are presented on a net basis only when referring to Gains and losses on financial assets and liabilities (net) and Exchange variations (net), as shown in detail in notes 28 and 29, respectively.

i) Impaired financial assets.

At each balance sheet date, CCB Brasil evaluates if there are objective evidences that financial assets (except those accounted for at fair value through profit or loss) present any evidence of impairment. Financial assets are considered as impaired when objective evidences demonstrate that a loss occurred after the asset initial recognition, and that this loss represents an impact on the assets future cash flows that may be reliably estimated. CCB Brasil considers the evidences of impairment both for individually significant assets and collectively significant assets. All individually significant financial assets are assessed to identify specific and collective impairment losses. Assets that are not individually significant are collectively assessed to identify impairment, which is estimated considering the grouping of financial assets (accounted for at amortized cost) with similar characteristics and risks.

CCB Brasil considers the following indicators as "objective evidences of impairment":

- a) A contract breach, such as default or delayed contract payment; overdue for more than 90 days.
- b) Classifications defined by the credit area of CCB Brasil that indicate deterioration of operations;
- c) Client operations under court-ordered reorganization;
- d) Loans and receivables renegotiated.

For assets of debt or equity instruments traded in active market, a significant reduction in the volume of operations or absence of liquidity may be considered as evidence of impairment, for purposes of such analysis, such assets being periodically assessed by the Market Risk area of CCB Brasil.

Operations individually identified as having objective evidence of impairment are assessed for impairment considering aspects such as the economic and financial situation of the client, payment capacity of debtor, estimate term for receipt, guarantees, probability of recovery, and other aspects related to the conditions of the operation. This assessment aims at obtaining facts and data that will be used to measure the recoverable present value.

The impairment of assets carried at amortized cost is measured as the difference between the carrying amount of the financial assets and the recoverable present value, discounted at the original effective interest rate of the assets. The losses are recognized in the income statement under "Impairment losses of financial assets". Loans and receivables overdue for

more than 60 days, regardless their level of risk, are only recognized as income when actually received.

In the assessment and measurement of the collective impairment for assets that do not individually present evidence of impairment, as well as to assets not individually significant, CCB Brasil makes use of percentages calculated based on historical loss studies taking into account amounts of loss incurred in the last three years, average prices charges in credit assignments for securitization companies and the behavior of groups of assets with similar credit risks and characteristics. In situations in which it is verified that the percentages of historical loss do not accurately represent the present conditions of credit risk of a group of assets, these percentages will be adjusted at the management's criterion. The exercise of such criterion, if required, takes into account, among others, the present conditions of the economy (and the domestic credit scenario), and may lead to adjustments to the percentages of historical loss, once it is ascertained that real losses are likely to be higher or lower than those suggested by the historical model.

The permanent impairment losses on securities available for sale are recognized by transferring the difference between the amortized cost of acquisition and the actual fair value, from the shareholders' equity to the income for the period.

The financial assets are written off from the balance sheet when there is no more expectation of recovery.

j) Purchase and sale commitments.

Purchases (sales) of financial assets based on non-optional fixed price resale (repurchase) agreement are recognized in the consolidated balance sheet as financing granted (received), based on debtor's (creditor's) nature, under the account "Loans and advances to financial institutions" or "Loans and advances to clients" ("Deposits from financial institutions" or "Deposits from clients").

Differences between purchase and sale prices are recognized as long-term interest of the agreement.

k) Non-financial assets held for sale

Non-current assets held for sale include the carrying amount of individual items, or groups of assets for disposal or items making part of a business unit held for disposal ("Discontinued Operations"), the sale of which in their present condition is highly likely and which shall probably occur within one year as of the base date of financial information. Non-current assets held for sale are generally measured at the lower of the fair value less the sale cost and the carrying amount on the date in which they are classified in such category. Non-current assets held for sale are not depreciated, provided that they remain in such category. The assets held for sale are stated in note 10.

Impairment losses on an asset or disposal group as a result of a write-down in their carrying amount to the fair value (less sales cost) are recognized in "Gains (losses) on non-current assets held for sale not classified as discontinued operations" in the consolidated income statement. Gains on non-current assets held for to sale arising from subsequent increases in fair value (less sales costs) increase their carrying amount and are recognized in the consolidated income statement up to the amount equivalent to the impairment losses previously recognized.

l) Residual maturity periods.

The analysis of maturities of balances of certain items in the consolidated balance sheets is described in **note 36-b**.

m) Tangible assets.

Tangible assets include the value of furniture, vehicles, hardware and other accessories owned by consolidated entities, being presented at acquisition cost less the respective accumulated depreciation and any impairment losses (net carrying amount higher than the recoverable amount).

Depreciation is calculated under the straight-line method, based on the acquisition cost of assets less its residual value.

Depreciation expense of tangible assets is recognized in the consolidated income statement and basically calculated utilizing the following depreciation rates (based on average years of estimated useful life of different assets):

Type of asset	Annual rate
Buildings for own use	4%
Furniture	10%
Fixtures	10%
Automobiles	20%
Office and IT equipment	20%
Leasehold improvements	20%

Consolidated entities evaluate, on the base date of financial information, if there is any indication that an asset may or may not be recoverable (that is, their carrying amount exceeds its recoverable amount.. If impairment of a tangible asset is identified, the value determined and respective reversals (as the case may be) are recorded in income for the period in the account "Gains (Losses) on other assets (net)".

Similarly, in the event of indication of impairment of a tangible asset, consolidated entities recognize the reversal of the impairment recognized in prior periods and adjust future depreciation expenses accordingly. Under no circumstances, the reversal of the impairment of an asset may increase its carrying amount above the amount it would have had no impairment been recognized in previous years.

Conservation and maintenance expenses related to fixed assets for own use are recognized as expenses in the period they were incurred.

n) Lease accounting.

Finance leases are operations that transfer substantially to lessee all risks and rewards associated to the ownership of the leased asset.

Whenever consolidated entities act in the capacity of lessors with respect to an asset, the sum the present value of the lease payments to be received from the lessee plus the guaranteed residual value - which, in general, is the strike price of the purchase option of the lessee at the end of the lease term - is recognized as loan to third parties and, therefore, included in the account "loans and advances to clients" in the consolidated balance sheet.

o) Intangible assets.

Intangible assets represent identifiable non-monetary assets (separated from other assets) without physical substance resulting from a legal transaction or which are internally developed by consolidated entities. Assets the costs of which may be reliably estimated, and from which consolidated entities shall deem likely that future economic benefits will be generated are recognized.

Intangible assets are initially recognized at the acquisition or production cost and are subsequently measured at the acquisition cost less any accumulated amortization and any losses due to non-recovery (net carrying amount higher than the recoverable value).

i. Goodwill arising on acquisition of subsidiaries

Goodwill arising on acquisition of subsidiaries.

Goodwill represents the surplus of acquisition cost in view of the entity's interest in the fair value of the identifiable assets, liabilities and contingent liabilities in the company acquired on the date of acquisition. When such surplus is a negative one (negative goodwill), it is immediately recognized in income. Goodwill is classified as an intangible asset with indefinite useful life, hence, it is not subject to amortization for the term of the expected future economic benefit.

Impairment of goodwill (that is, a reduction in its recoverable amount below its carrying amount) is assessed at the end of each period presented, and any impairment is written-off and charged to the account "Gains (losses) on other assets (net) - other intangible assets" in the consolidated income statement.

An impairment recognized for goodwill is not reversed in a subsequent period.

p) Other assets.

This item includes the balance of all advances, prepaid expenses, and the amount of any other balances and assets not included in other items.

q) Other liabilities.

Other liabilities include the balance of all expenses provided for and deferred income, excluding interest accrued, and the amount of any other liabilities not included in other categories.

r) Provisions, contingent assets and liabilities.

Provisions, contingent assets and contingent liabilities are assessed, recognized and disclosed in accordance with IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. Contingent assets and contingent liabilities are potential rights and obligations arising from past events whose occurrence depends on uncertain future events.

Contingent assets: these assets are not recognized in the accounts, except when there is a favorable judicial decision, on which no appeals are admitted, characterized as virtually certain. Assets with probable probability of success are only disclosed in explanatory notes. CCB Brasil does not have contingent assets of probable success.

Contingent liabilities: these liabilities are recognized when Management, guided by the legal advisors, assesses the likelihood of loss as probable. The cases with chances of loss classified as possible are only disclosed in explanatory note (Note 22).

Legal obligations: are recognized and provisioned in the balance sheet, regardless of the assessment of the chances of success in the course of the judicial process.

s) Recognition of income and expenses.

The most significant criteria used by CCB Brasil to recognize its income and expenses are summarized as follows:

i. Interest and similar income and expenses

Interest and similar income and expenses are recognized on the accrual basis, using the effective interest method.

ii. Commissions, fees and similar items

Commissions income and expenses are recognized in the consolidated income statement, using varying criteria according to their nature. The main criteria are the following:

- Income and expenses on fees and commissions, related to financial assets and liabilities measured at fair value through profit or loss, are recognized upon payment.
- Those arising from transactions or services performed during a period of time are recognized throughout the life of such transactions or services.
- Those related to services rendered in one time are recognized upon execution thereof.

iii. Non-financial income and expenses

Are recognized for accounting purposes on the accrual basis of accounting.

t) Financial guarantees.

Financial guarantees are defined as agreements through which an entity undertakes to make specific payments on behalf of a third party in case the third party does not make it, independently of the several legal forms they might take, such as, guarantees, irrevocable documentary credits issued or guaranteed by the entity, etc.

CCB Brasil initially recognizes the financial guarantees rendered in liabilities in the consolidated balance sheet at fair value, which is generally the present value of fees, commissions and interest receivable from these agreements during the term thereof, and concurrently it recognizes in assets in the consolidated balance sheet the amount of fees, commissions and interest receivable at present value.

Financial guarantees, independently of guarantor, instruments or other circumstances, are periodically revised for determination of the credit risk to which they are exposed to, and, as the case may be, to consider if a provision is required. The credit risk is determined by application of criteria similar to those established for quantification of impairment of loans and receivables measured at amortized cost.

In case a specific provision is required for financial guarantees, the respective commissions to be apportioned recognized under "Financial liabilities at amortized cost - other financial liabilities" in the consolidated balance sheet are reclassified to the appropriate provision.

u) Income taxes and social contribution on net profit

Taxes on income and social contribution are calculated on net income adjusted in accordance with tax legislation, at rates of 15%, plus a 10% surcharge above a certain income tax level and 15% of profit before deduction of income tax for social contribution taxes to August 2015 and from September 2015 to December 31, 2018, at 20%, according to Law No. 13,169/15.

Corporate Income Tax expense is recognized in the consolidated income statement, except when resulting from a transaction directly recognized in shareholders' equity, and, in this event, the tax effect is also recognized in shareholders' equity.

Current income tax expense is calculated as the sum of current tax resulting from the application of the appropriate tax rate to the taxable income for the year (net of any deductions permitted for tax purposes), and changes in deferred tax assets and liabilities recognized in the consolidated income statement.

Deferred tax assets and liabilities include temporary differences, identified as the amounts expected to be paid or recovered on the differences between the carrying amounts of the assets and liabilities and their respective calculation bases, in addition to accumulated tax losses. These amounts are measured at the rates that are expected to be applied in the period in which the asset is realized or the liability is settled.

Deferred tax assets are only recognized for temporary differences in the extent it shall be deemed likely that consolidated entities will have sufficient future taxable income against which deferred tax assets might be utilized.

v) Consolidated statements of cash flows.

The terms below are used in the consolidated statements of cash flows and have the following meanings:

- Cash flows: Inflow and outflow of cash and cash equivalents, that are high liquidity interest earning bank deposits subject to insignificant risk of changes in value.
- Operating activities: Main activities generators of income from financial institutions and other activities that are not financing or investing activities.
- Investing activities: Acquisition and sale of other investments not included in cash and cash equivalents.
- Financing activities: activities resulting in changes in the size and breakdown of shareholders' equity and liabilities that are not operating activities.

In preparing the consolidated cash flow statement, high liquidity financial investments that are subject to insignificant risk of changes in value have been classified as "Cash and cash equivalents".

w) Standards not yet in effect.

The following pronouncements will be effective for periods after the date of these financial statements. The Institution did not early adopt the standards and/or amendments to the standards presented below.

- IFRS 9 Financial Instruments, issued in its final form in July 2014, with a mandatory application date from January 2018 (earlier application is permitted), to replace in its entirety the IAS39 Financial Instruments: Recognition and measurement. IFRS 9 has significant differences with respect to:

- (i) Classification and measurement: The classification of financial assets based on the business model in which such assets are maintained and the contractual cash flows of these assets. Thus, three categories of financial assets have been defined; they are "amortized cost", "fair value through other comprehensive income" and "fair value through profit or loss". For financial liabilities, the main change concerns the option at fair value, in which the change in fair value of the financial liability is attributed to the credit risk of the entity and should be recorded in specific lines of the shareholders' equity of other comprehensive income.
- (ii) Impairment methodology: With the introduction of the concept of recognition of expected credit loss for the financial instrument from its initial recognition, with subsequent changes in the provision as subsequent measurements of the expected credit loss. Therefore, it is no longer necessary that the loss event occurs for a provision to be recognized (as defined in IAS 39). The concepts introduced by the standard shall be applied only to the categories of "amortized cost" and "fair value through other comprehensive income."
- (iii) Hedge accounting: With the inclusion of requirements that bring hedge accounting closer to the entity's risk management, with a principles-based approach that pointed out the main inconsistencies and weaknesses of IAS39. The three existing hedge accounting methods applied in the standard are currently retained (which are: cash flow hedge, fair value hedge and hedge of net investment in foreign operations).

The adoption of the aforementioned IFRS will have effect on the consolidated financial statements with respect to the current categorization of financial instruments and the current methodology of impairment measurement, which is based on the recognition of the impairment from the credit event that occurred. The possible impacts arising from the adoption of this amendment are being assessed and will be completed until the standard becomes effective.

- IFRS 15 – Revenue from contracts with customers: It was issued in May 2014 and is effective for annual reports beginning on or after January 1, 2018. The IFRS standard specifies how and when revenue will be recognized, as well as the requirement that entities provide users of financial statements with a higher level of information and relevant notes. The standard has five basic principles to be applied to all contracts with customers. The possible impacts arising from the adoption of this amendment are being assessed and will be completed until the standard becomes effective.
- Amendments to IFRS 16 – Leases – Issued in January 2016, with a mandatory application date from January 2019. This standard contains a new approach to lease agreements, which requires lessors to recognize assets and liabilities for the rights and obligations created by the contract. The possible impacts arising from the adoption of

this amendment are being assessed and will be completed until the standard becomes effective.

The possible impacts of changes in effect from 2017 are under the analysis by the Bank, and should be completed before the standard enters into force.

3. Cash and cash equivalents and reserves at the Central Bank of Brazil

	2017	2016
Cash	2,247	1,102
FI's bank deposits with no reserve account	507	454
Foreign currency deposits	90,353	109,187
Compulsory deposits at the Central Bank of Brazil	21,595	10,303
	114,702	121,046
Currency:		
Real	24,349	11,859
USD	90,353	109,187
	114,702	121,046

Note 36-b contains details for the periods of residual maturity of cash and cash equivalents and reserves at the Central Bank of Brazil.

4. *Loans and advances to financial institutions*

The breakdown by rating, type, and currency of the balances in the item "Loans and advances to financial institutions" in the consolidated balance sheets is as follows:

	2017	2016
Rating:		
Loans and receivables	731,232	4,142,733
	731,232	4,142,733
Type:		
Judicial, fiscal and labor deposits	480,669	417,035
Interbank deposits	196,492	144,423
Purchase and sale commitments	53,008	3,578,596
Others	1,063	2,679
	731,232	4,142,733
Currency:		
Real	540,296	4,011,576
USD	190,936	131,157
	731,232	4,142,733

Note 36-b contains details for the periods of residual maturity of loans and receivables.

5. Debt instruments

The breakdown by rating, type, and currency of the balances in the item "Debt instruments" is as follows:

	2017	2015
Financial assets for trading	-	3,845,365
Financial assets available for sale	7,086,646	2,632,750
Financial assets held to maturity	1,254,478	1,220,217
	<u>8,341,124</u>	<u>7,698,332</u>
Type:		
<i>Financial assets for trading:</i>	-	3,845,365
Brazilian government bonds	-	3,794,767
Multimarket fund quotas	-	50,598
<i>Financial assets available for sale:</i>	7,086,646	2,632,750
Brazilian government bonds	<u>7,086,646</u>	<u>2,632,750</u>
<i>Financial assets held to maturity:</i>	1,254,478	1,220,217
Brazilian government bonds - Global Bonds	1,231,642	1,220,217
Quotas of "Multimarket" Funds	22,836	-
Currency:		
Real	7,109,482	6,478,115
Dollar	<u>1,231,642</u>	<u>1,220,217</u>
	<u>8,341,124</u>	<u>7,698,332</u>

Note 36-b contains details for the periods of residual maturity of debt instruments.

6. *Equity instruments*

The breakdown by rating and type, of the balances in the item "Equity instruments" is as follows:

	2017	2016
Rating:		
Financial assets for trading	-	256
Financial assets available for sale	256	
	256	256
Type:		
Equity securities	233	233
Shares and quotas	14	14
Other financial assets	9	9
	256	256

Note 36-b contains details of residual periods of maturity of financial assets available for sale, equity instruments.

7. *Derivative financial instruments*

a) The adopted policy

As a result of the Volcker Rule, applicable to the CCB Group globally, the operations of CCB Brasil's trading portfolio were suspended. CCB Brasil carried out traditional derivative operations aiming its clients needs, as well as executing its risk management policy in order to minimize risks arising from its own financial operations. Its objective was to obtain the mitigation of exposure to market variables that impairs assets and liabilities of the conglomerate.

b) Hedge of foreign exchange exposures

CCB Brasil carries out Swap, NDF and Future Market operations for purposes of hedging of its obligations with securities issued abroad and foreign currency loans, in order to hedge against the risk of exchange variation and the coupon of operations, thus hedging against exchange rates variations by the use of economic and accounting hedge, when applicable, for these operations.

c) Portfolio's Hedge with pre-fixed interest rates

The Bank adopts the strategy of acquiring future DI contracts, assessing the relationship between the duration of DI futures contracts and the duration of the credit portfolio. The cover of hedging is quarterly assessed and meets criteria that consider the total portfolio less delays and prepayment. The replacement of DI futures contracts is periodic, as the opening of new futures contracts is identified and its liquidity is detected. The Consolidated's treasury assesses the need to purchase or sell new DI futures contracts to offset the adjustment to fair value of the hedged item. The objective is to ensure the hedging effectiveness in the range of 80% to 125% considering the market variation of the hedged layer and the market variation of DI futures contracts.

d) Risk management

CCB Brasil operates with derivative financial instruments as part of the range of products offered to its clients and to meet its own necessity related to the management of market risks which arise, principally, due to the normal mismatches between currencies, interest rates, indices and terms of its asset and liability operations.

The main risk factors of the derivatives contracted at December 31, 2017 are related to exchange rate, interest rate, dollar and variable income coupon, which aim to maximize the return-risk ratio, even in circumstances of high volatility. The risk management control of the portfolios is performed through the use of systems, such as: VaR, (for trading portfolio), EVE and NII (for the banking and global portfolios), Profitability and Liquidity Risk.

e) Criteria for fair value measurement

To obtain these fair values the following criteria are adopted:

- **Futures and Forward:** quotations on stock exchanges;
- **Swap:** it is estimated the cash flow of each of its shares discounted to the present value, according to the corresponding interest curves, obtained through of B3 SA - Brasil, Bolsa, Balcão (a clearing company) prices, and /or market prices of government securities for Brazilian operations, and in the prices of international exchanges for operations abroad, when applicable;
- **Options:** statistical models that incorporate the behavior of the price of the asset, purpose of the contract, interest, the price of exercising and the spot price of the commodities.

f) Recording of the values

The balances of these operations are recorded in equity and memorandum accounts, in accordance with the specific rules issued by the Brazilian Central Bank.

The derivative instruments are classified, according to Management's intention of using them as "Hedge" or not.

The operations with financial instruments, at the request of clients, or that do not meet the criteria of hedge (mainly derivatives used to manage the overall risk exposure until December 31, 2017 are accounted for at the fair value, with the realized and unrealized gains and losses recognized directly in the statement of income.

Specifically for hedge of the market risk, the financial assets and liabilities, as well as their financial instruments are accounted for at fair value with the realized and unrealized gains and losses recognized directly in the statement of income.

The result of these operations is shown in Note 27.

The Outstanding Operations at December 31, 2017 have the following characteristics:

	Differential		Notional value - 2017			
			Net position of asset contracts and (Liabilities)			Total
	Receivable	Payable	Falling due - up to 3 months	Falling due from 3 to 12 months	Falling due for more than 12 months	
Swap contracts:						
Interbank market	1,304	997	44,834	(1,335,111)	(259,421)	(1,549,698)
Foreign currency	294,488	3,441	(44,834)	1,294,452	259,421	1,509,039
Fixed rate	62	-	-	(40,659)	-	(40,659)
Subtotal - Swap	295,854	4,438				

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Forward contracts/Non-deliverable forwards - NDF

Forward purchase/NDF	29	-	664	247	-	911
Forward sale/NDF	1,556	714	4,158	34,994	-	39,152
Subtotal Forward/Non-Deliverable Forward	1,585	714				
Total	297,439	5,152				

Futures contracts:

Buy - interbank market	2	-	10,494	-	-	10,494
Sale - Interbank market	-	(2,032)	(740,108)	(547,375)	(1,887,286)	(3,174,769)
Buy - DDI - For. cur. coupon	203	-	771,848	936,114	8,036	1,715,998
Sale - DDI - For. cur. coupon	-	2,524	(105,965)	(65,230)	-	(171,195)
Purchase - Foreign currency	2,458	-	114,145	-	-	114,145
Sale - Foreign currency	-	93	(1,312,514)	-	-	(1,312,514)

	Differential		Reference value - 2016			
	Receivable	Payable	Net position of asset contracts and (Liabilities)			Total
			Falling due - up to 3 months	Falling due from 3 to 12 months	Falling due for more than 12 months	
Swap contracts:						
Interbank market	11,069	18,812	11,750	(909,037)	(290,655)	(1,187,942)
Foreign currency	324,935	112	(11,750)	947,057	290,655	1,225,962
Fixed rate	968	3,213	-	(38,020)	-	(38,020)
Fair value adjustment	(2,000)	5,621	-	-	-	-
Subtotal - Swap	334,972	27,758				
Forward contracts/Non-deliverable forwards - NDF						
Forward purchase/NDF	-	1,811	3,693	19,833	-	23,526
Forward sale/NDF	2,011	217	79,936	-	-	79,936
Subtotal Forward/Non-Deliverable Forward	2,011	2,028				
Flexible Options Contracts						
Purchase of Flexible Options	-	-	-	146,632	-	146,632
Total	336,983	29,786				
Futures contracts:						
Sale - Interbank market	-	-	(4,113,826)	(199,586)	(3,829,243)	(8,142,655)
Buy - DDI - For. cur. coupon	-	-	823,416	2,593,119	10,946	3,427,481
Sale - DDI - For. cur. coupon	-	-	(61,046)	-	-	(61,046)
Purchase - Foreign currency	-	-	66,845	-	-	66,845
Sale - Foreign currency	-	-	(335,391)	-	-	(335,391)

The Bank operates with traditional derivatives intended to meet client needs and to apply its risk management policy, as a form of minimizing risks arising from financial transactions.

In order to seek protection from exposure to changes in exchange rate coupons in foreign currency, CCB Brasil contracted swap operations (USDxCDI), with similar values, terms,

and rates, classified with a structure of hedge accounting of market risk. The effectiveness calculated for the hedge portfolio is in accordance with the provisions of IFRS 39.

Note 36-b contains details for the periods of residual maturity of derivatives.

8. Loans and advances to clients

a) Breakdown

The breakdown by rating of the balances in the item "Loans and advances to clients" in the consolidated balance sheets is as follows:

Loans and Advances to clients	2017	2016
Export financing	2,776,262	2,017,183
Payroll-related loan	2,420,720	2,541,415
Personal consumer credit	270,851	293,571
Working capital and discounts	235,690	1,651,960
Import financing	72,440	168,386
Rural and agro-industrial financing	71,501	107,300
Secured accounts	4,762	2,879
Financing of estate and housing	2,003	2,068
Financing of heavy machinery and vehicles	884	11,134
Corporate checks	91	390
Others	38,673	306,925
Loans	5,893,877	7,103,211
Advances on export contracts	610,056	541,174
Debtors for purchase of assets	75,730	84,660
Notes and credits receivable	69,629	55,095
Guarantees honored	43,075	9,782
Other receivables	798,490	690,711
Leases	31,047	50,658
Total (*)	6,723,414	7,844,580

(*) Of the total loan operations, the amount of R\$ 613,126 (2016, R\$ -) refers to operations linked to funds raised.

There are no loans and advances to clients of significant amounts without defined maturity dates.

Note 36-b contains details for the periods of residual maturity of loans and advances to clients.

b) Diversification by sector of activity

Sector of activity	2017	2016
Private sector	4,074,341	5,214,375
Other services	2,162,913	2,117,790
Industry	1,254,508	2,086,453
Trade	534,166	756,924
Agribusiness	122,307	247,698
Financial intermediaries	447	5,510

Individuals	2,639,294	2,594,496
Public sector	9,779	35,709
Total	<u>6,723,414</u>	<u>7,844,580</u>

c) Assignment of loans to credit securitization companies (unrelated companies)

In the year ended December 31, 2017, there were assignments to unrelated credit securitization companies of loans for working capital and other assets classified as "operations with substantial transfer of risks and rewards", which were fully covered by allowances for loan losses, resulting in the recognition of revenues in the amount of R\$ 55,648 (2016 - R\$ 25,234).

Furthermore, loan operations previously written-off were also assigned to unrelated credit securitization companies, resulting in the recognition of revenues in the amount of R\$ 182,310 (2016- R\$ 325,644). The assignments were made considering internal evaluations as regards the perspectives of recovery of the loans, which served as the pricing basis for the assignments, and analyses of a specialized company regarding the situation of the debtors and the conditions of the loans, utilized as a source of information for the evaluation of the perspectives of the recovery of the loans (note 31).

d) Breakdown of impairment

The changes in provisions for impairment in the balances of the item "Loans and financing - loans and advances to clients" are the following:

	2017	2016
Operations individually assessed with loss event	203,264	1,019,886
Impairment	(104,563)	(322,373)
	<u>98,701</u>	<u>697,515</u>
Operations individually assessed without loss event	3,173,754	3,095,756
Impairment	-	-
	<u>3,173,754</u>	<u>3,095,756</u>
Operations collectively assessed with loss event	175,257	509,508
Impairment	(31,247)	(140,433)
	<u>144,010</u>	<u>369,075</u>
Operations individually assessed	3,171,139	3,219,430
Impairment	(46,198)	(44,780)
	<u>3,124,941</u>	<u>3,174,650</u>

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	2017	2016
Total loans and advances to clients	6,723,414	7,844,580
Total impairment	(182,008)	(507,584)
Net balance of loans and advances to clients	6,541,406	7,336,996
	2017	2016
Opening balance of provision for impairment	507,584	651,294
Constitution/(reversal) of balances against impairment	321,814	451,847
Write-off of balances against impairment	(647,390)	(595,557)
Closing balance of impairment	182,008	507,584
Recovery of credits offset	77,179	110,172
Credits renegotiated during the period	430,207	158,867
Percentage of provision for impairment on loan portfolio and advances to clients	2.71%	6.47%

e) Credit quality of financial assets

	2017				2016			
	Low	Medium	High	Impairment	Low	Medium	High	Impairment
Non-overdue credits without loss event	5,037,555	847,742	372,706	-	4,781,284	757,035	611,292	-
Non-due credits with loss event	-	-	-	194,712	-	-	-	738,550
Overdue credits without loss event	23,194	34,513	29,184	-	51,333	11,823	102,418	-
Overdue credits with loss event	-	-	11,915	171,893	-	-	950	789,895
Total	5,060,749	882,255	413,805	366,605	4,832,617	768,858	714,660	1,528,445

f) Presentation of analysis of financial assets ("Aging List") that are overdue credits without loss event

The credit and leasing operations, by area and class portfolio, are thus classified by maturity (overdue credits without loss event):

	2017				2016			
	Overdue in up to 30 days	Overdue of 31 days to 60 days	Overdue of 61 days to 90 days	Total	Overdue in up to 30 days	Overdue of 31 days to 60 days	Overdue of 61 days to 90 days	Total
Individuals	39,761	20,582	15,939	76,282	17,746	3,243	945	21,934
Consigned personal credit	39,352	20,582	15,939	75,873	17,381	3,243	945	21,569
Real estate	307	-	-	307	320	-	-	320
Others	102	-	-	102	45	-	-	45
Companies	10,515	94	-	10,609	87,411	56,229	-	143,640
Working capital	10,515	94	-	10,609	69,921	56,229	-	126,150
Consume financing	-	-	-	-	17,490	-	-	17,490
Total	50,276	20,676	15,939	86,891	105,157	59,472	945	165,574

9. Other loans and receivables.

All the balances of counterparties that are not clients or financial institutions are considered "Other Loans and Receivables." As of December 31, 2017, this item is composed basically of balances outstanding with stock exchanges (under usual market terms) and credits granted and not typified as loans, totaling the sum of R\$54,464 (R\$ 92,342 in 2016).

10. Assets held for sale

Non-financial assets classified as held for sale are recorded in the balance sheet when actually appropriated or intended for sale. In CCB Brasil's case, these assets mainly refer to real estate property available for sale and received as payment for debt, which were initially stated at the lowest value between carrying amount and fair values, less sales costs.

CCB Brasil's policy consists in having control of a real property (though it is not yet in possession) when it obtains the adjudication order or writ of public bid or payment in kind (control of asset), and in the case of vehicles / others this will be based on the definite sentence (control of asset). At the moment the asset is owned, credit agreement is written off and accounted for in "Assets Held for Sale" at the amount included in an appraisal report prepared by an expert accredited by CCB Brasil conglomerate, limited to the debt amount.

The report should specify the appraisal criteria and the comparison parameters employed to arrive at the value. The asset should be reassessed following the regulatory term (1 year) plus extensions and the mandatory public auction. A provision for loss should be created or increased whenever the fair value (assessment) is below the carrying amount.

Management makes efforts to sell assets held for sale in a maximum of 3 years, beginning as of the term date, provided that there is no legal hindrance. If property is not sold within mentioned period, factors preventing the sale will be reviewed and considered in the process of periodic assessment of recoverable value of the asset.

Subsequent write-downs to the carrying amount of the assets are recorded as loss from write-down to fair value less costs of selling and are recorded in the Statement of Comprehensive Income under "Gains (losses) on assets available-for-sale". Gains and losses arising from the disposal of assets held for sale are recorded under "Gains (losses) on financial assets (net)" in the statement of income for the year.

a) Breakdown

	2017	2016
Rating:		
Assets held for sale	280,426	267,842
	<u>280,426</u>	<u>267,842</u>
Type:		
Real estate	377,385	320,418
Machinery and equipment	28,402	26,827
Vehicles	16,779	15,389
Other	742	708
Provision for impairment	(142,882)	(95,500)
	<u>280,426</u>	<u>267,842</u>

b) Changes

	2017	2016
Opening balance	267,842	253,733
Assets seized	64,550	50,390
Assets transferred from closed branches	18,440	-
Disposals	(70,406)	(36,281)
Balance at the end of the year	<u>280,426</u>	<u>267,842</u>

11. Investments

The breakdown of this item's balances is as follows:

	2017	2016
Jointly controlled entities – BrasilFactors	125	1,851

On April 25, 2011, CCB Brasil assumed the 40% interest in the capital of BRASILFactors S.A, a joint venture that has FIMBank PLC (40%) and International Finance Corporation - IFC (20%) as its other shareholders. In the year ended December 31, 2015, CCB Brasil and FIMBANK changed the interest percentage of capital of BRASILFactors S.A to 50% each, the control remained shared. BRASILFactors is not part of the Consolidated CCB Brasil; thus, presented as an investment.

The main activities of BRASILFactors are geared towards factoring and forfaiting services, involving the purchase of receivables from the domestic and foreign markets, having small and midsized businesses as a target market.

12. Tangible assets

CCB Brasil's tangible assets consist in fixed assets in use. CCB Brasil has no tangible assets stated as investment property or leased under operating lease conditions.

At December 31, 2017 and 2016, CCB Brasil assessed the existence of impairment for the tangible assets groups totaling R\$ 1,433 and R\$ 874, in 2017 and 2016, respectively.

Details by types of assets, of the tangible assets in the consolidated balance sheets are as follows:

	Cost	Accumulated depreciation	Impairment	Net balance
Land and buildings	196,035	(103,181)	-	92,854
Data processing systems	12,630	(12,111)	(67)	452
Facilities, furniture and equipment in use	24,674	(12,422)	(769)	11,483
Other	2,652	(1,537)	(38)	1,077
Balances at December 31, 2016	235,991	(129,251)	(874)	105,866
Land and buildings	92,182	(49,548)	(27)	42,607
Data processing systems	11,146	(10,744)	(15)	387
Facilities, furniture and equipment in use	20,666	(11,271)	(1,344)	8,051
Other	2,450	(1,672)	(47)	731
Balances at December 31, 2017	126,444	(73,235)	(1,433)	51,776

The changes in the "Tangible assets" item in the consolidated balance sheets are as follows:

	2017	2016
Cost:		
Balances at the beginning of the year	235,991	222,454
Additions	11,361	10,914
Transfer of deferred assets	-	7,323
Disposals	(120,908)	(4,701)
Balances at the end of the year	126,444	235,991
Impairment	(1,433)	(874)
Accumulated depreciation:		
Balances at the beginning of the year	(129,251)	(106,999)
Additions	(16,264)	(17,094)
Transfer of deferred assets	-	(7,323)
Disposals	72,280	2,166
Total depreciation at yearend	(73,235)	(129,251)
Net balance of Tangible Assets	51,776	105,866

13. Intangible assets

The breakdown of the item "Intangible assets" is as follows:

	Estimated useful life	2017	2016
With defined useful life:			
Expenses on software acquisition and development	Other	19,167	14,404
Accumulated amortization	Up to 5 years	(14,275)	(11,118)
Without defined useful life:			
Goodwill - CCB Brasil Financeira		105,190	105,190
		110,082	108,476

The changes in the item "Intangible assets" are as follows:

	2017	2016
Opening balances	108,476	107,813
Additions	4,763	3,748
Amortizations	(3,157)	(3,085)
Balances at the end of the year	110,082	108,476

Depreciation and amortization expenses were included under "Depreciation and amortization", in the statement of income.

CCB Brasil assessed the existence of impairment for the intangible assets groups. No impairment of these assets was identified on the analyzed base date.

The recorded goodwill is subject to impairment test once a year, or more often if there is an indication of impairment of the asset, and was allocated to cash generating units identified in accordance with operating segments (Note 37).

The basis used for the impairment test is the value in use, and for this purpose Management estimates the cash flow that is subject to several factors, such as: (i) macro-economic projections of the interest rate, inflation, and others; (ii) National financial system's behavior and growth estimates; (iii) increased costs, returns, synergies and investment plan; (iv) client behavior and (v) growth rates and adjustments applied to perpetuity flows. The adoption of these estimates involves the probability of the occurrence of future events and changes in one of these factors could have a different result.

Based on the aforementioned assumptions, no impairment of goodwill was identified in 2017.

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CCB Brasil S.A. Crédito, Financiamentos e Investimentos	105,190
Operating segment:	105,190
Retail	105,190
	Retail
Main assumptions:	
Assessment basis	Value in use: cash flows
Cash flow projection period (1)	10 years
Growth rate in perpetuity	6.8% p.a.
Discount rate (2)	15.9%

(1) Cash flow projections are based on internal budget and on management's growth plans, taking into account historical data, expectations and market conditions such as industrial growth, interest rate and inflation indexes.

(2) The discount rate is calculated with basis on the capital asset pricing model (CAPM), considering the method for calculation: $K_e = R_f + \beta \cdot (RP_{gm}) + \alpha$ of the factors described below:

R _f	Risk-free rate	2.60%
Beta	Beta representing non-scattered risk level	1.24
RP _{gm}	Market risk premium	6.00%
A	Specific premium of the company	1.04%
K _E BRL	Cost of own capital in nominal Brazilian Reais	15.90%

A sensitivity test was conducted for the main assumptions that could have reasonable changes, and no impairment of goodwill was identified.

14. Other assets

Breakdown of “Other assets” balance is as follows:

	2017	2016
Other receivables (*)	39,459	17,459
Sundry receivables	38,935	31,639
Prepaid expenses	27,690	58,925
Accrued payments	3,872	624
Operations with financial assets	2,663	4,285
Salary advances	917	10,884
Sundry accounts	473	774
	<u>114,009</u>	<u>124,590</u>

(*) Substantially refer to assets with the former controlling shareholder in the amount of R\$ 22,013 (R\$ 0 in 2016) and assets with social housing programs in the amount of R\$ 11,220 (R\$ 8,284 in 2016).

15. Deposits from financial institutions

The breakdown by rating, counterpart, type, and currency of the balances in these items is as follows:

	<u>2017</u>	<u>2016</u>
Rating:		
Financial liabilities at amortized cost	<u>3,481,635</u>	<u>7,068,214</u>
	3,481,635	7,068,214
Type:		
Obligations related to purchase and sale commitments (LFT)	3,138,816	6,868,236
Interbank deposits	342,819	199,564
Other banks	<u>-</u>	<u>414</u>
	3,481,635	7,068,214
Currency:		
Real	<u>3,481,635</u>	<u>7,068,214</u>
	3,481,635	7,068,214

Note 36-b contains details for the periods of residual maturity of loans and receivables.

16. Deposits from clients

The breakdown by rating, type, in the item "Client deposits" is as follows:

	2017	2015
Rating:		
Financial liabilities at amortized cost	2,853,356	2,112,377
	2,853,356	2,112,377
Type:		
Time deposits	2,736,654	2,007,531
Demand deposits	86,470	79,770
Savings deposit	7,393	10,849
Other deposits (*)	22,839	8,837
Correspondent accounts	-	5,390
	2,853,356	2,112,377
Currency:		
Real	2,853,356	2,106,987
USD	-	5,390
	2,853,356	2,112,377

(*) Refers substantially to the account of pending settlements in the amount of R\$ 16,729 (R \$ - in 2016) and foreign currency payment orders in the amount of R\$ 5,661 (R \$ 8,325 in 2016).

Note 36-b contains details for the periods of residual maturity of loans and receivables.

17. Securities issued

The breakdown by rating, type, and currency of the balances in the item "Securities issued" is as follows:

	2017	2016
Rating:		
Financial liabilities at amortized cost	406,611	434,932
	406,611	434,932
Type:		
<i>Financial liabilities at amortized cost</i>		
Obligations from issue of financial bills	159,184	32,959
Obligations from issue of agribusiness real estate credit bills	154,108	189,484
Obligations from securities issued abroad	55,066	55,066
Obligations from issue of real estate credit bill	37,942	157,143
Obligations due to acceptances of negotiable instruments	311	280
	406,611	434,932
Currency of denomination		
Real	351,234	379,586
USD	55,377	55,346
Balances at the end of the year	406,611	434,932

Note 36-b contains details of the remaining maturity periods of the financial liability at amortized cost, obligations from issue of real estate credit bill.

18. Subordinated debts

Details of the balance of "Subordinated debts" are as follows:

	2017	2016
Rating:		
Other liabilities at fair value through profit or loss	988,046	1,065,605
Financial liabilities at amortized cost	971,969	920,563
	1,960,015	1,986,168
Type:		
Other liabilities at fair value through profit or loss		
Foreign securities	-	107,889
Eurobonds	988,046	957,716
	988,046	1,065,605
Financial liabilities at amortized cost		
Subordinated CDB	740,409	692,417
Perpetual Debt	231,560	228,146
	971,969	920,563
Currency:		
USD	988,046	1,065,605
Real	971,969	920,563
	1,960,015	1,986,168

Note 36-b contains details on residual maturity periods of subordinated debts at each yearend.

19. Domestic borrowings

The breakdown of the item "Liabilities due to domestic loans" is as follows:

	<u>2017</u>	<u>2016</u>
Rating:		
Financial liabilities at amortized cost	41,700	116,813
	<u>41,700</u>	<u>116,813</u>
With:		
Onlendings - Ministry of Agriculture	35,561	114,418
Other funds and programs	5,245	1,094
Onlendings - Ministry of Cities	894	1,301
	<u>41,700</u>	<u>116,813</u>
Currency:		
Real	41,700	116,813
	<u>41,700</u>	<u>116,813</u>

Note 36-b contains details for the periods of residual maturity of financial liabilities at amortized cost, domestic loans.

20. Foreign borrowings

The breakdown of the balances in the item "Foreign borrowings" is as follows:

	2017	2016
Rating:		
Financial liabilities at amortized cost	3,356,336	3,144,858
Other liabilities at fair value through profit or loss	76,611	115,392
Hedged financial liabilities (nota 21)	2,605,343	4,272,211
	6,038,290	7,532,461
With:		
Financial liabilities at amortized cost:		
Import/export financing	3,356,365	3,144,858
Foreign onlendings	(29)	-
	3,356,336	3,144,858
Other liabilities at fair value through profit or loss		
Foreign onlendings	76,611	115,392
	76,611	115,392
Hedged financial liabilities		
Foreign borrowings	2,612,928	4,276,926
Fair value adjustment	(7,585)	(4,715)
	2,605,343	4,272,211
Currency:		
USD	6,038,290	7,532,461

Note 36-b contains details for the periods of residual maturity of financial liabilities at amortized cost, foreign loans.

21. Hedge accounting

a) Funds raised abroad

As of the fiscal year 2015, CCB Brasil enters into derivative financial instruments (USDxCDI) with similar values, terms and rates and classifies this structure as “hedge-account-market-risk.

b) Loans to Individuals

CCB Brasil holds payroll loan portfolios of public servants and retirees, and vehicle financing operations. Those credits are assigned at pre-fixed rates, exposing the Institution to the market risk arising from fluctuations in the reference rate of interbank deposits (CDI), an index in which the Institution's cost of funding and risk management are controlled. Thus, to hedge the risk of the pre-fixed rate to the CDI oscillations, since January 2017, the Bank's treasury dept. acquires future DI contracts in a ratio of amounts x maturities that offset the adjustment effect to fair value of the hedged item, and the effects of this hedge of market risk are recorded exclusively in the Consolidated Financial Statements.

At December 31, 2017 the hedge accounting structure was represented as follows:

	<u>Hedge instrument</u>		<u>Hedged item</u>	
	Nominal value	Fair value adjustment	Carrying amount	Fair value adjustment (*)
Hedge of funds raised abroad	2,736,442	4,907	2,800,497	(7,585)
Hedge of the retail loan portfolio	2,989,035	86,898	2,313,826	91,238

(*) Recorded in the account “Foreign Borrowings” and Gains (losses) on financial assets and liabilities (net).

At December 31, 2016 the hedge accounting structure was represented as follows:

	<u>Hedge instrument</u>		<u>Hedged item</u>	
	Nominal value	Fair value adjustment	Carrying amount	Fair value adjustment
Hedge of funds raised abroad	4,268,389	5,340	4,276,926	4,622

22. Provisions

CCB Brasil and its subsidiaries are parties to lawsuits and administrative proceedings arising from the normal course of business, involving matters of a civil, labor, tax and social security nature.

a) Civil, labor and tax liabilities

Based on information obtained from its legal advisors on the analysis of pending legal proceedings and, as regards labor claims, from previous experience Management recorded provisions at amounts considered sufficient to cover probable losses from the lawsuits in progress.

b) Legal obligations and contingent liabilities classified as probable losses

The legal obligations and contingent liabilities classified as probable losses are fully covered by provisions. The most significant matters are:

b.1) CSLL Social Contribution on Net Income - equality - amount involved R\$ 149,229 (R\$ 140,643 in 2016): The Group requests the cancellation of the imposition of CSLL from 2008 to 2014, in relation to the increase in the tax rates from 9%, applicable to non-financial entities, to 15%, required from financial institutions, in view of the non-observance of the constitutional criterion of equality. The amount involved was deposited in Court.

b.2) Social Contribution on Revenues (COFINS) Law No. 9,718/98 – amount involved R\$ 521,134 (R\$ 495,820 in 2016): The Group requests the payment of the contribution, from November 2005 until December 2014 on the basis of the calculation stipulated by Complementary Law No. 7/70, in view of the unconstitutionality of the increase of the calculation basis determined in Law No. 9,718/98. Part of the amount involved, R\$ 26,247 (2016 - R\$ 24,317), has been deposited in Court.

b.3) Social Integration Program (PIS) Law No. 9,718/98 – amount involved R\$ 82,782 (R\$ 77,949 in 2016): The Group requests the payment of the contribution, from November 2005 to December 2014, on the basis of the calculation stipulated by Complementary Law No. 7/70, in view of the unconstitutionality of the increase of the calculation basis determined in Law No. 9,718/98. Part of the amount involved, R\$ 90,225 (2016 - R\$ 82,905), has been deposited in Court.

b.4) PIS - Constitutional Amendment No. 10/96 - amount involved R\$ 17,583 (R\$ 12,511 in 2016): The Group requests the rejection of the requirement of the retroactive contribution for PIS, for the period of 90 days between 03/07/1996 and 06/07/1996, in observance of the principles of "retroactivity" and "90 day holding period", as well as to ensure the right to calculate and collect as from 06.07.1996 the contribution to PIS on the

gross operating income, understood as that arising solely from the provision of services and sales of goods as defined in Art. 44 of Law No. 4,506/64, in Art.12 of Decree-Law No. 1,587/77 and Art. 226 Decree No. 1,041/94. Part of the amount involved, R\$ 17,583 (2016 - R\$ 16,471), has been deposited in Court.

b.5) Service Tax (ISS) - Taxed Services - Taxation of the List of Services Attached to Complementary Law (LC) No. 56/87 – amount involved R\$ 1,199 (R\$ 1,679 in 2016): The Group requests the deconstitution of the ISS debit entry on alleged revenues for the provision of taxable services, not expressly foreseen in the list of services annexed to LC No. 56/87 (assuming the list as explanatory), in disagreement with the jurisprudence of the Superior Court of Justice, considering its unrestricted nature. The amount involved was deposited in Court.

c) Contingent liabilities classified as possible losses

c.1) Tax and social security processes classified as possible losses

The contingent liabilities classified as possible losses are monitored by the Institution, and the evaluation of the possible outcome is based on the opinion of the legal advisors in relation to each judicial and administrative process. Therefore, in compliance with the existing norms in Brazil, there is no accounting recognition of the contingencies classified as possible losses, which mainly refer to the following issues:

ISS - List of Taxable Services (Attachment to Complementary Law (LC) No. 56/87 - Amount involved R\$ 20,468 (R\$ 19,132 in 2016): The Group requests the extinguishing of the ISS on alleged taxable revenue service, not expressly covered in the list of services attached to LC No.56/87, based on the argument that this LC is merely illustrative, which is not in accordance with the jurisprudence of the Superior Court. The amount involved was deposited in Court.

Allowance for doubtful debts/1994 - Amount involved R\$ 24,639 (R\$ 23,216 in 2016): the Group requests that in the calculation of income tax and social contribution for the fiscal year 1994, a deduction be permitted for the expense on the allowance for doubtful debts under the terms determined by the National Monetary Council and the Brazilian Central Bank regulations, pursuant to Resolution No. 1,748/90 and subsequent changes, thereby considering as unconstitutional and illegal pursuant to the provisions of art. 43, paragraph 4, of Law No. 8,981/95. The amount involved was deposited in Court.

INSS – Management profit sharing - Amount involved R\$ 102,953 (R\$ 73,562 in 2016): The Group requests the reversal of the alleged INSS debit, relating to the base periods from 2006 to 2012, recorded through an assessment notice, because of the fact that (i) the debits relating to facts generated up to October 10, 2006 are time barred and, (ii) because there should be no levy of INSS on profit sharing, as established in the Federal Constitution, in Art. 7 item XI, and Law No. 8,812/1991, in Art. 28, § 9.

IRPJ / CSLL - Amount involved R\$ 82,588 (R\$ nil in 2016). The Group requests the deconstitution of the IRPJ /CSLL debit, related to the base period of 2012, recorded based on an assessment notice, arising from the disallowance of the deductibility of credit losses, because of the alleged non-compliance with the procedures set forth in Law No. 9,430/96.

d) Contingent liabilities - Labor and civil

d.1) Labor lawsuits

CCB Brasil is party to 180 (157 in 2016) labor lawsuits, assessed as having a probable risk, which have been fully accrued and amounting to R\$ 45,608 (R\$ 40,921 in 2016). There are 193 (105 – 2016) lawsuits with the indemnities claimed amount to R\$ 11,185 (R\$ 7,757 in 2016), which are stated as a possible risk, and no provisions were formed for these cases. According to an estimate by legal advisors, the maximum sum of indemnities for these lawsuits amounts to R\$ 10,087 (R\$ 5,633 in 2016). Contingencies relate to lawsuits discussing labor claims referring to labor law that is specific of the professional category, such as overtime, salary equalization, additional payment due to transfer and other.

d.2) Civil lawsuits

CCB Brasil is party to 3,066 (3,196 in 2016) civil lawsuits, evaluated as having a probable risk, which have been fully accrued and amount to R\$ 71,006 (R\$ 70,578 in 2016). CCB Brasil is party to 478 (509 in 2016) lawsuits with the amounts claimed amounting to R\$ 515,664 (R\$ 724,788 in 2016), which are classified as a possible risk, and as such, no provision was formed. According to an estimate by legal advisors, the likely sum for indemnities of these lawsuits is R\$ 286,990 (R\$ 348,328 in 2016). In general, the contingencies are the result of contract revisions and indemnities for material damages and pain and suffering, mostly under the Special Civil Court.

e) Changes in provisions for "legal obligations" and "contingent liabilities" classified as probable losses.

Description	2016	Addition	Reversal	Utilization	Written off	2017
Civil	70,578	5,554	(5,637)	24,679	(24,168)	71,006
Labor	40,921	6,165	(2,053)	6,958	(6,383)	45,608
Surety (Note 25)	66,535	38,370	-	-	-	104,905
Subtotal	178,034	50,089	(7,690)	31,637	(30,551)	221,519

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Tax and social security	2016	Addition	Reversal	Utilization	Written off	2017
CSLL - Equal Treatment in Rates - 2008 onwards	140,643	-	-	8,656	-	149,299
PIS - Gross Operating Revenue - EC 10/96 and EC 17/97	12,511	-	-	5,072	-	17,583
PIS - Expansion of Calculation Basis - Law No. 9,718/98	77,949	-	-	4,833	-	82,782
COFINS - Expansion of Calculation Basis - Law No. 9,718/98	495,820	141	(4,180)	29,353	-	521,134
ISS - Services not taxed - LC No.56/87	1,679	-	(574)	94	-	1,199
ISS - Lease transactions outside the head office	246	-	(248)	2	-	-
Subtotal	728,848	141	(5,002)	48,010	-	771,997
Total	906,882	50,230	(12,692)	79,647	(30,551)	993,516

For the above contingencies, CCB Brasil has deposited in guarantee the amount of R\$ 112,802 (R\$ 73,614 in 2016), of which for civil lawsuits R\$ 22,840 (R\$ 22,393 in 2016) - for labor lawsuits, and R\$ 346,018 (R\$ 323,635 in 2016) for tax lawsuits.

Description	2015	Addition	Reversal	Utilization	2016
Civil	86,863	17,419	(30,120)	(3,584)	70,578
Labor	29,060	14,029	(558)	(1,610)	40,921
Surety (Note 26)	78,078	-	-	(11,543)	66,535
Sub-total	194,001	31,448	(30,678)	(16,737)	178,034
Tax and social security	2015	Addition	Reversal	Utilization	2016
CSLL - Equal Treatment in Rates - 2008 onwards	129,310	-	-	11,333	140,643
PIS - Gross Operating Revenue - EC 10/96 and EC 17/97	12,108	-	-	403	12,511
PIS - Expansion of Calculation Basis - Law No. 9,718/98	71,838	-	(107)	6,218	77,949
COFINS - Expansion of Calculation Basis - Law No. 9,718/98	458,471	-	(853)	38,202	495,820
ISS - Services not taxed - LC No. 56/87	1,549	-	-	130	1,679
ISS - Lease transactions outside the head office	159	-	-	87	246
Sub-total	673,435	-	(960)	56,373	728,848
Total	867,436	31,448	(31,638)	39,636	906,882

For the above contingencies, CCB Brasil has deposit as guarantee the amount of R\$ 73,614 (R\$ 64,086 in 2015), of which for civil lawsuits R\$ 22,393 (R\$ 17,289 in 2015) - for labor lawsuits, and R\$ 323,635 (R\$ 291,792 in 2015) for tax lawsuits.

23. Current income tax

a) Statement of calculation of income tax and social contribution charges

Total charges for the fiscal year may be reconcile with book profits as follows:

	2017		2016	
	Income tax	Social contribution	Income tax	Social contribution
Result before taxes, contributions and interest	(467,704)	(467,704)	(317,498)	(317,498)
Temporary differences	1,304,494	1,295,553	1,995,326	1,970,781
Permanent differences	478,723	478,723	378,619	378,619
Exclusions	(2,011,68)	(1,998,390)	(2,946,894)	(2,943,743)
Tax loss and calculation basis for income tax and social contribution (Accumulated 2017)	(695,555)	(691,818)	(890,447)	(911,841)
(+) Negative taxable result of consolidated companies	779,295	779,295	922,861	926,395
(-) Offset of tax loss - negative calculation basis of social contribution	(15,437)	(15,437)	-	-
Profit and income tax and social contribution calculation basis	68,303	72,040	32,414	14,554
Charges at the rates of 15% for Income Tax and Social Contribution	10,245	14,334	8,980	7,319
10% income tax surcharge	6,728	-	5,627	-
Current taxes	16,973	14,334	14,607	7,319
Reconciliation with results			-	-
Current taxes	16,973	14,334	14,607	7,319
Deferred Income Tax and Social Contribution	71,575	43,877	17,655	11,628
(=) Provision for Income Tax and Social Contribution (2017)	88,548	58,211	32,262	18,947
Constitution of tax credits on temporary additions	(315,402)	(239,572)	(517,191)	(406,437)
Constitution of tax credits on tax losses	(65,833)	(47,103)	(241,987)	(127,522)
Realization of tax credit (Reversal of temporary additions)	317,562	254,991	641,382	522,893
Realization of tax credit (compensation of tax losses and CSLL negative calculation basis)	3,859	2,623	2,619	1,769
Write-off of tax credits on tax losses and negative calculation basis of CSLL	179,150	137,929	-	-
(=) Net effect of tax credit	119,336	108,868	(115,177)	(9,297)
Total	207,884	167,079	(82,915)	9,650
Income Tax and Social Contribution expenses		374,963		(73,265)

b) Effective tax rate calculation

Effective tax rates are as follows:

	2017	2016
Income (loss) before taxes	(467,704)	(317,498)
Current income tax (Note 23a)	374,964	(73,265)
Effective rate	80,17%	23.08%

The effective tax rate differs from the current rate applied to the calculation of income tax, as per additions and exclusions presented below:

	2017	Rate
Net Income before taxes	(467,704)	
Income tax at current rates	(187,081)	40,0%
Additions and exclusions in the calculation		
Tax credit write off – no expectation for realization	317,079	
Non accounted tax credit – no expectation for realization	204,993	
Result of investments abroad	23,658	
Goodwill on investment and acquisition	8,474	
Permanent additions and exclusions	(24,298)	
Differences of rates CSLL 15% x 20%	38,563	
Other non-deductible permanent additions	(6,425)	
Income tax for the period	374,963	80,17%
	2016	Rate
Result of Operations before taxes	(317,498)	
Income tax at rates in force	(126,999)	40%
Adds and exclusions in the calculation of taxes		
Results from overseas branch	35,748	
Profit sharing	-	
Non-deductible expenses - Deposit updating	(7,938)	
Stock Adjustment of DTA CSLL 15% x 20% MP.675/15	(47,212)	
DTA Adjustment CSLL 20% X 15% (Realization after 2018)	80,342	
Deferred liability Adjustment of rates CSLL 15% x 20%	(4,795)	
Other non-deductible permanent adds	(2,411)	
Income tax for the period	(73,265)	23%

c) Deferred taxes

Balances of "Deferred taxes" Assets/ (Liabilities) is as follows:

	2017	2016
Deferred tax assets	1,045,694	1,275,780
Deferred tax liabilities		
Income and social contribution taxes on MTM positive adjustment	(134,008)	(65,061)
Income tax on excess depreciation	(4,383)	(3,449)
	(138,391)	(68,510)
Total deferred taxes	907,303	1,207,270

d) Presumed Tax Credits

In view of high level of inventory of "temporary differences" arising from credit losses which occurred after 2014, the Bank decided to compute a "Presumed Tax Credit" in the amount of R\$380,662, according to criteria established by Law No. 12,838/2013 and Circular Letter No. 3,624/2013 of BACEN, which require determination of tax losses and credits deriving from temporary differences originating from allowance for doubtful loans computed and existing in the previous calendar year.

According to Law No. 12,838/13, the Federal Revenue Service can verify the accuracy of the computed presumed tax credits for a period of 5 (five) years, as from the date of the request for offset, which could be in cash or in federal public debt securities, and also utilized as a deduction from tax or non-tax amounts due to the National Treasury.

During the year 2017, the Bank recovered the amount of R\$ 118,402, resulting from credit operations included in the presumed tax credit basis, and the related deferred taxes, in the amount of R\$ 47,361, were recorded as a reduction of the previously booked presumed tax credit, since these amounts will be taxed at the time of reimbursement of the credit by the National Treasury.

Management believes that, considering the macroeconomic scenario and the expectation of the generation of future taxable income by the Institution, the option for Presumed Tax Credit represents the best alternative to reduce the time of realization of temporary differences arising from the allowance for doubtful accounts.

	2017
Presumed credit formed	
Year 2014	78,983
Year 2015	107,450
Year 2016	194,229
Year 2017	(47,361)
Total presumed credit	<u>333,301</u>

e) Non-assets-recorded tax credits

As a result of the history of tax losses earned in recent years and uncertainties related to long-term projections, the Management opted for not to record the tax credits in its balance sheet according to the practices established by IFRS, effective as from May 31, 2017.

The Consolidated's books have non-asset-recorded tax credits arising from tax losses and negative basis of social contribution in the amount of R\$ 522,072 (2016 - R\$ nil) for which there is no expectation for realization.

24. Other liabilities

The breakdown of the balance of "Other liabilities" is as follows:

	2017	2016
Sundry payables - domestic - Country (*)	45,746	22,432
Commissions on deferred securities	22,586	24,670
Personnel expenses	12,661	26,487
Bonuses and profit sharing to be paid	10,500	-
Other administrative expenses	8,899	15,972
Operations payable with credit card	7,572	16,303
Operations with financial assets and goods to settle	4,649	36,180
Dividends payable	204	204
Liabilities due to acquisitions of assets and rights	1	1
Other payments	1,517	218
	<u>114,335</u>	<u>142,467</u>

(*) Mainly consisting of debentures payable on the redemption of shares in the amount of R\$ 25,160 (R\$ - in 2016) (note 25).

25. Shareholders' equity

a) Capital

The Bank's capital is R\$ 2,956,864 (R\$ 1,699,886 in 2016) represented by 465,631,466 (354,322,935 in 2016) nominative shares, of which 297,223,908 (225,459,526 in 2016) are common shares and 168,407,558 (128,863,409 in 2016) preferred shares, without par value.

On April 29, 2016, the Extraordinary General Meeting approved a capital reduction to R\$ 794,860 through the absorption of accumulated losses in the amount of R\$ 1,217,950. On the same date, a capital increase of R\$ 794,860 to R\$ 1,554,860 was approved, with the issuance of 84,110,804 new shares at the price of R\$ 9.0354 (in Reais) each, comprising 53,281,674 common shares and 30,829,130 preferred shares, totaling an increase of R\$ 760,000, which was exclusively paid by the controlling shareholder, after the expiration of the period for the exercise of the preferential rights by the minority shareholders. On June 30, 2016, this increase was approved by the Brazilian Central Bank.

On September 2, 2016, the Board of Directors approved a capital increase proposal through the issuance of 2,632,449 common shares, at a price of R\$ 9.49 (in Reais) per share, amounting to R\$ 24,982, of which R\$ 26 was destined to a capital increase and R\$ 24,956 to capital reserves. Of the total, 2,613,527 shares was subscribed and paid in cash, in the amount of R\$ 24,803. The remaining 18,922 shares, valued at R\$ 179, were subscribed and paid up on October 10, 2016 by the controlling shareholder after the non-exercise of the preferential right by the other shareholders. On November 4, 2016, this increase was approved by BACEN.

On December 28, 2016, the Board of Directors approved a proposal for a capital increase from R\$ 1,554,886 to R\$ 1,699,886 within the limit of the authorized capital, through the issuance of 14,676,113 new shares at a price of R\$ 9.88 per share, of which 9,338,570 common shares and 5,337,543 preferred shares, totaling an increase of R\$ 145,000, after the non-exercise of the preferential right by the minority shareholders. The parent company subscribed and paid on December 28, 2016, the amount corresponding to its proportional participation in the Bank's capital, corresponding to the amount of R\$ 141,262. On February 1, 2017, the Board of Directors approved this capital increase, after proving that the parent company subscribed for the remaining shares of the minority shareholders that did not exercise their preemptive right, in the amount of R\$ 3,738. The capital increase was ratified by BACEN on May 23, 2017.

On October 26, 2017, the Board of Directors proposed a capital increase with the issuance of 113,647,791 new shares at a price of R\$ 11.07 (in Reais) per share, of which 72,315,322 were common and 41,332,469 preferred shares, amounting to R\$ 1,258,081, which was approved at the Extraordinary General Meetings held on October 26 and November 27, 2017. R\$ 1,256,978 of the total was allocated to a capital increase and R\$ 1,103 to the constitution of capital reserves, destined to support share redemptions. Of the total, the

amount of 110,845,180, represented by 72,138,610 common shares and 38,706,570 preferred shares in the amount of R\$ 1,227,056, were subscribed and paid-up on the date of the Shareholders' Meeting. The remaining 2,802,611 shares, of which 176,712 were common shares and 2,625,899 preferred shares, in the amount of R \$ 31,025, were subscribed and paid up on November 27, 2017 by the controlling shareholder, after the non-exercise of the preferential right by the other shareholders. On December 12, 2017, the increase was approved by BACEN.

On December 22, 2017, the Board of Directors proposed, and the Extraordinary Shareholders' Meeting approved, the redemption of shares pursuant to article 4, paragraph 5 of the Brazilian Corporate Law, and CVM Instruction No. 361, involving the totality of the 550,940 common shares and 1,788,320 preferred shares outstanding after the OPA auction, held on October 1, 2016. The amount payable will be R\$ 7.30 (in Reais) per share adjusted by the SELIC variation since August 29, 2014, totaling the amount of R\$ 25,160 to be settled as of January 4, 2018, the reduction being reflected in the capital reserves account, without the necessity to decrease capital.

	Number of shares (thousands)		
	Common	Preferred	Total shares
Balance at January 1, 2016	160,207	92,697	252,904
Issuance of shares for capital increase	65,252	36,167	101,419
Closing balance at December 31, 2016	225,459	128,864	354,323
Opening balance at January 1, 2017	225,459	128,864	354,323
Issuance of shares for capital increase	72,315	41,332	113,647
Redemption of shares	(551)	(1,788)	(2,339)
Closing balance at December 31, 2017	297,223	168,408	465,631

The CCB Brasil shareholders structure will be as follows:

Shareholder	Interest (%)	Common Shares		Preferred Shares		Total	
		Quantity	Amount	Quantity	Amount	Quantity	Amount
CCB Holding	100%	297,223,908	1,794,511	168,407,558	1,162,353	465,631,466	2,956,864

b) Treasury shares

Up to December 31, 2017, 6,879,540 preferred shares were acquired for R\$ 58,593, of which 481,022 shares were transferred to the members of management as variable compensation in the years 2013 and 2014.

The minimum, average and maximum cost per share (in Reais) were R\$ 6.96, R\$ 8.52 and R\$ 9.70 respectively. There is no fair value for these shares.

Therefore, the number of treasury shares at December 31, 2017 corresponds to 6,398,518 shares in the amount of R\$ 55,105 (R\$ 55,105 in 2016).

c) Dividends and interest on capital

A minimum dividend corresponding to 25% of net income of the year is assured in accordance with the Company's bylaws, pursuant to the terms of the applicable corporate legislation.

There was no payment of dividends or interest on capital, in the year.

d) Reserves

Because of the losses incurred, there were no constitution of reserves.

26. Guarantees provided

CCB Brasil offers many guarantees for their clients to improve their credit position and become competitive. The following table shows all the guarantees as of December 31, 2017 and 2016.

Maximum potential amount of future payments	2017	2016
Guarantees provided		
Sureties and guarantees	1,456,414	1,721,806
Export Performance	5,092,416	1,856,657
Standby letter	13,518	28,986
Export Billing	5,078,898	1,827,671
Total guarantees provided	6,548,830	3,578,463

The Bank's expectation is that these guarantees expire without the need of making cash advances. Therefore, during the normal course of business, the Bank expects these transactions not to have any impact on its liquidity. At December 31, 2017, guarantees provided by CCB Brasil, whose exercise was considered "probable" for the amount of R\$ 69,026 (R\$ 67,710 in 2016), were identified, for which the Bank formed a provision of R\$ 93,445 (R\$ 66,535 in 2016) which takes into account the guarantees obtained in these operations (Note 22e).

27. Interest and similar income and expenses

Interest and similar income in the consolidated statement of income comprise of interest accrued in the year on all financial assets with implicit or explicit return, calculated using the effective interest method, regardless of the fair value measurement and of the correction of the result due to the hedge accounting. Interest is recognized for the gross amount, without the deduction of tax withheld at source.

Interest and similar expenses in the consolidated statement of income comprise interest accrued in the year on all financial liabilities with implicit or explicit return, including compensation in cash, calculated using the effective interest method, regardless of the fair value measurement.

	2017	2016
Interest and similar income	2,946,214	3,520,055
Loans and advances to financial institutions	81,254	53,427
Loans and advances to clients	906,670	991,723
Financial assets for trading		
- Debt instruments	641,284	647,737
- Investment funds	2,738	15,305
Financial assets held to maturity		
- Debt instruments	66,752	6,877
Derivatives	1,247,516	1,804,986
Interest and similar income	(2,737,028)	(3,340,010)
Deposits from financial institutions		
- Interbank deposits	(21,160)	(52,990)
- Money market funding	(443,160)	(313,024)
Deposits from clients		
- Savings	(565)	(957)
- Time	(251,997)	(322,612)
Securities issued	(143,394)	(134,827)
Domestic borrowings	(31,001)	(59,974)
Foreign borrowings	(179,223)	(92,470)
Derivatives	(1,666,528)	(2,363,156)
Net interest income	209,186	180,045

28. Gains on financial assets and liabilities (Net)

Gains (losses) on financial assets and liabilities are composed of the amounts of adjustments from the measurement of financial instruments, except for those attributed to interest accrued as results after the application of the effective interest method and provisions, and of gains (or losses) on the sale or purchase of financial instruments.

a) Breakdown

The breakdown of the balance of this line, by type of instrument, is shown below:

	2017	2016
Gains (losses) on:		
Hedge accounting - retail portfolio	91,238	-
Financial assets for trading	33,990	(25,636)
Other hedged financial assets	(1,735)	2,154
Other liabilities at fair value through profit or loss	(18,334)	(89,142)
Other hedged financial liabilities	2,869	40,640
Ong:	108,028	(71,984)
Financial assets for trading		
Debt instruments	7,773	987
Derivatives	26,217	(26,623)
Other assets at fair value through profit or loss		
Debt instruments	89,503	2,154
Other liabilities at fair value through profit or loss	(18,334)	(89,142)
Other hedged financial liabilities		
MtM - Hedge instrument	2,869	40,640

29. Foreign exchange differences(net)

The foreign exchange differences show basically the gains and losses on currency transactions, the differences arising from the conversion of monetary items from foreign currency into functional currency and gains or losses disclosed for non-monetary assets in foreign currency upon disposal.

	2017	2016
Gains (losses) on:		
Foreign Exchange Variation on assets and liabilities	56,264	29,990
On financial assets		
Foreign exchange portfolio	70,572	(124,745)
Derivatives	31,444	(736,398)
Debt instrument	715	2,980
Loans and advances to clients	683	(13,072)
On financial liabilities:		
Foreign borrowings	(33,902)	726,292
Securities issued	(13,248)	174,933
	56,264	29,990

30. Income from fee and commissions

The "Fee and commission income" line comprises all fees and commissions accumulated on behalf of the Bank in the year, except for those that make up the effective interest rate on financial instruments.

The breakdown of the balance related to this line is shown below:

	2017	2016
Income from guarantees	43,210	49,467
Income from other services	15,785	18,557
Other Income from bank fees – Legal entities	8,618	17,148
Bank fee income - Individual	66	86
	<u>67,679</u>	<u>85,258</u>

31. Other operating income (expenses)

In this line of the consolidated statement of income (loss) are:

	2017	2016
Other operating income		
Recovery of charges and expenses	42,294	9,350
Monetary restatement of deposits for guarantees	18,627	22,917
Income from financed sale of assets not for own use	9,613	9,585
Income from acquisition of receivables	4,508	7,009
Other operating income	16,352	83
Loan assignment to securitization companies.	-	350,878
Total other operating income	91,394	399,822
Other operating expenses		
Severance expenses (*)	(61,308)	-
Expenses on fees and commissions (**)	(41,755)	-
Provisions for civil lawsuits	(35,423)	12,484
Tax expenses	(32,283)	(44,397)
Provision for losses of guarantees and sureties	(26,912)	11,395
Employees profit sharing	(24,391)	(98)
Provisions for labor lawsuits	(4,573)	(12,516)
Credit card expenses	(1,115)	(1,857)
Other operating expenses	(16,344)	-
Total other operating expenses	(244,104)	(34,988)
Net of Other Operating Income /(Expenses)	(152,710)	364,834

(*) Refers to contractual termination expenses due to the operational restructuring planned by the Controlling Shareholder and includes expenditures with the Severance Pay Fund, Contract Termination and Indemnities.

(**) Refers substantially to commissions on financial collections occurring after 2017.

32. Personnel expenses

The breakdown of the "Other Personnel Expenses" line is shown below:

	<u>2017</u>	<u>2016</u>
Salaries	(117,684)	(147,983)
Social charges	(37,260)	(47,558)
Benefits	(24,655)	(25,166)
Directors' fees	(16,010)	(15,648)
Other	<u>(2,339)</u>	<u>(2,599)</u>
	(197,948)	(238,954)

33. Other administrative expenses

The breakdown of the balance of this line is as follows:

	2017	2016
Third-party services	(41,691)	(43,738)
Real estate property, facilities and materials	(27,546)	(36,048)
Technology and systems	(16,939)	(21,297)
Expenses of the financial system	(13,454)	(11,674)
Expenses on lawsuits	(9,007)	(11,304)
Advertising	(3,601)	(3,986)
Reimbursement and travel expenses	(2,631)	(3,641)
Communications	(1,880)	(2,465)
Transportation system	(1,522)	(2,735)
Insurance premiums	(1,270)	(1,297)
Other administrative expenses	(9,334)	(8,861)
	(128,875)	(147,046)

34. Tax expenses

Refer mainly to federal contributions to PIS and COFINS which amounted to R\$ 34,451 (R\$ 33,129 in 2016)

	2017	2016
COFINS expenses	(18,420)	(20,187)
Tax expenses	(9,618)	(6,080)
ISS expenses	(3,402)	(3,506)
PIS/PASEP expenses	(3,011)	(3,356)
Total	(34,451)	(33,129)

35. Gains (losses) on other assets (net)

Refer basically to the results obtained from the sale of own assets and provisions for adjustment to realizable value of assets or other non-operating assets.

	2017	2016
Results from the sale of goods	8,217	4,569
Revenues from rents	1,291	800
Capital gains and losses	(9)	39
Constitution (reversal) of provision for realization of assets held for sale	(61,490)	(17,429)
Others	72	14
	(51,919)	(12,007)

36. Other disclosures

a) Third-party securities held in custody

As of December 31, 2017 and 2016, the Bank held no third-party debt bonds or securities under its custody.

b) Residual maturity

Pursuant to IFRS 7 - Financial Instruments - Disclosure, we present below the breakdown of the financial instruments, cash and cash equivalents, as well as the corresponding liquidity gap of said assets and liabilities, according to the maturity brackets.

	December 31, 20167							Total
	Without maturity	Up to 3 months	3-12 months	1-3 years	3-5 years	>5 years	Over due	
Assets:								
Cash and cash equivalents and reserves at the Central Bank of Brazil	-	114,702	-	-	-	-	-	114,702
Debt instruments	-	-	22,836	55,834	3,400,175	3,630,637	1,231,642	8,341,124
Equity instruments	-	256	-	-	-	-	-	256
Derivatives assets	-	25	48,581	211,030	37,803	-	-	297,439
Loans and advances to financial institutions	-	-	248,469	1,031	-	481,732	-	731,232
Loans and advances to clients	91,238	65,953	520,442	1,333,475	3,620,084	1,044,036	48,186	6,723,414
Other loans and receivables	-	-	22,011	4,895	27,558	-	-	54,464
Other financial assets	-	-	8,331	11,242	-	-	-	19,573
Total	91,238	180,936	870,670	1,617,507	7,085,620	5,156,405	1,279,828	16,282,204
Liabilities								
Deposits from financial institutions	-	-	3,267,886	183,777	2,731	27,241	-	3,481,635
Deposits from clients	-	94,263	300,568	1,833,238	625,287	-	-	2,853,356
Derivatives liabilities	-	-	2,777	2,375	-	-	-	5,152
Securities issued	-	-	77,590	121,744	206,674	603	-	406,611
Subordinated debts	-	-	-	-	1,391,635	568,380	-	1,960,015
Domestic borrowings	-	-	13,847	27,853	-	-	-	41,700
Foreign borrowings	-	-	792,160	2,529,289	45,706	50,627	15,165	3,432,947
CCB Financial liabilities	-	-	939,835	1,434,921	165,182	49,636	15,769	2,605,343
Total	-	94,263	5,394,663	6,133,197	2,437,215	696,487	30,934	14,786,759
Liquidity gap (*)	91,238	86,673	(4,523,993)	(4,515,690)	4,648,405	4,459,919	1,248,894	1,495,445

(*) Investments with immediate liquidity presented in accordance with their respective nominal maturity dates.

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December 31, 2016

	Without maturity	Up to 3 months	3-12 months	1-3 years	3-5 years	>5 years	Total
Assets:							
Cash and cash equivalents and reserves at the Central Bank of Brazil	12,023	109,023	-	-	-	-	121,046
Debt instruments	-	-	33	228,452	3,689,178	3,780,669	7,698,332
Equity instruments	256	-	-	-	-	-	256
Derivatives assets	-	2,498	61,253	43,664	229,568	-	336,983
Loans and advances to financial institutions	-	3,714,375	7,717	420,641	-	-	4,142,733
Loans and advances to clients	-	1,000,785	1,458,358	5,049,283	281,248	54,906	7,844,580
Other loans and receivables	-	27,746	64,596	-	-	-	92,342
Total	12,279	4,854,427	1,591,957	5,742,040	4,199,994	3,835,575	20,236,272
Liabilities:							
Deposits from financial institutions	414	34,554	59,986	1,580,563	5,392,697	-	7,068,214
Deposits from clients	91,209	512,095	982,300	489,605	37,168	-	2,112,377
Derivatives liabilities	-	282	27,911	1,593	-	-	29,786
Securities issued	-	93,111	198,519	143,302	-	-	434,932
Subordinated debts	-	-	105,859	977,655	902,654	-	1,986,168
Domestic borrowings	-	64,303	50,985	1,525	-	-	116,813
Foreign borrowings	-	1,302	507,621	2,751,327	-	-	3,260,250
CCB Financial liabilities	-	3,502,366	769,845	-	-	-	4,272,211
Other financial liabilities	-	14,805	7,750	-	-	-	22,555
Total	91,623	4,222,818	2,710,776	5,945,570	6,332,519	-	19,303,306
Liquidity gap (*)	(79,344)	631,609	(1,118,819)	(203,530)	(2,132,525)	3,835,575	932,966

(*) Investments with immediate liquidity presented in accordance with their respective nominal maturity dates.

The Parent Company provides sufficient credit limit to guarantee the liquidity of the CCB Brasil Group.

c) Cash and cash equivalents for the cash flow

	2017	2016
Cash and cash equivalents	93,107	110,743
Money market repurchase commitments (purchase and sale commitments)	53,008	3,578,596
Interbank deposits	-	4,621
Investments in foreign currency	190,936	131,157
	337,051	3,825,117

d) Commitments assumed for guarantees received and funding from international bodies

CCB Brasil is a debtor for loans from the Proparco (Société de Promotion et de Participation pour la Coopération Economique.) for lending to Brazilian companies, the contracts of which require maintenance of minimum financial ratios (financial covenants), beside requirement of social and environmental responsibilities & obligations.

The financial ratios are calculated based on the financial information prepared in accordance with Brazilian law and standards of the Central Bank of Brazil (BACEN). These are monitored and assessed by the aforementioned creditors.

Description	Required
Capitalization	≥ 11%
20 largest debtors on PR	≤ 300%
Concentration of risk by market segment	≤ 25%
D-H Loans + Goods – Provisions on PR	≤ 25%
Operating Expenses to Operating Result	≤ 85%
Liquidity Gap (90 days) in R\$	≥ 0

e) Insurance contracts

The Bank adopts the policy of contracting insurance coverage for assets subject to risks for amounts considered to be sufficient to cover eventual claims, considering the nature of its activity.

37. Operating segments

According to the international accounting standards, an operating segment is a component of an entity:

- (a) That operates activities which may generate income and incur expenses (including income and expenses related operations with other components of the same entity).
- (b) Whose operating results are regularly reviewed by the person in charge of making the entity's operating decisions related to the allocation of funds to the segment and the evaluation of its performance.
- (c) For which the individual financial information is available.

The Bank has identified, based on these instructions, the following business segments as being its operating segments:

- Wholesale
- Retail

The Bank maintains as main strategic focus the operations in the Wholesale segment. This segment basically includes the granting of loans and receivables with guarantee of receivables, and the Working Capital is the most profitable product of this segment. A significant portion of the wholesale portfolio is represented by short-term loans that provide higher liquidity and greater risk control to the Bank. Additionally, the Bank participates actively in the foreign exchange market, whose funding is carried out with international banks.

The Retail segment includes loans and receivables of Payroll loans for civil servants and vehicle financing for individuals.

The condensed statements of income and other significant data are listed as follows.

	Wholesale	Retail	2017	Wholesale	Retail	2016
Interest and similar income	2,369,803	616,411	2,946,214	3,143,865	376,190	3,520,055
Interest and similar expenses	(2,267,930)	(469,098)	(2,737,028)	(3,104,610)	(235,400)	(3,340,010)
Interest and similar income (net)	61,873	147,313	209,186	39,255	140,790	180,045
Gains (losses) on financial assets and liabilities (net)	108,028	-	108,028	(71,984)	-	(71,984)
Foreign exchange differences (net)	56,264	-	56,264	29,990	-	29,990
NET INTEREST INCOME	226,165	147,313	373,478	(2,739)	140,790	138,051
Equity income (loss)	(2,595)	869	(1,726)	(3,092)	613	(2,479)
Income from fee and commissions	58,557	9,122	67,679	73,067	12,191	85,258
Other operating income (expenses)	(162,415)	9,705	(152,710)	372,170	(7,336)	364,834
TOTAL INCOME	119,712	167,009	286,721	439,406	146,258	585,664

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	Wholesale	Retail	2017	Wholesale	Retail	2016
Personnel expenses	(177,057)	(20,891)	(197,948)	(220,837)	(18,117)	(238,954)
Other administrative expenses	(98,095)	(30,780)	(128,875)	(109,963)	(37,083)	(147,046)
Tax expenses	(20,780)	(13,671)	(34,451)	(24,410)	(8,719)	(33,129)
Depreciation and amortization	(18,612)	(806)	(19,418)	(19,707)	(472)	(20,179)
Impairment of financial assets	(219,546)	(102,268)	(321,814)	(391,140)	(60,707)	(451,847)
Gains (losses) on other assets (net)	(50,851)	(1,068)	(51,919)	(11,874)	(133)	(12,007)
ILOSS BEFORE TAXES	(465,229)	(2,475)	(467,704)	(338,525)	21,027	(317,498)
Current and deferred income tax and social contribution	(378,282)	3,319	(374,963)	81,676	(8,411)	73,265
NET LOSS FOR THE YEAR	(843,511)	844	(842,667)	(256,849)	12,616	(244,233)
Total assets	16,091,475	1,817,177	17,908,652	19,622,817	2,336,306	21,959,123
Main asset line:						
Loans and advances to clients	5,033,126	1,690,288	6,723,414	5,634,984	2,209,596	7,844,580
Total liabilities	14,179,301	1,723,606	15,902,907	18,109,835	2,242,820	20,352,655
Main liability line:						
Deposits from clients	1,170,140	1,682,610	2,853,356	(98,647)	2,211,024	2,112,377

38. Related party transactions

CCB Brasil's related parties should include parties with joint control over the entity, joint ventures in which the entity is an investor and post-employment benefit plans to benefit workers of an entity or any other entity qualified as a related party to this entity.

CCB Brasil and its direct subsidiaries carry out transactions between themselves, which were eliminated in the consolidated statement.

The Bank's balances related to transactions with direct and indirect subsidiaries, related companies and key management personnel are shown below:

	Assets / (liabilities)		Income / (expenses)	
	2017	2016	2017	2016
Available financial resources in foreign currencies	77,664	371	-	-
China Construction Bank Corporation (d)	77,664	371	-	-
Investment fund quotas - FIDC	22,836	43,872	2,738	15,305
BRASILFactors (a)	22,836	43,872	2,738	15,305
Demand deposits	(696)	(1,976)	-	-
BRASILFactors (a)	(1)	(1)	-	-
CCB Brazil Holding Ltda. (e)	(27)	(769)	-	-
Key management personnel and Controlling shareholders (c)	(668)	(1,206)	-	-
Time deposits	(162,925)	(113,131)	(9,909)	(14,965)
BRASILFactors (a)	(590)	(2,316)	(230)	(815)
FDIC BRASILFactors (b)	(4,411)	(62,727)	(1,861)	(4,189)
CCB Brazil Financial Holding Ltda. (e)	(157,686)	(47,704)	(7,774)	(9,936)
Key management personnel and Controlling shareholders (c)	(238)	(384)	(44)	(25)
LCA	(2,793)	(1,718)	(113)	(211)
Key management personnel and Controlling shareholders (c)	(2,793)	(1,718)	(113)	(211)
LCI	(122)	(802)	(58)	(296)
Key management personnel and Controlling shareholders (c)	(122)	(802)	(58)	(296)
NDF	(267)	(753)	999	(9,760)
BRASILFactors (a)	(267)	(753)	999	(9,760)
Borrowings	(6,111,130)	(7,285,717)	(665,045)	(421,011)
China Construction Bank Corporation (d)	(6,111,130)	(7,285,717)	(665,045)	(421,011)
Debt instruments eligible to capital	(568,381)	(559,926)	(36,708)	(16,544)
China Construction Bank Corporation (d)	(568,381)	(559,926)	(36,708)	(16,544)

- (a) Direct associated companies;
- (b) Indirect associated companies;
- (c) Controlling shareholders and key management personnel;
- (d) Indirect parent company headquartered overseas;
- (e) Direct parent company.

Related party transactions due dates and rates:

Post-fixed interbank funds applied are valued by the average CDI (Interbank Deposit Certificate) of 105% (105% in 2016) and pre-fixed at average rates of 15.07% p.a. (14.85% p.a. in 2016); purchase and sale commitments were realized at the average rates of 6.9% p.a. (13,65% p.a. in 2016) and mature on January 1, 2018, backed for over 3 years (over 3 years in 2016). LCA (Agribusiness Credit Bills) operations were carried out with rates of 96% of the CDI (96% in 2016) and with final maturity up to 3 years (up to 3 years in 2016). LCI (Real Estate Credit Bills) operations were carried out with rates of 96% of the CDI (96% in 2016) and with final maturity up to 3 months (up to 1 year in 2016). Time deposits are remunerated at the average rate of 101% of CDI (101% of CDI in 2016), directly related to the invested amount, with final maturity in up to 3 years (up to 5 years in 2016). Obligations due to loans were assumed at average rates of 2.76% p.a. (1.60% in 2016) and foreign exchange variation with final maturity in up to one year (in up to one year in 2016).

Directors' compensation

The maximum aggregate remuneration intended to the members of the Board, the Senior Management, the Executive Board and the Audit Committee, as well as the maximum Statutory Profit sharing of the fiscal year is set at the Annual General Meeting of Shareholders, when applicable, in compliance with the limitations established by CMN Resolution No. 3.921/10.

During 2017 and 2016, the Board of Directors did not approve payments of profit sharing to the Senior Management due to the generation of loss of negative accounting results.

i) Short-term benefits

Compensation of the Board of Directors, Executive Board and of the Audit Committee of CCB Brasil:

	2017	2016
Fixed compensation	16,010	15,648
Other	1,568	1,030
Total	17,578	16,678

Loans and receivables

Pursuant to prevailing standards, financial institutions cannot grant loans or advances to:

i) Any individual or legal entities controlling the institution or any entity under common of the institution, or any officer, director or board member of the supervisory board or members of the immediate family of said individuals.

ii) Any entity controlled by the institution.

Any entity in which the Banks holds directly or indirectly 10% or more of the capital.

Accordingly, no loans or advances are given to any subsidiaries, executive officers, members of the Board of Directors or their families.

39. Risk management

The Bank's risk management ensures that risks are properly identified, measured, mitigated and managed, to support the sustainable development of the activities and the continuous improvement of the risk management of the Institution.

The Bank has centralized the management of the Socio-Environmental, Market, Credit, Liquidity, Operational and Capital Management Risks in order to maximize the effectiveness of its controls. This results in a global view of the exposures to which the Bank is subject by the nature of its activities, thereby enabling it to improve and become more agile in making strategic decisions, ensuring compliance with established policies and procedures and improving the identification of risks that could affect the business strategy and achievement of objectives. It complies with Resolution 4,557/17 from the National Monetary Council (CMN). The unaudited "Risk Management Report" in compliance with Circular Letter No. 3,678 of October 31, 2013, which provides for the disclosure of information related to risk management, is available on the site <http://www.br.ccb.com/en/menu/Relações-com-Investidores/Governança-Corporativa/Gestão-de-Riscos/Relatorios-de-Gerenciamento-de-Risco-109> and can provide further details on the subject.

In compliance with the CMN Resolution No. 3,988 of June 30, 2011, the structure of Capital Management is fully implemented. The Board of Directors approved the nomination of a director responsible for the definition of the organizational structure applicable to the financial conglomerate and the other companies which form part of the consolidated group. There are institutional policies and procedures defining the procedures and systems required for the effective implementation of the Capital Management Structure.

In the same manner, to comply with the CMN Resolution No. 4,090 of May 24, 2012, the structure of Liquidity Management was implemented. The Board of Directors approved the nomination of a director responsible for the area and defined the organizational structure, applicable to the entire financial conglomerate and other member companies of the consolidated group, and also approved the institutional policies for the management of liquidity.

The CMN Resolution No. 4,327, of April 25, 2014 is also observed in relation to the establishment and implementation of the Social and Environmental Responsibility Policy. The Bank has already adapted its risk management structure to be in compliance with CMN Resolution No. 4,557/17. However, for this year it complies with Resolutions No. 3,380, No. 3,464, No. 3,721, No. 3,988 and No. 4,090, which will be replaced by the above-mentioned resolution.

The Risk Management Policy establishes the principles that guide the institutional strategy to control and manage risks in all operations. Administratively, the actions are evaluated in the various committees to ensure the adequacy of management, considering the complexity of products, the exposure to risk and the risk-return relationship involving all business decisions

of the Bank. The risk management is in line with the guidelines established by the Brazilian Central Bank and covers all the Bank's subsidiaries.

The risk management policies of CCB Brasil are designed to support the formulation of risk appetite, guide employees and provide procedures to monitor, control, and measure and report the risks to the Bank's Executive Board. The involvement of the Senior Management with issues of risk management occurs through deliberations of its management bodies, defined statutorily as the Board of Directors, Executive Board and the Committees. The Corporate Governance structure ensures an effective management of risks. The risk management is carried out by the Institution through collegiate decisions, supported by specific committees. The Corporate Governance Area comprises, among others, departments directed towards the management of market risk, social and environmental risk, credit risk, operational risk and liquidity and capital management. These areas support the Risk, Internal Controls, Financial and Operational Committees which analyze and define strategies and actions within their area of operations.

The committees and departments for the management and control of risks support development and seek to minimize losses by adopting an integrated centralized outlook, aiming at the automation and creation of a database for the management and modelling of risks, based on historical data of losses and evolution of the controls.

I The mitigating controls for risks permit the definition of limits in advance, taking into consideration the profile and the strategic and operational aspects of each unit.

II The limits to risk consider in ample form the values that the Bank is willing to admit in achieving its objectives and is reflected in the philosophy of corporate risk management, which in turn influence the culture and manner of operation of the Bank. This tolerance is influenced by several factors, including the evaluation of the consistency of risk with corporate strategy.

Risk management

The Risk Management Policy of CCB Brasil defines a set of controls, processes, tools, systems and reporting standards required for the adequate control and management of risks.

The Bank should submit the designation of the Chief Risk Officer (CRO) responsible for the Risk Structure before the Brazilian Central Bank (BACEN) to the Board of Directors.

Market risk management

The Market Risk Management Department is responsible for maintaining and annually updating the Policy and structure of the area. It operates independently of the business and is responsible for the monitoring and analysis of market risks arising from trading activities and liquidity of the Bank. It is also responsible for ensuring that the levels of risk exposure are

consistent with the limits adopted by the Financial Committee, as well as monitoring appropriate levels of capitalization, consistent with those risks.

Market Risk can be characterized by some main types of measures: positions (stale positions), sensitivity (PV01), stress tests and "Value-at-Risk (including compliance tests and validations) and EVE-Economic Value of Equity.

All risk metrics are continuously monitored in an integrated manner with the objective of providing an overview of the risk profile of CCB Brasil. The monitoring and control of the positions of the Bank are not limited to the calculation of its fair value, but recognize the adequate sensitivity of the Bank's actual exposure to various risk factors. The complementing of these measures with other tools of risk control improves the monitoring and analysis of exposures.

Credit risk management

CCB Brasil has an independent area for managing the Credit Risk, in accordance with best governance practices. This area operates independently from the structure of credit approval, calculates the ratings of clients based on metrics that consider client behavior in the market, in addition to those deriving from the Institution's operations. It, therefore, differs from the concepts utilized by the area of credit approval, whose structure is based on thorough analysis procedures developed from the expertise the Bank has gained over the years.

In its process of granting credit, the Bank permanently enhances the methodologies and tools used to evaluate the social and environmental variables to mitigate risks associated with a client's payment capacity and default of investments. Therefore, the Bank has established policies and procedures that enable the suspension of an operation, the anticipation of contract payments and the application of penalties.

In line with the practices of market benchmark, the Bank continues to improve its controls and analytical models. In compliance with CMN Resolution No. 3,721/09 and the Basel agreement, reflected in circular letters and resolutions recently issued by BACEN, there is an alignment with international recommendations relating to the minimum level of capital.

Maximum exposure to credit risk:

Description	2017			2016		
	Brasil	Abroad	Total	Brasil	Abroad	Total
Cash and cash equivalents and reserves at the central bank of Brazil	24,349	90,353	114,702	11,859	109,187	121,046
Financial assets for trading	297,439	-	297,439	4,182,604	-	4,182,604
Financial assets available for sale	7,086,902	-	7,086,902	2,632,750	-	2,632,750
Financial assets held to maturity	-	1,254,478	1,254,478	-	1,220,217	1,220,217
Loans and advances to financial institutions	540,296	190,936	731,232	4,011,577	131,156	4,142,733
Loans and advances to clients	3,797,356	2,926,058	6,723,414	5,669,668	2,174,912	7,844,580
Other financial assets	74,037	-	74,037	92,342	-	92,342
Co-obligations and risks in guarantees provided						
Credits open for export	13,518	-	13,518	28,986	-	28,986
Guarantee	1,430,905	25,509	1,456,414	1,683,632	38,174	1,721,806
Total	13,264,802	4,487,334	17,752,136	18,313,418	3,673,646	21,987,064

Sensitivity analysis

The sensitivity analysis shows the impact that a change in a certain risk factor has on the institution's portfolio. The sensibility analyses are a particularly important metric to manage the institution's market risk, since small changes in risk factors may lead to significant losses/gains if we take into account all portfolios.

The Institution has conducted a sensitivity analysis using the scenario of 10% for foreign exchange appreciations or depreciation, interest rates and shares (Scenario I), 25% (Scenario II) and 50% (Scenario III). It is necessary to disclose the demonstrative table of sensitivity analysis for each type of relevant market risk arising from financial instruments that expose the Institution on the closing date for each period. For its preparation we identified the types of risks that could generate material losses, including transactions with derivative financial instruments in a more probable scenario, as well as two (2) scenarios that could generate adverse results for the Institution. In the definition of the scenarios, the situation considered probable by management had as reference an independent external source: B3 S.A. - Brasil, Bolsa, Balcão and a situation, with depreciation or appreciation of 25% and 50% in the risk variable was considered.

We present in the sensitivity analysis table the set of operations involving financial instruments recorded in equity accounts that CCB Brasil has with the purpose of managing its exposure to market risks and that aims to protect it, especially in periods of historical records. This valuation is systematically carried out by the risk management area and evaluated by the Treasury Committee, which gathers to define a set of scenarios in a crisis

environment. A scenario, in this context, is regarded as a certain combination of prices and interest rates. The preparation of the table followed the procedure below:

- (i) In each scenario, the amounts of the trading portfolio (Trading Book) and the structural transactions from several of the Institution's business lines and their respective hedges (Banking Book) were calculated;
- (ii) For each one of the risk factors, we chose the calculation that incurred in the highest loss and, based on it, applied the defined increase or decrease;
- (iii) Finally, we obtained the losses, corresponding to the related hypothetical scenario.

The following scenarios do not necessarily reflect the market risk management of the Institution neither is it associated with the accounting practices. The stress models may represent extreme situations that are distant from a day-to-day situation.

Below is the summary of the premises for each one of the scenarios.

We chose for each portfolio the trend (increase or decrease) that maximizes loss for each risk factor. The parallel dislocations of the curve were maintained, that is, a dislocation of + 1,000 basis means that in all future curves there was a 10% increase to the current rates.

For each scenario, the expected loss of the portfolio in relation to the marked-to-market position was measured.

Scenarios are described as follow

Scenario 1: Lower oscillation situation. Assumptions used: Parallel shock of 10% in risk variables, based on market conditions seen on December 31, 2017, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

Scenario 2: Potential situation. Assumptions used: Parallel shock of 25% in risk variables, based on market conditions seen on December 31, 2017, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

Scenario 3: Potential situation. Assumptions used: Parallel shock of 50% in risk variables, based on market conditions seen on December 31, 2017, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

Once CCB Global is a signatory of the Paul Volcker Law and does not operate in a Trading portfolio in the subsidiary CCB Brasil, the scenarios for December/2017 are only adopted for the Banking Portfolio and shown in the table below, which also reflects deterioration of the macroeconomic expectations in the sense that maximizes the loss for each risk factor of this portfolio. For this, interest rates (pre) rise sharply (10%, 25%, and, 50%); there is a

substantial parallel shift of exchange coupon curves, the exchange rate increases, the Brazilian stock market falls, and inflation has considerably high, which is reflected in indexed indicators and contracts.

Banking Portfolio - premises for risk factors			
	Scenario 1	Scenario 2	Scenario 3
(Fixed) Interest Rate Curve	parallel shift of + 1,000 basis points	parallel shift of +2,500 basis points	parallel shift of +5,000 basis points
Foreign Exchange Coupon Curve	parallel shift of + 1,000 basis points	parallel shift of +2,500 basis points	parallel shift of + 5,000 basis points
Dollar - Spot	10% increase	25% increase	50% increase
B3 S.A. - Brasil, Bolsa, Balcão	10% decrease	decrease of 25%	decrease of 50%
Inflation	10% increase	25% increase	50% increase

The results of the losses calculated in the scenarios presented summarize the losses from market fluctuations by risk factor, generated by CCB Brasil's systems and calculated for the portfolios (Trading and Banking). These losses are shown in the following table:

Banking Portfolio - Results for risk factors on 12/31/2017			
Risk factors	Scenario 1	Scenario 2	Scenario 3
Dollar and dollar coupon	(48,871)	(129,863)	(239,272)
Fixed Rate in reais	(46,349)	(112,645)	(216,722)
Shares and Indices	(1,855)	(5,188)	(10,929)
Inflation	(115)	(287)	(569)
Total loss	(97,190)	(247,983)	(467,492)

The risk factors are presented as follows:

- Includes all the products that have price variations pegged to dollar variations and interest rates in dollars.
- Fixed rate in real – Includes all products that have price variations pegged to dollar variations and interest rates in Real.
- Shares and Indices – Comprises the shares and indices of stock exchanges, shares and options pegged to share indices.
- Inflation – Refers to all products that have price variations pegged to inflation coupon variations and inflation rates.

For calculation purposes, we adopted as premise a 99% confidence interval to calculate VaR and a time frame of 10 days to leave this position.

The sensitivity analysis Table has limitations and the economic impact on a potential fluctuation in interest rates might not represent necessarily a profit or a material accounting

loss for the institution. The specific combination of prices which determine each scenario is an arbitrary decision, though possible. The signs of historical correlations between the assets were not necessarily respected and the scenarios chosen were analyzed according to a past time frame.

The accounting of the "Banking" Portfolio instruments, at a large extent, is made by the contract curve, which is different from the derivative financial instruments in the "Trading" Portfolio that are subject to fluctuations in the respective accounting record due to mark-to-market.

The results presented in the chart referring to the banking portfolio may, at first glance, give the impression of high sensitivity to volatility. For a better analysis of results obtained in this portfolio, the management chart below - which includes derivatives, assets and others - indicates the mismatching of the Institution's operations. It shows that there is substantial mismatching of prefixed positions, which would produce a negative impact on results, if there were an increase in interest rates. Nevertheless, the sensitivity chart presented does not consider correlations between and among the different risk factors. This means that the analysis disregards the correlation between the prefixed and CDI factors, that is, losses of prefixed rates are not offset by gains in CDI.

Likewise, in the sensitivity chart, interest rates and foreign exchange were considered unrelated. The limitations of the analysis of scenarios also involve the marking to market of all positions, which contradicts the Institution's determination in taking operations (especially foreign currency funding operations) to maturity, which may lead readers to make a mistake in judging that the losses presented in the scenarios will materialize, even if the oscillations provided for in the risk factors are verified.

Basel agreement

The table below shows the calculation of the minimum reference equity required for risk-weighted assets (RWA), which attained 9.25% plus the additional principal capital of 1.25%, totaling 10.50%, from January 1 to December 31, 2017.

<u>Calculation of Basel Index</u>	<u>Basel III Dec 2017</u>	<u>Basel III Dec 2016</u>
Tier I Referential Equity	1,454,212	472,315
- Main Capital	1,222,652	336,303
- Perpetual bonuses (*)	231,560	136,012
Tier II Referential Equity	814,779	905,331
- Subordinated debt	814,779	905,331
REFERENTIAL SHAREHOLDERS' EQUITY	2,268,991	1,377,646
Credit Risk	620,810	830,411
Market Risk	44,635	9,290

China Construction Bank (Brasil) Banco Múltiplo S/A

Notes to the consolidated financial statements - 2017

(in thousands of reais unless otherwise stated)

Operating risk	70,541	62,158
RISK-WEIGHTED ASSETS - RWA	735,986	901,859
Basel Ratio (%)	28.52	15.08
Capitalization Index - Level I (**)	18.28	5.17
Price-earnings ratio - Level II	10.24	9.91

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(*) Part of Perpetual Bonus totaling R\$228,145 (US\$70 million), issued on December 29, 2016.

(**) In case an increase in paid-in capital increase is considered in the calculation by the Parent Company at December 28, 2016, the index would be 6.89%.

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