

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

Financial Statements
December 31, 2018

(A free translation of the original report in Portuguese prepared in
accordance with accounting practices adopted in Brazil)

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

Financial statements at December 31, 2018

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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 Unqualified Independent Auditor’s Report thereon for the year ended December 31, 2018. All information in this Report, except where otherwise indicated, is presented in Local Currency (Brazilian Reais – R\$), on a consolidated basis, and includes the Bank’s subsidiaries. The financial statements portrayed herein are in compliance with the regulations from the Brazilian Central Bank (BACEN).

The consolidated Financial Statements based on the international standard issued by the International Accounting Standards Board (IASB) will be disclosed, within the legal deadline, at the electronic address www.br.ccb.com.

The China Construction Bank (Brasil) Subsidiary

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

Economic Environment

At the beginning of 2018, the confidence in the recovery of the Brazilian economy was supported by important macroeconomic pillars: drop of the inflation and interest rates, expansion, albeit timid, of the credit granting and productive activity. The strike in cargo transportation in May and the election period in the second half of the year impacted on a volatile, predominantly risk-averse business environment. However, the economic fundamentals at the end of the year were resilient and capable of absorbing eventual setbacks.

The IPCA (Extended Consumer Price Index), which measures official inflation in the country, ended 2018 at 3.75%, below the center of the target and the basic interest rate (Selic) remained stable at 6.50% p.a. The Real - Dollar parity showed strong volatility throughout 2018. The lowest exchange rate in the year was recorded in January, when it reached R\$ 3.1392, while the highest was registered in September, reaching R\$ 4.1879. At the end of the year, the dollar was traded at R\$ 3.8748, an increase of 17.11% compared to 2017.

Total loans in the financial system reached R\$ 3.26 trillion in December 2018, an increase of 5.46% in twelve months. In different directions, credit with free resources expanded by 11.23% in the year and totaled R\$ 1,582.70 billion, while directed credit fell by 0.62% in the period and totaled R\$ 1,503.0 billion. The stock of credit as a proportion of GDP reached 47.40% compared to 47.20% at the end of 2017.

In 2018, the Brazilian trade balance registered a surplus of US\$ 58.45 billion, less than the US\$ 67.07 billion recorded in the previous year. Exports totaled US\$ 239.68 billion (US\$ 217.81 billion in 2017), while imports reached US\$ 181.19 billion (US\$ 150.73 billion in 2017).

Brazil's trade balance with China in 2018 presented a surplus of US\$ 29.48 billion, exports and imports reached US\$ 64.20 billion and US\$ 34.73 billion, respectively.

By 2019, the Brazilian economy is in a favorable position to a faster growth recovery. Inflation and interest rates at historically lower levels, unleveraged families and companies, declining default rates and room for expansion of supply, with the use of idle productive capacity, with no investment requirement at first. The success of a structural reform agenda tends to positively impact on the confidence of entrepreneurs and consumers, boosting income and employment, and a stronger and more sustainable economic growth.

Performance

Total assets reached R\$ 23,544.14 million at the end of 2018, growth of 21.61% in twelve months. The expansion of assets is directly related to credit operations performance, which reached R\$ 9,130.10 million, a 26.68% increase over the previous year. The expanded credit portfolio, which includes sureties and guarantees, totaled R\$ 10,688.75 million, growth of 23.37% in the period. The origination of new credits emphasized the selectivity for better quality assets, as recommended in the Bank's Business Plan. The NPLs indicator, which associates the credits cataloged in the DH range with the total portfolio, reached 7.26% at the end of 2018, a level significantly lower than the 11.98% recorded in 2017. Corporate loans accounted for 81.61% of the portfolio.

During 2018, the development of credit activities was supported by an appreciable liquidity volume, free cash stood at over R\$ 3.5 billion, and at the end of the year, the balance was at R\$ 3,587.4 million.

The Head Office has provided its Subsidiary with funding according to its operational needs; at the end of 2018, these amounts accounted for 47.75% of the total funding of R\$ 13,497.57 million, an increase of 10.79% compared to 2017. Domestic funding was mainly comprised of deposits of R\$ 3,141.74 million and securities issued (LCA, LF and LCI), which totaled R\$ 1,190.74 million.

Shareholders' equity at the end of 2018 reached R\$ 1,597.65 million and the Basel ratio stood at 18.12%. In the year, the Bank recorded a net loss of R\$ 190.64 million, which comprised R\$ 106.7 million related to tax credits arising from tax losses written off.

BACEN Circular No. 3,068/01

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\$ 1,725.75 million, equivalent to 18.74% of total securities of the Bank's portfolio.

Final considerations

We thank our shareholders, customers 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 25, 2019).

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

SUMMARY OF THE REPORT OF THE AUDIT COMMITTEE – Semester and Year Ended December 31, 2018

The Audit Committee of China Construction Bank (Brasil) Banco Múltiplo S.A. - CCB is set up in compliance with regulation of the Central Bank of Brasil - BACEN and the Bank's by-laws, consisting of three independent members, two members of the Board of Directors. It is incumbent upon the Audit Committee to advise the Board of Directors in the performance of its related duties: (i) to follow up the accounting practices adopted in the preparation of the financial statements of CCB and its subsidiaries; (ii) the quality and effectiveness of the internal control and risk management system, and (iii) the indication and evaluation of the effectiveness of the Independent Audit. The Committee acts as an auxiliary, consultancy and advisory body of the Board of Directors, with no decision-making power or executive functions.

The Audit Committee reviewed the quality of the individual and consolidated financial statements (including the prudential conglomerate) for the semester and year ended December 31, 2018, focusing on the application of accounting practices adopted by the market and compliance with standards issued by the Central Bank of Brazil (BACEN). The Committee evaluated the recommendations proposed by the Internal and Independent Auditors, as well as the notes from BACEN, discussing with the Administration the measures with a view to their attendance. The Committee, based on the information and reports received from the internal control and risk areas, in the work of the Internal Audit and in the reports of the Independent Auditors, concluded that there were no failures to comply with regulations and internal rules that could jeopardize continuity of the institution. Management is responsible for the definition and implementation of information systems that produce the Bank's financial statements, in compliance with corporate law, accounting practices, National Monetary Council (CMN) and BACEN standards. Management is also responsible for the definition and implementation of internal control policies, procedures, processes and practices that ensure the safeguarding of assets, the timely recognition of liabilities and the identification, quantification and mitigation, at acceptable levels, of the Institution's risk factors.

Regarding the work of Internal Audit, the Committee reviewed the planning and work carried out, as well as the reports produced, verifying and following the recommendations, especially in the areas of credit, risks and internal controls, as well as specific demands during the period. The Committee understood that the coverage and quality of Internal Audit work throughout the period were carried out with adequate quality and independence.

The Committee met with those responsible for the areas of accounting, internal controls, internal audit, risks and with the Independent Auditors to analyze the financial statements, including the notes. The main aspects related to its preparation and presentation were discussed and reviewed, and there were no differences that could materially affect the Company's economic and financial situation.

The Audit Committee met with the Board of Directors, stockholders' representatives and Directors of the Institution, presenting its opinions and recommendations within its scope, and also discussed with the Administration the recommendations presented by the Independent Auditors.

The Audit Committee discussed with the persons responsible for PricewaterhouseCoopers Independent Auditors (PwC) the results of the work and its conclusions on the audit of said financial statements, the report of which without qualification. The main audit issues (PAA) raised by PwC are: (i) allowance for doubtful accounts; (ii) tax credits, highlighting the fact of the partial write-off, which occurred with the knowledge of BACEN; and (iii) information technology environment. These issues are discussed with those responsible for PwC, as well as other points related to accounting practices, recommendations and other notes in the reports of internal controls and risks and presentation of the financial statements. The Audit Committee understood the appropriate independence in the execution of the independent audit work of the bank and its subsidiaries.

The Audit Committee, as a result of evaluations based on information received from Management, Internal Audit, Independent Audit and the area responsible for corporate monitoring of internal controls and risks, considering the limitations arising from the scope of its function, understands that the Statements Audited consolidated financial statements for the semester and year ended December 31, 2018 are in a position to be approved by the Board of Directors of the CCB Brasil. The Audit Committee draws attention to the partial write-off of deferred tax assets, due to the history of losses and the conditions described in note 26.

The report of the Audit Committee and this summary were approved at a meeting on this date.

São Paulo, March 25, 2019.

Daniel Joseph McQuoid

Heraldo Gilberto de Oliveira
President

Walter M. Machado de Barros

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

***Parent company and consolidated
financial statements at
December 31, 2018
and independent auditor's report***



(A free translation of the original in Portuguese)

Independent auditor's report on the parent company and consolidated financial statements

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

Opinion

We have audited the accompanying parent company financial statements of China Construction Bank (Brasil) Banco Múltiplo S.A. ("Bank"), which comprise the balance sheet as at December 31, 2018 and the statements of income, changes in shareholders' equity and cash flows for the six-month period and year then ended, as well as the accompanying consolidated financial statements of China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated statements of income and cash flows for the six-month period and year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of China Construction Bank (Brasil) Banco Múltiplo S.A. and of China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries as at December 31, 2018, and the Bank's financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the six-month period and year then ended, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN).

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 parent company and 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 parent company and 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.

Our audit for the six-month period and year ended December 31, 2018 was planned and performed considering that the Bank and the Consolidated operations have not changed significantly in comparison to the prior year. In this context, the Key Audit Matters, as well as our audit approach, have remained substantially in line with those of the prior year.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Allowance for loan losses - (Notes 3(e.4), 7 and 8) - Bank and Consolidated	
The determination of the amount of the allowance for loan losses is an area that requires judgment and the use of a set of considerations by Management. In this process, loans operations are classified according to the level of risk, taking into account several assumptions and factors, including the counterparty's financial situation, the default levels, realization of guarantees, as well as the legal and regulatory standards of the Brazilian Central Bank (BACEN) - National Monetary Council (CMN) Resolution 2,682. Considering all those aspects, as well as the significance of the amounts involved, this is a critical estimation area and has been defined as a focus in our audit.	Our procedures considered, among others, the update of our understanding and testing of the relevant internal controls related to the determination of the allowance for loan losses, which encompass: (i) the integrity and completeness of the database and underlying systems; (ii) credit granting and its corresponding risk analysis and monitoring of the counterparty, including renegotiated contracts; (iii) comparison between the calculated amounts of allowance for loan losses and the amounts recorded; and (iv) procedures established by Management to comply with the standards established by the Brazilian Central Bank, as well as the disclosure in the explanatory notes. We analyzed the criteria describe in the Bank's internal policies and used by Management to determine the credit risk of the operations, and recalculated the provisions based on those risk attributions and default levels. We also performed other tests in compliance with the requirements of CMN Resolution 2,682. We considered that the criteria and assumptions adopted by Management in the determination and recording of the allowance for loan losses are reasonable and consistent with the information disclosed in the financial statements.

Tax credits (Notes 3(g.2) e 26) - Bank and Consolidated

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	Our procedures considered the update of our understanding of the process of determination and recording 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
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China Construction Bank (Brasil) Banco Múltiplo S.A.

Why it is a Key Audit Matter

future scenarios, according to specific requirements of the National Monetary Council and the Brazilian Central Bank. On December 31, 2018, tax credits arising from fiscal losses of income tax and negative base of social contribution, that are not expected to be realized in the period up to 10 years as established in the CMN Resolution 3,059, were written off by Management of the Bank.

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.

How the matter was addressed in the audit

realization with the macroeconomic data disclosed in the market, when applicable, as well as the methodology used to estimate the taxable profits, and the logical and arithmetic consistency of the calculations.

We discussed with management and confirmed the approval of the technical study that supports the realization of the tax credits by the appropriate management bodies.

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 disclosures in 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 update of our 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 databases, 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.



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

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

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

Our opinion on the parent company and 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 parent company and 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 parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of these parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), 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 parent company and consolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank 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 parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company and 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 parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures



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

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.
- 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 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 parent company and 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and 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 Group 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 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.



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

São Paulo, March 25, 2019

PricewaterhouseCoopers
Auditores Independentes

Melissa Tuxen Wisnik
Accountant CRC 1SP221490/O-0

China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Balance sheets

At December 31

(In thousands of Reais)

(A free translation of the original in Portuguese)

	Note	CCB Brasil		CCB Brasil Consolidated	
Assets		2018	2017	2018	2017
Current assets		7,920,347	6,365,924	7,842,402	6,423,221
Cash and cash equivalents	4a.	40,221	92,599	40,427	93,107
Interbank funds applied		3,347,080	854,818	2,830,360	249,499
Money market	4b.	2,654,995	53,008	2,654,995	53,008
Interbank deposits	4c.	521,214	610,874	4,494	5,555
Investments in foreign currency	4d.	170,871	190,936	170,871	190,936
Securities and derivative financial instruments		229,554	133,306	229,554	133,306
Own portfolio	5b.	59,464	84,700	59,464	84,700
Subject to repurchase agreements	5b.	101,265	-	101,265	-
Derivative financial instruments	6.	68,825	48,606	68,825	48,606
Interbank accounts		6,517	21,595	6,517	21,595
Deposits with the Brazilian Central Bank		6,517	21,595	6,517	21,595
Loans		2,889,396	3,226,278	3,273,984	3,810,214
Loans		2,964,851	3,227,591	3,457,018	3,945,660
Public sector	7.	-	9,779	-	9,779
Private sector	7.	2,964,851	3,217,812	3,457,018	3,935,881
Loan operations linked to assignments	7.	76,157	108,434	-	-
Allowance for loan losses	8.	(151,612)	(109,747)	(183,034)	(135,446)
Lease operations	7g.	-	-	18,933	7,528
Lease receivables - Private sector		-	-	24,098	18,398
Allowance for doubtful lease receivables	8.	-	-	(5,165)	(10,870)
Other receivables		1,385,040	2,001,767	1,418,003	2,070,166
Receivables from guarantees and sureties honored		1,026	43,075	1,026	43,075
Foreign exchange portfolio	9.	1,151,415	1,676,652	1,151,415	1,676,652
Income receivable		16,047	20,824	10,778	20,823
Negotiation and intermediation of securities		5,218	2,663	5,218	2,663
Tax Credit	26a.	105,096	190,814	136,925	217,179
Other	10.	206,440	165,996	212,857	209,238
Allowance for losses	8.	(100,202)	(98,257)	(100,216)	(99,464)
Other assets		22,539	35,561	24,624	37,806
Prepayments		22,539	35,561	24,624	37,806

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

China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Balance sheets

At December 31

(In thousands of Reais)

(continued)

	Note	CCB Brasil		CCB Brasil Consolidated	
Assets		2018	2017	2018	2017
Non current assets		15,539,972	12,965,487	15,639,464	12,854,416
Interbank funds applied		437,987	1,077,291	909	-
Interbank deposits	4c.	437,987	1,077,291	909	-
Securities and derivative financial instruments		9,413,801	8,505,999	9,424,165	8,515,737
Own portfolio	5b.	1,879,167	4,860,576	1,879,167	4,860,576
Subject to repurchase agreements	5b.	7,077,524	3,173,541	7,077,524	3,173,541
Pledged in guarantee	5b.	80,433	223,049	90,797	232,787
Derivative financial instruments	6.	376,677	248,833	376,677	248,833
Loans		3,664,103	1,347,233	4,093,833	2,203,626
Loans		3,772,915	1,392,282	4,330,881	2,432,164
Private sector	7.	3,772,915	1,392,282	4,330,881	2,432,164
Loan operations linked to assignments	7.	100,804	166,235	-	-
Allowance for loan losses	8.	(209,616)	(211,284)	(237,048)	(228,538)
Lease operations	7g.	-	-	12,524	2,211
Lease receivables - Private sector		-	-	19,400	12,649
Allowance for doubtful lease receivables	8.	-	-	(6,876)	(10,438)
Other receivables		1,773,307	1,749,122	1,850,833	1,826,853
Income receivable		1,950	3,031	1,950	3,031
Tax Credit	26a.	956,482	852,374	997,778	922,947
Presumed tax credits - law 12.838/2013	26b.	307,981	333,301	307,981	333,301
Sundry	10.	514,489	570,520	550,719	577,678
Allowance for losses	8.	(7,595)	(10,104)	(7,595)	(10,104)
Other assets		250,774	285,842	257,200	305,989
Other assets	11.	397,931	405,749	410,272	423,389
Prepayments		8,271	15,529	9,987	25,482
Provision for devaluation of other assets	11.	(155,428)	(135,436)	(163,059)	(142,882)
Permanent assets		412,710	467,118	62,278	82,859
Investments		368,418	413,504	645	770
Investments in domestic subsidiaries	14.	367,775	412,861	-	125
Other investments		1,091	1,091	1,135	1,135
Provision for devaluation of investments		(448)	(448)	(490)	(490)
Fixed assets	12b.	40,329	48,731	42,739	51,776
Property for own use		85,629	92,155	85,629	92,155
Other fixed assets for own use		27,261	28,558	31,640	32,856
Accumulated depreciation		(72,561)	(71,982)	(74,530)	(73,235)
Intangible	12c.	3,963	4,883	18,894	30,313
Intangible assets		19,185	17,011	126,562	124,357
Accumulated amortization		(15,222)	(12,128)	(107,668)	(94,044)
Total assets		23,873,029	19,798,529	23,544,144	19,360,496

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

China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Balance sheets

At December 31

(In thousands of Reais)

(continued)

	Note	CCB Brasil		CCB Brasil Consolidated	
		2018	2017	2018	2017
Liabilities					
Current liabilities		18,553,996	14,362,957	18,246,949	14,025,454
Deposits	16.	3,089,645	3,164,964	2,828,453	2,890,812
Demand deposits		85,706	88,247	84,316	86,470
Saving deposits		3,241	7,393	3,241	7,393
Interbank deposits		363,145	580,568	105,937	312,847
Time deposits		2,637,553	2,488,756	2,634,959	2,484,102
Funds obtained in the open market	17a.	6,861,998	3,165,367	6,835,034	3,138,816
Own portfolio		6,667,803	3,165,367	6,640,839	3,138,816
Third parties portfolio		194,195	-	194,195	-
Funds from acceptance and issuance of securities	17b.	744,609	199,024	744,609	199,335
Resources from issued bills and notes		744,609	199,024	744,609	199,024
Real estate credit bills		41,943	37,021	41,943	37,021
Agribusiness bills		562,419	134,198	562,419	134,198
Financial bills		140,247	27,805	140,247	27,805
Funds from foreign exchange acceptance		-	-	-	311
Interbranch accounts		31,184	5,661	31,184	5,661
Third parties funds in transit		31,184	5,661	31,184	5,661
Borrowings	18.	6,659,258	6,182,481	6,659,258	6,182,481
Foreign currency borrowings		6,659,258	6,182,481	6,659,258	6,182,481
Local onlendings - Official institutions	19.	128,887	41,700	128,887	41,700
Ministry of Agriculture - Funcafé		124,696	35,561	124,696	35,561
Ministry of City		4,191	6,139	4,191	6,139
Foreign onlendings	18.	22,688	76,226	22,688	76,226
Derivative financial instruments	6.	14,730	3,377	14,730	3,377
Other liabilities		1,000,997	1,524,157	982,106	1,487,046
Collection of taxes and similar charges		383	199	392	244
Foreign exchange portfolio	9.	43,996	1,047,023	43,996	1,047,023
Social and statutory payables		19,416	10,704	19,416	10,704
Taxes and social security contributions	20.	206,671	106,937	249,194	176,658
Negotiation and intermediation of securities		5,245	4,699	5,245	4,699
Subordinated debts	23a.	505,870	15,161	505,870	15,161
Debt instruments eligible to capital	24b.	7,052	16,403	7,052	16,403
Sundry	21.	212,364	323,031	150,941	216,154

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

China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Balance sheets

At December 31

(In thousands of Reais)

(continued)

	Note	CCB Brasil		CCB Brasil Consolidated	
		2018	2017	2018	2017
Liabilities					
Non current liabilities		3,767,730	3,678,109	3,683,239	3,519,828
Deposits	16.	321,434	292,363	313,287	282,524
Interbank deposits		27,678	29,972	27,678	29,972
Time deposits		293,756	262,391	285,609	252,552
Funds obtained in the open market	17a.	197,403	-	193,868	-
Own portfolio		3,535	-	-	-
Third parties portfolio		193,868	-	193,868	-
Debt securities	17b.	446,129	152,210	446,129	152,210
Resources from issued bills and notes		446,129	152,210	446,129	152,210
Real estate credit bills		2,839	921	2,839	921
Agribusiness bills		41,604	19,910	41,604	19,910
Financial bills		401,686	131,379	401,686	131,379
Borrowings	18.	84,334	268,824	84,334	268,824
Foreign currency borrowings		84,334	268,824	84,334	268,824
Repass borrowings	19.	4,883	-	4,883	-
Ministry of Agriculture - FUNCAFÉ		4,883	-	4,883	-
Resources for specific destination - PSH		-	-	-	-
Foreign currency repass borrowings	18.	44,226	-	44,226	-
Derivative financial instruments	6.	7,233	1,775	7,233	1,775
Other liabilities		2,662,088	2,962,937	2,589,279	2,814,495
Taxes and social security contributions	20.	-	-	5,123	4,383
Subordinated debts	23a.	1,049,173	1,352,860	1,049,173	1,352,860
Debt instruments eligible to capital	23b.	658,716	551,978	658,716	551,978
Other	21.	954,199	1,058,099	876,267	905,274
Deferred incomes	24.	16,310	26,462	16,310	26,462
Shareholders' equity	25.	1,534,993	1,731,001	1,597,646	1,788,752
Total Paid-in Capital		2,956,864	2,956,864	2,956,864	2,956,864
Capital - Domestic		2,956,864	2,956,864	2,956,864	2,956,864
Capital reserves		899	899	899	899
Valuation Adjustments to equity		2,220	2,682	2,220	2,682
Accumulated deficit		(1,369,885)	(1,174,339)	(1,307,232)	(1,116,588)
(-) Treasury shares		(55,105)	(55,105)	(55,105)	(55,105)
Total liabilities		23,873,029	19,798,529	23,544,144	19,360,496

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

China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Statements of income

At December 31

(In thousands of Reais except for loss per share)

(A free translation of the original in Portuguese)

	Note	CCB Brasil			CCB Brasil Consolidated		
		2nd semester 2018	2018	2017	2nd semester 2018	2018	2017
Income from financial intermediation		785,714	2,469,390	2,043,395	868,618	2,566,345	2,256,760
Loan operations	27a.	301,365	1,147,450	674,921	461,461	1,423,611	1,168,111
Lease operations		-	-	-	1,898	4,282	13,749
Securities	27b.	425,111	1,015,662	1,089,162	346,021	832,174	795,588
Foreign exchange transactions	27d.	54,324	203,777	95,205	54,324	203,777	95,205
Compulsory investments		8	39	144	8	39	144
Sales or transfers of financial assets		4,906	102,462	183,963	4,906	102,462	183,963
Financial intermediation expenses		(796,368)	(2,370,228)	(2,020,351)	(803,525)	(2,385,292)	(1,977,824)
Funds obtained in the market	27e.	(405,018)	(975,085)	(927,459)	(394,892)	(954,443)	(897,794)
Borrowings, assignments and onlendings	27f.	(158,096)	(1,250,542)	(239,222)	(158,096)	(1,250,542)	(239,222)
Derivative financial instruments	27c.	(70,114)	228,910	(358,603)	(70,114)	228,910	(358,603)
Sales or assignment of financial assets		(20,906)	(66,139)	(233,914)	-	(19,730)	(139,935)
Allowance for loan losses	8.	(142,234)	(307,372)	(261,153)	(180,423)	(389,487)	(342,270)
Gross profit (loss) from financial intermediation		(10,654)	99,162	23,044	65,093	181,053	278,936
Other operating income (expenses)		(136,668)	(160,379)	(380,829)	(166,629)	(213,449)	(522,425)
Service revenues		21,151	44,642	50,031	21,505	45,468	62,608
Income from banking services		1,610	2,543	5,050	1,610	2,543	5,071
Personnel expenses	27i.	(86,760)	(164,942)	(238,424)	(95,680)	(182,134)	(260,184)
Taxes	27k.	(9,217)	(16,266)	(19,890)	(12,444)	(23,913)	(34,451)
Equity in the results of subsidiaries	14.	(13,862)	(20,450)	9,832	(597)	(1,350)	(1,726)
Other administrative expenses	27j.	(54,725)	(104,421)	(121,569)	(71,221)	(138,446)	(157,884)
Other operating income	27g.	225,276	384,244	211,499	233,531	408,591	233,669
Other operating expenses	27h.	(220,141)	(285,729)	(277,358)	(243,333)	(324,208)	(369,528)
Operating result		(147,322)	(61,217)	(357,785)	(101,536)	(32,396)	(243,489)
Non operating result	27l.	(30,934)	(28,497)	(59,607)	(31,129)	(27,324)	(56,410)
Profit (loss) before taxes		(178,256)	(89,714)	(417,392)	(132,665)	(59,720)	(299,899)
Income tax	26d.	(31,538)	(78,572)	(47,832)	(40,373)	(79,424)	(88,548)
Social contribution	26d.	(18,416)	(45,651)	(30,191)	(23,675)	(46,078)	(58,211)
Deferred tax	26d.	(20,565)	18,391	(311,896)	(24,615)	(5,422)	(302,902)
Profit (Loss) for the period		(248,775)	(195,546)	(807,311)	(221,328)	(190,644)	(749,560)
Number of shares paid in (thousand)	25a.	465,631	465,631	465,631			
Net income per share - R\$		(0.53)	(0.42)	(1.73)			

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

China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Statement of changes in shareholders' equity

(In thousands of Reais)

(A free translation of the original in Portuguese)

	Note	Capital	(-) Capital Increase	(-) Unpaid Capital	Treasury Share	Capital reserves Goodwill of the issue of shares	Valuation adjustments to equity	Accumulated deficit	Total
Balances at January 1, 2017		1,554,886	145,000	(3,738)	(55,105)	24,956	(1,700)	(366,760)	1,297,539
Prior year adjustments subsidiary		-	-	-	-	-	-	(268)	(268)
Capital increase	26a.	1,401,978	(145,000)	3,738	-	1,103	-	-	1,261,819
Redemption of shares	26b.	-	-	-	-	(25,160)	-	-	(25,160)
Valuation adjustments to equity		-	-	-	-	-	4,382	-	4,382
Loss for the year		-	-	-	-	-	-	(807,311)	(807,311)
Balances at December 31, 2017		2,956,864	-	-	(55,105)	899	2,682	(1,174,339)	1,731,001
Variation in the year		1,401,978	(145,000)	3,738	-	(24,057)	4,382	(807,579)	433,462
Balances at January 1, 2018		2,956,864	-	-	(55,105)	899	2,682	(1,174,339)	1,731,001
Valuation adjustments to equity		-	-	-	-	-	(462)	-	(462)
Loss for the year		-	-	-	-	-	-	(195,546)	(195,546)
Balances at December 31, 2018		2,956,864	-	-	(55,105)	899	2,220	(1,369,885)	1,534,993
Variation in the year		-	-	-	-	-	(462)	(195,546)	(196,008)
Balances at July 01, 2018		2,956,864	-	-	(55,105)	899	2,239	(1,121,110)	1,783,787
Valuation adjustments to equity		-	-	-	-	-	(19)	-	(19)
Loss for the six months		-	-	-	-	-	-	(248,775)	(248,775)
Balances at December 31, 2018		2,956,864	-	-	(55,105)	899	2,220	(1,369,885)	1,534,993
Variation in the period		-	-	-	-	-	(19)	(248,775)	(248,794)

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

China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Statement of cash flows (Indirect Method)

At December 31

(In thousands of Reais)

(A free translation of the original in Portuguese)

	CCB Brasil			CCB Brasil Consolidated		
	2nd semester 2018	2018	2017	2nd semester 2018	2018	2017
Cash flow from operating activities						
Loss for the period	(248.775)	(195.546)	(807.311)	(221.328)	(190.644)	(749.560)
Adjustments to the Loss	119.346	140.006	623.815	169.704	234.370	742.388
Allowance for loan losses	142.234	307.372	261.153	180.423	389.487	342.270
Depreciation and amortization	6.257	12.882	18.611	6.621	13.610	19.418
Other provisions	22.775	20.079	47.908	23.368	20.265	47.992
Provision for contingencies and guarantees granted	13.508	45.455	117.622	16.581	50.583	118.209
Provision for linked loans (note 27g)	(108.578)	(246.345)	(152.244)	(108.578)	(246.345)	(152.244)
Tax credits	70.519	105.832	389.919	92.312	132.483	418.355
Equity in earnings of subsidiaries	13.862	20.450	(9.832)	597	1.350	1.726
(Gain) on sales of fixed assets	(14)	(1.304)	(3.962)	(14)	(1.304)	(3.962)
(Gain) on sales of assets not for own use	8.354	7.402	(240)	7.963	6.058	(4.256)
Losses for selling of deferred charges	32	32	-	32	32	-
Exchange variations on cash and cash equivalents	(54.860)	(142.368)	(55.639)	(54.860)	(142.368)	(55.639)
Amortization of goodwill	5.259	10.519	10.519	5.259	10.519	10.519
Adjusted Loss	(129.429)	(55.540)	(183.496)	(51.624)	43.726	(7.172)
Decrease in interbank funds applied	287.614	728.964	536.125	160	152	7.711
(Increase) in securities and derivative financial instruments	(359.725)	(987.702)	(633.095)	(360.042)	(988.328)	(634.246)
(Increase)/Decrease in interbank/interbranch accounts	25.934	40.602	(13.867)	25.934	40.602	(13.867)
(Increase) in loan and lending operations	(947.188)	(2.760.741)	(426.650)	(896.774)	(2.534.402)	(751.765)
(Increase)/decrease in other assets	270.486	570.646	(1.128.286)	278.498	603.525	(1.081.561)
Increase/(decrease) in deposits	(549.806)	(46.247)	952.233	(529.427)	(31.597)	889.817
Increase/(decrease) in funds obtained in the market	2.362.670	3.894.034	(3.757.766)	2.347.622	3.890.086	(3.729.420)
Increase in funds from issuing of securities	352.618	839.504	-	352.618	839.192	-
Increase/(decrease) in other liabilities	(474.726)	(1.254.002)	521.390	(448.609)	(1.157.263)	927.342
Income tax and social contribution paid	-	(5.757)	-	(4.548)	(29.270)	(22.875)
Interest payment	(69.703)	(188.785)	(269.903)	(69.703)	(188.785)	(269.903)
Interest received	138.442	514.383	360.642	266.412	810.231	662.015
Increase in deferred income	(11.032)	(9.824)	(4.266)	(11.032)	(9.824)	(4.266)
Net cash provided by (used in) operating activities	896.155	1.279.535	(4.046.939)	899.485	1.288.045	(4.048.190)
Cash flows from investing activities						
Sale of assets not for own use	27.829	38.667	18.698	34.905	52.458	28.828
Sale of investments	-	-	100	-	-	100
Sale of fixed and lease assets	15	6.253	42.304	15	6.253	43.221
Acquisition of assets no for own use	(93)	(38.579)	(66.740)	(4.469)	(45.726)	(76.011)
Acquisition of fixed assets	(96)	(6.311)	(10.184)	(150)	(6.391)	(10.686)
Acquisition of intangible assets	(905)	(2.317)	(4.762)	(937)	(2.349)	(4.762)
Interest on capital received	6.175	15.343	-	-	-	-
Net cash provided by (used in) investing activities	32.925	13.056	(20.584)	29.364	4.245	(19.310)
Cash flow from financing activities						
(Decrease) in funds from issuing of securities	-	-	(28.352)	-	-	(28.321)
Increase in borrowings and onlending resources	10.015.700	18.857.942	10.682.979	10.015.700	18.857.942	10.682.979
Increase in subordinated debts	20.801	227.064	125.990	20.801	227.064	125.990
Increase/(decrease) debt instruments eligible to capital	(7.532)	109.353	238.515	(7.532)	109.353	238.515
Repayment of borrowings	(9.824.069)	(18.099.775)	(11.752.566)	(9.824.069)	(18.099.775)	(11.752.566)
Capital increase	-	-	1.260.716	-	-	1.260.716
Goodwill of the issue of shares	-	-	1.103	-	-	1.103
Net cash provided by financing activities	204.900	1.094.584	528.385	204.900	1.094.584	528.416
Increase/(decrease) in cash and cash equivalents	1.133.980	2.387.175	(3.539.138)	1.133.749	2.386.874	(3.539.084)
Cash and cash equivalents at the beginning of the period/year	1.677.247	336.544	3.820.042	1.677.684	337.051	3.820.496
Exchange variations on cash and cash equivalents	54.860	142.368	55.639	54.860	142.368	55.639
Cash and cash equivalents at the end of the period/year	2.866.087	2.866.087	336.543	2.866.293	2.866.293	337.051
Increase/(decrease) in cash and equivalents	1.133.980	2.387.175	(3.539.138)	1.133.749	2.386.874	(3.539.084)

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

China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Notes to the financial statements for the year ended December 31, 2018

(All amounts in thousands of Reais unless otherwise stated)

1 Operational context

China Construction Bank (Brasil) Banco Múltiplo S.A., the former Banco Industrial e Comercial SA - Bicbanco, ("Company", "Institution", "Multiple Bank", "CCB Brasil" or "Bank"), and subsidiary companies ("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, investment, mortgage and foreign exchange portfolios.

Through its subsidiaries, the Bank operates in the markets of leasing, credit, financing and investments, brokerage of securities and credit card administration. The Bank also has a 50% participation in a Joint Venture for operations in the factoring and forfaiting market.

On August 29, 2014, the transfer of control of the Bank to CCB Brazil Financial Holding - Investimentos e Participações Ltda (CCB Holding) ("Parent Company"), a wholly-owned subsidiary of China Construction Bank Corporation, was completed. Subsequently, in 2015, the public company registration at the Brazilian Securities and Exchange Commission (CVM) was cancelled. On September 30, 2015, an Extraordinary General Meeting was held to approve the change of the name to China Construction Bank (Brasil) - Banco Múltiplo S.A. - CCB Brasil to standardize the company name with that of the other investees. The Brazilian Central Bank approved the change of the name on October 29, 2015, and on November 16, 2015 it was registered at JUCESP (the Commercial Regulatory Board of Sao Paulo State).

The Extraordinary General Meeting of Shareholders held on December 22, 2017, appropriately convened, decided on the effective redemption of 2,339,260 shares that formed part of the Company's capital, of which 550,940 were common and 1,788,320 preferred shares held by minority shareholders. The financial settlement, due to the redemption of shares, began on January 4, 2018, as permitted by the Brazilian Corporate law. On the redemption of the shares held by the minority shareholders, CCB Holding assumed the ownership of 100% of the common and preferred shares of CCB Brasil.

2 Presentation of the Financial Statements

a. Presentation of the financial statements

The individual financial statements of China Construction Bank (Brasil) Banco Múltiplo S.A – CCB Brasil, including a foreign branch, and the consolidated financial statements of China Construction Bank (Brasil) Banco Múltiplo S.A. – CCB Brasil and its subsidiary companies, have been prepared in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN), emanating from the Corporate Law No. 6,404/76, amended by Laws No. 11,638/07 and No. 11,941/09, and the rules and instructions of the National Monetary Council - CMN, and BACEN.

The Brazilian "Accounting Pronouncements Committee (CPC)" has issued a number of pronouncements since 2008 related to the process of convergence with international accounting standards, but not all the pronouncements have been ratified by BACEN. Consequently, for the preparation of the individual and consolidated financial statements, the following pronouncements already ratified by BACEN were adopted by CCB Brasil:

(A free translation of the original in Portuguese)

China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Notes to the financial statements for the year ended December 31, 2018

(All amounts in thousands of Reais unless otherwise stated)

- (a) CPC (R1) Conceptual framework for financial reporting - CMN Resolution No. 4,144/2012;
- (b) CPC 01 (R1) - Impairment of assets - CMN Resolution No. 3,566/08;
- (c) CPC 02 (R2) - Effects of changes in foreign exchange rates and translation of financial statements - CMN Resolution No. 4,524/16;
- (d) CPC 03 (R2) - Statement of cash flows - CMN Resolution No. 3,604/08;
- (e) CPC 04 (R1) - Intangible Assets - CMN Resolution No. 4,534/16;
- (f) CPC 05 (R1) - Related party disclosures - CMN Resolution No. 3,750/09;
- (g) CPC 10 (R1) – Share-based payment - CMN Resolution No. 3,989/11;
- (h) CPC 23 - Accounting policies, changes in accounting estimates and errors - CMN Resolution No. 4,007/11;
- (i) CPC 24 – Events after the reporting period - CMN Resolution No. 3,973/11;
- (j) CPC 25 - Provisions, contingent assets and contingent liabilities - CMN Resolution No. 3,823/09;
- (k) CPC 27 – Property, Plant and Equipment - CMN Resolution No. 4,535/16; and
- (l) CPC 33 (R1) - Employee benefits - CMN Resolution No. 4,424/15.

The financial statements were approved by the Board of Directors in March 25, 2019.

b. Consolidated financial statements

The consolidated financial statements include the Bank and its subsidiaries (see table below), and were prepared in compliance with Law No. 6,404/76, as amended by Laws No. 11,638/07 and No. 11,941/09 and the rules of the CMN, when applicable, presenting the lease operations by the financial method, with the reclassification of leased assets, less the anticipated residual value, to lease operations.

The balances of balance sheet and statement of operations accounts originating from intercompany transactions were eliminated in the preparation of the consolidated financial statements.

Investment	%
CCB Brasil Arrendamento Mercantil S.A.	100
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A.	100
CCB Brasil Informática S.A.	100
CCB Brasil Administradora de Cartões de Crédito S/C Ltda.	100
CCB Brasil S.A. Crédito, Financiamentos e Investimentos	100
CCB Brasil Promotora de Vendas Ltda.	100
CCB Brasil Cobrança Ltda.	100

China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Notes to the financial statements for the year ended December 31, 2018

(All amounts in thousands of Reais unless otherwise stated)

b.1 Reconciliation of net income and shareholders' equity of CCB Brasil and CCB Brasil Consolidated

	December 2018	December 2017
Loss for the year of CCB Brasil	(195,546)	(807,311)
Hedge accounting for retail portfolio - net of taxes	3,149	54,742
Allowance for losses on loans assigned to CCB Brasil Financeira	1,753	3,009
<u>Loss for the period of CCB Brasil (Consolidated)</u>	(190,644)	(749,560)

	December 2018	December 2017
Shareholders' equity of CCB Brasil	1,534,993	1,731,001
Hedge accounting for retail portfolio - net of taxes	57,891	54,742
Allowance for losses on loans assigned to CCB Brasil Financeira	4,762	3,009
Consolidated shareholders' equity	1,597,646	1,788,752

3 Description of significant accounting policies

a. Statement of operations

Income and expenses are recorded on the accrual basis.

b. Accounting estimates

The preparation of the financial statements is in compliance with the accounting practices adopted in Brazil for institutions authorized to operate by the Brazilian Central Bank and requires that Management uses its judgment in determining and recording accounting estimates. Significant items subject to the application of estimates and assumptions include: the evaluation of the realization of the loan portfolio to determine the allowance for doubtful accounts, the technical studies to estimate the realization periods of the tax credits, the assessment of contingencies, obligations and relevant allowances, the assessment of the impairment of assets, and the evaluation of the market value of financial instruments and derivatives.

The actual amounts required to settle these transactions may be different from the amounts estimated due to the lack of precision inherent in the estimation process. CCB Brasil reviews the adequacy of the estimates and assumptions at least every six months.

c. Functional and presentation currency

The financial statements are presented in "Brazilian Reais" (R\$), which is the functional and presentation currency of CCB Brasil.

The monetary assets and liabilities denominated in foreign currency have been converted into Brazilian Reais at the foreign exchange rate effective as of the date of the balance sheet, as disclosed by BACEN, and, the differences arising from the conversion of foreign currency are recognized in statement of operations for the period.

China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Notes to the financial statements for the year ended December 31, 2018

(All amounts in thousands of Reais unless otherwise stated)

In relation to the branch abroad, whose operations are carried out in foreign currency and taking into consideration that it is essentially an extension of activities in Brazil, without a significant degree of autonomy, the functional currency determined according to the criterion established by CMN Resolution No. 4,524/16 is the Real (R\$), with the assets and liabilities being converted at the exchange rate prevailing at the balance sheet date, and the result converted at the exchange rate of the date of the transaction. The adjustments resulting from the conversion are recorded with a corresponding entry to the result for the period.

d. Cash and cash equivalents

Cash and cash equivalents comprise liquid assets in local or foreign currency, open-market investments and interbank deposits, generally with maturities of less than 90 days at acquisition and with insignificant risk of changes in fair values in case of early redemption.

e. Current and non-current assets

e.1 Interbank funds applied

These assets are recorded at cost, plus accrued income as of the reporting date.

e.2 Securities

According to the Brazilian Central Bank rules (Circular No. 3,068/01), the classification and evaluation of securities are defined as follows:

Trading securities - Securities acquired for the purpose of being actively and frequently traded, which are adjusted to their market value, with the corresponding entry recorded in profit or loss for the period;

Securities available for sale - Securities that are not available for trading or to be held to maturity, which are adjusted to their market value with unrealized gains and losses recorded in shareholders' equity, net of any tax effects;

Securities held to maturity - Securities acquired for which the Bank has the intention and financial ability to hold as part of its portfolio until the maturity date. These securities are measured at acquisition cost, plus income earned. Interest income is recognized in the statement of operations.

e.3 Derivative financial instruments

Derivative financial instruments are generally measured at fair value, with unrealized gains and losses recognized in the statement of operations for the period.

e.4 Loans operations and allowance for losses

In order to calculate the allowance for doubtful accounts, the loan operations are classified according to the level of risk, taking into consideration the economic environment, past experience, the specific risks in relation to the operation and the debtors, including, among others, the financial situation between the parties, the default levels, the expected future cash flows, estimated recovery amounts and the realization of guarantees, observing the minimum

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parameters and requirements established by CMN Resolution N° 2,682/99, which requires periodic analysis of the portfolio and its classification in nine levels, being AA (minimum risk) and H (potential loss) and Management's judgment, as shown in note 7.d - Composition of the allowances by risk levels.

The income from loan operations overdue for more than sixty days is only recognized as income when effectively received, regardless of the risk classification.

Overdue loans classified as "H", if defaulted, are retained in this category for six months and are then written off against the existing provision and controlled for five years, in off-balance sheet accounts, no longer being reflected in balance sheet accounts.

e.5 Assets not for own use

Assets not for use are recorded on the basis of evaluation reports prepared by specialized companies. The base date for this recording is that of the actual receipt of the asset and, consequently, that of the settlement of the transaction. Profits or losses incurred on sales are recognized in the statement of operations for the period. The assets not for own use are subject to an annual review of impairment or whenever there is an indication of impairment.

e.6 Other assets - prepaid expenses

Prepaid expenses substantially refer to expenses paid in advance until 2016, deferred because of the obtaining of benefits for the amount paid for more than one year, commissions paid to bank correspondents, due to the maintenance of loan and financing operations, which will be recognized as effective expenses in a linear manner for a maximum term of 36 months, counted as from its registration or immediately, upon settlement or write-off of the transaction for any reason. Commissions designated as Origination Costs are recognized, as from 2017, fully in the result for the period.

e.7 Other current and non-current financial assets

The assets are measured at net realizable value.

f. Permanent assets

f.1 The investments in subsidiaries are accounted for under the equity method in the individual financial statements. The goodwill calculated on the acquisition of an investment, arising from the expectation of future profitability, is amortized on a straight-line basis over a period of 10 years.

f.2 As determined in CMN Resolution No. 4,535/16, fixed assets correspond to the tangible assets and improvements realized in third-party properties, provided that they are used in the realization of a company's activities for more than one year and the assets should be recognized at cost and adjusted for impairment, when applicable. Cost comprises the basic purchase or construction price, increased by any import taxes and non-recoverable taxes on the purchase price, the directly attributable costs required for its operation, and the value of the initial estimate of the dismantling and removal costs of the asset and of the restoration of the place where it is located, if the Institution assumes the obligation to bear such costs on the acquisition date of the asset. The depreciation recognized monthly on a straight-line basis, based on annual

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rates considering the expected useful life of the assets is as follows: property: 4%; furniture, fixtures, communications systems and facilities: 10%; data processing system and vehicles: 20%.

f.3 In compliance with Technical Pronouncement CPC 01 (R01), issued by the Brazilian Accounting Pronouncements Committee (CPC), Management conducts an impairment test of the assets annually, or whenever events or changes in circumstances indicate that the book value may not be recoverable. An impairment loss occurs when the net book value of an asset exceeds its recoverable amount and is recognized directly in the statement of operations for the period.

f.4 Intangible assets correspond to non-monetary assets identified as being without physical substance, acquired or developed by the Institution, intended for the maintenance of the institution or exercised for that purpose, and are recognized at cost, amortized monthly over the estimated useful life of the asset, as established by CMN Resolution No. 4,534/16.

g. Liabilities

g.1 *Foreign Loans linked to credit operations (CMN Resolution No. 2,921/02)*

Recorded at the amount of funding, added of accrued interest up to the balance sheet date, adjusted by the estimated credit loss of the related assets through a rectifying account of the liability with counter entry of the result for the period, in order to reflect the best estimate of the disbursement value to the investor.

g.2 *Current and non-current liabilities*

Current and non-current liabilities are stated at contractual or estimated amounts, including charges and monetary and foreign exchange variations on a daily pro rata basis.

Income tax and social contribution are recorded in the account "Other liabilities - tax and social security", and are calculated on the adjusted accounting profit in compliance with tax legislation, at the rates of 15%, plus a surcharge of 10% above a certain amount for income tax, and 15% on income before income tax for social contribution until August 2015 and, from September 2015 to December 31, 2018, at 20%, according to Law No. 13,169/15. Deferred income tax and social contribution are recorded in the account "Other liabilities - tax and social security", and tax credits arising from temporary differences and tax losses to be realized in up to 10 years are recorded in "Other receivables - sundry".

h. Provisions, contingent assets and contingent liabilities and legal obligations – tax and social security

The recognition, measurement and disclosure of contingent asset and liabilities and legal obligations is effected in accordance with CMN - Resolution No. 3,823/09.

Contingent assets - not recognized in the accounting records unless there is a favorable judicial decision, for which no appeals are admitted, and the probability of realization of the contingent is practically assured. Contingent assets with a likely success of realization are disclosed in a note to the Financial Statements (note 22a). CCB Brasil has no contingent assets for which realization is deemed probable;

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Provisions - recognized in the accounting records when, based on the opinion of the Bank's management and its legal advisors, the likelihood of loss is considered to be probable. The cases in which the likelihood of loss is considered possible are disclosed in a note to the Financial Statements (note 22);

Contingent liabilities - under CPC 25 (Committee of Accounting Pronouncements), the term "contingent" is used for assets and liabilities not recognized since their existence will only be confirmed by the occurrence or not, of one or more uncertain future events not wholly under control of the Entity. The term "contingent liability" is used for liabilities that do not meet the recognition criteria, since they are considered as possible losses and should only be disclosed in explanatory notes, when deemed as significant. The obligations classified as "remote" are neither provisioned nor disclosed;

Legal obligations - recognized and provisioned, regardless of the evaluation of the probability of loss in the judicial proceeding.

i. Sale or transfer of financial assets - Credit assignment

A financial asset is written-off when the contractual right to its cash flows expires or on the sale or transfer of the asset.

According to CMN Resolution No. 3,533/08, the sale or transfer of a financial asset is classified into three categories:

- ***Operations with the substantial transfer of risks and benefits***

Operations in which the seller substantially transfers all the risks and benefits of the ownership of the financial asset, such as: (i) unconditional sale of the financial asset (ii) sale of the financial asset together with a repurchase option at the fair value of the asset at the time of repurchase, (iii) sale of the financial asset together with the option of purchase or sale, the exercise of which is unlikely to occur. In this category, the asset subject to the assignment is written off at the time of the transaction and the result is recognized in profit or loss on the transfer of the financial asset.

- ***Operations with the substantial retention of risks and benefits***

Operations in which the seller substantially retains all the risks and benefits of the ownership of the financial asset, such as: (i) the sale of the financial asset together with a commitment to repurchase the asset at a fixed price or sale price plus any income, (ii) contracts for the loan of securities, (iii) sale of a financial asset in connection with swap of the total rate of return that transfers the full exposure to market risk to the seller, (iv) sale of the financial asset together with the option of purchase or sale the exercise of which is likely to occur, (v) sale of receivables for which the seller or the assignor guarantees to compensate the buyer or assignee for losses that could occur, or the sale of which has occurred in connection with the acquisition of subordinated quotas of the Credit Rights Investment Fund (FIDC). In this category, the asset which is the object of the assignment is maintained in the accounting records and a liability is recognized in favor of the assignee at the value of the assignment. The assets continue to generate positive results and the liabilities generate expenses by the rate applied in the assignment. These amounts are recorded in revenue accounts for the transfer of financial assets (assets) and in expense accounts for the transfer of financial assets (liabilities), during the term of the assigned operations.

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• **Operations without the substantial transfer or retention of risks and benefits**

Operations in which the Bank (the seller) neither transfers nor retains the substantial risks and benefits of the ownership of the financial asset. The Bank does not work with this modality.

The assessment of the transfer or retention of the risks and benefits of the ownership of a financial asset is made on the basis of consistent and verifiable criteria, utilizing as a methodology the comparison of the exposure before and after the sale or transfer, with regard to the variation in the present value of expected cash flows associated with the financial asset discounted by the appropriate market interest rate.

4 Cash and cash equivalents and interbank funds applied

a. Cash and cash equivalents

	CCB Brasil		CCB Brasil Consolidated	
	December 2018	December 2017	December 2018	December 2017
Cash	595	2,247	595	2,247
Deposits abroad in foreign currency	39,626	90,352	39,832	90,860
Total	40,221	92,599	40,427	93,107

b. Money market

	CCB Brasil and CCB Brasil Consolidated	
	December 2018	December 2017
Maturity		
Up to 30 days	2,654,995	53,008

c. Interbank deposits

	CCB Brasil		CCB Brasil Consolidated	
	December 2018	December 2017	December 2018	December 2017
Maturity				
Up to 30 days	108,469	2,083	2,061	2,083
From 31 to 90 days	2,433	188,547	2,433	2,441
From 91 to 360 days	410,312	420,244	-	1,031
Over 360 days	437,987	1,077,291	909	-
Total	959,201	1,688,165	5,403	5,555

d. Investments in foreign currency

	CCB Brasil and CCB Brasil Consolidated	
	December 2018	December 2017
Maturity		

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Up to 30 days	170,871	190,936
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5 Securities

a. Operating policy

The securities are evaluated, as regards their purpose, on acquisition and the portfolio formed is evaluated at every semi-annual reporting date. Management declares the Institution's intention and financial capacity to hold securities to maturity.

b. Composition of securities by type and category

	December 2018						
				CCB Brasil Consolidated		CCB Brasil	
	Over 90 days	91 to 360 days	Over 360 days	Total book value	Restated cost	Market value	Total book value
Available for sale	145,539	-	7,336,931	7,482,470	7,478,770	7,482,470	7,472,106
Own portfolio (*)	44,274	-	665,119	709,393	709,214	709,393	709,393
Financial Treasury Bills	44,274		665,119	709,393	709,214	709,393	709,393
Subject to repurchase agreements	101,265		6,581,015	6,682,280	6,678,756	6,682,280	6,682,280
Financial Treasury Bills	101,265		6,581,015	6,682,280	6,678,756	6,682,280	6,682,280
Pledged in guarantees (**)			90,797	90,797	90,800	90,797	80,433
Financial Treasury Bills			90,797	90,797	90,800	90,797	80,433
Securities held to maturity		15,190	1,710,557	1,725,747	1,725,747	1,764,522	1,725,747
Own portfolio		15,190	1,214,048	1,229,238	1,229,238	1,255,571	1,229,238
Debentures		15,190		15,190	15,190	15,181	15,190
Quotas - FIDC			44,709	44,709	44,709	44,709	44,709
Global Bonds			1,169,339	1,169,339	1,169,339	1,195,681	1,169,339
Subject to repurchase agreements			496,509	496,509	496,509	508,951	496,509
Global Bonds			496,509	496,509	496,509	508,951	496,509
Total	145,539	15,190	9,047,488	9,208,217	9,204,517	9,246,992	9,197,853

(*) Distribution of maturities made based on nominal maturity without considering the high liquidity characteristic of public securities.

(**) The balance includes R\$ 77,213 referring to deposited margins as guarantees in transactions involving derivative financial instruments (note 6f), the amount of R\$ 13,170 refer to the judicial proceedings and R\$ 414 refer to other guarantees.

	December 2017							
	No maturity	Over 90 days	91 to 360 days	Over 360 days	CCB Brasil Consolidated		CCB Brasil	
					Total book value	Restated cost	Market value	Total book value
Available for sale	6,030	-	55,834	7,035,262	7,097,126	7,082,916	7,097,126	7,087,388
Own portfolio (*)	6,030	-	55,834	3,628,934	3,690,798	3,689,625	3,690,798	3,690,798
Financial Treasury Bills	-	-	-	3,624,485	3,624,485	3,622,398	3,624,485	3,624,485
National Treasury Notes-B	-	-	55,834	-	55,834	55,241	55,834	55,834
Debentures	-	-	-	4,449	4,449	5,956	4,449	4,449
Variable income portfolio	6,030	-	-	-	6,030	6,030	6,030	6,030
Subject to repurchase agreements	-	-	-	3,173,541	3,173,541	3,170,244	3,173,541	3,173,541
Financial Treasury Bills	-	-	-	3,173,541	3,173,541	3,170,244	3,173,541	3,173,541
Pledged in guarantees (**)	-	-	-	232,787	232,787	223,047	232,787	223,049
Financial Treasury Bills	-	-	-	232,787	232,787	223,047	232,787	223
Securities held to maturity	-	22,836	-	1,231,642	1,254,478	1,254,478	1,339,781	1,254,478
Own portfolio	-	22,836	-	1,231,642	1,254,478	1,254,478	1,339,781	1,254,478

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Quotas - FIDC	-	22,836	-	-	22,836	22,836	22,836	22,836
Global Bonds	-	-	-	1,231,642	1,231,642	1,231,642	1,316,945	1,231,642
Total	6,030	22,836	55,834	8,266,904	8,351,604	8,337,394	8,436,907	8,341,866

(*) Distribution of maturities made based on nominal maturity without considering the high liquidity characteristic of public securities.

(**) The balance includes R\$ 212,995 referring to deposited margins as guarantees in transactions involving derivative financial instruments (note 6f), the amount of R\$ 13,015 referring to the judicial proceedings and R\$ 6,777 referring other guarantees.

The government securities are registered at the Special System for Settlement and Custody (SELIC) of the Brazilian Central Bank, and the corporate securities at the B3 S.A. - Brasil, Bolsa, Balcão (a clearing house). The FIDC quotas, are in the custody of custodians nominated by the Funds Administrator and the Global Bonds are in the custody of CEDEL Clearstream.

The market value of the government securities was computed on the basis of the unit prices, disclosed by ANBIMA (Brazilian Association of Entities in the Financial and Capital Markets) on the balance sheet date, Debentures on the basis of the last negotiation announced by ANBIMA, Global Bonds was determined based on the secondary market (Bloomberg) and the value of investment fund quotas at the value of the quota on the balance sheet date disclosed by the administrator.

c. Reclassification of the category of the securities

At the end of 2017, in order to adequately reflect the conglomerate's cash management process, Management reclassified securities classified in the trading portfolio category, in the amount of R\$ 4,190,678, to the available for sale category.

6 Derivative financial instruments portfolio

a. Policy of utilization

As a result of the Volcker Rule, applicable to the CCB Group globally, the operations of the trading portfolio of CCB Brasil were suspended. During the period, CCB Brasil carried out traditional derivative operations in order to meet its clients needs, and also executed 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 impact assets and liabilities of the Conglomerate.

b. Protection of foreign exchange exposures

CCB Brasil effects Swap, NDF and Futures operations to hedge its obligations with securities issued abroad and loans in foreign currency, with the objective of protecting against the foreign exchange and the coupon of operations risks, arising from currency fluctuations, through the utilization of an economic and accounting hedge, when applicable, for these operations.

c. Hedge of portfolio with fixed interest rates

The Institution 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. Considering that the hedged loan portfolio is distributed among the companies (Bank and Financeira), and that the futures contracts are all concentrated in the Bank, the fair value hedge designation of

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this relationship was only applied in the consolidated balance sheet. The coverage of a hedge is assessed quarterly and meets criteria that consider the total portfolio less delays and prepayments. The replacement of DI futures contracts is periodic, in accordance with the identification of the opening of new futures contracts and the detection of their liquidity. The Bank's Treasury assesses the need to purchase or sell new DI futures contracts to offset the adjustment to market value of the hedged item. The objective is to ensure the effectiveness of the hedge in the range of 80% to 125%, considering the relationship between 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 requirements related to the management of market risks which arise, principally, from 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, 2018 were related to the exchange rate, interest rate, dollar and variable income coupon, which aim to maximize the risk and return relationship, even in circumstances of high volatility. The risk management control of the portfolios is effected through the utilization of the metrics: VaR (for the trading portfolio), EVE and NII (for the banking and global portfolio) and Profitability and Liquidity Risk.

e. Criteria for measurement of the market value

To obtain these market values the following criteria are adopted:

- **Futures and Forward:** quotations on stock exchanges;
- **Swap:** the cash flow of each of its shares is estimated, discounted to the present value, according to the corresponding interest curves, obtained through B3 SA - Brasil, Bolsa, Balcão (a clearing company) prices, and /or market prices of government securities for Brazilian operations, and the prices of international exchanges for operations abroad, when applicable.

f. Recording of the values

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

The derivative instruments are classified, according to Management's intention to utilize them as a hedge instrument or not, in accordance with BACEN Circular No. 3,082/02 and its subsequent updates.

The operations with financial instruments, effected at the request of clients, or that do not meet the hedge criteria (mainly derivatives used to manage the overall risk exposure until December 31, 2018) are recorded at market value, with the realized and unrealized gains and losses recognized directly in the statement of operations.

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Specifically for the Market Risk Hedge, the financial assets and liabilities, as well as the respective financial instruments, are recorded at market value with the realized and unrealized gains and losses recognized directly in the statement of operations.

The outstanding operations at December 31, 2018 present the following characteristics:

CCB Brasil and CCB Brasil Consolidated						
Notional Value						
Net Position of Assets and Liability contracts						
	Differential receivable	Differential payable	Maturing within 3 months	Maturing between 3 and 12 months	Maturing after 12 months	Total
Swap contracts						
Interbank market	8,692	2,959	6,618	(491,081)	(229,525)	(713,988)
Foreign currency	425,962	18,178	(6,618)	464,708	229,525	687,615
Prefixed	624	-	-	26,373	-	26,373
Subtotal	435,278	21,137	-	-	-	-
Market value adjustment	9,682	(167)	-	-	-	-
Total	444,960	20,970				
NDF contracts						
Forward purchase - NDF	2	59	1,237	1,258	-	2,495
Forward sale - NDF	540	934	(5,203)	(33,942)	-	(39,145)
Subtotal	542	993	-	-	-	-
Total	445,502	21,963	-	-	-	-
Futures contracts (*)						
Sale - Interbank market	-	575	(176,913)	(586,063)	(1,407,997)	(2,170,973)
Purchase-DDI-Exchange Coupon	-	4,607	11,619	1,334,355	-	1,345,974
Purchase - foreign currency	-	28	6,788	-	-	6,788
Sale - foreign currency	5,218	-	(1,285,584)	-	-	(1,285,584)
Total	5,218	5,210	-	-	-	-

(*) The registration of amounts payable and receivable of futures contracts are shown in the accounts "Other Credits" and "Other Obligations".

The Outstanding operations at December 31, 2017 present the following characteristics:

CCB Brasil and CCB Brasil Consolidated						
Notional Value						
Net Position of Asset and Liability contracts						
	Differential receivable	Differential payable	Maturing within 3 months	Maturing between 3 and 12 months	Maturing after 12 months	Total
Swap contracts						
Interbank market	809	792	44,834	(1,335,111)	(259,421)	(1,549,698)
Foreign currency	282,036	4,098	(44,834)	1,294,452	259,421	1,509,039
Prefixed	19	-	-	40,659	-	40,659
Subtotal	282,864	4,890	-	-	-	-
Market value adjustment	12,990	(452)	-	-	-	-
Total	295,854	4,438	-	-	-	-
NDF contracts						

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Forward for purchase - NDF	29	-	664	247	-	911
Forward for sale - NDF	1,556	714	4,158	34,994	-	39,152
Subtotal	1,585	714	-	-	-	-
Total	297,439	5,152	-	-	-	-
Futures contracts (*)						
Purchase – Interbank market	2	-	10,494	-	-	10,494
Sale - Interbank market	-	(2,032)	(740,108)	(547,375)	(1,887,286)	(3,174,769)
Purchase-DDI-Exchange Coupon	203	-	771,848	936,114	8,036	1,715,998
Sale-DDI-Exchange 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)
Total	2,663	585	-	-	-	-

(*) The registration of amounts payable and receivable of futures contracts are shown in the accounts "Other Credits" and "Other Obligations".

The swap and NDF transactions are recorded at "B3 SA - Brasil, Bolsa, Balcão", the adjustments related to the difference receivable or payable are recorded in an asset or liability account, respectively, with a corresponding entry to income or expense. "Futures market" operations are recorded at "B3 SA - Brasil, Bolsa, Balcão", and the daily paid/appropriated adjustments are recorded as income or expense.

Guarantees given for transactions involving derivative financial instruments comprise the following:

CCB Brasil and CCB Brasil Consolidated					
Security	Due Date	December 2018		December 2017	
		Book value	Fair value	Book value	Fair value
LFT	03/01/2020			212,995	212,995
LFT	09/01/2020	77,213	77,213	-	-
Total		77,213	77,213	212,995	212,995

g. Hedge accounting

As from the 2015 fiscal year, CCB Brasil has contracted operations of derivative financial instruments (USDxCDI) for purposes of hedging its exposure to exchange variations of funding in foreign currency, with similar values, terms and rates, and classifies the structure as market risk hedge accounting.

CCB Brasil - Bank and Financeira hold payroll loan portfolios of public servants and retirees, and vehicle financing operations. The loans are granted 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. Therefore, to hedge the risk of the pre-fixed rate to the CDI oscillations, as from January 2017, the Bank's treasury dept. acquires future DI contracts in a ratio of amounts x maturities that offset the effect of the adjustment to market value of the hedge object, and the effects of this hedge structure of market risk are recorded exclusively in the consolidated financial statements.

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The effectiveness determined for the hedge portfolios is in conformity with the provisions of Circular No. 3,082/02 of BACEN.

At December 31, 2018, the hedge accounting structure was represented as follows:

CCB Brasil		
	Hedge instrument to market value	Hedged object to market value
Hedge of funds raised abroad	1,774,204	1,767,532

CCB Brasil Consolidated		
	Hedge instrument to market value	Hedged object to market value
Hedge of funds raised abroad	1,774,204	1,767,532
Hedge of retail portfolio	2,123,819	1,919,155

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

CCB Brasil		
	Hedge instrument to market value	Hedged object to market value
Hedge of funds raised abroad	2,741,349	2,801,698

CCB Brasil Consolidated		
	Hedge instrument to market value	Hedged object to market value
Hedge of funds raised abroad	2,741,349	2,801,698
Hedge of retail portfolio	3,075,933	2,405,064

7 Loans

a. Diversification by type of operation

	CCB Brasil		CCB Brasil Consolidated	
	December 2018	December 2017	December 2018	December 2017
Working capital and discounts	3,362,362	532,969	3,381,989	553,690
Consigned personal credit	1,075,181	825,161	1,965,708	2,298,729
Export financing	1,676,341	2,950,388	1,676,341	2,950,388
Rural and agro-industrial financing	345,856	71,501	345,856	71,501
Import financing	131,995	72,440	131,995	72,440
Financing of vehicles	221	715	139,426	263,542
Loans linked to assignments (*)	176,961	274,669	-	-
Others	145,810	166,699	146,584	164,534
Loans	6,914,727	4,894,542	7,787,899	6,377,824
Advances on export contracts (**)	1,081,121	610,056	1,082,121	610,056
Notes and credits receivable (note 10)	133,630	68,724	134,419	69,629

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Debtors for purchases of assets (note 10)	81,137	74,528	81,137	75,730
Guarantees honored	1,026	43,075	1,026	43,075
Others	1,297,914	796,383	1,298,703	798,490
Leases	-	-	43,498	31,047
Total	8,212,641	5,690,925	9,130,100	7,207,361

(*) Refers to consigned loan operations assigned with co-obligation to CCB Financeira, classified as "Consigned Personal Credit" in the consolidated financial statements.

(**) The advances on exchange contract are recorded in the balance sheet in the account "Other liabilities - Foreign exchange portfolio" (note 9), increased by interest receivable on advances granted, which are presented in the account "Other receivables - Foreign exchange portfolio".

b. Diversification by activity

	CCB Brasil		CCB Brasil Consolidated	
	December 2018	December 2017	December 2018	December 2017
Public sector	-	9,779	-	9,779
Private sector	6,916,627	4,528,238	6,916,627	4,558,288
Other services	3,125,261	4,528,238	3,158,192	4,558,288
Industry	2,512,949	1,742,067	2,517,991	1,746,633
Trade	1,208,961	529,216	1,214,488	534,166
Agribusiness	69,456	122,307	69,456	122,307
Financial intermediation	-	447	-	447
Individuals	1,296,014	1,152,908	2,169,973	2,639,294
Total	8,212,641	5,690,925	9,130,100	7,207,361

c. Diversification by term - by installment

	CCB Brasil				CCB Brasil Consolidated			
	December 2018	%	December 2017	%	December 2018	%	December 2017	%
Public sector	-	-	9,779	0.18	-	-	9,779	0.13
Due within 3 months	-	-	3,181	0.06	-	-	3,181	0.04
Due from 3 to 12 months	-	-	6,598	0.12	-	-	6,598	0.09
Private sector	8,212,641	100.00	5,681,146	99.82	9,130,100	100.00	7,197,582	99.87
Due within 3 months	1,855,348	22.59	780,546	13.72	2,047,019	22.42	1,018,972	14.14
Due from 3 to 12 months	2,352,810	28.65	1,724,010	30.28	2,581,475	28.27	2,090,875	29.01
Due over 1 year	3,914,078	47.66	3,107,645	54.61	4,396,079	48.15	3,997,089	55.46
Overdue as from 15 days	90,405	1.10	68,945	1.21	105,525	1.16	90,646	1.26
Total	8,212,641	100.00	5,690,925	100.00	9,130,100	100.00	7,207,361	100.00

d. Composition of allowance by risk level

	December 2018					
	CCB Brasil			CCB Brasil Consolidated		
Risk level	Calculation basis	Provision	%(*)	Calculation basis	Provision	%(*)
AA	2,734,546	-	33.30	2,831,030	-	31.01

(A free translation of the original in Portuguese)

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A	3,112,338	15,561	37.90	3,724,049	18,620	40.79
B	1,706,422	17,064	20.78	1,711,423	17,114	18.74
C	79,194	2,376	0.96	201,086	6,032	2.20
D	48,832	4,883	0.59	53,378	5,338	0.58
E	50,593	15,178	0.62	57,522	17,257	0.63
F	74,967	37,484	0.91	79,399	39,700	0.87
G	97,568	68,298	1.19	121,133	84,793	1.33
H	308,181	308,181	3.75	351,080	351,080	3.85
Total	8,212,641	469,025	100.00	9,130,100	539,934	100.00

(*) Percentage of loan portfolio by rating on the total portfolio.

December 2017						
Risk level	CCB Brasil			CCB Brasil Consolidated		
	Calculation basis	Provision	%(*)	Calculation basis	Provision	%(*)
AA	1,639,140	-	28.79	1,730,445	-	24.01
A	1,942,594	9,712	34.14	3,201,124	16,005	44.41
B	855,767	8,558	15.04	882,255	8,823	12.24
C	484,448	14,533	8.51	529,782	15,892	7.35
D	121,135	12,113	2.13	141,213	14,121	1.96
E	276,098	82,830	4.85	292,537	87,761	4.06
F	65,808	32,904	1.16	75,359	37,679	1.05
G	123,976	86,783	2.18	133,559	93,492	1.85
H	181,959	181,959	3.20	221,087	221,087	3.07
Total	5,690,925	429,392	100.00	7,207,361	494,860	100.00

(*) Percentage of loan portfolio by rating on the total portfolio.

e. Risk concentration level

	CCB Brasil Consolidated			
	December 2018		December 2017	
	R\$	%	R\$	%
10 largest debtors	2,367,243	25.93	1,854,846	25.74
100 largest debtors	6,299,055	68.99	4,099,810	56.88

f. Loan assignments

f.1 Interbank loan assignments

In the year ended December 31, 2018, there were consignment credit assignment operations with the subsidiary, CCB Brasil S.A. Crédito, Financiamentos e Investimentos. As established in CMN Resolution No. 3,533/08, which determined new criteria for accounting recognition and classification of credit assignment operations, effective as of January 1, 2012, said assignments are classified in the category of "transactions with substantial retention of risks and benefits" with an amount of R\$ 176,961 (December 2017 - R\$ 274,669), and the amount recorded as liabilities for operations related to the assignment is R\$ 192,674 (December 2017 - R\$ 297,338). The expense recorded in the first half, 2018 of related obligations was R\$ 46,408 (December 2017 - R\$ 93,979), arising from the appropriation "pro rata temporis" for the term of each loan agreement. The assignments are subject to the application of Resolution No. 2,682/99, for purposes of credit risk classification and constitution of allowance for doubtful accounts.

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f.2 Assignment of loans to a non-financial company

In the year ended December 31, 2018, were made credit assignments operations with a substantial transfer of risks and benefits, to unrelated entities which were not members of the Brazilian financial system. The result on these assignments amounted to R\$ 8.717 (December 2017 - R\$ 1,578). At December 31, 2018 there were no assignments of loans to non-financial and unrelated companies (December 2017 – R\$ -). Also were assignments of loans previously written off, the result on these assignments amounted to R\$ 50 (December 2017 – R\$ 435).

f.3 Assignment of loans to credit securitization (unrelated companies)

In the year ended December 31, 2018, 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 benefits", resulting in the recognition of expenses in the amount of R\$ 19,730 (December 2017 - R\$ -140,295), besides loan operations previously written off, resulting in the recognition of revenue in the amount of R\$ 93.694 (December 2017 - R\$ 182,310). 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.

g. Lease operations

The amount of leasing transactions is controlled and represented by their respective present values, as determined based on the internal rate of return of each contract. Pursuant to the applicable Brazilian Central Bank rules, these amounts are presented in various balance sheet accounts and can be summarized as follows:

	CCB Brasil Consolidated	
	December 2018	December 2017
Lease receivables	33,973	26,001
Unearned lease income	(33,973)	(25,820)
Leased assets	83,224	105,658
Depreciation surplus	19,173	17,533
Depreciation of leased assets	(36,773)	(64,011)
Losses on lease operations to be amortized	4,838	6,773
Anticipated residual value	(26,964)	(35,087)
Total lease portfolio	43,498	31,047

8 Allowance for loan losses

Changes in the allowance for loan losses

	CCB Brasil		CCB Brasil Consolidated	
	December 2018	December 2017	December 2018	December 2017
Opening balance	429,392	454,588	494,860	498,319

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Notes to the financial statements for the year ended December 31, 2018

(All amounts in thousands of Reais unless otherwise stated)

Allowance constituted in the period for loans	349,119	519,908	440,556	604,815
Reversal of allowance for loans in the period	(10,450)	(62,812)	(19,772)	(66,602)
Reversal of the allowance on assigned loans	(31,297)	(195,943)	(31,297)	(195,943)
Subtotal	736,764	715,741	884,347	840,589
Write-offs	(267,739)	(289,349)	(344,413)	(345,729)
Closing balance	469,025	429,392	539,934	494,860
Recovery of written off loans	59,958	62,504	75,669	77,179
Renegotiated loans	389,700	430,207	683,364	707,968
% of allowance on the loan portfolio	5.91	7.55	5.71	6.87

9 Foreign exchange portfolio

	CCB Brasil and CCB Brasil Consolidated	
	December 2018	December 2017
Assets		
Foreign exchange purchased to be settled	1,121,565	1,152,998
Rights on sales of foreign exchange	12,247	512,628
Advances received in local currency	(2,470)	(130)
Income receivable on advances on foreign exchange contracts	20,073	11,156
Total	1,151,415	1,676,652
Liabilities		
Foreign exchange sold to be settled	36,687	512,818
Liabilities for foreign exchange purchases	1,069,325	1,133,096
Advances on foreign exchange contracts	(1,062,048)	(598,900)
Foreign currency liabilities	32	-
Unearned income on advances conceded	-	9
Total	43,996	1,047,023

10 Other receivables - Sundry

	CCB Brasil		CCB Brasil Consolidated	
	December 2018	December 2017	December 2018	December 2017
Debtors for guaranteed deposits (note 22d)	426,262	474,616	433,948	481,732
Accounts receivable (*)	141,103	93,251	149,122	100,239
Debtors for the purchase of assets (note 7a)	81,137	74,528	81,137	75,730
Taxes recoverable and to be offset	25,206	17,472	49,963	46,031
Payments to be refunded	27,400	37,994	28,552	39,459
Salary advances and prepayments	1,144	818	1,258	917
Advances for payments	62	3,871	62	3,872
Sundry domestic debtors	18,615	33,966	19,534	38,936
Total	720,929	736,516	763,576	786,916

(A free translation of the original in Portuguese)

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Notes to the financial statements for the year ended December 31, 2018

(All amounts in thousands of Reais unless otherwise stated)

(*) Includes amounts receivable for the acquisition of financial instruments of operations with credit characteristics in the amount of R\$ 133,630 (December 2017 - R\$ 69,629), according to explanatory note 7a. Also includes amounts receivable of R\$ - (December 2017 - R\$ 14,426) from securities issued to cover federal government debts and R\$ 5,661 (December 2017 - R\$ 7,799) receivable from public agencies referring to consigned credit transfers, all classified as operations without loan characteristics.

11 Other assets

Other assets principally represent assets received in settlement of loan operations.

Management conducted an "impairment analysis" which resulted in the recording of a provision for losses shown in the table below:

	CCB Brasil		CCB Brasil Consolidated	
	December 2018	December 2017	December 2018	December 2017
Property	368,423	374,744	371,062	377,384
Machinery and equipment	26,877	27,972	27,122	28,402
Vehicles and similar assets	1,815	2,209	11,271	16,779
Material in stock	74	82	74	82
Others	742	742	743	742
Subtotal	397,931	405,749	410,272	423,389
Provision for losses on other assets	(155,428)	(135,436)	(163,059)	(142,882)
Total	242,503	270,313	247,213	280,507

12 Fixed assets

a. Investments

See details of investments in subsidiary companies in Note 14.

b. Fixed assets for own use

	CCB Brasil						CCB Brasil Consolidated	
	Cost		Provision for loss		Accumulated depreciation		Net book value	
	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017
Land	107	350	-	-	-	-	107	350
Buildings	85,522	91,832	-	(27)	(50,015)	(49,548)	35,507	42,257
Machinery and equipment for own use	14,890	14,949	(1,132)	(1,010)	(10,062)	(9,213)	3,696	4,726
Installations	-	-	-	-	-	-	-	-
Data processing system	9,711	10,736	(15)	(15)	(9,458)	(10,444)	238	277
Transport system	994	994	-	-	(954)	(782)	40	212
Communication system	1,774	1,874	(326)	(334)	(1,081)	(1,119)	367	421
Security system	1,411	1,411	(46)	(47)	(991)	(876)	374	488
Total	114,409	122,146	(1,519)	(1,433)	(72,561)	(71,982)	40,329	48,731

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Notes to the financial statements for the year ended December 31, 2018

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c. Intangible assets

c.1 Intangible assets

The Intangible Assets have defined useful lives and comprise the following:

	CCB Brasil						CCB Brasil Consolidated	
	Cost		Accumulated amortization		Net Amount		Net Amount	
	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017	December 2018	December 2017
Software	19,185	17,011	(15,222)	(12,128)	3,963	4,883	3,992	4,892
Goodwill (*)	-	-	-	-	-	-	14,902	25,421
Total	19,185	17,011	(15,222)	(12,128)	3,963	4,883	18,894	30,313

c.2 Movement of intangible assets

	December 2017	Additions/write-offs	Amortization	December 2018
CCB Brasil	4,883	2,174	(3,094)	3,963
Software	4,883	2,174	(3,094)	3,963
CCB Brasil Consolidated	30,313	2,206	(13,625)	18,894
Software	4,892	2,206	(3,106)	3,992
Goodwill (*)	25,421	-	(10,519)	14,902

	December 2016	Addition/write-offs	Amortization	December 2017
CCB Brasil	3,214	4,762	(3,093)	4,883
Software	3,214	4,762	(3,093)	4,883
CCB Brasil Consolidated	39,225	4,762	(13,675)	30,313
Software	3,286	4,762	(3,156)	4,892
Goodwill (*)	35,939	-	(10,519)	25,421

(*) The goodwill determined on the acquisition of the company CCB Brasil Financeira S.A., on November 03, 2009, corresponding to the sum of the amount paid in the transaction and the amount of negative net worth, resulted in the amount of R\$ 105,190. This goodwill is supported by the projections of results, which takes into consideration the effects of the synergy identified in the realization of the retail operations, in conjunction, of CCB Brasil and CCB Brasil Financeira S.A. as stated in the valuation report prepared by a specialized company. The expectation for realization of the goodwill is 10 years, and it is being amortized on a straight line basis over the same period.

13 Overseas branch

At the date of the balance sheet, the operations conducted by the Cayman Islands Branch presented a net equity of R\$ 498,936 (December 2017 - R\$ 326,784) and total assets of R\$ 6,093,261 (December 2017 - R\$ 4,255,120).

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China Construction Bank (Brasil) Banco Múltiplo S.A. and subsidiary companies

Notes to the financial statements for the year ended December 31, 2018

(All amounts in thousands of Reais unless otherwise stated)

14 Investment in domestic subsidiaries - Multiple Bank

The main information on the Bank's subsidiaries is presented below:

Company name	December 2018					December 2017	
	Number of shares / quotas held	Investment percentage	Shareholders' /quotaholders' equity	Net income (loss) for the period	Equity	Book value of investments	Book value of investments
CCB Brasil Arrendamento Mercantil S.A.	180,920,168	100%	263,222	19,136	19,136	263,222	258,577
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A.	14,223,228	100%	20,696	930	930	20,696	20,617
CCB Brasil Informática S.A.	50,000	100%	753	23	23	753	730
CCB Brasil Adm. Cartão Créd. Ltda,	3,670,000	100%	10,056	(620)	(3,764)	10,056	13,821
CCB Brasil S.A. CFI (*)	116,405,774	100%	64,073	(35,425)	(35,425)	73,048	118,991
Brasil Factors S.A. (**)	62,931	50%	(2,450)	(2,700)	(1,350)	(1,225)	125
Total					20,450	366,550	412,861

(*) Includes goodwill, net of amortization, in the amount of R\$ 14,902 (December 2017 - R\$ 25,421) determined on the acquisition of CCB Brasil S.A. – CFI.

(**) In 2018, due to the debt balance of the Shareholders' Equity of BrasilFactors S.A, the amount equivalent to the Bank's interest is recorded in "Other liabilities - other domestic creditors"

15 Related party transactions

a. Related party transactions

The Bank and its subsidiaries undertake transactions among themselves, which were eliminated in the consolidation process.

The balances of operations between China Construction Bank (Brasil) Banco Múltiplo S.A. and its direct and indirect subsidiaries and key management personnel are presented below:

	Assets (Liabilities)		Revenues (Expenses)	
	December 2018	December 2017	December 2018	December 2017
Available financial resources in foreign currencies	9,388	77,664		-
China Construction Bank Corporation (d)	9,388	77,664		-
Interbank funds applied in interbank deposits – CDI	953,798	1,682,610	184,113	294,457
CCB Brasil S.A.- Crédito, Financiamentos e Investimentos (a)	953,798	1,682,610	184,113	294,457
FIDC Quotas	44,709	22,836	1,700	2,738
FIDC Brasil Factors (b)	44,709	22,836	1,700	2,738
Credit Assignments operations	-	-	-	13
CCB Brasil S.A.- Crédito, Financiamentos e Investimentos (a)	-	-	-	13
Credit assignments operations – Res. No 3,533	192,672	297,338	47,166	93,979
CCB Brasil S.A.- Crédito, Financiamentos e Investimentos (a)	192,672	297,338	47,166	93,979
Others credits – income receivable	5,249	-	15,343	-
CCB Brasil Arrendamento Mercantil S.A. (a)	5,100	-	14,491	-
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A. (a)	149	-	852	-
Demand deposits	(1,994)	(2,473)	-	-
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A. (a)	(24)	(33)	-	-
-CCB Brasil Arrendamento Mercantil S.A. (a)	(58)	(62)	-	-
CCB Brasil Informática S.A. (a)	(2)	(2)	-	-

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	Assets (Liabilities)		Revenues (Expenses)	
	December 2018	December 2017	December 2018	December 2017
CCB Brasil Administradora de Cartões de Crédito Ltda (a)	(106)	(145)	-	-
CCB Brasil S.A.- Crédito, Financiamentos e Investimentos (a)	(1,201)	(1,535)	-	-
Brasil Factors (f)	(2)	(1)	-	-
CCB Brazil Financial Holding Ltda (e)	(36)	(27)	-	-
Control and management key personnel (c)	(565)	(668)	-	-
Interbank deposits	(257,208)	(267,721)	(16,933)	(18,947)
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A. (a)	(20,989)	(21,324)	(1,312)	(2,003)
CCB Brasil Arrendamento Mercantil S.A. (a)	(236,219)	(246,397)	(15,621)	(16,944)
CCB Brasil S.A.- Crédito, Financiamentos e Investimentos (a)	-	-	-	-
Time deposits	(185,366)	(177,418)	(11,654)	(11,275)
CCB Brasil Informática S.A. (a)	(727)	(730)	(46)	(68)
CCB Brasil Administradora de Cartões de Crédito Ltda (a)	(8,401)	(12,130)	(672)	(1,180)
CCB Brasil Promotora de Vendas Ltda. (b)	(1,613)	(1,633)	(102)	(118)
Brasil Factors (f)	(116)	(590)	(18)	(230)
FIDC Brasil Factors (b)	(3,684)	(4,411)	(619)	(1,861)
CCB Brazil Financial Holding Ltda (e)	(168,463)	(157,686)	(157,686)	(7,774)
Key management personnel (c)	(2,362)	(238)	(44)	(44)
Repurchase Operations	(30,500)	(26,551)	(2,893)	(9,250)
CCB Brasil Arrendamento Mercantil S.A. (a)	(6,362)	(7,583)	(433)	(4,805)
CCB Brasil S.A.- Crédito, Financiamentos e Investimentos (a)	(20,603)	(18,968)	(2,443)	(4,445)
CCB Brasil Administradora de Cartões de Crédito Ltda (a)	(3,535)	-	(17)	-
LCA	(6,597)	(2,793)	(397)	(113)
Control and Management Key Personnel (c)	(6,597)	(2,793)	(397)	(113)
LCI	(697)	(122)	(17)	(58)
Control and Management Key Personnel (c)	(697)	(122)	(17)	(58)
NDF	(689)	(267)	1,861	999
Brasil Factors (f)	(689)	(267)	1,861	999
Borrowings	(5,779,755)	(6,111,130)	(1,176,811)	(665,045)
China Construction Bank Corporation (d)	(5,779,755)	(6,111,130)	(1,176,811)	(665,045)
Services rendered	(20)	(1)	(69)	(12)
CCB Brasil Arrendamento Mercantil S.A. (a)	(20)	(1)	(69)	(12)

Being:

- (a) Direct Subsidiaries
- (b) Indirect Subsidiaries
- (c) Key Management Personnel
- (d) Indirect Foreign Controlling Company (note 1)
- (e) Direct Controlling Company
- (f) Join Venture

a.1 Maturities and rates of the operations

The interbank investments with post-fixed interest are valued at the "average CDI" (Interbank Deposit Certificate Rate) of 105% (December 2017 - 105%) and the pre-fixed interest investments at the average rate of 15,08% p.a. (December 2017 - 15.07% p.a.); the repurchase operations were conducted at average rates of 6.4% p.a. (December 2017 - 6.9% p.a.) with maturity on January 2, 2019 and backed by securities maturing in up to 2 years (December 2017 - up to 3 years); the LCA operations (Agribusiness Credit Bills) were conducted at interest rates of 96% of CDI (December 2017 - 96 %) and with final maturity in up to 2 years (December 2017 - up to 3 year). The LCI operations were conducted with rates of 96% of CDI (December 2017 - 96%) and with final maturity in up to 1 year (December 2017 - up to 3 years). The time deposits are remunerated at the average rate of 101% of the CDI (December 2017 - 101% of

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CDI), directly related to the amount invested, with final maturity in up to 2 years (December 2017 - up to 3 years). The borrowings were conducted at the average rate of 3.40% p.a. (December 2017 – 3.01% p.a.) plus foreign exchange variations, with final due date within 8 years (December 2017 – up to 1 year). The information regarding the loan assignment operations with related parties is included in the explanatory note 7f.

b. Remuneration of key management personnel - CCB Brasil Consolidated

The maximum aggregate remuneration defined for the members of the Board of Directors, the Executive Board and the Audit Committee, as well as the defined maximum limit for the participation of Management in the profit for the period, when applicable, in compliance with the limitations established by CMN Resolution No. 3,921/10, is established at the Annual General Meeting of Shareholders.

During the years 2018 and 2017, the Board of Directors did not approve payments of profit sharing to Management, because of the negative accounting results.

b.1 Short-term benefits - Board of Directors, Executive Board and Audit Committee

	CCB Brasil		CCB Brasil Consolidated	
	December 2018	December 2017	December 2018	December 2017
Fixed remuneration	16,384	15,578	16,831	16,010
Others	1,059	1,568	1,059	1,568
Total	17,443	17,146	17,890	17,578

b.2 Long-term benefits

CCB Brasil does not offer long-term indemnity benefits for the rescission of labor contracts of the key management personnel.

16 Deposits

Distribution by term

	CCB Brasil					CCB Brasil Consolidated
	December 2018					December 2018
	Demand deposits	Time deposits (*)	Interbank deposits	Savings deposits	Total	Total
No due date	85,706	-	-	3,241	88,947	87,557
Up to 3 months	-	229,344	242,661	-	472,005	257,477
3 months to 1 year	-	1,078,400	120,484	-	1,198,884	1,153,610
1 to 3 years	-	1,623,565	27,678	-	1,651,243	1,643,096
Total	85,706	2,931,309	390,823	3,241	3,411,079	3,141,740

(*) Of the total amount of time deposits with a maturity over one year, the amount of R\$ 1,329,809 refers to funding obtained in time deposits with a liquidity commitment, which is registered at B3 S.A. - Brasil, Bolsa, Balcão and classified in current liabilities in the balance sheet.

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(All amounts in thousands of Reais unless otherwise stated)

	CCB Brasil					CCB Brasil Consolidated
	December 2017					December 2017
	Demand deposits	Time deposits (*)	Interbank deposits	Savings deposits	Total	Total
No due date	88,247	-	-	7,393	95,640	93,863
Up to 3 months	-	294,857	396,791	-	691,648	423,928
3 months to 1 year	-	1,821,165	183,777	-	2,004,942	2,000,287
1 to 3 years	-	635,125	2,731	-	637,856	628,017
3 to 5 years	-	-	27,241	-	27,241	27,241
Total	88,247	2,751,147	610,540	7,393	3,457,327	3,173,336

(*) Of the total amount of time deposits with a maturity over one year, the amount of R\$ 372,734 refers to funding obtained in time deposits with a liquidity commitment, which is registered at B3 S.A. - Brasil, Bolsa, Balcão and classified in current liabilities in the balance sheet.

17 Funds obtained in the open market and resources from notes issued

a. Funds obtained in the open market

The funds are basically represented by repurchase commitments of securities at fixed prices, to be settled on January 2, 2019, June 12, 2019 and February 28, 2020, backed by LFT with a maturity in September 2022.

b. Resources from notes issued

The resources are comprised by LCA- Letras de Crédito de Agronegócio (Agribusiness Bills), LF - Letras Financeiras (Financial Bills) and LCI - Letras de Crédito Imobiliário (Real Estate Bills), distributed as follows:

	CCB Brasil and CCB Brasil Consolidated					
	December 2018			December 2017		
	LCI	LCA	LF	LCI	LCA	LF
Up to 3 months	23,617	162,201	2,276	23,663	43,149	10,468
3 months to 1 year	18,326	400,218	137,971	13,358	91,049	17,337
1 to 3 years	2,839	41,604	401,686	319	19,910	131,379
3 to 5 years	-	-	-	602	-	-
Total	44,782	604,023	541,933	37,942	154,108	159,184

18 Foreign currency borrowings and onlendings

The borrowings basically refer to the funds raising for import and export financing and the onlendings were granted by the Parent Company abroad and multilateral agencies, on which fixed charges are due at the average rate of 3.41% p.a. (December 2017 – 2.64% p.a.). The maturities are as follows:

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	CCB Brasil Consolidated			
	December 2018		December 2017	
	R\$	%	R\$	%
Up to 3 months	2,209,441	32.44	1,732,626	26.54
3 months to 1 year	4,472,505	65.67	4,469,411	68.47
1 to 3 years	67,815	1.00	210,889	3.24
3 to 5 years	42,497	0.62	83,671	1.28
Over 5 years	18,248	0.27	30,934	0.47
Total	6,810,506	100.00	6,527,531	100.00

In December 2017, the foreign borrowing and onlendings operations, which contain restrictive clauses ("covenants"), are classified as current liabilities in the balance sheet because of non-compliance with some financial ratios. However, the note above maintains the previously established maturities, considering the success of the waivers obtained in the past, also in December 2017, the expenses associated to the raising of funds in the amount of R\$ 34 were recorded as a reduction of the respective funding and appropriated to the result over the term of the operation.

The Bank has loan operations with its parent company in China in the total amount of R\$ 5,779,755 (December 2017 R\$ 6,111,130), with final due date within 8 years, automatically renewable, according to the need to liquidity of the CCB Brasil Conglomerate.

In 2017, the Bank made funding linked to loan operations of its portfolio in accordance with the conditions established by the CMN Resolution No. 2,921/02, such as:

- I - linkage between the funds raised and the corresponding loan operation of the bank's portfolio;
- II - subordination of the requisite of funds raised to the flow of payments of the related loan operation;
- III – enough remuneration of the loan operation linked to cover the costs of the funding operation;
- IV - compatibility between the cash flows of the related loan operation and the funding operation;
- V - the duration of the funding operation equal to or greater than those of the related loan operation;
- VI - postponement of any payment to the creditor, including charges or amortization, in case of default in the related loan operation;
- VII - non-payment, total or partial, of the principal and of charges to the creditor, in the event that the execution of guarantees is not sufficient for the settlement of the related loan operation, or in other situations of non-liquidation of that transaction.

Therefore, in order to present the best estimate of expected disbursement in relation to the related obligation, as well as the reduction of asymmetries, Management rectified the balance of the group "Foreign Funds" by the amount of R\$ 398,589 (December 2017 – R\$ 152,244), of which R\$ 246,345 (December 2017 – R\$ 152,244) as a contra-entry to income for the period,

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based on the deterioration of the credit quality of the related assets, in addition to the realization value of the guarantees obtained in each operation.

As of December 31, 2018, the amount of funding related to operations is R\$ 558,095 (December 2017 – R\$ 641,841) and the balance of loan operations is R\$543,558 (December 2017 – R\$ 613,126), of which R\$ 66,689 (December 2017 – R\$ 267,385) are represented by credits with a certain overdue portion of more than 1 day.

19 Liability for local onlendings

The liability is represented by onlendings from the Ministry of Agriculture in the modality of FUNCAFÉ (Fund for the Defense of the Coffee Economy) with maturities up to August 2020 and the Ministry of Cities in the modalities of PSH - Social Program of Housing and PMCMV - *My Home My Life Program*, without final maturity dates.

20 Other liabilities - Tax and social security contributions

	CCB Brasil		CCB Brasil Consolidated	
	December 2018	December 2017	December 2018	December 2017
Provision for deferred tax (note 26c)	196,107	97,513	239,824	138,391
Taxes and contributions payable	10,564	9,424	13,865	11,646
Taxes and contributions payable on profits	-	-	621	30,650
Provision for taxes and contributions on profit	-	-	7	354
Total	206,671	106,937	254,317	181,041

21 Other liabilities - Sundry

	CCB Brasil		CCB Brasil Consolidated	
	December 2018	December 2017	December 2018	December 2017
Provision for liabilities classified probable losses (*)	834,481	853,924	872,032	888,611
Allowance for losses on guarantees provided (note 29)	63,079	152,863	63,079	152,863
Provision for payments	42,730	15,717	54,569	26,772
Other domestic creditors	33,599	60,889	37,528	52,783
Liabilities for sale/transfer of financial assets (**)	192,674	297,338	-	-
Banker's checks	-	399	-	399
Total	1,166,563	1,381,130	1,027,208	1,121,428

(*) Refers to the provision for labor, civil and tax proceedings (note 22).

(**) Refers to the balance of obligations for the assignment of intergroup credit operations with a substantial retention of risk, to be amortized by repasses to the assignees. The costs of this obligation will be recognized in the statement of operations during the term of the contract.

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22 Provision, contingent and legal obligations

CCB Brasil and its subsidiaries are parties to legal and/or administrative proceedings arising from the normal course of operations, involving civil, labor, tax and social security issues.

a. Contingent assets

Contingent assets are not recognized.

b. Provision classified probable losses and legal obligations

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. The most significant issues are:

CSLL Social Contribution on Net Income - equality

Amount involved R\$ - (December 2017 - R\$ 149,299) in the Bank and in the Consolidated: 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. Due to the unfavorable decision to the taxpayer, the amounts deposited were converted into federal revenues, carrying then accounting adjustments related to the write-offs of the contingent liability provisions and of the amounts recorded in the assets as escrow deposits.

Social Contribution on Revenues (COFINS) Law No. 9,718/98

Amount involved R\$ 522,987 (December 2017 - R\$ 504,977) in CCB Brasil and R\$ 539,751 (December 2017 - R\$ 521,134) in CCB Brasil Consolidated: 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\$ 27,447 (December 2017 - R\$ 26,247), has been deposited in Court in CCB Brasil and R\$ 30,136 (December 2017 - R\$ 28,812) in CCB Brasil Consolidated.

Social Integration Program (PIS) Law No. 9,718/98

Amount involved R\$ 84,928 (December 2017 - R\$ 82,003) in CCB Brasil and R\$ 85,731 (December 2017 - R\$ 82,782) in CCB Brasil Consolidated: 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\$ 94,781 (December 2017 - R\$ 90,225), has been deposited in Court.

PIS - Constitutional Amendment No. 10/96

Amount involved R\$ 18,275 (December 2017 - R\$ 17,583) in the Bank and in the Consolidated: 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

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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. The amount involved has been deposited in Court.

Service Tax (ISS) - Taxed Services - Taxation of the List of Services Attached to Circular (LC) No. 56/87

Amount involved R\$ 1,272 (December 2017 - R\$ 1,199) in the Bank and in the Consolidated. The Group requests the extinguishing 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 has been deposited in Court.

Labor lawsuits

CCB Brasil is party to 159 labor lawsuits (December 2017 - 130) and CCB Brasil Consolidated to 212 lawsuits (December 2017 - 180) assessed by the legal advisors as probable losses, which were fully covered by provisions totaling R\$ 54,991 (December 2017 - R\$ 43,045) in the Bank and R\$ 58,884 (December 2017 - R\$ 45,608) in the Consolidated. There are 124 lawsuits (December 2017 - 168) in the Bank and 157 lawsuits (December 2017 - 193) in the Consolidated, for which the claimed indemnities amounts to R\$ 6,613 (December 2017 - R\$ 9,913) in the Bank, and R\$ 8,374 (December 2017 - R\$ 11,185) in the Consolidated, which are classified as 'possible losses' and for which no provision was recorded.

According to the legal advisors, the maximum amount of possible indemnities for these lawsuits is R\$ 6,558 (December 2017 - R\$ 8,815) in the Bank and R\$ 8,319 (December 2017 - R\$ 10,087) in the Consolidated. The contingencies are related to lawsuits in which labor issues are discussed, in relation to the specific labor legislation, such as overtime, salary parity, additional remuneration for transfers and related matters.

Civil lawsuits

CCB Brasil is party to 243 civil lawsuits (December 2017 - 239) and the Consolidated entities are parties to 2,975 lawsuits (December 2017 - 3,066), assessed as probable losses, which were fully covered by provisions totaling R\$ 152,028 (December 2017 - R\$ 55,818) in the Bank, and R\$ 168,119 (December 2017 - R\$ 71,006) in the Consolidated. CCB Brasil is also party to 402 lawsuits (December 2017 - 455) and 422 lawsuits (December 2017 - 478) in the Consolidated, for which the claims amount to R\$ 455,446 (December 2017 - R\$ 506,212) in the Bank and R\$ 478,434 (December 2017 - R\$ 515,664) in the Consolidated, which are classified as possible losses and therefore no provision was recorded. According to the estimates of the legal advisors, the maximum amount of indemnities in respect of these lawsuits is R\$ 288,378 (December 2017 - R\$ 277,545) in the Bank and R\$ 306,414 (December 2017 - R\$ 286,990) in the Consolidated. The contingencies generally originate from a review of contracts and indemnities for property damages and pain and suffering, the major part being discussed in the Special Civil Court.

c. Tax and social security proceedings 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 proceeding. 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:

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ISS - List of Taxable Services (Attachment to Circular Letter (LC) No. 56/87) - Amount involved R\$ 21,707 (December 2017 - R\$ 20,468) in the Bank and the Consolidated: 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 Circular Letter is merely illustrative, which is not in accordance with the jurisprudence of the Superior Court. The amount involved has been deposited in Court.

Allowance for doubtful debts/1994 - Amount involved R\$ 25,525 (December 2017 - R\$ 24,639) in the Bank and the Consolidated: 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 has been deposited in Court.

INSS - Management's profit sharing - Amount involved R\$ 118,835 (December 2017 - R\$ 102,953) in the Bank and the Consolidated: The Group requests the reversal of the alleged INSS debit, relating to the base periods from 2006 to 2012, assessed 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\$ 88,567 (December 2017 – R\$ 82,588) in the Bank and in the Consolidated. The Group requests the extinguishing of the IRPJ /CSLL debit, related to the base period of 2012, assessed through 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. Changes in provisions for "legal obligations" and "contingent liabilities" classified as probable losses.

Description	CCB Brasil					CCB Brasil Consolidated	
	December 2017	Additions	Reversals	Restatement	Written off	December 2018	December 2018
Civil (*)	55,818	101,222	(10,420)	8,508	(3,100)	152,028	168,119
Labor	43,045	9,752	(6,318)	8,757	(245)	54,991	58,884
Subtotal	98,863	110,974	(16,738)	17,265	(3,345)	207,019	227,003
Tax and social security	December 2017	Additions	Reversals	Restatement	Written off	December 2018	December 2018
CSLL - Rate equality - 2008 onwards	149,299	-	-	5,385	(154,684)	-	-
PIS - Gross operating revenue – Circular Letters No. 10/96	17,583	-	-	692	-	18,275	18,275
PIS – Increase in calculation basis - Law No. 9,718/98	82,003	-	-	2,925	-	84,928	85,731
COFINS - Increase in calculation basis - Law	504,977	-	-	18,010	-	522,987	539,751

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No. 9,718/98

ISS - Non-taxable

Services - Circular Letter

No. 56/87

	1,199	-	-	73	-	1,272	1,272
Subtotal	755,061	-	-	27,085	(154,684)	627,462	645,029
Total	853,924	110,974	(16,738)	44,350	(158,029)	834,481	872,032

(*) During the second half 2018, the Bank reclassified the amount of R\$ 93,445 Provision of Guarantees provided to Provisions for civil contingencies, based on judicial discussion that classifies it as “probable losses” (note 29).

For the above contingencies, CCB Brasil Consolidated has deposited in guarantee (note 10 - Other Receivable - Other) the amount of R\$ 117,859 for civil lawsuits, R\$ 25,025 for labor lawsuits and R\$ 291,064 for tax lawsuits, and CCB Brasil has deposited as guarantee the amount of R\$ 117,668 for civil lawsuits, R\$ 20,574 for labor lawsuits and R\$ 288,020 for tax lawsuits.

Description	CCB Brasil					CCB Brasil Consolidated	
	December 2016	Additions	Reversals	Restatement	Written off	December 2017	December 2017
Civil	56,741	963	(2,414)	22,484	(21,956)	55,818	71,006
Labor	38,835	5,876	(1,937)	6,363	(6,092)	43,045	45,608
Subtotal	95,576	6,839	(4,351)	28,847	(28,048)	98,863	116,614
Tax and social security	December 2016	Additions	Reversals	Utilization	Written off	December 2017	December 2017
CSLL - Rate equality - 2008 onwards	140,644	-	-	8,655	-	149,299	149,299
PIS - Gross operating revenue - Circular Letters No. 10/96	12,511	-	-	5,072	-	17,583	17,583
PIS - Increase in calculation basis - Law No. 9,718/98	77,301	-	-	4,702	-	82,003	82,782
COFINS - Increase in calculation basis - Law No. 9,718/98	476,029	-	-	28,948	-	504,977	521,134
ISS - Non-taxable Services - Circular Letter No. 56/87	1,679	-	(574)	94	-	1,199	1,199
Subtotal	708,164	-	(574)	94	-	755,061	771,997
Total	803,740	6,839	(4,925)	76,318	(28,048)	853,924	888,611

For the above contingencies, CCB Brasil Consolidated has deposited in guarantee (note 10 - Other Receivable - Other) the amount of R\$ 112,802 for civil lawsuits, R\$ 22,840 for labor lawsuits and R\$ 346,018 for tax lawsuits, and CCB Brasil has deposited as guarantee the amount of R\$ 112,653 for civil lawsuits, R\$ 18,827 for labor lawsuits and R\$ 343,064 for tax lawsuits.

23 Funding and foreign borrowings

a. Subordinated Debt

Subordinated debt is represented by funds which comprise the Tier II Capital for purposes of the computation of the operational limit, as follows:

CCB Brasil and CCB Brasil Consolidated							
Funding	Value	Issuance	Maturity	Issue value	Interest rate (p.a.)	December 2018	December 2017
Subordinated CDB	R\$ 200,000	11/03/2009	11/04/2019	200,000	100% Selic	488,817	459,343
Eurobonds	US\$ 300,000	04/27/2010	04/27/2020	529,153	8.50%	1,066,226	908,678
Total - Capital Tier II						1,555,043	1,368,021

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b. Debt Instrument eligible to Capital

CCB Brasil and CCB Brasil Consolidated							
Funding	Value	Issuance	Maturity	Issue value	Interest rate (p.a.)	December 2018	December 2017
EMTN - ITB Tier II	US\$ 100,000	09/29/2015	09/29/2025	397,299	7.20%	394,532	336,821
EMTN - ITB Tier I	US\$ 70,000	12/30/2016	12/30/2021	228,025	8.00%	271,236	231,560
Total - Capital Tier						665,768	568,381

24 Deferred Income

Deferred income refers to income received before the completion of the term of the obligation from which they originated, in respect of which there is no potential of liability and the appropriation of which as income only depends on the lapse of time.

25 Shareholders' equity

a. Shares

The Bank's capital is R\$ 2,956,864 (December 2017 - R\$ 2,956,864) represented by 465,631,466 (December 2017 - 465,631,466) nominative shares, of which 297,223,908 (December 2017 - 297,223,908) are common shares and 168,407,558 (December 2017 - 168,407,558) preferred shares, without par value.

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 verifying 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 remaining in circulation after the OPA auction, held on October 1, 2016. The amount payable is R\$ 7.30 (in Reais) per share adjusted by the SELIC variation since August 29, 2014, totaling the amount of R\$ 25,160 is being settling since January 4, 2018, the reduction being reflected in the capital reserves account, without the necessity to decrease capital.

The CCB Brasil shareholder's structure was as follows:

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Shareholder	Participation (%)	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, 2018 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 remuneration 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 market value for these shares.

Therefore, the number of treasury shares at December 31, 2018 corresponds to 6,398,518 shares in the amount of R\$ 55,105 (December 2017 - R\$ 55,105).

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.

d. Reserves - because of the losses incurred, there were no constitution of reserves.

26 Income tax and social contribution

The tax credits and deferred tax liabilities related to the Social Contribution on Net Income (CSLL), calculated up to December, 31 2018, based on the assumptions of the Technical Study for Tax Credits, were calculated at the rate of 20% for the period 2016 to 2018 and 15% for the years beginning in 2019, inclusive.

a. Tax credits

The deferred income tax and social contribution recorded in CCB Brasil - "Non-current assets - Other receivables - Sundry" and "Non-current liabilities - other liabilities - tax and social security contributions" presented the following movement:

Description	December 2017	Realization	Additions	CCB Brasil		December 2018	December 2018
				Adjustments (CSLL) 15% - 20%	Write-off Res. 3.059/02		
Income tax							
Allowance for loan losses	97,579	(16,301)	76,956	-	-	158,234	181,872
Provision for impairment of assets not for own use	33,859	(5,183)	10,181	-	-	38,857	40,872
Provision for contingencies and others	237,347	(59,642)	80,635	-	-	258,340	267,692
Subtotal	368,785	(81,126)	167,772	-	-	455,431	490,436
Tax losses	269,910				(63,679)	206,231	217,011
Subtotal - IRPJ tax credit	638,695	(81,126)	167,772	-	(63,679)	661,662	707,447
Social contribution							

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Allowance for loan losses	63,121	(9,780)	46,173	(4,574)	-	94,940	109,123
Provision for impairment of assets not for own use	20,756	(3,110)	6,108	(440)	-	23,314	24,524
Provision for contingencies and others	150,959	(35,785)	57,062	(17,230)	-	155,006	160,616
Subtotal	234,836	(48,675)	109,343	(22,244)	-	273,260	294,263
Accumulated CSLL negative basis	169,657				(43,001)	126,656	132,993
Subtotal - CSLL tax credit	404,493	(48,675)	109,343	(22,244)	(43,001)	399,916	427,256
Total - IRPJ/CSLL tax credit	1,043,188	(129,801)	277,115	(22,244)	(106,680)	1,061,578	1,134,703

Description	CCB Brasil					CCB Brasil Consolidated	
	December 2016	Realization	Additions	Adjustments (CSLL) 15% - 20%	Write-off Res. 3.059/02	December 2017	December 2017
Income tax							
Allowance for loan losses	118,990	(135,936)	114,525	-	-	97,579	118,577
Provision for impairment of assets not for own use	20,528	(656)	13,987	-	-	33,859	34,065
Provision for contingencies and others	286,690	(173,655)	124,312	-	-	237,347	247,639
Subtotal	426,208	(310,247)	252,824	-	-	368,785	400,281
Tax losses	383,227	-	65,833	-	(179,150)	269,910	295,316
Subtotal - IRPJ tax credit	809,435	(310,247)	318,657	-	(179,150)	638,695	695,597
Social contribution							
Allowance for loan losses	95,192	(108,749)	91,620	(14,942)	-	63,121	78,728
Provision for impairment of assets not for own use	14,466	(524)	11,189	(4,375)	-	20,756	20,921
Provision for contingencies and others	176,891	(139,025)	99,552	13,541	-	150,959	157,293
Subtotal	286,549	(248,298)	202,361	(5,776)	-	234,836	256,942
Accumulated CSLL negative basis	260,484	-	79,890	(32,788)	(137,929)	169,657	187,587
Subtotal - CSLL tax credit	547,033	(248,298)	282,251	(38,564)	(137,929)	404,493	444,529
Total - IRPJ/CSLL tax credit	1,356,468	(558,545)	600,908	(38,564)	(317,079)	1,043,188	1,140,126

Tax credit realization - based on a technical study, it was possible to estimate the generation of future taxable income, in an amount sufficient for the total realization of the tax credits existing at the balance sheet date, in a period of 10 years, distributed as follows:

CCB Brasil											December 2018	December 2017
Tax credit realization											Total	Total
Projected year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total	Total
Projected value	105,096	75,372	104,035	90,234	158,176	53,079	55,202	66,879	74,310	279,195	1,061,578	1,043,188
Present value(*)	98,682	66,452	86,125	70,141	115,450	36,377	35,523	40,411	42,160	148,734	740,055	712,879
% Realization	9.9%	7.1%	9.8%	8.5%	14.9%	5.0%	5.2%	6.3%	7.0%	26.3%	100.0%	

(*) Based on the projected Selic rate.

CCB Brasil Consolidated											December 2018	December 2017
Tax credit realization											Total	Total
Projected year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total	Total
Projected value	136,925	83,073	100,619	88,844	159,995	55,048	58,155	70,759	79,463	301,822	1,134,703	1,140,126
Present value(*)	128,568	73,242	83,297	69,061	116,777	37,726	37,423	42,755	45,084	160,788	794,721	781,195
% Realization	12.1%	7.3%	8.9%	7.8%	14.1%	4.9%	5.1%	6.2%	7.0%	26.6%	100.0%	

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(*) Based on the projected Selic rate.

The realization and maintenance of the registration of the tax credits depends on the generation of future taxable profits and the compliance with the terms and conditions of realization defined by CMN Resolution No. 3,059/02.

In this context, the Resolution establishes that the accounting record of tax credits can only be made if the Bank presents historical taxable income for income tax and social contribution purposes, evidenced by the occurrence of this situation in at least three out of the last five fiscal years. The Bank presented tax losses and a negative basis of social contribution in the fiscal years 2013, 2014, 2015, 2016, 2017 and 2018. According to CMN Resolution No. 3,059/02, the above condition ceased to be applicable to the Bank until the fiscal year 2014, due to the effective change of control which occurred at the end of that year.

Therefore, as an example in the first half of 2017, where the Bank already had a history of tax losses and a negative basis for social contribution, the Management submitted to the Brazilian Central Bank a new technical study for the realization of tax credits, as established by CMN Resolution No. 3,059/02 amended by CMN Resolution No. 4,441/15 and Circular Letter No. 3,776/15, which resulted in the approval of the maintenance of the tax credit balances arising from tax losses and the negative basis of social contribution recorded on December 31, 2018, which the Bank expects to realize, in accordance with the technical study of realization of tax credits, in up to 10 years, as well as the continuance of the registration of tax credits arising from temporary differences computed in the basis of calculation of income tax and social contribution. In view of the above, no tax credits have been recognized in the Bank and Consolidated in respect of tax losses and the negative basis of social contribution in the amount of R\$ 645,305 (December 2017 - R\$ 522,072), for which there is no expectation for realization within the period of up to 10 years established by CMN Resolution No. 3,059/02.

b. Presumed Tax Credit

In view of the high level of the 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 the criterion established by Law No. 12,838/13 and Circular Letter No. 3,624/13 of BACEN, which require the determination of tax losses and credits arising from temporary differences originating from allowances 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 refund, 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 of 2018, the Bank recovered the amount of R\$ 63,299 (December 2017 – R\$ 118,042), resulting from credit operations included in the presumed tax credit basis, and the related deferred taxes, in the amount of R\$ 25,320 (December 2017 – 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

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represents the best alternative to reduce the time of realization of temporary differences arising from the allowance for doubtful accounts.

Constituted Presumed Tax Credit	2014	2015	2016	2017	2018	Total
	78,983	107,450	194,229	(47,361)	(25,320)	307,981

c. Deferred liability

	CCB Brasil	
	December 2018	December 2017
Linked loans (Res. 2,921)	159,436	60,897
Monetary restatement of judicial deposits	25,096	20,536
Market value adjustment of government securities and derivatives	11,575	16,080
Total	196,107	97,513

	CCB Brasil Consolidated	
	December 2018	December 2017
Linked loans (Res. 2,921)	159,436	60,897
Hedge Accounting	38,593	36,495
Monetary restatement of judicial deposits	25,427	20,536
Market value adjustment of government securities and derivatives	11,575	16,080
Depreciation surplus	4,793	4,383
Total	239,824	138,391

d. Statement of calculation of income tax and social contribution

	CCB Brasil		CCB Brasil Consolidated	
	December 2018		December 2018	
Calculation	Income Tax	Social contribution	Income Tax	Social contribution
Result before taxes, contributions and interest	(89,714)	(89,714)	(59,720)	(59,720)
(+) Interest on capital received	-	-	15,343	15,343
(-) Interest on capital paid	-	-	(15,343)	(15,343)
Calculation basis	(89,714)	(89,714)	(59,720)	(59,720)
Temporary differences	681,605	681,605	797,134	785,602
Permanent differences	270,689	270,689	270,835	270,835
Exclusions	(920,452)	(920,452)	(1,057,880)	(1,044,705)
Tax loss and calculation basis for income tax and social contribution	(57,872)	(57,872)	(49,631)	(47,988)
(+) Negative tax result of consolidated companies	-	-	57,872	57,872
(-) Offset of tax loss - negative calculation basis of social contribution	-	-	(2,208)	(2,208)
(Loss)/Profit and income tax and social contribution calculation basis	(57,872)	(57,872)	6,033	7,676
Charges at the rates of 15% for income tax and 20% for social contribution	-	-	905	1,523
10% income tax surcharge	-	-	530	-
Current taxes	-	-	1,435	1,523
Reconciliation of results				
Current taxes	-	-	1,435	1,523
Deferred Income Tax and Social Contribution	78,572	45,651	80,499	46,563
(=) Provision for Income Tax and Social	78,572	45,651	81,934	48,086

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Calculation	CCB Brasil		CCB Brasil Consolidated	
	December 2018		December 2018	
	Income Tax	Social contribution	Income Tax	Social contribution
Contribution				
(+) Provision for Income Tax and Social Contribution (Prior year adjustments)	-	-	(2,510)	(2,008)
(=) Total provision for Income Tax and Social Contribution	78,572	45,651	79,424	46,078
Constitution of tax credits on temporary additions	(167,772)	(87,099)	(192,259)	(106,016)
Write-off of tax credits on tax losses	63,679	43,001	63,679	43,001
Realization of tax credit (reversal of temporary additions)	81,126	48,674	107,104	68,694
Realization of tax credit (offset of tax losses and CSLL negative calculation basis)	-	-	(14,626)	(11,593)
(=) Net effect of tax credits	(22,967)	4,576	(11,850)	17,272
Income Tax and Social Contribution expenses	55,605	50,227	67,574	63,350

Calculation	CCB Brasil		CCB Brasil Consolidated	
	December 2017		December 2017	
	Income Tax	Social contribution	Income Tax	Social contribution
Result before taxes, contributions and interest	(417,392)	(417,392)	(299,899)	(299,899)
Calculation basis	(417,392)	(417,392)	(299,899)	(299,899)
Temporary differences	1,033,934	1,033,934	1,136,689	1,127,748
Permanent differences	477,469	477,469	478,723	478,723
Exclusions	(1,873,306)	(1,873,306)	(2,011,068)	(1,998,390)
Tax loss and calculation basis for income tax and social contribution	(779,295)	(779,295)	(695,555)	(691,818)
(+) Negative tax result of consolidated companies	-	-	779,295	779,295
(-) Offset of Tax Loss / Social contribution – Negative Calculation Basis	-	-	(15,437)	(15,437)
(Loss) Profit and Income Tax and Social Contribution calculation basis	-	-	68,303	72,040
Charges at the rates of 15%for income tax and 20% for social contribution	-	-	10,245	14,334
10% income tax surcharge	-	-	6,728	-
Current taxes	-	-	16,973	14,334
Reconciliation of results				
Current taxes	-	-	16,973	14,334
Deferred Income Tax and Social Contribution	47,832	30,191	71,575	43,877
(=) Provision for Income Tax and Social Contribution	47,832	30,191	88,548	58,211
Constitution of tax credits on temporary additions	(253,592)	(197,200)	(270,454)	(209,822)
Constitution of tax credits on tax losses	(65,833)	(47,103)	(65,833)	(47,103)
Realization of tax credit (reversal of temporary additions)	310,247	248,298	317,562	254,991
Write-off of tax credits on tax losses and negative calculation basis of CSLL	179,150	137,929	179,150	137,929
Realization of tax credit (offset of losses and CSLL negative calculation basis)	-	-	3,859	2,623
(=) Net effect of tax credits	169,972	141,924	164,284	138,618
Income Tax and Social Contribution expenses	217,804	172,115	252,832	196,829

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27 Composition of the main accounts of statement of operations

a. Income from loans

	CCB Brasil			CCB Brasil Consolidated		
	2 nd six months 2018	December 2018	December 2017	2 nd six months 2018	December 2018	December 2017
Personal consigned credit	120,418	241,442	256,130	249,818	450,979	654,740
Working capital and discounts	70,385	476,539	241,619	70,385	476,540	241,619
Recovery of loans written off as losses	8,945	59,958	62,504	18,495	75,669	77,179
Export financing	49,218	232,656	57,962	49,218	232,656	57,962
Financing of machinery and heavy vehicles	30	81	929	19,503	47,208	78,039
Rural and agro-industrial financing	10,012	14,362	2,551	10,012	14,362	2,551
Import financing	4,010	26,755	3,900	4,010	26,755	3,900
FUNCAFE	1,969	3,333	3,877	1,969	3,333	3,877
Guaranteed accounts	184	628	1,325	184	628	1,325
Other loans and financing	36,194	91,696	44,124	37,867	95,481	46,919
Total	301,365	1,147,450	674,921	461,461	1,423,611	1,168,111

b. Income from securities

	CCB Brasil			CCB Brasil Consolidated		
	2 nd six months 2018	December 2018	December 2017	2 nd six months 2018	December 2018	December 2017
Income from fixed income securities	62,975	411,270	195,620	63,291	411,895	196,503
Income from repurchase commitment transactions	167,128	281,613	450,046	167,128	281,613	450,046
Income from interbank funds invested	132,132	247,834	375,567	52,727	63,722	81,111
Other operations with securities	62,876	74,945	67,929	62,875	74,944	67,928
Total	425,111	1,015,662	1,089,162	346,021	832,174	795,588

c. Results from derivative financial instruments

CCB Brasil and CCB Brasil Consolidated			
	2 nd six months 2018	December 2018	December 2017
Swaps	35,471	334,197	(68,212)
Futures market - Interbank Index	(79,085)	(81,498)	(106,542)
Futures market - Dollar	(27,623)	(17,678)	(188,189)
Currency forwards	1,123	(6,111)	4,340
Total	(70,114)	228,910	(358,603)

d. Foreign exchange results

CCB Brasil and CCB Brasil Consolidated			
	2 nd six months 2018	December 2018	December 2017
Income from foreign exchange operations	706,601	1,272,897	614,965
Expenses with foreign exchange operations	(652,277)	(1,069,120)	(519,760)
Total	54,324	203,777	95,205

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e. Expenses with funds obtained in the market

	CCB Brasil			CCB Brasil Consolidated		
	2 nd six months 2018	December 2018	December 2017	2 nd six months 2018	December 2018	December 2017
Foreign securities	76,551	391,706	147,050	76,551	391,706	147,050
Repurchase operations	166,834	279,833	452,396	165,555	276,939	443,161
Time deposits	99,485	202,971	252,335	99,097	202,150	250,834
Expenses with financial bills - LF	16,123	24,327	7,500	16,123	24,327	7,500
Expenses with agribusiness bills - LCA	17,565	23,937	13,945	17,565	23,937	13,945
Interbank deposits	16,475	37,060	40,120	8,016	20,127	21,160
Expenses with real estate bills - LCI	1,024	1,939	9,592	1,024	1,939	9,592
Savings deposits	76	262	565	76	262	565
Others	10,885	13,050	3,956	10,885	13,056	3,987
Total	405,018	975,085	927,459	394,892	954,443	897,794

f. Expenses from borrowings assignments and onlendings

	CCB Brasil and CCB Brasil Consolidated		
	2 nd six months 2018	December 2018	December 2017
Foreign banking expenses	156,072	1,238,122	237,245
Mark to Market - hedged object	(326)	9,141	(2,869)
Onlendings from BNDES/FUNCAFE	2,350	3,279	4,846
Total	158,096	1,250,542	239,222

g. Other operating income

	CCB Brasil			CCB Brasil Consolidated		
	2 nd six months 2018	December 2018	December 2017	2 nd six months 2018	December 2018	December 2017
Linked loans (Res. 2,921)	108,578	246,345	152,244	108,578	246,345	152,244
Reversal of provision for guarantees	94,113	94,113	1,569	94,113	94,113	1,569
Monetary restatement of deposits in guarantee	11,559	24,169	18,404	11,632	24,316	18,628
Recovery of charges and expenses	565	742	22,790	7,982	22,919	42,294
Other operating income	10,461	18,875	16,492	11,226	20,898	18,934
Total	225,276	384,244	211,499	233,531	408,591	233,669

h. Other operating expenses

	CCB Brasil			CCB Brasil Consolidated		
	2 nd six months 2018	December 2018	December 2017	2 nd six months 2018	December 2018	December 2017
Constitution of provisions for labor, civil and tax contingencies	107,618	135,239	78,232	110,694	140,368	78,816
Commissions for assigned credits	29,052	48,814	75,409	40,302	69,696	154,800
Employees profit sharing	22,216	22,216	24,315	22,292	22,292	24,390
Impairment of other assets	22,013	22,013	-	22,013	22,013	-
Consigned personal credit processing fee	3,232	6,815	-	5,349	8,932	-

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Constitution of provision for losses on guarantees	-	4,328	49,617	-	4,328	49,617
Discounts granted on renegotiations and prepayments	1,558	2,130	31,612	1,558	2,130	31,770
IOF (tax on financial transactions) on exchange operations	459	730	1,003	459	730	1,003
Expenses with restatement of taxes		114	-	1	227	19,864
Other operating expenses	33,993	43,330	17,170	40,665	53,492	9,268
Total	220,141	285,729	277,358	243,333	324,208	369,528

i. Personnel expenses

	CCB Brasil			CCB Brasil Consolidated		
	2 nd six months 2018	December 2018	December 2017	2 nd six months 2018	December 2018	December 2017
Salaries	52,182	100,784	153,088	57,331	110,802	165,882
Social charges	15,646	30,123	48,824	17,256	33,057	52,709
Benefits	8,847	16,956	20,264	10,683	20,573	24,655
Directors' fees	9,667	16,384	15,578	9,912	16,831	16,010
Other	418	695	670	498	871	928
Total	86,760	164,942	238,424	95,680	182,134	260,184

j. Other administrative expenses

	CCB Brasil			CCB Brasil Consolidated		
	2 nd six months 2018	December 2018	December 2017	2 nd six months 2018	December 2018	December 2017
Third party services	19,202	32,321	31,021	24,051	42,173	41,690
Amortization and depreciation	11,516	23,401	29,130	11,880	24,129	29,937
Rents and rates	6,029	13,057	18,661	7,079	15,145	21,206
Data processing	6,221	11,462	11,195	9,161	16,808	16,940
Financial system services	3,574	7,298	7,220	4,352	8,964	13,454
Maintenance and conservation	2,592	4,544	5,471	2,875	5,102	6,340
Transportation and travel	894	2,527	3,629	996	2,799	4,154
Communication	249	550	941	766	1,598	1,880
Publicity	74	202	1,638	381	741	2,305
Promotions and public relations	298	585	1,291	320	621	1,296
Other administrative expenses	4,076	8,474	11,372	9,360	20,366	18,682
Total	54,725	104,421	121,569	71,221	138,446	157,884

k. Tax expenses

	CCB Brasil			CCB Brasil Consolidated		
	2 nd six months 2018	December 2018	December 2017	2 nd six months 2018	December 2018	December 2017
COFINS	4,380	7,382	8,484	6,906	13,404	18,420
Federal, state and municipal taxes	2,939	5,273	7,194	3,215	5,882	9,618
ISS	1,186	2,411	2,834	1,199	2,446	3,402
PIS/PASEP	712	1,200	1,378	1,124	2,181	3,011
Total	9,217	16,266	19,890	12,444	23,913	34,451

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I. Non-operating result

The balance basically refers to results obtained on the disposal of own assets, assets not for own use and the provisioning for adjustments to the realization values of assets or other non-operating assets.

	CCB Brasil			CCB Brasil Consolidated		
	2 nd six months 2018	December 2018	December 2017	2 nd six months 2018	December 2018	December 2017
Expenses of provisions for adjustment to realization value of assets	(22,775)	(20,079)	(65,092)	(23,380)	(20,277)	(65,930)
Results on disposal of assets	(8,372)	(6,130)	4,202	(7,981)	(4,786)	8,218
Other	213	(2,288)	1,283	232	(2,261)	1,302
Total	(30,934)	(28,497)	(59,607)	(31,129)	(27,324)	(56,410)

28 Capital adequacy requirement (car)

The table below shows the calculation of the minimum reference equity required for risk-weighted assets (RWA), which attained of 8.625% plus the additional principal capital of 1.875%, totaling 10.50%, valid for the period of January 1 to December 31, 2018.

CCB Brasil and CCB Brasil Consolidated

Basel Index calculation	Basel III	
	December 2018	December 2017
Reference Equity - Tier I	1,394,175	1,454,212
Core Capital	1,122,939	1,222,652
Perpetual Bond	271,236	231,560
Reference Equity - Tier II	596,764	814,779
Subordinated debt	596,764	814,779
REFERENCE EQUITY	1,990,939	2,268,991
Credit Risk	768,548	620,810
Market Risk	100,711	44,635
Operational Risk	78,242	70,541
RISK WEIGHTED ASSETS - RWA	947,501	735,986
Basel ratio %	18.12	28.53
Capitalization index - Level 1	12.69	18.29
Capitalization index - Level 2	5.43	10.24

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29 Guarantees and sureties provided

- a. The responsibilities for guarantees and sureties provided amounted to R\$ 1,558,654 (December 2017 - R\$ 1,456,414), presenting the following concentration:

	CCB Brasil and CCB Brasil Consolidated			
	December 2018	%	December 2017	%
Highest guarantee granted	214,005	13.73	201,263	13.82
10 largest guarantees	932,312	59.81	742,437	50.98
20 largest guarantees	1,183,023	75.90	992,170	68.12
50 largest guarantees	1,466,033	94.06	1,290,149	88.58

In the year ended December 31, 2018, CCB Brasil recorded in "Other liabilities", the amount of R\$ 63,079 (December 2017 - R\$ 152,863) in respect of provisions for losses on guarantees and sureties granted (note 21). During the second half 2018, the Bank reclassified the amount of R\$ 93,445 Provision of Guarantees provided to Provisions for civil contingencies, based on judicial discussion that classifies it as "probable losses" (note 22d).

- b. Liabilities for guarantees and sureties honored amounted to R\$ 1,026 (December 2017 - R\$ 43,075), classified in the loan portfolio in compliance with CMN Resolution No. 2,682/99 (Note 7a).

30 Risk Management Structure

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. In compliance with CMN (National Monetary Council) Resolution No. 4,557/17. The "Risk Management Report" in compliance with Circular Letter No. 3,678/13, which provides for the disclosure of information related to risk management, is available on the site.

In compliance with CMN Resolution No. 4,557/17, 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 CMN Resolution No. 4,557/17, the structure of Liquidity Management was established and implemented. The Board of Directors approved the nomination of a director responsible for the area and defined the organizational structure,

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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.

CMN Resolution No. 4,327/14 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.

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 social and environmental risk, market risk, credit risk, operational risk and liquidity and capital management. These areas support the Risk, Internal Controls, Operational and Financial Committees which analyze and define strategies and actions within their area of operations.

The committees and departments for the management and controls 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 modeling 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.

I. 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 designated the Chief Risk Officer (CRO) as responsible for the Risk Structure before the Brazilian Central Bank (BACEN) according to decision of the Board of Directors.

Market risk management

The Market Risk Management Department is responsible for maintaining and annually updating

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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, "Value-at-Risk (including compliance tests and validations), EVE-Economic Value of Equity and NII – Net Interest Income.

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 market 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. 4557/17 and the Basel agreement.

Liquidity risk management

The Bank's Liquidity Risk management is to measure, evaluate and control the bank's ability to honor its financial commitments through mathematical estimates and modeling of its own base of operations. These models have complementary characteristics and are described below:

- I Backward Looking: historical analysis of movements, repurchases, customer operations renewals to estimate the potential of cash insufficiency to honor the bank's commitments.
- II Forward Looking: analysis of the projected portfolio, considering budget scenarios and expected portfolio growth.

The results of the liquidity calculations carried out over the next three years, following these models, demonstrate that the Institution has and will have sufficient resources to meet its obligations and present a position with a large margin of safety in the short and long term.

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CCB Brasil has an area for managing liquidity risk for the identification, monitoring and control of events that may impact the bank's liquidity both in the short term and in the long term.

Liquidity risk management provides:

- I Elaboration of cash flow for evaluation and monitoring of liquidity in the short and long term.
- II Statistical models to estimate unforeseen cash flow outflows such as CDB redemption anticipation, derivative adjustments payments and additional collateral deposits at B3.
- III Stress testing to monitor financial health in adverse liquidity scenarios.

Events that indicate an inadequate liquidity capacity for the institution's future obligations are reported to the Treasury Committee, semiannually, for corrective and preventive action.

CCB Brasil presents in its Balance Sheet current liabilities greater than current assets, calculated according to the nominal maturity of its operations, however the Conglomerate has securities classified in the available for sale category (note 5b) in the amount of R\$ 7,246,134 (December 2017 - R\$ 6,740,611 includes also securities for trading category), which even classified in long-term assets represent highly liquid investments in government bonds issued by the National Treasury, in addition, part of current liabilities, are loans made to the parent company in China in the total amount of R\$ 5.779.755 (December 2017 R\$ 6.111.130), with a maturity of less than one year, which has been systematically renewed.

December 2018			
CCB Brasil Consolidated			
	Nominal liquidity	Reclassification by effective liquidity	Adjusted liquidity
Current Assets	7,842,402	7,246,134	15,088,536
Current Liabilities	(18,246,949)	5,221,660	(13,025,289)
Net Balance	(10,404,547)	2,024,474	2,063,247

December 2017			
CCB Brasil Consolidated			
	Nominal liquidity	Reclassification by effective liquidity	Adjusted liquidity
Current Assets	6,423,221	6,740,611	13,163,832
Current Liabilities	(14,025,454)	5,469,289	(8,556,165)
Net Balance	(7,602,233)	1,271,322	4,607,667

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31 Other information

a. Commitments assumed for guarantees received and funding with International Organizations

CCB Brasil is a debtor for loans from the Proparco (Societe de Promotion et de Participation pour la Coopération Economique.) for onlendings to Brazilian companies, which contract requires the maintenance of minimum financial ratios (financial covenants), besides a requirement of obligations for social and environmental responsibilities.

The financial ratios are calculated on the basis of the accounting information, prepared in accordance with Brazilian legislation and the rules of the Brazilian Central Bank. They are also monitored and verified by the above mentioned creditor.

Bank and Consolidated	
	Required
Capitalization	≥ 11%
Sum of the 20 largest debtors in relation to Reference Equity (PR)	≤ 300%
Concentration of risk by market segment	≤ 25%
D-H Loans + Pledges - Provisions on PR	≤ 25%
Operating Expenses to Operating Result	≤ 85%
Liquidity Gap (90 days) in R\$	> 0

b. Insurance

CCB Brasil maintains a policy of risk protection, considering the significance of the risks involved, and Management considers the amounts of the contracted insurance offer reasonable coverage for the business.

c. Cash and cash equivalents for the indirect cash flow

	CCB Brasil		CCB Brasil Consolidated	
	December 2018	December 2017	December 2018	December 2017
Investments in the open market	2,654,995	53,008	2,654,995	53,008
Cash	40,221	92,599	40,427	93,107
Foreign currency deposits	170,871	190,936	170,871	190,936
Total	<u>2,866,087</u>	<u>336,543</u>	<u>2,866,293</u>	<u>337,051</u>

(A free translation of the original in Portuguese)

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Board of Directors

President:	Xilai Feng
Members:	Fanggen Liu Qiuyue Fang Liping Shang Daniel Joseph McQuoid Heraldo Gilberto de Oliveira

Senior Management

Vice-President Senior Managers:	Yongdong Jiang (Acting President) Hong Yang Milton Bordini Paulo Celso Del Ciampo
Senior Managers:	Carlos José Roque Francisco Edênio Barbosa Nobre Claudio Augusto Rotolo

Audit Committee

President & Qualified Member:	Heraldo Gilberto de Oliveira
Members:	Walter Mallas Machado de Barros Daniel Joseph McQuoid