China Construction Bank (Brasil)
Banco Múltiplo S/A

Consolidated financial statements for the years ended December 31, 2018

China Construction Bank (Brasil) Banco Múltiplo S/A

Consolidated financial statements at December 31, 2018

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CCB 中国建设银行 China Construction Bank

MANAGEMENT REPORT

Dear Shareholders,

The Senior Management of China Construction Bank (Brasil) Banco Múltiplo S.A "CCB Brasil" or "Bank" hereby submits for your consideration the Bank's Management Report, the Financial Statements and the related Unqualified Independent Auditors' Report for the year ended December 31, 2018. All information contained in this Report, unless stated otherwise, is presented on a consolidated basis, including its subsidiaries, and in local currency (Brazilian Reais - R$). The consolidated financial statements have been prepared based on international standards issued by the International Accounting Standards Board (IASB) and they will be disclosed, within the legal term, on the website **www.br.ccb.com**

The subsidiary China Construction Bank (Brasil)

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

Economic Environment

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.

Premises

At the end of 2018, the Bank´ service network was composed of nine points of sale and 488 employees (511 in 2017).

Operating Performance Consolidated

As a result of the adopted measures and the final adjustments in the value of its assets, CCB Brasil ended 2018 with a net loss of R$ 211,1 million (compared to R$ 842,7 million in 2017). The result includes R$ 106.7 million related to tax credits arising from tax losses written off in the 2018 financial year.

At the end of 2018, credit operations reached R$ 8,840.5 million, a increase of 31.49% compared to the portfolio of R$ 6,723.4 million in the previous year. The expanded credit portfolio, which includes guarantees and sureties provided, reached R$ 10,399.1 million (R$ 8,179.8 million in 2017).

The total funding reached R$ 20,463 million, a increase of 38.43% over the R$ 14,782 million in 2017. The Bank´s Headquarters provides funds to the Brazilian subsidiary according to its operational needs; at the end of 2018, these funds accounted for 28.3% of total funds.

At the end of 2018, the Bank's shareholders' equity reached R$ 1,724.6 million and the Basel ratio stood at 18.12% and Level 1 at 12.69%.

Final considerations

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

(Disclosure authorized at the Board of Directors' Meeting held on March 25, 2019).

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

Consolidated financial statements at December 31, 2018 and independent auditor's report

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Report of independent auditor on the consolidated financial statements

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

Opinion

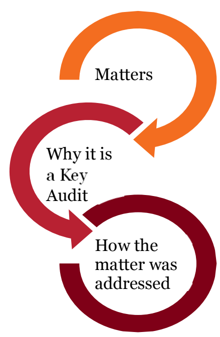
We have audited the accompanying consolidated financial statements of China Construction Bank (Brasil) Banco Múltiplo S.A. ("Bank") and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated statements of operations, comprehensive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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries as at December 31, 2018, and their consolidated financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Bank and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters



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

Our audit for year ended December 31, 2018 was planned and performed considering that the Consolidated operations have not changed significantly in comparison to the previous year. In this context, the Key Audit Matters, as well as our audit approach, have remained substantially in line with those of the previous year, except for the modification in the KAM related to impairment of loans and receivables due to the change in the accounting policy adopted by Management related to this

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matter.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Expected credit loss of loans and advances considering the implementation of IFRS 9 - Financial Instruments (Notes 2 (a), 7 and 37)	
As from January 1, 2018, the Bank and its subsidiaries have adopted the IFRS 9 accounting standard, which replaced IAS 39 - Financial Instruments, and establishes new requirements for classification and measurement of the financial assets and liabilities, as well new methodology for measurement of credit loss of loans and advances which is based on a expected credit loss model. In this process, the Bank and its subsidiaries adopted that standard using the modified retrospective method that allows the initial adjustments to be recognized in the opening balance sheet without modifying the comparative figures, which are still presented in accordance with IAS 39. The determination of expected credit loss of loans and advances considering the new requirements of IFRS 9, is an area that involves a high level of judgment by Management for the classification of credits by stage, as prescribed by IFRS 9, as well in the measurement of the expected loss amount necessary, through the application of a methodology and processes that use several assumptions and that consider internal and external factors, including default levels, the financial position of the counterparty, guarantees, renegotiation policy, current and prospective economic scenarios. Therefore, this is an area that we consider of focus in our audit.	With respect to the implementation of IFRS 9, we obtained an understanding of the processes adopted by Management to analyze, evaluate and implement this new standard, as well we performed specific audit procedures, with assistance of our experts, related to the compliance with the requirements of the referred standard regarding the process of determining the expected credit loss of loans and advances. Regarding the methodology and calculation of the expected credit loss, we apply procedures related to (i) accounting policies analysis in comparison with the requirements of IFRS 9, (ii) understanding and recalculation, on a sample basis, of the expected credit loss that consider databases, models and assumptions adopted by Management, (iii) comparison of data and assumptions used with market data, when applicable, and (iv) analysis and consistency of the disclosures made by Management in the financial statements. We also performed tests on the classification of loans and advances in the stages prescribed by IFRS 9, which considers the level of credit risk of the debtor and, where applicable, the deterioration of the risk, as well as the financial difficulty of the debtor, delays in its contractual obligations, among other aspects. We considered that the criteria and assumptions adopted by Management to measure and record the expected credit loss of loans and advances are reasonable and consistent with the IFRS 9 and the disclosures in the notes to the financial statements.
Tax credits (Notes 2 (o)(q) e 22 (c))	
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	Our main 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.

Why it is a Key Audit Matter	How the matter was addressed in the audit
on a study of the taxable profit projections regarding the realization of these tax credits. The taxable income projection involves judgments and assumptions of a subjective nature established by Management based on a study of the current and future scenarios. During the year ended 2018, tax credits arising from fiscal losses of income tax and negative base of social contribution, which are not expected to be realized were written off. Considering that the use of different assumptions in the future taxable profit projection could significantly modify the terms expected for the realization of tax credits, with consequent accounting impact, this is an area of critical estimation and was defined as a focus in our audit.	With the assistance of our experts, we have analyzed the consistency of the relevant assumptions used in the study of tax credit realization with 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 proper 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 understanding and testing of the information technology environment, including the automated controls or dependency of technology relevant to the preparation of the financial statements. With the assistance of our technology experts, the main procedures performed involved tests of controls related to information security, linked to the processes of management and development of systemic changes, security of accesses to programs and database, physical security of the data processing center, including access management and segregation of duties. We considered that the information technology environment and the controls established by Management have provided a reasonable basis to support the main business processes, which provide information used in the preparation of the financial statements.

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

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

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

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

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

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

In preparing the consolidated financial statements, Management is responsible for assessing the Bank's ability to continue as 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries.

- 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 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 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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 25, 2019

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Melissa Tuxen Wisnik
Accountant CRC 1SP221490/O-0

CCB 中国建设银行 China Construction Bank

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

ASSETS	Note	2018	2017
CASH AND CASH EQUIVALENTS AND RESERVES AT THE CENTRAL BANK OF BRAZIL	3	46,943	114,702
FINANCIAL ASSETS HELD TO MATURITY			
Debt instruments	5	-	1,254,478
FINANCIAL ASSETS AVAILABLE FOR SALE		-	7,086,902
Debt instruments	5	-	7,086,646
Equity instruments	10	-	256
SECURITIES	5	9,208,217	-
At amortized cost	5	1,725,747	-
At fair value of other comprehensive income	5	7,482,470	-
FINANCIAL ASSETS FOR TRADING		-	297,439
Derivatives	6	-	297,439
DERIVATIVE FINANCIAL INSTRUMENTS	6	445,502	-
LOANS AND RECEIVABLES		-	7,346,675
Loans and advances to financial institutions	4	-	731,232
Loans and advances to clients	7	-	6,723,414
Other loans and receivables	8	-	54,464
Other financial assets		-	19,573
(-) Impairment of loans and receivables	7e	-	(182,008)
OTHER FINANCIAL ASSETS AT AMORTIZED COST		11,819,762	-
Loans and advances to financial institutions	4	3,265,217	-
Loans and advances to clients	7	8,840,533	-
Other loans and receivables	8	27,431	-
Other financial assets		25,299	-
(-) Expected credit loss	7c	(338,718)	-
NON-FINANCIAL ASSETS HELD FOR SALE	9	247,138	280,426
INVESTMENTS	10	256	381
TANGIBLE ASSETS	11	42,739	51,776
INTANGIBLE ASSETS	12	109,181	110,082
TAX CREDITS		1,227,214	1,252,038
Current	22a	49,963	11,434
Deferred	22c	869,270	907,303
Presumed	22d	307,981	333,301
OTHER ASSETS	13	83,011	114,009
TOTAL ASSETS		23,229,963	17,908,652

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

CCB 中国建设银行 China Construction Bank

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2018	2017
DERIVATIVE FINANCIAL INSTRUMENTS	6	21,963	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	6	-	5,152
Derivatives		-	5,152
OTHER LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	3,866,355
Subordinated debts	17	-	988,046
Foreign borrowings	19	-	76,611
Hedged financial liabilities	19	-	2,801,698
OTHER LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		1,112,958	-
Subordinated debts (Fair Value Option)	17	1,046,949	-
Foreign borrowings (Fair Value Option)	19	66,009	-
FINANCIAL LIABILITIES AT AMORTIZED COST		-	10,915,252
Subordinated debts	17	-	971,969
Deposits from financial institutions	14	-	3,481,635
Deposits from clients	15	-	2,853,356
Securities issued	16	-	406,611
Domestic borrowings	18	-	41,700
Foreign borrowings	19	-	3,159,981
FINANCIAL LIABILITIES AT AMORTIZED COST		17,582,978	-
Subordinated debts	17	1,154,621	-
Deposits from financial institutions	14	7,162,517	-
Deposits from clients	15	3,068,808	-
Securities issued	16	1,245,803	-
Domestic borrowings	18	133,770	-
Foreign borrowings	19	4,817,459	-
HEDGE FINANCIAL LIABILITIES	19	1,767,532	-
PROVISIONS	21	883,492	993,516
TAX LIABILITIES			
Current		14,885	8,297
OTHER LIABILITIES	23	121,573	114,335
TOTAL LIABILITIES		21,505,381	15,902,907
SHAREHOLDERS EQUITY			
Capital stock	24	2,956,864	2,956,864
Capital reserve		899	899
Treasury shares		(55,105)	(55,105)
Accumulated losses		(1,208,312)	(900,500)
Other comprehensive income		30,236	3,587
TOTAL SHAREHOLDERS' EQUITY		1,724,582	2,005,745
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		23,229,963	17,908,652

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

CCB 中国建设银行 China Construction Bank

STATEMENT OF OPERATIONS

Years ended December 31

(Amounts expressed in thousands of reais, except when indicated)

	Note	2018	2017
Interest and similar income	26 i	1,875,645	1,468,191
Interest and similar expenses	26 i	(820,792)	(982,621)
INTEREST AND SIMILAR INCOME (EXPENSES) (NET)		1,054,853	485,570
Foreign exchange variations (Net)	26 ii	(298,739)	29,159
Gains (losses) on financial assets and liabilities (net)	27	(314,791)	(368,496)
NET INTEREST INCOME		441,323	146,233
Equity income (loss)		(1,350)	(1,726)
Income from fee and commissions	28	48,011	67,679
Other net operating income (expenses)	29	(12,600)	74,535
TOTAL INCOME		475,384	286,721
Personnel expenses	30	(159,882)	(197,948)
Other administrative expenses	31	(115,188)	(128,875)
Tax expenses	32	(23,913)	(34,451)
Depreciation and amortization		(13,610)	(19,418)
Impairment on financial assets	7c	(214,308)	(321,814)
Losses on other assets (net)	33	(49,338)	(51,919)
LOSS BEFORE TAX		(100,855)	(467,704)
Current and deferred income tax and social contribution	22	(110,263)	(374,963)
LOSS FOR THE YEAR		(211,118)	(842,667)
Number of Shares Held (thousand)	24a	465,631	465,631
Loss on Share Capital - R$		(0,45)	(1,81)

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

CCB 中国建设银行 China Construction Bank

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Years ended December 31
(Amounts expressed in thousands of reais)

	2018	2017
LOSS FOR THE YEAR	(211,118)	(842,667)
OTHER COMPREHENSIVE RESULTS WHICH WILL BE RECLASSIFIED SUBSEQUENTLY FOR NET INCOME OR NET LOSS		
Gains (losses) on available for sale assets	-	8,808
Tax charges on available for sale assets	-	(3,523)
Gains (losses) on assets at fair value from other comprehensive income	(771)	-
Tax charges on assets at the fair value of other comprehensive income	309	-
OTHER COMPREHENSIVE RESULTS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY FOR NET INCOME OR NET LOSS		
Change in fair value attributable to credit risk from financial liabilities through profit or loss	(6,188)	-
Tax charges on financial liabilities at fair value through profit or loss	2,475	-
COMPREHENSIVE LOSS FOR THE YEAR	(215,293)	(837,382)

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

CCB 中国建设银行 China Construction Bank

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31

(Amounts expressed in thousands of reais)

	Capital stock	(-) Unrealized capital	Capital reserve (Goodwill on subscription of shares)	(-) Treasury shares	Other comprehensive income	Accumulated losses	Total
Balances at January 01, 2017	**1,699,886**	**(3,738)**	**24,956**	**(55,105)**	**(1,698)**	**(57,833)**	**1,606,468**
Carrying value adjustments	-		-	-	5,285	-	5,285
Capital increase in cash	1,256,978	3,738	1,103	-	-	-	1,261,819
Redemption of shares	-	-	(25,160)	-	-	-	(25,160)
Loss for the year	-	-	-	-	-	(842,667)	(842,667)
December 31, 2017	**2,956,864**	**-**	**899**	**(55,105)**	**3,587**	**(900,500)**	**2,005,745**
1st time adoption IFRS 9 – Loans and securities	-	-	-	-	-	(65,870)	(65,870)
1st time adoption IFRS 9 – Fair Value Option Liabilities	-	-	-	-	30,834	(30,824)	-
Balances at January 01, 2018	**2,956,864**	**-**	**899**	**(55,105)**	**34,411**	**(997,194)**	**1,939,875**
Liabilities at fair value (Credit risk)	-	-	-	-	(3,713)	-	(3,713)
Fair value of other comprehensive income	-	-	-	-	(462)	-	(462)
Loss for the year	-	-	-	-	-	(211,118)	(211,118)
December 31, 2018	**2,956,864**	**-**	**899**	**(55,105)**	**30,326**	**(1,208,312)**	**1,724,582**

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

CCB 中国建设银行 China Construction Bank

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

Cash flows from operating activities	2018	2017
Consolidated loss for the year	**(211,118)**	**(842,667)**
Depreciation and amortization	13,610	19,418
Equity in earnings of subsidiaries	1,350	1,726
Changes in tax credits and deferred tax liabilities	81,948	228,204
Provisions - Impairment of loans and receivables	214,308	321,814
Provisions constitution	71,842	86,634
Provision / (reversal) others	87	559
Loss (gain) on sale of available for sale assets	6,058	(4,256)
Exchange variation on cash and cash equivalents	(142,368)	(55,639)
Changes in assets and liabilities	**1,260,076**	**(3,964,430)**
Decrease (increase) in loans and advances to financial institutions	47,936	(58,929)
Decrease (increase) in financial assets at amortized cost	(474,642)	16,336
Decrease (increase) in financial assets at fair value through others comprehensive income	(395,824)	(659,128)
Increase (decrease) in derivatives	(131,253)	14,911
Decrease (increase) in loans and advances to clients	(2,858,661)	81,665
Decrease (increase) in other loans and receivables	27,033	37,878
Decrease (increase) in other financial assets	(5,725)	(19,573)
Decrease (increase) in non-financial asset	21,573	(78,733)
Decrease (increase) in other assets	34,751	70,975
Increase (decrease) in deposits from financial institutions	3,680,882	(3,586,579)
Increase (decrease) in deposits from clients	215,452	740,979
Increase (decrease) in subordinated debt	(94,863)	(390,657)
Increase (decrease) in securities issued	839,192	(28,321)
Increase (decrease) in domestic borrowings	92,070	(75,113)
Increase (decrease) in foreign borrowings	165,832	1,242,284
Increase (decrease) in other financial liabilities	(329,094)	(22,555)
Increase (decrease) in other liabilities	115,259	14,692
Increase (decrease) in hedged financial liabilities	(311,288)	(1,666,868)
Income tax and social contribution paid	-	10,194
Payment of interest	(188,785)	(269,903)
Receipt of Interest	810,231	662,015
Cash provided by operating activities	**1,295,793**	**(4.208.637)**
Cash flows from investing activities		
Sale of tangible assets	3,905	48,628
Disposals of non-financial assets held for sale	6,732	70,406
Sales of investments	(5,400)	5,285
Purchase of tangible assets	(6,391)	(11,361)
Purchase of intangible assets	(2,349)	(4,763)
Cash provided by (used in) investing activities	**(3,503)**	**108,195**
Cash flows from financing activities		
Increase in obligations for borrowings	18,857,942	10,682,979
Perpetual subordinated debt eligible for capital instruments level II	336,417	364,505
Payment of borrowings	(18.099.775)	(11,752,566)
Capital increase (Note 24)	-	1,260,716
Goodwill on issue of shares	-	1,103
Cash provided by financing activities	**1,094,584**	**556,737**
Cash flow (used in) provided by in the year	**2,386,874**	**(3,543,705)**
Cash and cash equivalents at the beginning of the year	**337,051**	**3,825,117**
Exchange variation on cash and cash equivalents	142,368	55,639
Cash and cash equivalents at the end of the year	**2,866,293**	**337,051**

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

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

a. Operations

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

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

Through the Extraordinary General Meeting of Shareholders held on December 22, 2017, regularly convened, the redemption of 2,339,260 Shares that are part of the Company's Capital Stock, of which 550,940 are common and 1,788,320 are preferred shares held by minority shareholders, was approved. The financial settlement, due to the redemption of shares, began on January 4, 2018, as permitted by the Brazilian Corporate law. Upon the redemption of shares held by minority shareholders, CCB Holding will assume the ownership of 100% of the common and preferred shares of CCB Brasil.

The Board of Directors authorized the issuance of the financial statements on March 25, 2019.

b. Foreign currency transactions and functional currency

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

c. Presentation of consolidated financial statements

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

(in thousands of reais unless otherwise stated)

d. Consolidation basis

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

The subsidiaries included in the consolidation are specified below:

Company name	Country of origin	Consolidation method	Interest	
			2018	2017
Direct subsidiaries in the country				
CCB Brasil Arrendamento Mercantil S/A	Brazil	Full	100%	100%
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S/A	Brazil	Full	100%	100%
CCB Brasil Informática S/A	Brazil	Full	100%	100%
CCB Brasil Administradora de Cartões de Crédito Ltda.	Brazil	Full	100%	100%
CCB Brasil S/A – Crédito, Financiamentos e Investimentos	Brazil	Full	100%	100%
CCB Brasil Promotora de Vendas Ltda.	Brazil	Full	100%	100%
CCB Brasil Cobrança Ltda.	Brazil	Full	100%	100%

2. *Accounting practices and measurement methods*

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

a. Adoption of new standards and interpretations

IFRS 9

The Bank has adopted standards and interpretations which became effective as of January 1, 2018. IFRS 9 – Financial Instruments – The pronouncement replaces IAS 39 - Financial Instruments: Recognition and Measurement. The new rule is structured to contemplate the pillars (I) Classification and measurement of financial assets, (II) Impairment and (III) Hedge accounting.

As permitted by the transitional provisions of IFRS 9, the Bank chose not to restate comparative numbers. Any adjustments to the recorded amounts of financial assets and liabilities at the transition date were recognized in equity components. The Bank has elected to continue applying the hedge accounting requirements of IAS 39 in adopting IFRS 9.

The main changes identified by the Bank due to the adoption of IFRS 9 are related to the classification, measurement and impairment of financial assets.

IFRS 9 introduces the concept of business model and assessment of characteristics of contractual cash flows (Solely Payment of Principal and Interest Test – SPPI Test) for classification of financial assets.

- Business Model: represents the way the entity manages its financial assets;
- SPPI Test: assessment of cash flows generated by the financial instrument aiming at checking whether they represent solely payments of principal and interest.

The Bank conducted a detailed analysis of its business models and characteristics of its cash flows of financial assets, and the main changes resulting from the adoption of IFRS 9 are:

i. Classification and Measurement of Financial Assets and Liabilities

The classification categories of financial assets Held to maturity, Available for sale, Held for trading and Loans and receivables have ceased to exist.

Three measurement categories of financial assets were introduced:

- Amortized Cost: used when financial assets are managed to obtain contractual cash flows, constituted solely of payments of principal and interest;

- Fair Value Through Other Comprehensive Income: used when financial assets are held both for obtaining contractual cash flows, constituted solely by payments of principal and interest, and for sale; and

- Fair Value Through Profit or Loss: used for financial assets that do not meet the aforementioned criteria.

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost, except for:

Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability).

The Bank maintained the classification of financial liabilities unchanged, which continue being measured at amortized cost or fair value through profit or loss, in the event they had not been previously designated.

ii. Impairment

The requirements for assessment of impairment of financial assets are based on an expected credit loss model. The main changes in the accounting policy of the Bank for impairment are listed below.

The expected credit loss model includes the use of prospective information and classification of financial assets in three stages:

- Stage 1 – 12-month expected credit loss: represents default events possible within 12 months. Applicable to financial assets originated or purchased without credit recovery issues;

- Stage 2 – Lifetime expected credit loss of financial instrument: considers all possible default events. Applicable to financial assets originated or purchased without credit recovery issues and which credit risk has increased significantly; and

- Stage 3 – Credit loss expected for credit-impaired assets: considers all possible default events. Applicable to financial assets originated or purchased with credit recovery issues.

An asset will migrate from a phase as its credit risk increases or decreases. Therefore, a financial asset that migrated to phases 2 and 3 may return to phase 1, unless it was originated or purchased with credit recovery issues. **(Note 37**)

(in thousands of reais unless otherwise stated)

The change in the calculation model of expected credit loss gave rise to an increase in the provision recorded in the consolidated financial statements of the Bank due to the change in measurement of financial assets, and loss revaluation considering prospective criteria.

IFRS 15

iii. IFRS 15 - Revenue from contracts with customers

This standard was issued in May 2014 and is effective for annual reports starting as of January 1, 2018. This standard specifies how and when revenue will be recognized, as well as the requirement that Entities provide users with a higher level of information in their financial statements and complete explanatory notes. The standard introduces five basic principles to be adopted in all contracts with customers, as follows: i) identify the contract with the customer; ii) identify the performance obligations provided for in the contract; iii) determine the transaction price; iv) assign the transaction price to the performance obligations, and v) recognize revenue at the time (or upon) the entity fulfills a performance obligation.

- The core principle of IFRS 15 is that an entity recognizes revenues to describe the transfer of promised products or services to customers in an amount that reflects the consideration the entity expects to be entitled in exchange for those products or services.

- After analyzing the commissions/tariffs practiced by CCB Brasil in comparison the new concepts introduced by IFRS 15, the Company was able to conclude that there were no material impacts on revenues recognized up to December 31, 2017, and as of the adoption of the new standard on January 1, 2018.

Reconciliation of Shareholders' equity between IAS 39 and IFRS 9

	Shareholders´ equity
In accordance with IAS 39	**2,005,745**
Expected loss (a)	(109,785)
Loan operations and lease operations portfolio	(104,163)
Other financial assets	(5,622)
Liabilities at fair value options	43,915
Total adjustments	**1,939,875**

(a) Change in the measurement model based on loss incurred (IAS 39) for expected loss, considering prospective information.

Additionally, as described in Note 2a), the amount of R $ 30,824 was reclassified from retained earnings to other comprehensive income, related to the credit risk premium of financial liabilities recorded on the date of transition to fair value through profit or loss .

iv. *Classification and Measurement of Financial Instruments*

(Amounts in thousands of Brazilian reais - R$, unless otherwise indicated)

	IAS 39 01/01/2018		IFRS 9 01/01/2018	
ASSETS	Category	balance	Category	balance
Cash and Reserves at the Central Bank of Brazil	Amortized Cost	114,702	Amortized Cost	114,702
Financial Assets for Trading	Held for Trading	297,439	Fair Value through Profit or loss	297,439
Financial Assets Avaible for Sale	Available for Sale	7,086,902	Fair Value through Other Comprehensive Income	7,086,646
Financial Assets Held to maturity	Held to maturity	1,254,478	Amortized Cost	1,254,478
(-) Impairment of loans and receivables	**Held to maturity**	-	Amortized Cost	(5,622)
Loans and advances to financial institutions	Loans and Receivables	731,232	Amortized Cost	731,232
Others Loan and Receivables	Loans and Receivables	54,464	Amortized Cost	54,464
Others Financial Assets	Loans and Receivables	19,573	Amortized Cost	19,573
Loans and advances to customers	Loans and Receivables	6,723,414	Amortized Cost	6,723,414
(-) Impairment of Loans and Receivables	Loans and Receivables	(182,008)	Amortized Cost	(286,171)
TOTAL ASSETS		16,100,196		15,990,155

PASSIVO	Category	balance	Category	balance
Financial liabilities at fair value through profit or loss	Held for Trading	5,152	Derivativos	5,152
Other Liabilities at Fair Value through profit or loss	Other liabilities at fair value through profit or loss	988,046	Other liabilities at fair value through profit or loss	988,046
Other Liabilities at Fair Value through profit or loss	Other liabilities at fair value through profit or loss	76,611	Other liabilities at fair value through profit or loss	76,611
Other Liabilities at Fair Value through profit or loss	Other liabilities at fair value through profit or loss	-	Credit risk premium	51,373
Other Liabilities at Fair Value through profit or loss	Amortized Cost	2,801,698	Amortized Cost	2,801,698
Financial Liabilities at Amortized Cost	Amortized Cost	10,915,252	Amortized Cost	10,915,252
TOTAL		14,786,759		14,838,132

b. Definitions and classification of financial instruments

i. Recognition date

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

ii. Initial recognition of financial instruments

As from January 1, 2018, the Bank applies IFRS 9 – Financial Instruments the classification of financial instruments on initial recognition depends on their characteristics and the purpose for which financial instruments were purchased by Management. All financial instruments are initially recognized at fair value and then recognized at amortized cost or at fair value.

iii. Classification of financial assets for measurement purposes

In 2018, the Bank classified its financial assets in the following measurement categories:

- Amortized cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

The classification and subsequent measurement of financial assets depend on:

- The business model under which they are administered;
- The characteristics of its cash flows (Solely Payment of Principal and Interest Test – SPPI Test).

Business model: represents how financial assets are managed to generate cash flows and does not depend on the Management's intention regarding an individual instrument. Financial assets may be managed with the purpose of: i) obtaining contractual cash flows; ii) obtaining contractual cash flows and sale; or iii) others. To assess business models, the Bank considers risks that affect the performance of business model; how business managers are compensated; and how the performance of business model is assessed and reported to Management. If cash flows are realized differently from CCB Brasil's expectations, the classification of remaining financial assets maintained in this business model is not changed.

When the financial asset is maintained in business models i) and ii) the application of the SPPI Test is required.

SPPI Test: assessment of cash flows generated by financial instrument with the purpose of checking whether they represent solely payments of principal and interest. To fit into this concept, cash flows should include only consideration for the time value of money and credit risk. If contractual terms introduce risk exposure or cash flow volatilities, such as exposure to changes in prices of equity instruments or prices of commodities, the financial asset is classified at fair value through profit or loss. Hybrid contracts should be assessed as a whole, including all embedded characteristics. The accounting of a hybrid contract that contains an embedded derivative is performed on a joint basis, i.e. the whole instrument is measured at fair value through profit or loss.

Based on these factors, the Bank applies the following criteria to each classification category:

- Amortized Cost

  - Assets managed to obtain cash flows constituted of solely payments of principal and interest (SPPI Test);
  - Initially recognized at fair value plus transaction costs;
  - Subsequently measured at amortized cost, using the effective interest rate;
  - Interest, including amortization of premiums and discounts, are recognized in the Consolidated Statement of Operations in the heading Interest and similar income.

- Financial Assets at Fair Value through Other Comprehensive Income

  - Assets managed both to obtain cash flows constituted of solely payments of principal and interest (SPPI Test), and for sale;
  - Initially and subsequently recognized at fair value plus transaction costs;
  - Unrealized gains and losses (except for expected credit loss, foreign Exchange differences, dividends and interest income) are recognized, net of applicable taxes, in the heading “Other comprehensive income”.

- Financial Assets at Fair Value through Profit or Loss and Financial Assets Designated at Fair Value

  - Assets that do not meet the classification criteria of previous categories; or assets designated in the initial recognition at fair value through profit or loss to reduce “accounting mismatches”;
  - Initially and subsequently recognized at fair value;
  - Transaction costs are recorded directly in the Consolidated Statement of Operations;
  - Gains and losses resulting from changes in the fair value are recognized in the heading “Gains (losses) on financial assets and liabilities (net)”.

Until 2017, financial assets were classified for measurement purposes in one of the following categories:

• Financial assets measured at fair value through profit or loss: this category includes financial assets acquired for the purpose of generating short-term results arising from their trading or designated in this category at the initial recognition. Derivatives by their characteristics were classified in this category

• Other financial assets at fair value through profit or loss: this category includes financial assets not held for trading and measured in their totality at fair value. Financial assets could only be included in this category on the date they are acquired or originated.

• Available-for-sale financial assets: this category included financial assets not classified as "Held-to-maturity investments", "Loans and receivables" or "Financial assets at fair value through profit or loss" and equity instruments issued by entities other than subsidiaries, affiliates and jointly controlled entities. Available-for-sale financial assets were stated at fair value with changes in fair value recognized in a separate component of "other comprehensive income" in shareholders' equity, net of tax effects, except for impairment losses and interest on these assets are recognized in profit or loss. When the investment is disposed of or there is evidence of impairment, previously accumulated result in the account of adjustments to fair value in equity is reclassified to the statement of operations.

• Loans and receivables: this category included loans, financing and other receivables with or without credit characteristics, based on their nature, regardless of the type of borrower and the form of granting of credit. The preponderant characteristic of the group of loans and receivables is the non-existence of an active market, these being measured at amortized cost, reduced by a possible reduction in the recoverable amount, and the income of this group is recognized on an effective yield basis using the effective rate of interest.

• Held-to-maturity investments: this category included debt instruments traded on an active market, with fixed maturity and fixed or determinable payments, for which CCB Brasil has the intention and proven ability to hold them to maturity. These investments are measured at amortized cost less impairment loss, with revenue recognized on an effective income basis.

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

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

Financial assets and liabilities are later measured, at the end of each year, as follows:

i. Amortized cost

Amortized cost is the amount at which the financial asset or liability is measured at the initial recognition, plus actuals made using the effective interest method, less amortization of principal and interest effective interest rate.

The "effective interest rate" is the discount rate that corresponds exactly to the initial value of the financial instrument in relation to the totality of its estimated cash flows over its remaining useful life. In the case of fixed rate financial instruments, the effective interest rate coincides with the contractual interest rate defined at the contracting date, added, as the case may be, to commissions and transaction costs that, by their nature, form part of their financial return. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return in effect in all commitments up to the next interest rate renewal date.

ii. Fair value

Fair value is the price that would be received for the sale of an asset or that would be paid for the transfer of a liability in a normal transaction between market players on the measurement date.

iii. Expected Credit Loss

As from January 1, 2018, the Bank began to evaluate prospectively the expected credit loss associated with financial assets measured at amortized cost or at fair value through other comprehensive income. The recognition of the provision for expected credit loss is made monthly in the Consolidated Statement of Operations.

In the case of financial assets measured at fair value through other comprehensive income, the Bank recognizes the provision for losses in the Consolidated Statement of Operations, with no effect on the gross carrying amount of the financial asset.

At each reporting period, the Bank assesses whether the credit risk of a financial asset has increased significantly through reasonable and sustainable information that is relevant and available at no cost or undue expense, including qualitative, quantitative and prospective information. Forward-looking information is based on macroeconomic scenarios that are revalued monthly or when market conditions require.

The Bank applies the three-stage approach to measuring the expected credit loss, in which financial assets migrate from one stage to another in line with changes in credit risk.

An asset will migrate from the stage as its credit risk increases. If, in a subsequent period, the quality of a financial asset improves or the significant increase in previously identified credit risk reverts, the financial asset may return to stage 1, unless it is a financial asset originated or purchased with credit recovery issues.

They are considered financial assets with low credit risk and, therefore, remain in stage 1, securities of the Brazilian government, according to a study carried out by the Bank.

The Bank assesses whether credit risk has increased significantly individually or collectively. For collective valuation purposes, financial assets are grouped based on shared credit risk characteristics, taking into account the type of instrument, credit risk classifications, the date of initial recognition, the remaining term, branch, geographical location of the counterparty and other relevant factors.

Until 2017, CCB Brasil evaluated whether there was objective evidence that financial assets had any evidence of impairment. Financial assets were considered as impairment when objective evidence showed that a loss occurred after the initial recognition of the asset and that this loss represented an impact on the future cash flows of the asset that could be estimated reliably. CCB Brasil considered evidence of impairment for both individually significant assets and the collective level. All individually significant financial assets were valued for specific and collective losses. Assets that were not individually significant were evaluated collectively to detect impairment, which was estimated considering the grouping of financial assets (accounted for at amortized cost) with similar characteristics and risks.

CCB Brasil considered the following indicators to be "objective evidence of impairment":

a) Contract breach, such as default or delay in the payment of contracts with maturity of more than 90 days;

b) Classifications defined by CCB Brasil credit area that indicated deterioration of operations;

c) Client transactions under judicial reorganization;

d) Renegotiated loans and receivables.

For debt instruments and equity assets that were traded in the active market, a significant reduction in the volume of operations or lack of liquidity could also be considered as evidence of a reduction in the recoverable amount. For the purposes of this analysis, these assets were periodically evaluated by CCB Brasil's credit risk area.

Transactions identified individually with objective evidence of impairment were evaluated in relation to the expectation of recovery, considering aspects such as the economic and financial situation of the customer, the debtor's ability to pay, estimated repayment period, guarantees, recovery probability and other related aspects conditions of operation. This evaluation aimed at obtaining facts and data that were used to measure recoverable present value.

Impairment losses on assets carried at amortized cost were measured as the difference between the book value of the financial assets and the recoverable present value, discounted by the original effective interest rate of the assets.

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

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

Financial assets are written off when there is no longer any expectation of recovery.

iv Financial liabilities at fair value through profit or loss

Classification applied to derivatives and other financial liabilities designated at fair value through profit or loss to reduce "accounting mismatches". The Bank designates financial liabilities, irrevocably, at fair value through profit or loss on initial recognition (fair value option), when the option significantly reduces or eliminates measurement or recognition inconsistencies.

Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income that will not be reclassified to net income or loss (the change in the fair value of the financial liability is attributed to changes in the risk premium liabilities), and partly as a result of the year (the remaining amount of the change in the fair value of the liability).

v. Valuation techniques

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

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

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

- Level 3: If there is no available data based on observable market inputs, Management uses internal information and models to determine the best fair value of financial assets and liabilities. As of December 31, 2018 and 2017, there were no financial instruments qualifying for this level.

(in thousands of reais unless otherwise stated)

There were no reclassifications between level 1 and level 2 in the years ended December 31, 2018 and 2017.

	2018			2017		
	Published price quotations in active markets (Level 1)	Internal models (Level 2)	Total	Published price quotations in active markets (Level 1)	Internal models (Level 2)	Total
Derivatives (Note 6)	-	445,502	445,502	-	-	-
Financial assets for trading (Note 6)	-	-	-	-	297,439	297,439
Financial assets at amortized cost (Note 5)	1,725,747	-	1,725,747	-	-	-
Financial assets held to maturity (Note 5)	-	-	-	1,254,478	-	1,254,478
Financial assets at fair value of other comprehensive income (Note 5)	7,482,470	-	7,482,470	-	-	-
Financial assets available for sale (Note 5)	-	-	-	7,086,902	-	7,086,902
Derivatives (Note 6)	-	21,963	21,963	-	-	-
Financial liabilities for trading (Note 5)	-	-	-	-	5,152	5,152
Other liabilities at fair value through profit or loss (Note 17 and Note 19)	1,046,949	66,009	1,112,958	-	-	-
Other liabilities at fair value through profit or loss (Note 17 e Note 19)	-	-	-	988,046	76,611	1,064,657
Hedge financial liabilities (Note 19)	-	1,767,532	1,767,532	-	-	-
Hedge financial liabilities (Note 19)	-	-	-	-	2,801,698	2,801,698

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

	Fair values calculated using internal models		Valuation techniques	Main assumptions
	2018	2017		
Derivatives assets	**445,502**	**297,439**		
Swap contracts	444,960	295,854	Present value method	Observable market data (discount rates and interest)
Forward transactions	542	1,585	Present value method	Observable market data and liquidity (exchange rates and interest)
Derivatives liabilities	**21,963**	**5,152**		
Swap contracts	20,970	4,438	Present value method	Observable market data (discount rates and interest)
Purchase/Sale obligation of share option	993	714	Black-Scholes model	Observable market data and liquidity (exchange rates and interest)

(in thousands of reais unless otherwise stated)

Other liabilities at fair value through profit or loss	**1,833,541**	**2,878,309**		
Hedged financial liabilities	1,767,532	2,801,698	Present value method	Observable market data (discount rates and interest)
Foreign borrowings	66,009	76,611	Present value method	Observable market data (discount rates and interest)

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

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

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

					2018
	Carrying amount	Fair value	Level 1	Level 2	Level 3
SECURITIES					
At amortized cost (Note 5)	1,725,747	1,826,567	-	1,826,567	-
LOANS AND RECEIVABLES					
Loans and advances to clients (Note 7)	8,840,533	9,526,527	-	9,526,527	-
FINANCIAL LIABILITIES AT AMORTIZED COST					
Subordinated debts (Note 17)	1,154,621	1,398,894	314,200	1,084,694	-
Deposits from financial institutions (Note 14)	7,162,517	7,162,522	-	7,162,522	-
Deposits from clients (Note 15)	3,068,808	3,099,854	-	3,099,854	-

					2017
	Carrying amount	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS HELD TO MATURITY					
Debt instruments (Note 5)	1,254,478	1,324,780	-	1,324,780	-
LOANS AND RECEIVABLES					
Loans and advances to clients (Note 7)	6,723,414	7,284,901	-	7,284,901	-
FINANCIAL LIABILITIES AT AMORTIZED COST					
Subordinated debts (Note 17)	971,969	1,313,633	283,953	1,029,680	-
Deposits from financial institutions (Note 14)	3,481,635	3,481,801	-	3,481,801	-
Deposits from clients (Note 15)	2,853,356	2,869,513	-	2,869,513	-

e. Write-off of financial assets and liabilities

Financial assets, or part of them, are derecognized when the contractual rights to receive the cash flow of the assets expire or when they are transferred and the Group transfers substantially all the risks and benefits of the property or the Group does not substantially transfer or retain all the risks and benefits of participation.

The consolidated engages in transactions where it retains the contractual rights to receive the cash flow of the assets but assumes a contractual obligation to pay those cash flows to other entities and substantially transfers all the risks and benefits. These transactions are accounted for as 'forward' transfers that result in derecognition if the group:

(i) has no obligation to make payments, unless it receives equivalent amounts of the assets;

(ii) It is prohibited to sell or offer the assets; and

(iii) it has the obligation to remit all the money that it collects of the assets without material delay

f. Net reporting of financial instruments

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

In 2018 and 2017 financial assets and liabilities were not of offsetting in the financial statements.

g. Non-financial assets held for sale

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

Impairment losses on an asset or disposal group as a result of a write-down in their carrying amount to the fair value (less sales cost) are recognized in "Losses on other assets (net)" in the consolidated statement of operations. Gains on non-financial assets held for to sale arising from subsequent increases in fair value (less sales costs) increase their carrying amount and are recognized in the consolidated statement of operations up to the amount equivalent to the impairment losses previously recognized.

h. Hedge operations

(i) Fair Value Hedge

For these operations, the following practices are applied:

a) The gain or loss resulting from the remeasurement of the hedge instrument at fair value must be recognized in the statement of operations; and

b) The gain or loss resulting from the hedged item attributable to the effective portion of the designated risk shall adjust the carrying amount of the hedged item to be recognized in the statement of operations.

When the derivative expires or is sold and the accounting hedge criteria are no longer met or if the designation is revoked the accounting hedge should be discontinued prospectively. In addition, any adjustment to the carrying amount of the hedged item should be amortized in the statement of operations.

The Bank has no accounting hedge of foreign investment cash flow.

i. Tangible assets

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

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

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

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

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

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

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

j. Lease accounting

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

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

k. Intangible assets

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

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

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

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

l. Provisions, contingent assets and liabilities

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

Contingent assets: these assets are not recognized in the accounts, except when there is a favorable judicial decision, on which no appeals are admitted, characterized as virtually certain. Assets with probable probability of success are only disclosed in explanatory notes (Note 21). CCB Brasil does not have contingent assets of probable success.

Provisions: are recognized in the accounting when the Management, advised by legal counsel, assesses the likelihood of loss as probable. The cases with chances of loss classified as possible are only disclosed in an explanatory note (note 21).

Contingent liabilities: In accordance with CPC 25, the term "contingent" is used for liabilities and assets that are not recognized because their existence will only be confirmed by the occurrence or not of one or more uncertain future events not wholly under the 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 relevant. Obligations classified as remote are neither provisioned nor disclosed; and

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

m. Recognition of income and expenses

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

i. Interest and similar income and expenses

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

ii. Commissions, fees and similar items

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

- Income and expenses on fees and commissions, related to financial assets and liabilities measured at fair value through profit or loss, are recognized upon payment.

- Those arising from transactions or services performed during a period of time are recognized throughout the life of such transactions or services.

- Those related to services rendered in one time are recognized upon execution thereof.

iii. Non-financial income and expenses

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

n. Financial guarantees

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

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

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

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

o. Income taxes and social contribution on net profit

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

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

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

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

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

p. Consolidated statements of cash flows

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

- Cash flows: Inflow and outflow of cash and cash equivalents, that are high liquidity interest earning bank deposits subject to insignificant risk of changes in value.

- Operating activities: Main activities generators of income from financial institutions and other activities that are not financing or investing activities.

- Investing activities: Acquisition and sale of other investments not included in cash and cash equivalents.

- Financing activities: activities resulting in changes in the size and breakdown of shareholders' equity and liabilities that are not operating activities.

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

q. Critical accounting estimates

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

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

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

i. *Fair value measurement of certain financial instruments*

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

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

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

ii. *Impairment of financial assets*

CCB Brasil recognizes the losses inherent to financial assets not measured at fair value taking into account the historical experience of impairment and other circumstances known at the time of the measurement.

iii. *Goodwill*

The recorded goodwill is subject to a recoverability test at least once a year or more often, if there is any indication of asset impairment.

The basis used for the recoverability test is the value in use, and for this purpose Management estimates the cash flow for a determinated period. The cash flow was prepared considering several factors, such as: (i) macroeconomic projections of the interest rate, inflation, foreign exchange rate and others; (ii) national financial system's behavior and growth estimates; (iii) increased costs, returns, synergies and investment plan; (iv) customer behavior, and (v) growth rates and adjustments applied to perpetuity flows. The adoption of these estimates involves the probability of the occurrence of future events and changes in one of these factors could have a different result.

iv. Assessment of impairment of tangible and intangible assets

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

v. Recognition and measurement of deferred taxes

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

Estimates regarding the determination of future taxable income are based on the technical study of realization of tax credits, which includes estimates and projections of future events and trends, which may affect the consolidated financial statements.

vi. Provisions, Contingencies and Other Commitments

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

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

Contingency amounts are defined using models and criteria that allow proper measurement, despite uncertainties inherent to terms and amounts, as detailed in **Note 21.**

The details of Provisions, Contingencies and Other Commitments are described in **Note 21.**

The sensitivity analysis is detailed in **Note 37** - "Risks Management".

r. Standards not yet in effect

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

- Amendments to IFRS 16 – Leases – Issued in January 2016, with a mandatory application date from January 2019. This standard contains a new approach to lease agreements, which requires lessors to recognize assets and liabilities for the rights and obligations created by the contract. The Bank assessed the impacts of adopting the new standard and concluded that there will be no significant impacts on the opening balance of shareholders' equity on January 1, 2019.

s. Information for comparison purposes

In 2017, reclassifications to the Statement of Operations were recorded in the statement of operations with interest and similar amounts in the amount of R$ 477,732 as a contra entry to Gains (Losses) on financial assets and liabilities (net) in the amount of R$ 506,891, and amount of R$ 29,159 in credit for Exchange Differences (Net). These reclassifications did not have an impact on stockholders' equity, results of operations and cash flows.

(in thousands of reais unless otherwise stated)

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

	2018	2017
Cash	595	2,247
FI's bank deposits with no reserve account	206	507
Foreign currency deposits	39,626	90,353
Compulsory deposits at the Central Bank of Brazil	6,516	21,595
	46,943	114,702
Currency:		
Real	7,317	24,349
USD	39,626	90,353
	46,943	114,702

Note 34-b contains details for the periods of residual maturity of cash and cash equivalents and reserves at the Central Bank of Brazil.

(in thousands of reais unless otherwise stated)

4. Loans and advances to financial institutions

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

	2018	2017
Classification:		
Loans and receivables	3,265,217	731,232
	3,265,217	731,232
Type:		
Financial assets amortized cost (stage 1):		
Purchase and sale commitments	2,654,994	53,008
Judicial, fiscal and labor deposits	433,948	481,660
Interbank deposits	176,275	196,492
Others	-	72
	3,265,217	731,232
Currency:		
Real	3,094,346	540,296
USD	170,871	190,936
	3,265,217	731,232

Note 34-b contains details for the periods of residual maturity of loans and receivables.

(in thousands of reais unless otherwise stated)

5. *Securities*

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

	2018	2017
Financial assets amortized cost	1,725,747	-
Financial assets at fair value through other comprehensive income	7,482,470	-
Financial assets available for sale	-	7,086,646
Financial assets held to maturity	-	1,254,478
	9,208,217	8,341,124
Type:		
Financial assets amortized cost (stage 1):	1,725,747	-
Brazilian government bonds – Global bonds	1,665,848	-
Quotas of “Multimarket” Funds	44,709	-
Debentures	15,190	-
Financial assets at fair value through other comprehensive income (stage 1):	7,482,470	-
Brazilian government securities	7,482,470	-
Financial assets for trading:	-	7,086,646
Brazilian government securities	-	7,086,646
Financial assets held to maturity:	-	1,254,478
Brazilian government bonds - Global Bonds	-	1,231,642
Quotas of “Multimarket” Funds	-	22,836
Currency:		
Real	7,542,369	7,109,482
Dollar	1,665,848	1,231,642
	9,208,217	8,341,124

Note 34-b contains details for the periods of residual maturity of financial assets.

6. Derivatives

a) The adopted policy

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

b) Hedge of foreign exchange exposures

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

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

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

d) Risk management

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

The main risk factors of the derivatives contracted at December 31, 2018 are related to exchange rate, interest rate and dollar coupon, which aim to maximize the return-risk ratio, even in circumstances of high volatility. The risk management control of the portfolios is performed through the use of systems, such as: VaR, (for trading portfolio), EVE and NII (for the banking and global portfolios), Profitability and Liquidity Risk.

(in thousands of reais unless otherwise stated)

e) Criteria for fair value measurement

To obtain these fair values the following criteria are adopted:

- **Futures and Forward**: quotations on stock exchanges;

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

f) Recording of the values

The Outstanding Operations at December 31, 2018 and 2017 have the following characteristics:

						Notional value - 2018
	Differential		Net position of asset contracts and (Liabilities)			
	Receivable	Payable	Falling due – up to 3 months	Falling due from 3 to 12 months	Falling due for more than 12 months	Total
Swap contracts:						
Interbank market	11,113	2,876	6,618	(491,081)	(229,525)	(713,988)
Foreign currency	430,802	18,094	(6,618)	464,708	229,525	687,615
Fixed rate	3,045	-	-	26,373	-	26,373
Subtotal - Swap	**444,960**	**20,970**				
Forward contracts/Non-deliverable forwards - NDF						
Forward purchase/NDF	2	59	1,237	1,258	-	2,495
Forward sale/NDF	540	934	(5,203)	(33,942)	-	(39,145)
Subtotal Forward/Non-Deliverable Forward	542	993				
Total	**445,502**	**21,963**				
Futures contracts:						
Sale - Interbank market	-	575	(176,913)	(586,063)	(1,407,997)	(2,170,973)
Buy - DDI - For. cur. 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)

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

(in thousands of reais unless otherwise stated)

Forward contracts/Non-deliverable forwards - NDF						
Forward purchase/NDF	29	-	664	247	-	911
Forward sale/NDF	1,556	714	4,158	34,994	-	39,152
Subtotal Forward/Non-Deliverable Forward	1,585	714				
Total	**297,439**	**5,152**				
Futures contracts:						
Buy – interbank market	2	-	10,494	-	-	10,494
Sale - Interbank market	-	(2,032)	(740,108)	(547,375)	(1,887,286)	(3,174,769)
Buy - DDI - For. cur. coupon	203	-	771,848	936,114	8,036	1,715,998
Sale - DDI - For. cur. coupon	-	2,524	(105,965)	(65,230)	-	(171,195)
Purchase - Foreign currency	2,458	-	114,145	-	-	114,145
Sale - Foreign currency	-	93	(1,312,514)		-	(1,312,514)

Note 34-b contains details for the periods of residual maturity of derivatives.

(in thousands of reais unless otherwise stated)

7. *Loans and advances to clients*

a) Breakdown

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

				2018
	Stage 1	Stage 2	Stage 3	TOTAL
Individuals	**1,961,641**	**104,870**	**166,401**	**2,232,912**
Consigned personal credit	1,805,304	90,939	106,631	2,002,874
Others	156,337	13,931	59,770	230,038
Entities	**5,932,276**	**472,744**	**202,601**	**6,607,621**
Working capital	2,966,124	311,492	18,886	3,296,502
Export/ Import financing	1,552,351	111,058	77,959	1,741,368
Others	1,413,801	50,194	105,756	1,569,751
Total	**7,893,917**	**577,614**	**369,002**	**8,840,533**

	2017
	TOTAL
Individuals	**2,768,473**
Consigned personal credit	2,393,327
Others	375,146
Entities	**3,954,941**
Working capital	2,084,308
Export/ Import financing	1,077,724
Others	792,909
Total	**6,723,414**

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

Note 34-b contains details for the periods of residual maturity of loans and advances to clients.

(in thousands of reais unless otherwise stated)

b) Gross book value (loan portfolio)

Reconciliation of the gross portfolio of "Loans and advances to clients" segregated by stages:

Stage 1	Open balance 12/31/2017	Transfer to stage 2	Transfer to stage 3	Transfer from stage 2	Transfer from stage 3	Write-off	Other Movements *	End Balance 12/31/2018
Individuals	**2.531.597**	**(62.934)**	**(82.992)**	**18.546**	**4.300**	**-**	**(446.876)**	**1.961.641**
Consigned personal credit	2.253.415	(54.130)	(55.524)	9.238	3.151	-	(350.847)	1.805.304
Others **	278.182	(8.804)	(27.468)	9.308	1.149	-	(96.029)	156.337
Entities	**3.475.270**	**(431.098)**	**(8.360)**	**36.630**	**-**	**-**	**2.859.834**	**5.932.276**
Working capital	1.982.365	(303.570)	-	9.964	-	-	1.285.726	2.966.124
Export/ Import financing	902.518	(127.528)	-	26.009	-	-	751.352	1.552.351
Others **	590.387	-	(8.360)	657	-	-	822.756	1.413.801
Total	**6.006.867**	**(494.032)**	**(91.352)**	**55.176**	**4.300**	**-**	**2.412.958**	**7.893.917**

Stage 2	Open balance 12/31/2017	Transfer to stage 1	Transfer to stage 3	Transfer from stage 1	Transfer from stage 3	Write-off	Other Movements *	End Balance 12/31/2018
Individuals	**97.551**	**(18.546)**	**(11.171)**	**62.934**	**1.462**	**-**	**(27.360)**	**104.870**
Consigned personal credit	57.587	(9.238)	(5.531)	54.130	1.065	-	(7.074)	90.939
Others	39.964	(9.308)	(5.640)	8.804	397	-	(20.286)	13.931
Entities	**293.939**	**(36.630)**	**(44.387)**	**431.098**	**-**	**-**	**(171.276)**	**472.744**
Working capital	80.714	(9.964)	(9.365)	303.570	-	-	(53.463)	311.492
Export/ Import financing	92.962	(26.009)	-	127.528	-	-	(83.423)	111.058
Others **	120.263	(657)	(35.022)	-	-	-	(34.390)	50.194
Total	**391.490**	**(55.176)**	**(55.558)**	**494.032**	**1.462**	**-**	**(198.636)**	**577.614**

Stage 3	Open balance 12/31/2017	Transfer to stage 1	Transfer to stage 2	Transfer from stage 1	Transfer from stage 2	Write-off	Other Movements *	End Balance 12/31/2018
Individuals	**139.325**	**(4.300)**	**(1.462)**	**82.992**	**11.171**	**(121.827)**	**60.502**	**166.401**
Consigned personal credit	82.325	(3.151)	(1.065)	55.524	5.531	(45.234)	12.701	106.631
Others	57.000	(1.149)	(397)	27.468	5.640	(76.593)	47.801	59.770
Entities	**185.732**	**-**	**-**	**8.360**	**44.387**	**(45.556)**	**9.678**	**202.601**
Working capital	21.229	-	-	8.360-	9.365	-	(20.068)	18.886
Export/ Import financing	82.244	-	-	-	-	-	(4.285)	77.959
Others **	82.259	-	-	-	35.022	(45.556)	34.031	105.756
Total	**325.057**	**(4.300)**	**(1.462)**	**91.352**	**55.558**	**(167.383)**	**70.180**	**369.002**

(in thousands of reais unless otherwise stated)

Consolidated of 3 stages	Open Balance 12/31/2017	Write-off	Other Movements *	End Balance 12/31/2018
Individuals	**2,768,473**	**(121,827)**	**(413,734)**	**2,232,912**
Consigned personal credit	2,393,327	(45,234)	(345,219)	2,002,874
Others **	375,146	(76,593)	(68,515)	230,038
Entities	**3,954,941**	**(45,556)**	**2,698,236**	**6,607,621**
Working capital	2,084,308	-	1,212,193	3,296,502
Export/ Import financing	1,077,724	-	663,644	1,741,368
Others **	792,909	(45,556)	822,399	1,569,751
Total	**6,723,414**	**(167,383)**	**2,284,502**	**8,840,533**

* "Other Movements" include settled transactions and new operations, credit assignments and foreign exchange variation of operations indexed in foreign currency.
** "Others" includes other types of credit (Advances on Foreign Exchange Contracts, Rural and Agribusiness Financing, Machinery and Heavy Vehicle Financing, Debtors for the purchase of assets and liabilities and receivables).

c) Expected credit loss

Composition of expected credit loss of "Loans and advances to clients and securities":

	2018
Individuals	**168,357**
Consigned personal credit	130,539
Others	37,818
Entities	**163,628**
Working capital	29,267
Export/ Import financing	68,798
Others	65,563
SubTotal	**331,985**
Securities	6,733
Total	**338,718**

(in thousands of reais unless otherwise stated)

Reconciliation of the expected credit loss from "Loans and advances to clients" segregated by stages:

Stage 1	Open balance 12/31/2017	Transfer to stage 2	Transfer to stage 3	Transfer from stage 2	Transfer from stage 3	Write-off	Other Movements	End Balance 12/31/2018
Individuals	**69.754**	**(2.172)**	**(3.245)**	**1.491**	**2.628**	**-**	**(10.627)**	**57.829**
Consigned personal credit	54.331	(1.617)	(1.440)	672	2.126	-	(3.976)	50.096
Others	15.423	(555)	(1.805)	819	502	-	(6.651)	7.733
Entities	**9.686**	**(978)**	**(136)**	**1.246**	**-**	**-**	**24.652**	**34.470**
Working capital	2.931	(80)	(136)	163	-	-	13.450	16.328
Export/ Import financing	5.579	(898)	-	1.073	-	-	7.328	13.082
Others	1.176	-		10	-	-	3.874	5.060
Total	**79.440**	**(3.150)**	**(3.381)**	**2.737**	**2.628**	**-**	**14.025**	**92.299**

Stage 2	Open balance 12/31/2017	Transfer to stage 1	Transfer to stage 3	Transfer from stage 1	Transfer from stage 3	Write-off	Other Movements	End Balance 12/31/2018
Individuals	**6.737**	**(1.491)**	**(894)**	**2.172**	**880**	**-**	**(1.283)**	**6.121**
Consigned personal credit	3.749	(672)	(414)	1.617	707	-	108	5.095
Others	2.988	(819)	(480)	555	173	-	(1.391)	1.026
Entities	**8.014**	**(1.246)**	**(4.516)**	**978**	**-**	**-**	**3.074**	**6.304**
Working capital	1.474	(163)	(567)	80	-	-	139	963
Export/ Import financing	2.161	(1.073)	-	898	-	-	3.037	5.023
Others	4.379	(10)	(3.949)	-	-	-	(102)	318
Total	**14.751**	**(2.737)**	**(5.410)**	**3.150**	**880**	**-**	**1.791**	**12.425**

Stage 3	Open balance 12/31/2017	Transfer to stage 1	Transfer to stage 2	Transfer from stage 1	Transfer from stage 2	Write-off	Other Movements	End Balance 12/31/2018
Individuals	**79.916**	**(2.628)**	**(880)**	**3.245**	**894**	**(121.827)**	**145.687**	**104.407**
Consigned personal credit	56.937	(2.126)	(707)	1.440	414	(45.234)	64.624	75.348
Others	22.979	(502)	(173)	1.805	480	(76.593)	81.063	29.059
Entities	**112.064**	**-**	**-**	**136**	**4.516**	**(45.556)**	**51.694**	**122.854**
Working capital	9.437	-	-	136	567	-	1.836	11.976
Export/ Import financing	56.379	-	-	-	-	-	(5.686)	50.693
Others	46.248	-	-	-	3.949	(45.556)	55.544	60.185
Total	**191.980**	**(2.628)**	**(880)**	**3.381**	**5.510**	**(167.383)**	**197.381**	**227.261**

(in thousands of reais unless otherwise stated)

Consolidated of 3 stages	Open Balance 12/31/2017	Write-off	Other Movements	End Balance 12/31/2018
Individuals	**156,407**	**(121,827)**	**133,777**	**168,357**
Consigned personal credit	115,017	(45,234)	60,756	130,539
Others	41,390	(76,593)	73,021	37,818
Entities	**129,764**	**(45,556)**	**79,420**	**163,628**
Working capital	13,842	-	15,425	29,267
Export/ Import financing	64,119	-	4,679	68,798
Others	51,803	(45,556)	59,316	65,563
Total	**286,171**	**(167,383)**	**213,197**	**331,985**
Securities	5,622	-	1,111	6,733
Total	**291,793**	**(167,383)**	**214,308**	**338,718**

d) Assignment of loans to credit securitization companies (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 rewards", which were fully covered by allowances for loan losses, resulting in the amount of R$ 25,972 (2017 - R$ 7,526).

Furthermore, loan operations previously written-off were also assigned to unrelated credit securitization companies, resulting in the amount of R$ 73,984 (2017- R$ 230,507). The assignments were made considering internal evaluations as regards the perspectives of recovery of the loans, which served as the pricing basis for the assignments, and analyses of a specialized company regarding the situation of the debtors and the conditions of the loans, utilized as a source of information for the evaluation of the perspectives of the recovery of the loans (note 29).

(in thousands of reais unless otherwise stated)

e) Breakdown of impairment

Changes in provisions for impairment in the balances of "Loans and financing - loans and advances to customers" in 2017 are as follows:

	2017
Operations individually assessed with loss event	203,264
Impairment	(104,563)
	98,701
Operations individually assessed without loss event	3,173,754
Impairment	-
	3,173,754
Operations collectively assessed with loss event	175,257
Impairment	(31,247)
	144,010
Operations individually assessed	3,171,139
Impairment	(46,198)
	3,124,941
Total loans and advances to clients	6,723,414
Total impairment	(182,008)
Net balance of loans and advances to clients	6,541,406

	2017
Opening balance of provision for impairment	507,584
Constitution/(reversal) of balances against impairment	321,814
Write-off of balances against impairment	(647,390)
Closing balance of impairment	182,008
Recovery of credits written off	77,179
Credits renegotiated during the period	430,207
Percentage of provision for impairment on loan portfolio and advances to clients	2.71%

8. Other loans and receivables

All the balances of counterparties that are not clients or financial institutions are considered "Other Loans and Receivables." As of December 31, 2018, this item is composed basically of balances outstanding with stock exchanges (under usual market terms) and credits granted and not typified as loans classified as amortized cost, totaling the sum of R$ 27,431 (R$ 54,464 in 2017).

(in thousands of reais unless otherwise stated)

9. *Non-financial assets*

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

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

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

Subsequent reductions to book value related to the reduction to fair value or loss of ownership or control of the asset, in addition to the gains and losses arising from the disposal of non-financial assets are recorded under "Gains (losses) on other assets (net)" in the statement of operations for the year.

a) Breakdown

	2018	2017
Rating:		
Assets held for sale	247,138	280,426
	247,138	280,426
Type:		
Real estate	371,061	377,385
Machinery and equipment	27,122	28,402
Vehicles	11,271	16,779
Other	743	742
Provision for impairment	(163,059)	(142,882)
	247,138	280,426

b) Changes

	2018	2017
Opening balance	280,426	267,842
Assets seized	65,413	64,550
Assets transferred from closed branches	-	18,440
Disposals	(98,701)	(70,406)
Balance at the end of the year	247,138	280,426

(in thousands of reais unless otherwise stated)

10. Investments

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

	2018	2017
Equity securities	233	233
Shares and quotas	14	14
Other financial assets	9	9
Jointly controlled entities – BrasilFactors	-	125
Total	256	381

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

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

(in thousands of reais unless otherwise stated)

11. Tangible assets

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

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

	Cost	Accumulated depreciation	Impairment	Net balance
Land and buildings	92,182	(49,548)	(27)	42,607
Data processing systems	11,146	(10,744)	(15)	387
Facilities, furniture and equipment in use	20,666	(11,271)	(1,344)	8,051
Other	2,450	(1,672)	(47)	731
Balances at December 31, 2017	126,444	(73,235)	(1,433)	51,776
Land and buildings	85,629	(50,015)	-	35,614
Data processing systems	10,124	(9,786)	(15)	323
Facilities, furniture and equipment in use	20,585	(12,761)	(1,458)	6,366
Other	2,450	(1,967)	(47)	436
Balances at December 31, 2018	118,788	(74,529)	(1,520)	42,739

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

	2018	2017
Cost:		
Balances at the beginning of the year	126,444	235,991
Additions	6,391	11,361
Disposals	(14,047)	(120,908)
Balances at the end of the year	118,788	126,444
Impairment	(1,520)	(1,433)
Accumulated depreciation:		
Balances at the beginning of the year	(73,235)	(129,251)
Additions	(10,393)	(16,264)
Disposals	9,099	72,280
Total depreciation at yearend	(74,529)	(73,235)
Net balance of Tangible Assets	42,739	51,776

(in thousands of reais unless otherwise stated)

12. Intangible assets

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

	Estimated useful life	2018	2017
With defined useful life:			
Expenses on software acquisition and development	Other	21,371	19,167
Accumulated amortization	Up to 5 years	(17,380)	(14,275)
Without defined useful life:			
Goodwill - CCB Brasil Financeira		105,190	105,190
		109,181	110,082

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

	2018	2017
Opening balances	110,082	108,476
Additions / (write-off) of costs	2,204	4,763
Amortizations	(3,217)	(3,157)
Amortizations write-off	112	-
Balances at the end of the year	109,181	110,082

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

The recorded goodwill is subject to impairment test once a year, or more often if there is an indication of impairment of the asset, and was allocated to cash generating units identified in accordance with operating segments (Note 35).

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

Based on the aforementioned assumptions, no impairment of goodwill was identified in 2018.

(in thousands of reais unless otherwise stated)

	2018	2017
CCB Brasil S.A. Crédito, Financiamentos e Investimentos	105,190	105.190
Operating segment:		
Retail	105,190	105.190
	Retail	Retail
Main assumptions:		
Assessment basis	Value in use: cash flows	Value in use: cash flows
Cash flow projection period (1)	10 years	10 years
Growth rate in perpetuity	6.5% p.a.	6.8% p.a.
Discount rate	14.9%	15.9%

(1) Cash flow projections are based on internal budget and on management's growth plans, taking into account historical data, expectations and market conditions such as industrial growth, interest rate and inflation indexes. The 10-year period used for the projection of cash flows adequately reflects the long-term business cycle of the unit, since it carries out credit operations with maturities that can reach up to 60 months.

(in thousands of reais unless otherwise stated)

13. Other assets

Breakdown of “Other assets” balance is as follows:

	2018	2017
Sundry receivables	19,531	38,935
Other receivables (*)	28,552	39,459
Prepaid expenses	27,926	27,690
Operations with financial assets	5,218	2,663
Sundry accounts	1.784	5.262
	83,011	114,009

(*) Substantially refer to assets with social housing programs in the amount of R$ 19,508 (R$ 11,220 in 2017).

(in thousands of reais unless otherwise stated)

14. Deposits from financial institutions

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

	2018	2017
Rating:		
Financial liabilities at amortized cost	7,162,517	3,481,635
	7,162,517	3,481,635
Type:		
Obligations related to purchase and sale agreements (LFT)	7,028,902	3,138,816
Interbank deposits	133,615	342,819
	7,162,517	3,481,635
Currency:		
Real	6,774,454	3,481,635
Dollar	388,063	-
	7,162,517	3,481,635

Note 34-b contains details for the periods of residual maturity of financial liabilities at amortized cost, deposits of financial institution.

(in thousands of reais unless otherwise stated)

15. Deposits from clients

The breakdown by rating, type, in the item “Deposits from clients" is as follows:

	2018	2017
Rating:		
Financial liabilities at amortized cost	3,068,808	2,853,356
	3,068,808	2,853,356
Type:		
Time deposits	2,920,568	2,736,654
Demand deposits	84,316	86,470
Savings deposits	3,241	7,393
Other deposits (*)	60.683	22,839
	3,068,808	2,853,356
Currency:		
Real	3,037,624	2,847,695
USD	31,184	5,661
	3,068,808	2,853,356

(*) Refers substantially to the account of foreign currency payment orders in the amount of R$ 31,184 (R $ 5,661 in 2017).

Note 34-b contains details for the periods of residual maturity of financial liability at amortized cost, client´s deposits.

(in thousands of reais unless otherwise stated)

16. Securities issued

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

	2018	2017
Rating:		
Financial liabilities at amortized cost	1,245,803	406,611
	1,245,803	406,611
Type:		
Financial liabilities at amortized cost		
Obligations from issue of agribusiness real estate credit bills	604,022	154,108
Obligations from issue of financial bills	541,933	159,184
Obligations from securities issued abroad	55,066	55,066
Obligations from issue of real estate credit bill	44,782	37,942
Obligations due to acceptances of negotiable instruments	-	311
	1,245,803	406,611
Currency:		
Real	1,190,737	351,234
USD	55,066	55,377
Balances at the end of the year	1,245,803	406,611

Note 34-b contains details of the remaining maturity periods of the financial liability at amortized cost, securities issued.

(in thousands of reais unless otherwise stated)

17. Capital Instruments

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

	2018	2017
Rating:		
Other liabilities at fair value through profit or loss	-	988,046
Financial liabilities at amortized cost	-	971,969
	-	1,960,015
Other liabilities at fair value through profit or loss (*)	1,046,949	-
Financial liabilities at amortized cost	1,154,621	-
	2,201,570	-
Type:		
Other liabilities at fair value through profit or loss		
Eurobonds	-	988,046
	-	988,046
Other liabilities at fair value through profit or loss		
Eurobonds (*)	1,046,949	-
	1,046,949	-
Financial liabilities at amortized cost		
Subordinated CDB	883,385	740,409
Perpetual Debt	271,236	231,560
	1,154,621	971,969
Currency:		
USD	1,318,185	1,219,606
Real	883,385	740,409
	2,201,570	1,960,015

*Includes credit risk premium in the amount of R $ 47,316.

Note 34-b contains details on residual maturity periods of subordinated debts at each year end.

(in thousands of reais unless otherwise stated)

18. Domestic borrowings

The breakdown of the item "Domestic borrowings" is as follows:

	2018	2017
Rating:		
Financial liabilities at amortized cost	133,770	41,700
	133,770	41,700
With:		
Onlendings - Ministry of Agriculture	129,579	35,561
Other funds and programs	3,222	5,245
Onlendings - Ministry of Cities	969	894
	133,770	41,700
Currency:		
Real	133,770	41,700
	133,770	41,700

Note 34-b contains details for the periods of residual maturity of financial liabilities at amortized cost, domestic borrowings.

(in thousands of reais unless otherwise stated)

19. Foreign borrowings

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

	2018	2017
Rating:		
Financial liabilities at amortized cost	-	3,159,981
Other liabilities at fair value through profit or loss	-	76,611
Hedged financial liabilities (nota 20)	-	2,801,698
	-	6,038,290
Financial liabilities at amortized cost	4,817,459	-
Other liabilities at fair value through profit or loss *	66,009	-
Hedged financial liabilities (nota 20)	1,767,532	-
	6,651,000	-
With:		
Financial liabilities at amortized cost:		
Import/export financing	-	3,159,981
	-	3,159,981
Financial liabilities at amortized cost:		
Import/export financing	4,817,459	-
	4,817,459	-
Other liabilities at fair value through profit or loss		
Foreign onlendings	-	76,611
	-	76,611
Other liabilities at fair value through profit or loss		
Foreign onlendings *	66,009	-
	66,009	-
Hedged financial liabilities		
Foreign borrowings	-	2,800,497
Fair value adjustment	-	1,201
	-	2,801,698
Hedged financial liabilities		
Foreign borrowings	1,765,976	-
Fair value adjustment	1,556	-
	1,767,532	-
Currency:		
USD	6,651,000	6,038,290

* Includes credit risk premium in the amount of (R $ 4,058)

Note 34-b contains details for the periods of residual maturity of financial liabilities at amortized cost, foreign borrowings.

(in thousands of reais unless otherwise stated)

20. Hedge accounting

a) Funds raised abroad

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

b) Loans to Individuals

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

2018	Hedge Object					Hedge instrument	
	Curve value		Fair value		Value of	Nominal	Variation in Value Recognized
Interest Rate Risk	Assets	Liabilities	Assets	Liabilities	Ineffitiveness	Value	in Income
Hedge of Credit Operations	1,822,671		1,919,155		6,704	2,034,038	897,801
Hedge of funds		1,765,976		1,767,532	753	1,773,402	803
Total	**1,822,671**	**1,765,976**	**1,919,155**	**1,767,532**	**7,457**	**3,807,440**	**90,584**

2017	Hedge Object					Hedge instrument	
	Curve value		Fair value		Value of	Nominal	Variation in Value Recognized
Interest Rate Risk	Assets	Liabilities	Assets	Liabilities	Ineffitiveness	Value	in Income
Hedge of Credit Operations	2,313,826		2,405,064		4,340	2,989,035	86,898
Hedge of funds		2,800,497		2,801,698	(3,706)	2,736,442	4,907
Total	**2,313,826**	**2,800,497**	**2,405,064**	**2,801,698**	**634**	**5,725,477**	**91,806**

21. Provisions

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

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:

b.1) CSLL Social Contribution on Net Income - equality - amount involved R$ - (R$ 149,229 in 2017): The Group requests the cancellation of the imposition of CSLL from 2008 and following, 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 rendered unfavorable to the taxpayer, the amounts deposited were converted into federal revenues, carrying the accounting adjustments related to the write-offs of the contingent liability provisions and of the amounts recorded in the assets as escrow deposits.

b.2) Social Contribution on Revenues (COFINS) Law No. 9,718/98 – amount involved R$ 539,751 (R$ 521,134 in 2017): 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$ 30,136 (2017 - R$ 28,812), has been deposited in Court.

b.3) Social Integration Program (PIS) Law No. 9,718/98 – amount involved R$ 85,731 (R$ 82,782 in 2017): 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 (2017 - R$ 90,225), has been deposited in Court.

b.4) PIS - Constitutional Amendment No. 10/96 - amount involved R$ 18,275 (R$ 17,583 in 2017): The Group requests the rejection of the requirement of the retroactive contribution for PIS, for the period of 90 days between 03/07/1996 and 06/07/1996, in observance of the principles of "retroactivity" and “90 day holding period”, as well as to ensure the right to calculate and collect as from 06.07.1996 the contribution to PIS on the gross operating income, understood as that arising solely from the provision of services and sales of goods as defined in Art. 44 of Law No. 4,506/64, in Art.12 of Decree-Law No. 1,587/77 and Art. 226 Decree No. 1,041/94. The amount involved was deposited in Court.

b.5) Service Tax (ISS) - Taxed Services - Taxation of the List of Services Attached to Complementary Law (LC) No. 56/87 – amount involved R$ 1,272 (R$ 1,199 in 2017)**:** The Group requests the deconstitution of the ISS debit entry on alleged revenues for the provision of taxable services, not expressly foreseen in the list of services annexed to LC No. 56/87 (assuming the list as explanatory), in disagreement with the jurisprudence of the Superior Court of Justice, considering its unrestricted nature. The amount involved was deposited in Court.

Labor lawsuits

CCB Brasil is party to 212 lawsuits (December 2017 - 180) assessed by the legal advisors as probable losses, which were fully covered by provisions totaling R$ 58,884 (December 2017 - R$ 45,608). There are 157 lawsuits (December 2017 - 193), for which the claimed indemnities amounts to R$ 8,374 (December 2017 - R$ 11,185), 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$ 8,319 (December 2017 - R$ 10,087). 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 2,975 lawsuits (December 2017 – 3,066), assessed as probable losses, which were fully covered by provisions totaling R$ 168,119 (December 2017 - R$ 71,006. CCB Brasil is also party to 422 lawsuits (December 2017 - 478), for which the claims amount to R$ 478,434 (December 2017 - R$ 515,664), 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$ 306,414 (December 2017 - R$ 286,990). 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:

ISS - List of Taxable Services (Attachment to Circular Letter (LC) No. 56/87) - Amount involved R$ 21,707 (December 2017 - R$ 20,468): 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): 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): The Group requests the reversal of the alleged INSS debit, relating to the base periods from 2006 to 2011, 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. 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.

(in thousands of reais unless otherwise stated)

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

Description	December 2017	Additions	Reversals	Restatement	Written off	December 2018
Civil (*)	175,911	9,990	(14,418)	33,524	(25,428)	179,579
Labor	45,608	11,678	(6,426)	9,778	(1,754)	58,884
Subtotal	**221,519**	**21,668**	**(20,844)**	**43,302**	**(27,182)**	**238,463**
TAx and social security	**December 2017**	**Additions**	**Reversals**	**Restatement**	**Written off**	**December 2018**
CSLL - Equal Treatment in Rates - 2008 onwards	149,299	-	-	5,385	(154,684)	-
PIS - Gross Operating Revenue - EC 10/96 and EC 17/97	17,583	-	-	692	-	18,275
PIS - Expansion of Calculation Basis - Law No. 9,718/98	82,782	-	-	2,949	-	85,731
COFINS - Expansion of Calculation Basis - Law No. 9,718/98	521,134	-	-	18,617	-	539,751
ISS - Services not taxed - LC No.56/87	1,199	-	-	73	-	1,272
Subtotal	**771,997**	**-**	**-**	**27,716**	**(154,684)**	**645,029**
Total	**993,516**	**21,668**	**(20,844)**	**71,018**	**(181,866)**	**883,492**

(*) During the second half 2018, the Bank reclassified the amount of R$ 93,445 of 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	December 2016	Additions	Reversals	Restatement	Written off	December 2017
Civil	137,113	5,554	(5,637)	24,679	(24,168)	175,911
Labor	40,921	6,165	(2,053)	6,958	(6,383)	45,608
Subtotal	**178,034**	**50,089**	**(7,690)**	**31,637**	**(30,551)**	**221,519**
Tax and social security	**2016**	**Addition**	**Reversal**	**Utilization**	**Written off**	**2017**
CSLL - Equal Treatment in Rates - 2008 onwards	140,643	-	-	8,656	-	149,299
PIS - Gross Operating Revenue - EC 10/96 and EC 17/97	12,511	-	-	5,072	-	17,583

(in thousands of reais unless otherwise stated)

PIS - Expansion of Calculation Basis - Law No. 9,718/98	77,949	-	-	4,833	-	82,782
COFINS - Expansion of Calculation Basis - Law No. 9,718/98	495,820	141	(4,180)	29,353	-	521,134
ISS - Services not taxed - LC No.56/87	1,679	-	(574)	94	-	1,199
ISS – Lease transactions outside the head office	246	-	(248)	2	-	-
Subtotal	**728,848**	**141**	**(5,002)**	**48,010**	**-**	**771,997**
Total	**906,882**	**50,230**	**(12,692)**	**79,647**	**(30,551)**	**993,516**

For the above contingencies, CCB Brasil 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$ 112,802 for civil lawsuits, R$ 22,840 for labor lawsuits and R$ 346,018 for tax lawsuits.

(in thousands of reais unless otherwise stated)

22. Current income tax and deferred taxes

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

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

	2018		2017	
	Income tax	Social contribution	Income tax	Social contribution
Result before taxes, contributions and interest	(100,855)	(100,855)	(467,704)	(467,704)
(-) Interest on own capital	(15,343)	(15,343)	-	-
Calculation basis	(100.855)	(100.855)	(467,704)	(467,704)
Temporary differences	838.269	826.737	1,304,494	1,295,553
Permanent differences	270,835	270,835	478,723	478,723
Exclusions	(1.057.880)	(1.044.705)	(2,011,68)	(1,998,390)
Tax loss and calculation basis for income tax and social contribution	(50,391)	(50,391)	(695,555)	(691,818)
(+) Negative taxable result of consolidated companies	57,773	58,384	779,295	779,295
(-) Offset of tax loss - negative calculation basis of social contribution	(2,208)	(2,208)	(15,437)	(15,437)
Profit and income tax and social contribution calculation basis	6.033	7.676	68,303	72,040
Charges at the rates of 15% for Income Tax and Social Contribution	905	1.523	10,245	14,334
10% income tax surcharge	530	-	6,728	-
Current taxes	1.435	1.523	16,973	14,334
Reconciliation with results				
Current taxes	1.435	1.523	16,973	14,334
Deferred Income Tax and Social Contribution	80.499	46.561	71,575	43,877
Provision for Income Tax and Social Contribution - Adjustment of previous years	(2.510)	(2.008)		
(=) Provision for Income Tax and Social Contribution	79,424	48.084	88,548	58,211
Constitution of tax credits on temporary additions	(210.173)	(113.761)	(315,402)	(239,572)
Constitution of tax credits on tax losses	-	-	(65,833)	(47,103)
Realization of tax credit (Reversal of temporary additions)	107.104	68.694	317,562	254,991
Realization of tax credit (compensation of tax losses and CSLL negative calculation basis)	14.626	11.593	3,859	2,623
Write-off of tax credits on tax losses and negative calculation basis of CSLL	63,679	43,001	179,150	137,929
(=) Net effect of tax credit	(24,764)	9,527	119,336	108,868
Total	54,660	55,603	207,884	167,079
Income Tax and Social Contribution expenses		110,263		374,963

b) Effective tax rate calculation

Effective tax rates are as follows:

	2018	2017
Income (loss) before taxes	(100,855)	(467,704)
Current income tax (Note 22a)	110,263	374,963

(in thousands of reais unless otherwise stated)

Effective rate	109,33%	80,17%

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

	2018	Rate
Net Income before taxes	(100,855)	
Income tax at current rates	(40,342)	40%
Additions and exclusions in the calculation		
Result of investments abroad	116,160	
Goodwill on investment and acquisition	10,519	
Permanent additions and exclusions	(10,976)	
Differences of rates CSLL 15% x 20%	40,383	
Other non-deductible permanent additions	(5,481)	
Income tax for the period	110,263	109%

	2017	Rate
Result of Operations before taxes	(467,704)	
Income tax at rates in force	(187,081)	40,0%
Additions and exclusions in the calculation		
Tax credit write off – no expectation for realization	317,079	
Non accounted tax credit – no expectation for realization	204,993	
Result of investments abroad	23,658	
Goodwill on investment and acquisition	8,474	
Permanent additions and exclusions	(24,298)	
Differences of rates CSLL 15% x 20%	38,563	
Other non-deductible permanent additions	(6,425)	
Income tax for the period	374,963	80,17%

c) Deferred taxes

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

	2018	2017
Deferred tax assets	949,658	984,797
Deferred tax liabilities		
Income and social contribution taxes on MTM positive adjustment	(75,595)	(73,111)
Income tax on excess depreciation	(4,793)	(4,383)
	(80,388)	(77,494)
Total deferred taxes	869,270	907,303

The changes in the balances of "Deferred tax assets" and "Deferred tax liabilities" are as follows:

In thousands of reais	Opening Balance on 12/31/2017	Impact of adoption IFRS 9	Achievement	Additions	Adjustments CSLL 15% - 20%	Write off	Final Balance at 12/31/2018
Deferred Tax Assets	984,797	43,915	(297,640)	347,815	(22,549)	(106,680)	949,658
Impairment losses on financial assets	72,803	43,915	(100,480)	123,822	(4,879)	-	135,181
Provisions	358,605		(124,944)	159,749	(17,670)	-	375,740
Tax loss	295,315		(14,626)	-	-	(63,679)	217,010
CSLL Negative Base	187,590		(11,593)	-	-	(43,001)	132,996
Temporary Differences	70,484		(45,997)	64,244	-	-	88,731
Deferred Tax Liabilities	(77,494)	-	4,095	(6,989)	-	-	(80,388)
Related Loans (Res. No. 2,921)	-		-	-			-
Monetary adjustment judicial deposits	(20,536)		-	(4,891)			(25,427)
Hedge Accounting	(36,495)		-	(2,098)			(38,593)
Fair Value through Other Comprehensive Income	(1,789)		309	-		-	(1,480)
Temporary Differences	(18,674)		3,786	-		-	(14,888)
Total	907,303	43,915	(293,545)	340,826	(22,549)	(106,680)	869,270

d) Presumed Tax Credits

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

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

During the year 2018, the Bank recovered the amount of R$ 63,299 (R$ 118,402 in 2017), resulting from credit operations included in the presumed tax credit basis, and the related deferred taxes, in the amount of R$ 25,320 (47,361 in 2017), were recorded as a reduction of the previously booked presumed tax credit, since these amounts will be taxed at the time of reimbursement of the credit by the National Treasury.

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

(in thousands of reais unless otherwise stated)

	2018	2017
Presumed tax credit		
Year 2014	78,983	78,983
Year 2015	107,450	107,450
Year 2016	194,229	194,229
Year 2017	(47,361)	(47,361)
Year 2018	(25,320)	
Total presumed credit	307,981	333,301

e) Tax credits not recorded

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

The Consolidated´ s books have tax credits not recorded arising from tax losses and negative basis of social contribution in the amount of R$ 617,583 (2017 - R$ 522,072) for which there is no expectation for realization.

(in thousands of reais unless otherwise stated)

23. Other liabilities

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

	2018	2017
Sundry payables - domestic - Country (*)	26,068	45,746
Bonuses and profit sharing to be paid	19,211	10,500
Personnel expenses	14,429	12,661
Commissions on deferred securities	11,808	22,586
Other administrative expenses	9,271	8,899
Operations payable with credit card	7,237	7,572
Operations with financial assets and goods to settle	5,210	4,649
Other payments	28,339	1,722
	121,573	114,335

(*) Mainly consisting of debentures payable on the redemption of shares in the amount of R$ 11,225 (R$ 25,160 - in 2017) (note 24).

(in thousands of reais unless otherwise stated)

24. Shareholders' equity

a) Shares

The Bank's capital is R$ 2,956,864 (R$ 2,956,864 in 2017) represented by 465,631,466 (465,631,466 in 2017) nominative shares, of which 297,223,908 (297,223,908 in 2017) are common shares and 168,407,558 (168,407,558 in 2017) 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 the non-exercise of the preferential right by the other shareholders. On December 12, 2017, the increase was approved by BACEN.

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

	Number of shares (thousands)		
	Common	Preferred	Total shares
Balance at January 1, 2017	225,459	128,864	354,323
Issuance of shares for capital increase	72,315	41,332	113,647
Redemption of shares	(551)	(1,788)	(2,339)
Closing balance at December 31, 2017	297,223	168,408	465,631
Opening balance at January 1, 2018	297,223	168,408	465,631
Issuance of shares for capital increase	-	-	-
Redemption of shares	-	-	-
Closing balance at December 31, 2018	297,223	168,408	465,631

(in thousands of reais unless otherwise stated)

The CCB Brasil shareholders structure was as follows:

		Common Shares		Preferred Shares		Total	
Shareholder	Interest (%)	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.

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

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

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.

(in thousands of reais unless otherwise stated)

25. Guarantees provided

CCB Brasil offers many guarantees for their clients to improve their credit position and become competitive. The following table shows all the guarantees as of December 31, 2018 and 2017.

Maximum potential amount of future payments	2018	2017
Guarantees provided		
Sureties and guarantees	1,558,654	1,456,414
Export Performance	4,554,191	5,092,416
Standby letter	88,894	13,518
Export Billing	4,465,297	5,078,898
Total guarantees provided	6,112,845	6,548,830

The Bank's expectation is that these guarantees expire without the need of making cash advances. Therefore, during the normal course of business, the Bank expects these transactions not to have any impact on its liquidity. At December 31, 2018, guarantees provided by CCB Brasil, whose exercise was considered "probable" for the amount of R$ 71,482 (R$ 69,026 in 2017), were identified, for which the Bank formed a provision of R$ 93,445 (R$ 93,445 in 2017) which takes into account the guarantees obtained in these operations (Note 21d).

(in thousands of reais unless otherwise stated)

26. Interest and similar income and expenses and net exchange differences

i. Interest and similar income and expenses

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

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

	2018	2017
Interest and similar income	1.875.645	1.468.191
Loans and advances to financial institutions	63,761	81,254
Loans and advances to clients	1,065,717	676,163
Financial assets at amortized cost	286,353	66,752
Financial assets at fair value through other comprehensive income	459,814	644,022
Interest and similar income	(820,791)	(982,621)
Deposits from financial institutions		
- Interbank deposits	(20,129)	(21,160)
- Money market funding	(276,939)	(443,160)
Deposits from clients		
- Savings	(262)	(565)
- Time	(207,666)	(251,997)
Securities issued	(49,359)	(55,515)
Domestic borrowings	(53,765)	(31,001)
Foreign borrowings	(212,671)	(179,223)
Net interest income	1,054,854	485,570

(in thousands of reais unless otherwise stated)

ii. Net foreign exchange variations

Foreign exchange variations basically show the differences that arise in the conversion of monetary items into foreign currency into functional currency and do not consider the foreign exchange hedge contracted by the Bank through derivative financial instruments, whose impacts are presented in "Gains (Losses) on financial assets and liabilities (net)".

	2018	2017
Net exchange variation	**(298,739)**	**29,159**
Credit operations	569,147	682
Net Currency Securities	(9,471)	(12,533)
Foreign Exchange Operations	164,448	74,912
Loans, assignments and onlendings	(1,022,863)	(33,902)

(in thousands of reais unless otherwise stated)

27. Gains on financial assets and liabilities (Net)

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

a) Breakdown

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

	2018	2017
Gains (losses) on:		
Financial Assets at fair value through profit or loss	(3,067)	33,990
Financial assets at fair value through other comprehensive income	(2,600)	89,503
Other liabilities at fair value through profit or loss	(51,783)	(106,213)
Other hedged financial liabilities	(9,140)	2,869
Derivatives	(248,201)	((388,645)
Total	(314,791)	(368,496)

(in thousands of reais unless otherwise stated)

28. Income from fee and commissions

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

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

	2018	2017
Income from guarantees	41,847	43,210
Other Income from bank fees – Legal entities	4,963	8,618
Income from other services	1,164	15,785
Bank fee income - Individuals	37	66
	48,011	67,679

(in thousands of reais unless otherwise stated)

29. Other net operating income (expenses)

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

	2018	2017
Other operating income		
Provision for losses of guarantees and sureties	94,113	28,707
Credit assignment	73,984	230,507
Recovery of charges and expenses	22,920	42,294
Monetary restatement of deposits for guarantees	18,931	18,627
Income from acquisition of receivables	7,833	4,508
Income from sale of non financial assets	5,269	9,613
Other operating income	3,233	16,352
Total other operating income	226,283	350,607
Other operating expenses		
Provisions for civil lawsuits	(99,176)	(35,423)
Employees profit sharing	(48,962)	(24,391)
Tax expenses	(27,716)	(32,283)
Severance expenses (*)	(21,381)	(61,308)
Provisions for labor lawsuits	(13,476)	(4,573)
Commissions on collection	(4,894)	(41,747)
Guarantees provided	(4,328)	(55,619)
Credit card expenses	(1,401)	(1,115)
Expenses with fees and commissions	(633)	(7)
Other operating expenses	(16,916)	(19,606)
Total other operating expenses	(238,883)	(276,072)
Other net Operating Income /(Expenses)	(12,600)	74,535

(*) In 2017, refers to contractual termination expenses due to the operational restructuring planned by the Controlling Shareholder and includes expenditures with the Severance Pay Fund, Contract Termination and Indemnities.

(in thousands of reais unless otherwise stated)

30. Personnel expenses

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

	2018	2017
Salaries	(90,784)	(117,684)
Social charges	(29,826)	(37,260)
Benefits	(20,572)	(24,655)
Directors' fees	(16,831)	(16,010)
Other	(1,869)	(2,339)
	(159,882)	(197,948)

(in thousands of reais unless otherwise stated)

31. Other administrative expenses

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

	2018	2017
Third-party services	(42,174)	(41,691)
Real estate property, facilities and materials	(20,247)	(27,546)
Technology and systems	(16,808)	(16,939)
Expenses on lawsuits	(9,226)	(9,007)
Expenses of the financial system	(8,964)	(13,454)
Reimbursement and travel expenses	(2,051)	(2,631)
Communications	(1,598)	(1,880)
Insurance premiums	(1,537)	(1,270)
Advertising	(1,362)	(3,601)
Transportation system	(748)	(1,522)
Other administrative expenses	(10,473)	(9,334)
	(115,188)	(128,875)

(in thousands of reais unless otherwise stated)

32. Tax expenses

Refer mainly to federal contributions to PIS and COFINS which amounted to R$ 23,913 (R$ 34,451 in 2017)

	2018	2017
COFINS expenses	(13,404)	(18,420)
Tax expenses	(5,883)	(9,618)
ISS expenses	(2,445)	(3,402)
PIS/PASEP expenses	(2,181)	(3,011)
Total	(23,913)	(34,451)

(in thousands of reais unless otherwise stated)

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

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

	2018	2017
Results from the sale of goods	(4,786)	8,217
Revenues from rents	600	1,291
Constitution of provision for realization of assets held for sale	(45,228)	(61,490)
Others	76	63
	(49,338)	(51,919)

(in thousands of reais unless otherwise stated)

34. Other disclosures

a) Third-party securities held in custody

As of December 31, 2018 and 2017, the Bank held no third-party debt bonds or securities under its custody.

b) Residual maturity

We present below the breakdown of the financial instruments, cash and cash equivalents, as well as the corresponding liquidity gap of said assets and liabilities, according to the maturity brackets.

	December 31, 2018							
	Without maturity	Up to 3 months	3–12 months	1–3 years	3–5 years	>5 years	Over due	Total
Assets:								
Cash and cash equivalents and reserves at the Central Bank of Brazil	46,943	-	-	-	-	-	-	46,943
Financial Instruments	-	11,175	57,650	374,083	2,594	-	-	445,502
Securities	-	145,539	15,190	4,375,781	3,005,859	1,665,848	-	9,208,217
Loans and advances to financial institutions	-	2,830,360	-	434,857	-	-	-	3,265,217
Loans and advances to clients	166,945	419,692	1,829,368	5,891,403	452,972	18,568	61,585	8,840,533
Other loans and receivables	-	11,214	4,353	11,860	4	,	,	27,431
Other financial assets	-	25,058	1	240	-	-	-	25,299
Total	213,888	3,443,038	1,906,562	11,088,224	3,461,429	1,684,416	61,585	21,859,142
Liabilities								
Derivatives liabilities Financial Instruments	-	4,943	9,786	7,234	-	-	-	21,963
Deposits from financial institutions	-	6,601,813	339,159	221,545	-	-	-	7,162,517
Deposits from clients	87,556	1,522,711	1,172,932	285,609	-	-	-	3,068,808
Securities issued	-	143,651	600,958	501,194	-	-	-	1,245,803
Capital Instruments	-	7,052	505,870	1,688,648	-	-	-	2,201,570
Domestic borrowings	-	77,771	51,116	4,883	-	-	-	133,770
Foreign borrowings	-	2,148,848	4,373,593	128,559	-	-	-	6,651,000
Total	87,556	10,506,789	7,053,414	2,837,672	-	-	-	20,485,431
Liquidity gap	126,332	(7,063,751)	(5,146,852)	8,250,552	3,461,429	1,684,416	61,585	1,373,711

The above information was prepared based on the nominal maturities of CCB Brasil's financial assets and liabilities, however, the Conglomerate has securities classified in the financial assets category at fair value through other comprehensive income in the amount of R$ 7.482.470, whose maturity is more than one year, representing high liquidity investments in government bonds issued by the National Treasury. In addition, part of the financial liabilities, are loans made to the Head Office in China in the total amount of R $ 4,824,144, with a maturity of less than one year, which has been systematically renewed.

(in thousands of reais unless otherwise stated)

	December 31, 2017							
	Without maturity	Without maturity	Without maturity	Without maturity	Without maturity	Without maturity	Without maturity	Without maturity
Assets:								
Cash and cash equivalents and reserves at the Central Bank of Brazil	114,702	-	-	-	-	-	-	114,702
Financial Instruments	25	48,581	211,030	37,803	-	-	-	297,439
Securities	-	22,836	55,834	3,400,175	3,630,637	1,231,642	-	8,341,124
Loans and advances to financial institutions	-	248,469	1,031	-	481,732	-	-	731,232
Loans and advances to clients	157,191	520,442	1,333,475	3,620,084	973,889	48,186	70,147	6,723,414
Other loans and receivables	-	22,011	4,895	27,558	-	-	-	54,464
Other financial assets	-	8,331	11,242	-	-	-	-	19,573
Total	271,918	870,670	1,617,507	7,085,620	5,086,258	1,279,828	70,147	16,281,948
Liabilities								
Financial Instruments	-	2,777	2,375	-	-	-	-	5,152
Deposits from financial institutions	-	3,267,886	183,777	2,731	27,241	-	-	3,481,635
Deposits from clients	94,263	300,568	1,833,238	625,287	-	-	-	2,853,356
Securities issued	-	77,590	121,744	206,674	603	-	-	406,611
Capital Instruments	-	-	-	1,391,635	568,380	-	-	1,960,015
Domestic borrowings	-	13,847	27,853	-	-	-	-	41,700
Foreign borrowings	-	1,731,995	3,964,210	210,888	83,671	30,934	16,592	6,038,290
Total	94,263	5,394,663	6,133,197	2,437,215	679,895	30,934	16,592	14,786,759
Liquidity gap	177,655	(4,523,993)	(4,515,690)	4,648,405	4,406,363	1,248,894	53,555	1,495,489

The above information was prepared based on the nominal maturities of CCB Brasil's financial assets and liabilities, however, the Conglomerate has securities classified in the Financial Assets category at fair value through other comprehensive income in the amount of R$ 7,030,812, whose maturity is more than one year, representing high liquidity investments in government bonds issued by the National Treasury. In addition, part of the financial liabilities, are loans made to the Head Office in China in the total amount of R $ 3,321,449, with a maturity of less than one year, which has been systematically renewed.

c) Cash and cash equivalents for the cash flow

	2018	2017
Cash and cash equivalents	40,427	93,107
Money market repurchase commitments (purchase and sale commitments)	2,654,995	53,008
Investments in foreign currency	170,871	190,936
	2,866,293	337,051

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

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

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

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

e) Insurance contracts

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

(in thousands of reais unless otherwise stated)

35. Operating segments

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

(a) That operates activities which may generate income and incur expenses (including income and expenses related operations with other components of the same entity).

(b) Whose operating results are regularly reviewed by the person in charge of making the entity's operating decisions related to the allocation of funds to the segment and the evaluation of its performance.

(c) For which the individual financial information is available.

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

- Wholesale
- Retail

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

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

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

	Wholesale	Retail	2018	Wholesale	Retail	2017
Interest and similar income	1,411,307	464,338	1,875,645	851,780	616,411	1.468,191
Interest and similar expenses	(479,712)	(341,079)	(820,792)	(513,523)	(469,098)	(982,621)
Interest and similar income (net)	**931,594**	**123,259**	**1,054,853**	**338,257**	**147,313**	**485,570**
Gains (losses) on financial assets and liabilities (net)	(314,790)	-	(314,790)	(368,496)	-	(368,496)
Foreign exchange differences (Net)	(298,740)	-	(298,740)	29,159	-	29,159
NET INTEREST INCOME	**318,064**	**123,259**	**441,323**	**(1,080)**	**147,313**	**146,233**
Equity income (loss)	(1,339)	(11)	(1,350)	(2,595)	869	(1,726)
Income from fee and commissions	47,839	172	48,011	58,557	9,122	67,679
Other operating income (expenses)	(31,417)	18,817	(12,600)	64,830	9,705	74,535
TOTAL INCOME	**333,147**	**142,237**	**475,384**	**119,712**	**167,009**	**286,721**

(in thousands of reais unless otherwise stated)

	Wholesale	Retail	2018	Wholesale	Retail	2017
Personnel expenses	(143,239)	(16,643)	(159,882)	(177,057)	(20,891)	(197,948)
Other administrative expenses	(85,524)	(29,664)	(115,188)	(98,095)	(30,780)	(128,875)
Tax expenses	(13,917)	(9,996)	(23,913)	(20,780)	(13,671)	(34,451)
Depreciation and amortization	(12,881)	(729)	(13,610)	(18,612)	(806)	(19,418)
Impairment of financial assets	(48,326)	(165,982)	(214,308)	(219,546)	(102,268)	(321,814)
Gains (losses) on other assets (net)	(50,072)	734	(49,338)	(50,851)	(1,068)	(51,919)
ILOSS BEFORE TAXES	**(20,812)**	**(80,043)**	**(100,855)**	**(465,229)**	**(2,475)**	**(467,704)**
Current and deferred income tax and social contribution	(132,554)	22,291	(110,263)	(378,282)	3,319	(374,963)
NET LOSS FOR THE YEAR	**(153,366)**	**(57,752)**	**(211,118)**	**(843,511)**	**844**	**(842,667)**
Total assets	**21,131,141**	**2,098,822**	**23.229.962**	**16.091.475**	**2,619,668**	**17,908,652**
Main asset line:						
Loans and advances to clients	6,810,914	2,029,619	8,840,533	4,230,635	2,492,779	6,723,414
Total liabilities	**19,464,705**	**2,040,676**	**21.505.381**	**13,376,810**	**2,526,097**	**15,902,907**
Main liability line:						
Deposits from clients	5,149,248	2,013,269	7,162,517	368,255	2,485,101	2,853,356

The Bank has an agency in the Cayman Islands whose total assets are R$ 6,093,261 (R$ 4,255,120 in 2017) and net worth in the amount of R$ 438,154 (R$ 283,101 in 2017).

(in thousands of reais unless otherwise stated)

36. Related party transactions

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

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

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

	Assets / (liabilities)		Income / (expenses)	
	2018	2017	2018	2017
Available financial resources in foreign currencies	**9,388**	**77,664**	**-**	**-**
China Construction Bank Corporation (d)	9,388	77,664	-	-
Investment fund quotas - FIDC	**44,709**	**22,836**	**1,700**	**2,738**
BRASILFactors (a)	44,709	22,836	1,700	2,738
Demand deposits	**(603)**	**(696)**	**-**	**-**
BRASILFactors (a)	(2)	(1)		-
CCB Brazil Holding Ltda. (e)	(36	(27)	-	-
Key management personnel and Controlling shareholders (c)	(565)	(668)	-	-
Time deposits	**(174,625)**	**(162,925)**	**(10,834)**	**(9,909)**
BRASILFactors (a)	(116)	(590)	(18)	(230)
FDIC BRASILFactors (b)	(3,684)	(4,411)	(619)	(1,861)
CCB Brazil Financial Holding Ltda. (e)	(168,463)	(157,686)	(10,153)	(7,774)
Key management personnel and Controlling shareholders (c)	(2,362)	(238)	(44)	(44)
LCA	**(6,597)**	**(2,793)**	**(397)**	**(113)**
Key management personnel and Controlling shareholders (c)	(6,597)	(2,793)	(397)	(113)
LCI	**(697)**	**(122)**	**(17)**	**(58)**
Key management personnel and Controlling shareholders (c)	(697)	(122)	(17)	(58)
NDF	**(689)**	**(267)**	**1,861**	**999**
BRASILFactors (a)	(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)

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

(in thousands of reais unless otherwise stated)

Related party transactions due dates and rates:

Term deposits are remunerated at the average rate of 101% of CDI (101% of CDI in 2017), directly related to the amount applied, with final maturity in up to 02 years (up to 03 years in 2017). Loan obligations were carried out at the average rates of 3.05% pa. (3.01% in 2017) and exchange variation with final maturity in up to 01 year (up to 01 year in 2017).

Management remuneration

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

During 2018 and 2017, the Board of Directors did not approve payments of profit sharing to the Senior Management due to the generation of loss of negative accounting results.

i) Short-term benefits

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

	2018	2017
Fixed compensation	16,831	16,010
Other	1,059	1,568
Total	17,890	17,578

Loans and receivables

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

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

ii) Any entity controlled by the institution.

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

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

37. Risk management

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

The Bank has centralized the management of the Socio-Environmental, Market, Credit, Liquidity, Operational and Capital Management Risks in order to maximize the effectiveness of its controls. This results in a global view of the exposures to which the Bank is subject by the nature of its activities, thereby enabling it to improve and become more agile in making strategic decisions, ensuring compliance with established policies and procedures and improving the identification of risks that could affect the business strategy and achievement of objectives. It complies with Resolution 4,557/17 from the National Monetary Council (CMN). The unaudited "Risk Management Report" in compliance with Circular Letter No. 3,678, which provides for the disclosure of information related to risk management, is available on the site.

In compliance with CMN Resolution 4,557 / 17, the CRO was appointed and approved by the Central Bank, the Risk Committee was redefined in accordance with the resolution and the risk management structure was published on the bank's website.

The Risk Management Policy establishes the principles that guide the institutional strategy to control and manage risks in all operations. Administratively, the actions are evaluated in the various committees to ensure the adequacy of management, considering the complexity of products, the exposure to risk and the risk-return relationship involving all business decisions of the Bank. The risk management is in line with the guidelines established by the Brazilian Central Bank and covers all the Bank´s subsidiaries.

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

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

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.

In compliance with Resolution 4,557 / 17, the bank drafted and published its risk appetite statement, in line with its strategic planning, the bank's capacity, the conditions of competitiveness, the regulatory environment and limiting the risks and levels of risks that the institution is willing to take over.

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

Risk management

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

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

Market risk management

The Market Risk Management Department is responsible for maintaining and annually updating the Policy and structure of the area. It operates independently of the business and is responsible for the monitoring and analysis of market risks arising from trading activities and liquidity of the Bank. It is also responsible for ensuring that the levels of risk exposure are consistent with the limits adopted by the Financial Committee, as well as monitoring appropriate levels of capitalization, consistent with those risks.

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

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

Credit risk management

(in thousands of reais unless otherwise stated)

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.

Maximum exposure to credit risk:

	2018			2017		
Description	Brasil	Abroad	Total	Brasil	Abroad	Total
Cash and cash equivalents and reserves at the central bank of brazil	7,317	39,626	46,943	24,349	90,353	114,702
Derivatives	445,502	-	445,502	297,439	-	297,439
Financial assets at amortized cost	59,899	1,665,848	1,725,747	-	1,254,478	1,254,478
Financial assets at fair value through other comprehensive income	7,482,470	-	7,482,470	7,086,646	-	7,086,646
Loans and advances to financial institutions	3,094,346	170,871	3,265,217	540,296	190,936	731,232
Loans and advances to clients	4,786,682	4,053,851	8,840,533	3,797,356	2,926,058	6,723,414
Other financial assets	377,803	-	377,803	74,037	-	74,037
Co-obligations and risks in guarantees provided						
Credits open for export	88,894	-	88,894	13,518	-	13,518
Guarantee	1,534,874	23,780	1,558,654	1,430,905	25,509	1,456,414
Total	17,877,787	5,953,976	23,831,763	13,264,802	4,487,334	17,752,136

Expected credit loss

The Bank assesses, on a prospective basis, the expected credit loss associated with financial assets measured at amortized cost or at fair value through other comprehensive income, with loan commitments and with financial guarantee agreements. The recognition of the provision for expected credit losses is made monthly in a contra entry to the Consolidated Statement of Operations.

Regarding financial assets measured at fair value through other comprehensive income, the Bank recognizes the provision for losses in the Consolidated Statement of Operations.

Significant judgments are required in adopting the accounting requirements for measuring the expected credit loss, such as:

- Deadline for evaluating the expected credit loss: the Bank considers the maximum contractual period over which it will be exposed to the financial instrument credit risk. However, assets without a fixed maturity have their expected life estimated based on the period of exposure to credit risk. Furthermore, all contractual terms are considered upon determining the expected life, including prepayment and rollover options.
- Forward-looking information: IFRS 9 requires a weighted and unbiased credit loss estimate that considers forecasts of future economic conditions. The Bank uses forward-looking macroeconomic information and public information with projections prepared internally to determine the impact of such estimates in determining the expected credit loss.
- Probability-weighted loss scenarios: the Bank uses weighted scenarios to determine the expected credit loss over an appropriate observation horizon.
- Determination of criteria for significant increase or decrease in credit risk: in each period of the Consolidated Financial Statements, the Bank assesses whether the credit risk on a financial asset has increased significantly using relative and absolute triggers (indicators) by product and country.

These are considered financial assets with low credit risk and, thus, bonds of national and international governments remain in stage 1, according to a study carried out by the Bank.

Significant increase in credit risk: the Bank evaluates several factors to determine a significant credit risk increase, such as the counterparty, type and characteristics of the product and the region in which it was contracted, considering at least the following objective criteria:

- Stage 1 to stage 2: amounts overdue for more than 30 days;

- Stage 2 for Stage 3: amounts overdue for more than 90 days.

The approach of this evaluation in CCB Brasil takes into account criteria compatible with IFRS 9 that also adopts the measures:

- the occurrence of a significant increase in the credit risk of the operation in the period from the date of initial recognition to the date of calculation of the expected loss.

- the change in the risk pattern since the initial recognition;

- the expected maturity of the financial instrument;

- other reasonable and endurable information for which an effort is made to obtain it.

The classification of contracts in stage 1 indicates that such assessments do not identify significant increases in risk between the recognition and reporting dates. the classification in stage 2 indicates that elements were found that initiate a significant increase in risk. In stage 3 the assets with objective evidence of losses are classified (default).

The Bank assesses whether credit risk has increased significantly on an individual or collective basis. For collective assessment purposes, financial assets are grouped based on shared credit risk characteristics, considering the type of instrument, credit risk ratings, the date of initial recognition, the remaining term, area, geographical location of the counterparty and other relevant factors.

Macroeconomic Scenarios: Such information involves inherent risks, market uncertainties and other factors that may produce other than expected results, including changes in market conditions and in economic policy, recessions or fluctuations in indicators that are different from the forecasts.

The concepts of IFRS 9, consider a financial reporting standard that mainly addresses the classification and impairment of financial assets, whose assumption for the recognition of expected loss is based on principles and not only on rules with different measurement methods, waiving the occurrence of actual delays and losses, thus anticipating them.

Thus, it considers the evaluation of the significant increase in the credit risk of the financial instrument, considering the following three major aspects:

i) basic indicator, ii) quantitative factors, and iii) qualitative factors.

The basic indicator consists in the verification of the delay time of contractual payments. It is considered a significant increase in credit risk in a financial asset if contractual payments are overdue for more than 30 days, unless the institution has reasonable and supporting information without undue costs or efforts that these risks have not actually increased.

To assess such risk changes, CCB Brasil uses the rating scales to define the quality of the portfolio based on the breakdown of the best ratings (lower risk) and to determine the “investment grade” or “non-investment grade” ranges as a starting measure for analysis.

In practice, the stages follow selective criteria that overlap, such as (i) management's decision (ii) delay time; (iii) significant risk increase; (iv) definitions of problematic credits, and (v) ratings.

The Probability of Default (PD) indicates the probability of loss for a certain time horizon (in the next 12 months), for exposures belonging to stage 1, or until the final contract expiration for exposures classified in stage 2 maturing in over a year, providing a probabilistic estimate of a customer not fulfilling his/her obligations. The probabilities of default are associated with scales or rating levels that may vary. Thus, the comparison of PD’s may indicate significant increases in the credit risk for the operations.

CCB Brasil adopted the practice of calculating the 12-month PD as an indicator of credit risk, which is a well-established practice within the local and international financial industry. International and domestic rating agencies generally represent the credit risk of a counterparty associating a probability of default for a fixed assessment horizon, and the 12-month horizon is commonly used for estimating occurrences of credit losses in corporate and retail loans.

PD lifetime is the estimated probability of default for the remaining validity period, or maturity of the operation, if it is over (or less than) one year. PD lifetime is mainly used to calculate the expected credit loss of exposures classified in stage 2 after the forward-looking adjustments described below.

The Loss Given Default (LGD) indicates the actual loss of the customer. At Bank, this is a data estimated by means of statistical modeling and considers the historical recovery behavior of loans written-off as losses in the retroactive period of five years in number of contracts by sufficiently significant type for the consistency of the statistical study, both for the Retail and the Corporate portfolio.

The Exposure at Default (EAD) can be defined as the gross amount of a debtor's default exposure, including principal and interest repayment under the contract, as well as the reasonable expectation of future payment of the underlying debt, represented by the cash flow of the operation.

Calculation of Impairment or Expected Credit Loss (ECL). In Bank, the expected loss is finally calculated based on the following equation: ECL = EAD x PD x LGD.

Sensitivity analysis - ECL forward looking

We have included the scenario-based macroeconomic analysis because it presents a forward-looking view because of its variety of possible scenarios. The objective of estimating expected credit losses does not mean estimating a worse or better scenario, but calculating that the credit loss occurs within the most probable scenario. Understanding credit loss by incorporating the probability that a scenario occurs using weighted probability, even if the probability is low, can help to inform the probability of incurring losses.

The increased complexity of the ECL approach, as well as the longer time horizons on which credit losses are modeled, increases the effort required to estimate credit loss subsidies and their potential volatility.

It should be noted that the expected 12-month credit losses used for regulatory purposes are normally based on the probability of default 'through the cycle' (ie the probability of default on cyclical-neutral economic conditions). In turn, the PD used for IFRS 9 should be 'point in time' (ie the probability of default under current economic conditions) and contain no adjustments. This can lead to some inaccuracy when measuring past loss and projecting it into the future. However, regulatory PDs may be a good starting point, it being known in advance that PD estimates will change as an entity moves through the business cycle. In normative models, as the PD is calculated by the cycle, the estimates are less sensitive to changes in economic conditions. Therefore, regulatory PDs reflect long-term trends in PD behavior. As a consequence, during a more recessionary economic cycle, the Default Probabilities under IFRS9 will be higher than the Regulatory Default Probabilities. In addition, when using the PD through the cycle the responses over time may not vary significantly between origination and reporting dates because PD reflects the long-term average default rate.

Scenario-based analysis incorporates forward-looking information using various macroeconomic scenarios. The table below shows three scenarios and the estimate of expected credit losses. In assessing the impact of portfolio credit losses against shocks on key macroeconomic indicators (eg unemployment and GDP), each scenario implies a different path for credit losses. These losses were aggregated by estimating the probability of occurrence of each scenario. Adjustments to prospective scenarios (Forward Looking Adjustments) by macroeconomic variables were considered to ensure that the estimated loss of credit meets the required prospective requirements.

CCB Brasil - Consolidated IFRS9 - Expected loss calculation - 12.31.2018

Portifolio	EAD	Optimistic	Neutro	Pessimistic
On balance	8,681,111,200	330,266,399	331,985,149	333,703,755

The prospective adjustment is based on predictive information provided by a developed model, considering macroeconomic data, shock processes and scenario design in three confidence levels: i) negative or pessimistic bias (25%), ii) neutral (50%), and iii) positive or optimistic (25%) that are, after all, inputs from CCB Brazil's ECL calculation system and characterize the neutral scenario. On the other hand, the pessimistic scenario considers that only the macroeconomic variables of the pessimistic scenario will act. The optimist, that only the variables of the optimistic scenario will be present.

Macroeconomic variables of wide disclosure in the financial market are used, which better adjust to the variation and dynamics of default rates. The projections of these indices and their probability of occurrence are taken from the Market Focus report of the Central Bank of Brazil, as well as from economists and specialized consultants hired by the institution.

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.

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.

Sensitivity analysis

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

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

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

Treasury Committee, which gathers to define a set of scenarios in a crisis environment. A scenario, in this context, is regarded as a certain combination of prices and interest rates. The preparation of the table followed the procedure below:

(i) In each scenario, the amounts of the trading portfolio (Trading Book) and the structural transactions from several of the Institution's business lines and their respective hedges (Banking Book) were calculated;

(ii) For each one of the risk factors, we chose the calculation that incurred in the highest loss and, based on it, applied the defined increase or decrease;

(iii) Finally, we obtained the losses, corresponding to the related hypothetical scenario.

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

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

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

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

Scenarios are described as follow

Scenario 1: Lower oscillation situation. Assumptions used: Parallel shock of 10% in risk variables, based on market conditions seen on December 31, 2018, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

Scenario 2: Potential situation. Assumptions used: Parallel shock of 25% in risk variables, based on market conditions seen on December 31, 2018, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

Scenario 3: Potential situation. Assumptions used: Parallel shock of 50% in risk variables, based on market conditions seen on December 31, 2018, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

Once CCB Global is a signatory of the Paul Volcker Law and does not operate in a Trading portfolio in the subsidiary CCB Brasil, the scenarios for December/2018 are only adopted for the Banking Portfolio and shown in the table below, which also reflects deterioration of the macroeconomic expectations in the sense that maximizes the loss for each risk factor of this portfolio. For this, interest rates (pre) rise sharply (10%, 25%, and, 50%); there is a substantial parallel shift of exchange coupon curves, the exchange rate increases, the Brazilian stock market falls, and inflation has considerably high, which is reflected in indexed indicators and contracts.

(in thousands of reais unless otherwise stated)

Banking Portfolio - premises for risk factors

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

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

Banking Portfolio - Results for risk factors on 12/31/2018

Risk factors	Scenario 1	Scenario 2	Scenario 3
Dollar and dollar coupon	(68,781,401)	(181,418,995)	(385,627,966)
Fixed Rate in reais	(33,339,750)	(80,586,760)	(152,772,183)
Shares and Indices	-	-	-
Inflation	(298)	(742)	(1,473)
Total loss	(102,121,449)	(262,006,496)	(538,351,622)

The risk factors are presented as follows:

- Includes all the products that have price variations pegged to dollar variations and interest rates in dollars.

- Fixed rate in real – Includes all products that have price variations pegged to dollar variations and interest rates in Real.

- Shares and Indices – Comprises the shares and indices of stock exchanges, shares and options pegged to share indices.

- Inflation – Refers to all products that have price variations pegged to inflation coupon variations and inflation rates.

(in thousands of reais unless otherwise stated)

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

The sensitivity analysis Table has limitations and the economic impact on a potential fluctuation in interest rates might not represent necessarily a profit or a material accounting loss for the institution. The specific combination of prices which determine each scenario is an arbitrary decision, though possible. The signs of historical correlations between the assets were not necessarily respected and the scenarios chosen were analyzed according to a past time frame.

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

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

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

Basel agreement

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

	Basel III	Basel III
Calculation of Basel Index	Dec 2018	Dec 2017

Tier I Referential Equity	1,394,175	1,454,212
- Main Capital	1,122,939	1,222,652
- Perpetual bonuses (*)	271,236	231,560
Tier II Referential Equity	596,764	814,779
- Subordinated debt	596,764	814,779
REFERENTIAL SHAREHOLDERS' EQUITY	1,990,939	2,268,991
Credit Risk	768,548	620,810
Market Risk	100,711	44,635
Operating risk	78,242	70,541
RISK-WEIGHTED ASSETS - RWA	947,501	735,986
Basel Ratio (%)	18,12	28,52
Capitalization Index - Level I (**)	12,69	18,28
Capitalization Index – Level II	5,43	10,24

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