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

Financial Statements
December 31, 2019

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

Financial statements at December 31, 2019

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Dear Shareholders,

The Senior Management of China Construction Bank (Brasil) Banco Múltiplo S.A. (“CCB Brasil” or “Bank”) hereby submits for your consideration the Bank’s Management Report, the Financial Statements and the corresponding Unqualified Independent Auditors´ Opinion and the Audit Committee Report related to year ended on December 31, 2019. All information contained in this Report, except where otherwise indicated, is presented in National Currency (Brazilian Reais – R$), on a consolidated basis, and includes the Bank’s subsidiaries. The financial statements here in posted are in compliance with the regulations enacted from the Brazilian Central Bank (BACEN).

The China Construction Bank (Brasil) subsidiary

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

Economic Environment

The year of 2019 showed again low growth in the Brazilian economy. This time, the explanations come in part from the very optimistic expectations of the government and, on the other hand, from the very weak world growth, especially due to the course of the US-China trade war and the Argentine crisis.

In fact, world growth was below 3%, with some important countries like Germany in recession. Friction between China and the U.S. was the focus of attention throughout 2019, but with a preliminary agreement being made later in the year.

In the Brazilian case, in spite of the weak growth, last year was an evolution in important reforms, especially in social security. The government continued with some concessions and privatizations, approved the Economic Freedom MP and put into operation the positive registration of credit borrowers.

The highlight of last year was, again, retail, with car sales on the rise and the real estate market taking the first steps of recovery with the Selic's historical drop to 4.5% at the end of the year. This fall in interest rates did not affect inflation, remaining low throughout the year.

Overall, the Brazilian economy maintained the pace of recovery it had been seeing since 2016, with signs that it will be able to grow more in the coming years.

Consolidated Results of Period

The year of 2019 positively reflected the measures taken by the Bank in the preceding year, which proposed to increase the quality and volume of assets while at the same time adjusting the Bank's operating structure to achieve better efficiency of the organization.

At the end of the second half of 2019, credit operations reached R$ 10,581.24 million, a 15.9% increase in twelve months. The portion of AA - C rated credit (the lowest risk credit rating) remained stable over the same period last year representing 95.0% of the total portfolio (92.7% in 2018).

On the liabilities side, we saw a 14.2% reduction in funding in reais in twelve months. Time deposits reached R$ 3,157.94 million, an increase of 8.1% over the year of the previous year. Issuance of letters issued, composed by LCAs, LFs and LCIs, totaled R$ 1,386.90 million, an increase of 16.5% compared to the previous year.

As of December 31, 2019, the parent company represented 45.1% (54,9% in 2018) of total funding, approximately R$ 11,575.72 million. It is worth noting that the Headquarters has provided its Subsidiary with adequate funding, both in volume and in price.

At the end of the period of 2019, shareholders' equity reached R$ 1,590.99 million and the Basel ratio was 14.9%.

Gross income from financial intermediation in the period of 2019 reached R$ 361.81 million, a favorable performance compared to the result obtained in the same period of 2018, R$ 181.05 million.

In 2019, the operating expenses, which cover administrative and personnel expenses, remained stable in the same period of the previous year, totaling R$ 325.05 million, an increase of 1.4% in comparison with the same period in 2018.

The net profit for the period of 2019 was R$ 0.93 million (2018 – loss R$ 190.64 million).

Human Resources and Service Centers

The Bank ended the period of 2019 with 368 employees and nine service centers.

BACEN Circular No. 3,068/01

Due to the most recent restructuring process of the Bank's businesses, where, among the results, it is expected the growth of credit assets, as well as the recovery of the maturity of subordinated debts, in June 2019 or the bank reclassifies the indexes maintained until maturity in the amount of R $ 1,813.50 million for a category available for sale and, subsequently, in the second half realized for sale of these securities, recording a profit of R $ 171.41 million.

Final considerations

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

(Disclosure authorized at the Board of Directors' Meeting held on March 24, 2020).

SUMMARY OF THE REPORT OF THE AUDIT COMMITTEE – Semester and Year ended December 31, 2019

The Audit Committee of China Construction Bank (Brazil) Banco Múltiplo S.A. is established in compliance with National Monetary Council (CMN) Resolution 3,198/04 and the Bank's bylaws. It is incumbent upon the Audit Committee to advise the Board of Directors in the performance of its related duties: (i) to follow up the accounting policies adopted in the preparation of the financial statements of CCB and its subsidiaries; (ii) the quality and effectiveness of the internal control and risk management system, and (iii) the indication and evaluation of the effectiveness of the Independent Audit. The Committee acts as an auxiliary, consultancy and advisory body of the Board of Directors, with no decision-making power or executive functions.

The Committee analyzed the individual and consolidated financial statements for the semester and year ended December 31, 2019, focusing on the application of accounting policies adopted by the market and compliance with standards issued by the Central Bank of Brasil - BACEN. The Committee evaluated the recommendations proposed by the Internal and Independent Audits, discussing with Management the arrangements for the respective compliance. Based on the information and reports received from the internal control and risk areas, the work of the Internal Audit and the Independent Audit reports, the Committee concluded that there were no failures to comply with internal regulations and standards that could endanger the continuity of the institution.

The Audit Committee discussed with PwC the results of the work and its conclusions on the audit of these financial statements, the report of which is unqualified. The key audit matters were also discussed with PwC, as well as other points related to accounting policies, recommendations and notes in the internal control and risk reports, and presentation of the financial statements.

The Audit Committee, as a result of evaluations based on information received from Management, Internal Audit, Independent Audit and the area responsible for corporate monitoring of internal controls and risks, considering the limitations arising from the scope of its function, understands that the Audited Financial Statements individual and consolidated for the semester and year ended December 31, 2019 are in a condition to be approved by the Board of Directors.

São Paulo, March 24, 2020.

Audit Committee

(A free translation of the original in Portuguese)

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

Parent company and consolidated financial statements at December 31, 2019 and independent auditor's report

(A free translation of the original in Portuguese)

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

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

Opinion

We have audited the accompanying parent company financial statements of China Construction Bank (Brasil) Banco Múltiplo S.A. ("Bank"), which comprise the balance sheet as at December 31, 2019 and the statements of income, changes in shareholders' equity and cash flows for the six-month period and year then ended, as well as the accompanying consolidated financial statements of China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2019 and the consolidated statements of income and cash flows for the six-month period and year then ended, and notes to the financial statements, including a summary of significant accounting policies.

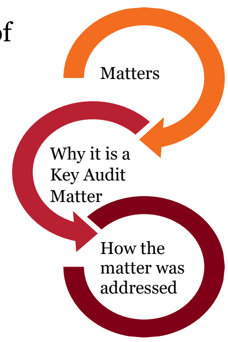
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of China Construction Bank (Brasil) Banco Múltiplo S.A. and of China Construction Bank (Brasil) Banco Múltiplo S.A. and its subsidiaries as at December 31, 2019, and the Bank's financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the
six-month period and year then ended, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN).

Basis for opinion

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

Key Audit Matters

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



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

Our audit for the six-month period and year then ended December 31, 2019 was planned and performed considering that the Bank and 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 in line with those of the previous year.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Allowance for loan losses - (Notes 3 (e.4), 7 and 8) - Bank and Consolidated	
The determination of the amount of the allowance for loan losses is an area that requires judgment and the use of a set of considerations by Management. In this process, loans operations are classified according to the level of risk, taking into account several assumptions and factors, including the counterparty's financial situation, the default levels, realization of guarantees, as well as the legal and regulatory standards of the Brazilian Central Bank (BACEN) - National Monetary Council (CMN) Resolution nº 2,682. Considering all those aspects, as well as the significance of the amounts involved, this is a critical estimation area and has been defined as an area of focus in our audit.	Our procedures considered, among others, the update of our understanding and testing of the relevant internal controls related to credit granting and its corresponding risk analysis and approval of the counterparty. We analyzed the criteria describe in the Bank's internal policies and used by Management to determine the credit risk of the operations, as well as (i) recalculated the provisions based on those risk attributions and default levels and (ii) validated the completeness of the database extracted from the underlying systems used as basis for recalculating the provision. We also performed other tests in compliance with the requirements of CMN Resolution nº 2,682, as well as evaluating the aspects related to the disclosure in the explanatory notes. We considered that the criteria and assumptions adopted by Management in the determination and recording of the allowance for loan losses are reasonable and consistent with the information disclosed in the financial statements.
Tax credits (Notes 3 (g.2) e 26) - Bank and Consolidated	
The Bank and its subsidiaries recognized tax credits arising from temporary differences, income tax and social contribution losses, recorded based on a study of the taxable profit projections regarding the realization of these tax credits. The taxable income projection involves judgments and assumptions of a subjective nature established by Management based on a study of the current and future scenarios, according to specific requirements of the National Monetary Council and the Brazilian Central Bank. Considering that the use of different assumptions in the future taxable profit projection could	Our procedures considered the update of our understanding of the process of determination and recording of the tax credits in accordance with the tax and accounting standards. With the assistance of our experts, we have analyzed the consistency of the relevant assumptions used in the study of tax credit 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.

Why it is a Key Audit Matter	How the matter was addressed in the audit
significantly modify the terms expected for the realization of the tax credits, with consequent accounting impact, this is an area of critical estimation and was defined as an area of focus in our audit.	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	
The Bank 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 an 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 parent company and consolidated financial statements and the auditor's report

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

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

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

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

Management is responsible for the preparation and fair presentation of these parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current 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 24, 2020

PricewaterhouseCoopers
PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Melissa Tuxen Wisnik
Contadora CRC 1SP221490/O-0

Balance sheet
At December 31
(In thousands of Reais) (A free translation of the original in Portuguese)

		CCB Brasil		CCB Brasil Consolidated	
Assets	Note	**2019**	**2018**	**2019**	**2018**
Current assets		10,634,145	7,920,347	10,772,976	7,842,402
Cash and cash equivalents	4a.	93,665	40,221	93,818	40,427
Interbank funds applied		710,368	3,347,080	498,446	2,830,360
Money market	4b.	229,999	2,654,995	229,999	2,654,995
Interbank deposits	4c.	217,371	521,214	5,449	4,494
Investments in foreign currency	4d.	262,998	170,871	262,998	170,871
Securities and derivative financial instruments		3,797,000	229,554	3,807,983	229,554
Own portfolio	5b.	617,130	59,464	617,130	59,464
Subject to repurchase agreements	5b.	2,764,911	101,265	2,764,911	101,265
Pledged in guarantee	5b.	27,002	-	37,985	-
Derivative financial instruments	6f.	387,957	68,825	387,957	68,825
Interbank accounts		4,770	6,517	4,770	6,517
Deposits with the Brazilian Central Bank		4,770	6,517	4,770	6,517
Loans		4,244,030	2,889,396	4,546,151	3,273,984
Loans		4,275,302	2,964,851	4,685,698	3,457,018
Private sector	7.	4,275,302	2,964,851	4,685,698	3,457,018
Loan operations linked to assignments	7.	48,533	76,157	-	-
Allowance for loan losses	8.	(79,805)	(151,612)	(139,547)	(183,034)
Lease operations	7g.	-	-	33,978	18,933
Lease receivables - Private sector		-	-	37,078	24,098
Allowance for doubtful lease receivables	8.	-	-	(3,100)	(5,165)
Other receivables		1,759,075	1,385,040	1,762,206	1,418,003
Receivables from guarantees and sureties honored		16,789	1,026	16,789	1,026
Foreign exchange portfolio	9.	1,506,955	1,151,415	1,506,955	1,151,415
Income receivable		24,918	16,047	16,398	10,778
Negotiation and intermediation of securities		6,155	5,218	6,155	5,218
Tax Credit	26a.	81,108	105,096	85,972	136,925
Other	10.	269,633	206,440	276,435	212,857
Allowance for losses	8.	(146,483)	(100,202)	(146,498)	(100,216)
Other assets		25,237	22,539	25,624	24,624
Prepayments		25,237	22,539	25,624	24,624

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

Balance sheet
At December 31
(In thousands of Reais) **(continued)**

	Note	CCB Brasil		CCB Brasil Consolidated	
Assets		**2019**	**2018**	**2019**	**2018**
Non current assets		7,644,311	15,612,653	7,633,576	15,712,145
Interbank funds applied		548,434	437,987	-	909
Interbank deposits	4c.	548,434	437,987	-	909
Securities and derivative financial instruments		1,418,521	9,413,801	1,418,521	9,424,165
Own portoflio	5b.	513,220	1,879,167	513,220	1,879,167
Subject to repurchase agreements	5b.	866,071	7,077,524	866,071	7,077,524
Pledged in guarantee	5b.	2,062	80,433	2,062	90,797
Derivative financial instruments	6f.	37,168	376,677	37,168	376,677
Loans		3,418,245	3,664,103	3,778,625	4,093,833
Loans		3,582,646	3,772,915	4,029,328	4,330,881
Private sector	7.	3,582,646	3,772,915	4,029,328	4,330,881
Loan operations linked to assignments	7.	52,799	100,804	-	-
Allowance for loan losses	8.	(217,200)	(209,616)	(250,703)	(237,048)
Lease operations	7g.	-	-	47,350	12,524
Lease receivables - Private sector		-	-	51,670	19,400
Allowance for doubtful lease receivables	8.	-	-	(4,320)	(6,876)
Other receivables		2,030,857	1,845,988	2,152,911	1,923,514
Income receivable		14	1,950	14	1,950
Tax Credit	26a.	1,138,870	956,482	1,232,353	997,778
Presumed tax credits - law 12.838/2013	26b.	380,662	380,662	380,662	380,662
Sundry	10.	518,866	514,489	547,437	550,719
Allowance for losses	8.	(7,555)	(7,595)	(7,555)	(7,595)
Other assets		228,254	250,774	236,169	257,200
Other assets	11.	377,743	397,931	392,699	410,272
Prepayments		-	8,271	852	9,987
Provision for devaluation of other assets	11.	(149,489)	(155,428)	(157,382)	(163,059)
Permanent assets		357,699	412,710	41,269	62,278
Investments		323,172	368,418	645	645
Investments in domestic subsidiaries	14.	322,528	367,775	-	-
Other investments		1,091	1,091	1,135	1,135
Provision for devaluation of investments		(447)	(448)	(490)	(490)
Fixed assets	12b.	31,660	40,329	33,349	42,739
Property for own use		85,949	85,629	88,900	88,580
Other fixed assets for own use		27,361	27,261	28,791	28,689
Accumulated depreciation		(81,650)	(72,561)	(84,342)	(74,530)
Intangible	12c.	2,867	3,963	7,275	18,894
Intangible assets		20,877	19,185	128,258	126,562
Accumulated amortization		(18,010)	(15,222)	(120,983)	(107,668)
Total assets		**18,636,155**	**23,945,710**	**18,447,821**	**23,616,825**

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

Balance sheet
At December 31
(In thousands of Reais) **(continued)**

		CCB Brasil		CCB Brasil Consolidated	
Liabilities	Note	**2019**	**2018**	**2019**	**2018**
Current liabilities		13,604,594	18,369,464	13,605,705	18,062,417
Deposits	16.	2,821,068	3,089,645	2,818,281	2,828,453
Demand deposits		87,757	85,706	86,581	84,316
Saving deposits		2,977	3,241	2,977	3,241
Interbank deposits		322,456	363,145	322,456	105,937
Time deposits		2,407,878	2,637,553	2,406,267	2,634,959
Funds obtained in the open market	17a.	3,628,601	6,861,998	3,603,526	6,835,034
Own portfolio		3,628,601	6,667,803	3,603,526	6,640,839
Third parties portfolio		-	194,195	-	194,195
Funds from acceptance and issuance of securities	17b.	1,025,173	744,609	1,025,173	744,609
Resources from issued bills and notes		1,025,173	744,609	1,025,173	744,609
Real estate credit bills		21,279	41,943	21,279	41,943
Agribusiness bills		576,753	562,419	576,753	562,419
Financial bills		427,141	140,247	427,141	140,247
Interbranch accounts		66,006	31,184	66,006	31,184
Third parties funds in transit		66,006	31,184	66,006	31,184
Borrowings	18.	4,479,926	6,659,258	4,479,926	6,659,258
Foreign currency borrowings		4,479,926	6,659,258	4,479,926	6,659,258
Local onlendings - Official institutions	19.	201,777	128,887	201,777	128,887
Ministry of Agriculture - Funcafé		198,614	124,696	198,614	124,696
Ministry of City		3,163	4,191	3,163	4,191
Foreign onlendings	18.	46,350	22,688	46,350	22,688
Derivative financial instruments	6.	6,832	14,730	6,832	14,730
Other liabilities		1,328,861	816,465	1,357,834	797,574
Collection of taxes and similar charges		3,293	383	3,363	392
Foreign exchange portfolio	9.	17,768	43,996	17,768	43,996
Social and statutory payables		27,354	19,416	27,354	19,416
Taxes and social security contributions	20.	28,907	22,139	79,757	64,662
Negotiation and intermediation of securities		6,957	5,245	6,957	5,245
Subordinated debts	23a.	1,110,499	505,870	1,110,499	505,870
Debt instruments eligible to capital	24b.	-	7,052	-	7,052
Sundry	21.	134,083	212,364	112,136	150,941

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

Balance sheet
At December 31
(In thousands of Reais) **(continued)**

	Note	CCB Brasil		CCB Brasil Consolidated	
Liabilities		**2019**	**2018**	**2019**	**2018**
Non current liabilities		3,479,575	4,024,943	3,230,527	3,940,452
Deposits	16.	1,000,580	321,434	769,449	313,287
Interbank deposits		247,726	27,678	17,772	27,678
Time deposits		752,854	293,756	751,677	285,609
Funds obtained in the open market	17a.	-	197,403	-	193,868
Own portfolio		-	3,535	-	-
Third parties portfolio		-	193,868	-	193,868
Debt securities	17b.	361,732	446,129	361,732	446,129
Resources from issued bills and notes		361,732	446,129	361,732	446,129
Real estate credit bills		703	2,839	703	2,839
Agribusiness bills		33,545	41,604	33,545	41,604
Financial bills		327,484	401,686	327,484	401,686
Borrowings	18.	47,780	84,334	47,780	84,334
Foreign currency borrowings		47,780	84,334	47,780	84,334
Repass borrowings	19.	22,198	4,883	22,198	4,883
Ministry of Agriculture - FUNCAFÉ		22,198	4,883	22,198	4,883
Foreign currency repass borrowings	18.	-	44,226	-	44,226
Derivative financial instruments	6.	8,058	7,233	8,058	7,233
Other liabilities		2,039,227	2,919,301	2,021,310	2,846,492
Taxes and social security contributions	20.	318,697	257,213	322,014	262,336
Subordinated debts	23a.	-	1,049,173	-	1,049,173
Debt instruments eligible to capital	23b.	692,555	658,716	692,555	658,716
Other	21.	1,027,975	954,199	1,006,741	876,267
Deferred incomes	24.	20,600	16,310	20,600	16,310
Shareholders' equity	25.	1,531,386	1,534,993	1,590,989	1,597,646
Total Paid-in Capital		2,956,864	2,956,864	2,956,864	2,956,864
Capital - Domestic		2,956,864	2,956,864	2,956,864	2,956,864
Capital reserves		899	899	899	899
Valuation Adjustments to equity		266	2,220	266	2,220
Accumulated deficit		(1,371,538)	(1,369,885)	(1,311,935)	(1,307,232)
(-) Treasury shares		(55,105)	(55,105)	(55,105)	(55,105)
Total liabilities		**18,636,155**	**23,945,710**	**18,447,821**	**23,616,825**

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

Statement of income
At December 31

(In thousands of Reais except for loss per share) (A free translation of the original in Portuguese)

		CCB Brasil			CCB Brasil Consolidated		
	Note	2nd semester 2019	2019	2018	2nd semester 2019	2019	2018
Income from financial intermediation		**1,176,647**	**1,759,883**	**2,698,300**	**1,218,783**	**1,854,367**	**2,795,255**
Loan operations	27a.	494,135	719,672	1,147,450	563,085	892,506	1,423,611
Lease operations		-	-	-	3,010	5,433	4,282
Securities	27b.	466,376	824,050	1,015,662	436,552	740,267	832,174
Derivative financial instruments	27c.	78,325	58,570	228,910	78,325	58,570	228,910
Foreign exchange transactions	27d.	136,564	154,050	203,777	136,564	154,050	203,777
Compulsory investments		3	5	39	3	5	39
Sales or transfers of financial assets	7f.	1,244	3,536	102,462	1,244	3,536	102,462
Financial inermediation expenses		**(955,384)**	**(1,443,721)**	**(2,599,138)**	**(1,012,401)**	**(1,492,561)**	**(2,614,202)**
Funds obtained in the market	27e.	(438,980)	(813,271)	(975,085)	(434,999)	(799,747)	(954,443)
Borrowings, assignments and onlendings	27f.	(403,343)	(479,884)	(1,250,542)	(403,343)	(479,884)	(1,250,542)
Sales or assignment of financial assets	7f.	(12,907)	(29,752)	(66,139)	-	-	(19,730)
Allowance for loan losses	8.	(100,154)	(120,814)	(307,372)	(174,059)	(212,930)	(389,487)
Gross profit (loss) from financial intermediation		**221,263**	**316,162**	**99,162**	**206,382**	**361,806**	**181,053**
Other operating income (expenses)		**(194,478)**	**(414,296)**	**(160,379)**	**(215,511)**	**(481,480)**	**(213,449)**
Service revenues		18,348	34,730	44,642	18,545	35,256	45,468
Income from banking services		1,233	1,668	2,543	1,233	1,668	2,543
Personnel expenses	27i.	(80,012)	(182,836)	(164,942)	(89,010)	(200,597)	(182,134)
Taxes	27k.	(12,150)	(21,232)	(16,266)	(15,448)	(27,760)	(23,913)
Equity in the results of subsidiaries	14.	(25,557)	(19,619)	(20,450)	(385)	(891)	(1,350)
Other administrative expenses	27j.	(45,571)	(92,111)	(104,421)	(61,567)	(124,455)	(138,446)
Other operating income	27g.	104,358	154,486	384,244	112,401	170,038	408,591
Other operating expenses	27h.	(155,127)	(289,382)	(285,729)	(181,280)	(334,739)	(324,208)
Operating result		**26,785**	**(98,134)**	**(61,217)**	**(9,129)**	**(119,674)**	**(32,396)**
Non operating result	27l.	2,024	6,392	(28,497)	1,661	6,393	(27,324)
Profit (loss) before taxes		**28,809**	**(91,742)**	**(89,714)**	**(7,468)**	**(113,281)**	**(59,720)**
Income tax	26d.	(9,870)	(15,348)	(78,572)	(5,884)	(16,007)	(79,424)
Social contribuition	26d.	(49,676)	(52,963)	(45,651)	(47,311)	(53,398)	(46,078)
Deferred tax	26d.	136,818	158,400	18,391	160,244	183,621	(5,422)
Loss (Profit) for the period		**106,081**	**(1,653)**	**(195,546)**	**99,581**	**935**	**(190,644)**
Number of shares paid in (thousand)	25a.	465,631	465,631	465,631			
Net income per share - R$		0.23	(0.00)	(0.42)			

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

Statement of changes in shareholders' equity
At December 31
(In thousands of Reais) (A free translation of the original in Portuguese)

	Capital	Treasury Share	Capital reserves Goodwill of the issue of shares	Valuation adjustments to equity	Accumulated deficit	Total
Balances at January 1, 2018	**2,956,864**	**(55,105)**	**899**	**2,682**	**(1,174,339)**	**1,731,001**
Valuation adjustments	-	-	-	(462)	-	(462)
Loss for the year	-	-	-	-	(195,546)	(195,546)
Balances at December 31,2018	**2,956,864**	**(55,105)**	**899**	**2,220**	**(1,369,885)**	**1,534,993**
Variation in the year	-	-	-	(462)	(195,546)	(196,008)
Balances at January 1, 2019	**2,956,864**	**(55,105)**	**899**	**2,220**	**(1,369,885)**	**1,534,993**
Valuation adjustments	-	-	-	(1,954)	-	(1,954)
Loss for the year	-	-	-	-	(1,653)	(1,653)
Balances at December 31,2019	**2,956,864**	**(55,105)**	**899**	**266**	**(1,371,538)**	**1,531,386**
Variation in the year	-	-	-	(1,954)	(1,653)	(3,607)
Balances at July 01, 2019	**2,956,864**	**(55,105)**	**899**	**103,014**	**(1,477,619)**	**1,528,053**
Valuation adjustments to equity	-	-	-	(102,748)	-	(102,748)
Profit for the six months	-	-	-	-	106,081	106,081
Balances at December 31, 2019	**2,956,864**	**(55,105)**	**899**	**266**	**(1,371,538)**	**1,531,386**
Variation in the period	-	-	-	(102,748)	106,081	3,333

Statement of cash flows (Indirect Method)
At December 31
(In thousands of Reais) (A free translation of the original in Portuguese)

	CCB Brasil			CCB Brasil Consolidated		
	2nd semester 2019	2019	2018	2nd semester 2019	2019	2018
Cash flow from operating activities						
(Loss)/Profit for the period	**106,081**	**(1,653)**	**(195,546)**	**99,581**	**935**	**(190,644)**
Adjustments to the Loss / Profit	**(60,128)**	**(36,281)**	**109,918**	**(47,756)**	**9,318**	**204,282**
Allowance for loan losses	100,154	120,814	307,372	174,059	212,930	389,487
Depreciation and amortization	6,025	12,223	12,882	6,390	12,953	13,610
Other provisions	(3,277)	(5,939)	20,079	(3,031)	(5,677)	20,265
Provision for contingencies and guarantees granted (notes 27g and h)	25,845	83,498	45,455	22,494	83,774	50,583
Reversion)/ provision for linked loans (note 27g)	(36,080)	(50,902)	(246,345)	(36,080)	(50,902)	(246,345)
Tax credits	(89,547)	(102,364)	105,832	(122,371)	(129,537)	132,483
Equity in earnings of subsidiaries	25,557	19,619	20,450	(385)	(891)	1,350
Acquisition of assets not for own use contracts at loss	(430)	(1,203)	(30,088)	(430)	(1,203)	(30,088)
Loss/(Gain) on sales of fixed assets	(2)	7	(1,304)	(2)	7	(1,304)
(Gain) on sales of assets not for own use	1,922	497	7,402	1,895	395	6,058
Loss on sales intangible	-	-	32	-	-	32
Exchange variations on cash and cash equivalents	(95,554)	(123,050)	(142,368)	(95,554)	(123,050)	(142,368)
Amortization of goodwill	5,259	10,519	10,519	5,259	10,519	10,519
Adjusted (Loss)/Profit	**45,953**	**(37,934)**	**(85,628)**	**51,825**	**10,253**	**13,638**
Decrease/(increase) in interbank funds applied	(4,452)	193,396	728,964	(15)	(46)	152
Decrease/(Increase) in securities and derivative financial instruments	4,531,067	4,418,808	(987,702)	4,530,767	4,418,189	(988,328)
Decrease/(Increase) in interbank/interbranch accounts	42,556	36,569	40,602	42,556	36,569	40,602
(Increase) in loan and lending operations	(1,777,408)	(1,358,336)	(2,769,232)	(1,959,005)	(1,559,505)	(2,550,040)
(Increase)/decrease in other assets	(207,289)	(496,896)	497,965	(199,778)	(480,747)	530,844
Increase/(decrease) in deposits	885,325	410,569	(46,247)	921,093	445,991	(31,597)
Increase/(decrease) in funds obtained in the market	(2,874,494)	(3,430,799)	3,894,034	(2,879,180)	(3,425,376)	3,890,086
(Decrease)/increase in funds from issuing of securities	(205,302)	196,167	839,504	(205,302)	196,167	839,192
Increase/(decrease) in other liabilities	(425,541)	(57,878)	(1,178,220)	(381,032)	44,436	(1,081,481)
Income tax and social contribution paid	-	-	(5,757)	(2,702)	(4,799)	(29,270)
Interest payment	(194,926)	(370,811)	(188,785)	(194,926)	(370,811)	(188,785)
Contingencies payment	(17,582)	(32,471)	(3,101)	(17,582)	(32,471)	(3,101)
Interest received	22,781	224,239	514,383	119,747	427,650	810,231
(Decrease)/increase in deferred income	8,511	4,678	(9,824)	8,511	4,678	(9,824)
Prior year adjustments						
Net cash provided by (used in) operating activities	**(170,801)**	**(300,699)**	**1,240,956**	**(165,023)**	**(289,822)**	**1,242,319**
Cash flows from investing activities						
Sale of assets not for own use	8,598	26,976	38,667	12,621	32,052	52,458
Sale of fixed and lease assets	(89)	(87)	6,253	(89)	(87)	6,253
Acquisition of fixes assets	(583)	(686)	(6,311)	(584)	(689)	(6,391)
Acquisition of intangible assets	(720)	(1,693)	(2,317)	(720)	(1,696)	(2,349)
Interest on capital received	10,000	16,000	15,343	-	-	-
Net cash provided by (used in) investing activities	**17,206**	**40,510**	**51,635**	**11,228**	**29,580**	**49,971**
Cash flow from financing activities						
Increase in borrowings and onlending resources	9,961,290	17,811,752	18,857,942	9,961,290	17,811,752	18,857,942
Increase in subordinated debts	(403,156)	(353,530)	227,064	(403,156)	(353,530)	227,064
Increase debt instruments eligible to capital	60,482	77,765	109,353	60,482	77,765	109,353
Repayment of borrowings	(10,368,345)	(19,678,273)	(18,099,775)	(10,368,345)	(19,678,273)	(18,099,775)
Net cash (used in)/provided by financing activities	**(749,729)**	**(2,142,286)**	**1,094,584**	**(749,729)**	**(2,142,286)**	**1,094,584**
Increase/(decrease) in cash and cash equivalents	**(903,324)**	**(2,402,475)**	**2,387,175**	**(903,524)**	**(2,402,528)**	**2,386,874**
Cash and cash equivalents at the beginning of the period	1,394,432	2,866,087	336,544	1,394,785	2,866,293	337,051
Exchange variations on cash and cash equivalents	95,554	123,050	142,368	95,554	123,050	142,368
Cash and cash equivalents at the end of the period	586,662	586,662	2,866,087	586,815	586,815	2,866,293
Increase/(decrease) in cash and equivalents	**(903,324)**	**(2,402,475)**	**2,387,175**	**(903,524)**	**(2,402,528)**	**2,386,874**

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

1 Operational context

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

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

2 Presentation of the Financial Statements

a. Presentation of the financial statements

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

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

(a)CPC (R1) Conceptual framework for financial reporting - CMN Resolution No. 4,144/2012;

(b)CPC 01 (R1) - Impairment of assets - CMN Resolution No. 3,566/08;

(c)CPC 02 (R2) - Effects of changes in foreign exchange rates and translation of financial statements - CMN Resolution No. 4,524/16;

(d)CPC 03 (R2) - Statement of cash flows - CMN Resolution No. 3,604/08;

(e)CPC 04 (R1) - Intangible Assets - CMN Resolution No. 4,534/16;

(f)CPC 05 (R1) - Related party disclosures - CMN Resolution No. 3,750/09;

(g)CPC 10 (R1) – Share-based payment - CMN Resolution No. 3,989/11;

(h)CPC 23 - Accounting policies, changes in accounting estimates and errors - CMN Resolution No. 4,007/11;

(i)CPC 24 – Events after the reporting period - CMN Resolution No. 3,973/11;

(All amounts in thousands of Reais unless otherwise stated)

(j) CPC 25 - Provisions, contingent assets and contingent liabilities - CMN Resolution No. 3,823/09;

(k) CPC 27 – Property, Plant and Equipment - CMN Resolution No. 4,535/16; and

(l) CPC 33 (R1) - Employee benefits - CMN Resolution No. 4,424/15.

The financial statements were approved by the Board of Directors in March 24, 2020.

b. Consolidated financial statements

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

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

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

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

	2nd six months 2019	**December 2019**	**December 2018**
Profit/(Loss) for the year of CCB Brasil	**106,081**	**(1,653)**	**(195,546)**
Hedge accounting for retail portfolio - net of taxes	(5,669)	4,091	3,149
Allowance for losses on loans assigned to CCB Brasil Financeira	(831)	(1,503)	1,753
Profit/(Loss) for the year of CCB Brasil (Consolidated)	**99,581**	**935**	**(190,644)**

	December 2019	**December 2018**
Shareholders' equity of CCB Brasil	**1,531,386**	**1,534,993**
Hedge accounting for retail portfolio - net of taxes	56,344	57,891
Allowance for losses on loans assigned to CCB Brasil Financeira	3,259	4,762
Consolidated shareholders' equity	**1,590,989**	**1,597,646**

3 Description of significant accounting policies

a. Statement of operations

Income and expenses are recorded on the accrual basis.

b. Accounting estimates

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

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

c. Functional and presentation currency

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

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

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

d. Cash and cash equivalents

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

e. Current and non-current assets

e.1 Interbank funds applied

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

e.2 Securities

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

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

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

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

e.3 Derivative financial instruments

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

e.4 Loans operations and allowance for losses

In order to calculate the allowance for doubtful accounts, the loan operations are classified according to the level of risk, taking into consideration the economic environment, past experience, the specific risks in relation to the operation and the debtors, including, among others, the financial situation between the parties, the default levels, the expected future cash flows, estimated recovery amounts and the realization of guarantees, observing the minimum parameters and requirements established by CMN Resolution Nº 2,682/99, which requires periodic analysis of the portfolio and its classification in nine levels, being AA (minimum risk) and H (potential loss) and Management's judgment, as shown in note 7.d - Composition of the allowances by risk levels.

The income from loan operations that are 60 days overdue or over, regardless of their level of risk, is only recognized as revenue when effectively received.

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

e.5 Assets not for own use

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

e.6 Other current and non-current financial assets

The assets are measured at net realizable value.

f. Permanent assets

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

***f.*2** As determined in CMN Resolution No. 4,535/16, fixed assets correspond to the tangible assets and improvements realized in third-party properties, provided that they are used in the realization of a company's activities for more than one year and the assets should be recognized at cost and adjusted for impairment, when applicable. Cost comprises the basic purchase or construction price, increased by any import taxes and non-recoverable taxes on the purchase price, the directly attributable costs required for its operation, and the value of the initial estimate of the dismounting and removal costs of the asset and of the restoration of the place where it is located, if the Institution assumes the obligation to bear such costs on the acquisition date of the asset. The depreciation recognized monthly on a straight-line basis, based on annual rates considering the expected useful life of the assets is as follows: property: 4%; furniture, fixtures, communications systems and facilities: 10%; data processing system and vehicles: 20%.

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

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

g. Liabilities

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

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

g.2 Current and non-current liabilities

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

Income tax and social contribution are 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 February 2020, according to law No. 13,169/15 and, from March 2020, 20%, according to Constitutional Amendment No. 103/19. The stock of tax credits and deferred tax liabilities recorded on December 31, 2019 was calculated by applying the rate of 20% of the social contribution, considering that the realization or settlement will take place during the new rate.

Deferred income tax and social contribution are recorded in the account "Other liabilities - tax and social security", and tax credits arising from temporary differences and tax losses to be realized in up to 10 years are recorded in "Other receivables - sundry".

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

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

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

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

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

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

i. Sale or transfer of financial assets - Credit assignment

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

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

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

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

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

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

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

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

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

(All amounts in thousands of Reais unless otherwise stated)

4 Cash and cash equivalents and interbank funds applied

a. Cash and cash equivalents

	CCB Brasil		CCB Brasil Consolidated	
	December 2019	**December 2018**	**December 2019**	**December 2018**
Cash	283	595	283	595
Deposits abroad in foreign currency	93,382	39,626	93,535	39,832
Total	**93,665**	**40,221**	**93,818**	**40,427**

b. Money market

	CCB Brasil and CCB Brasil Consolidated	
Maturity	**December 2019**	**December 2018**
Up to 30 days	229,999	2,654,995

c. Interbank deposits

	CCB Brasil		CCB Brasil Consolidated	
Maturity	**December 2019**	**December 2018**	**December 2019**	**December 2018**
Up to 30 days	2,055	108,469	2,055	2,061
From 31 to 90 days	2,425	2,433	2,425	2,433
From 91 to 360 days	212,891	410,312	969	-
Over 360 days	548,434	437,987	-	909
Total	**765,805**	**959,201**	**5,449**	**5,403**

d. Investments in foreign currency

	CCB Brasil and CCB Brasil Consolidated	
Maturity	**December 2019**	**December 2018**
Up to 30 days	262,998	170,871

(All amounts in thousands of Reais unless otherwise stated)

5 Securities

a. Operating policy

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

b. Composition of securities by type and category

	CCB Brasil						CCB Brasil Consolidated
	Over 90 days	**91 to 360 days**	**Over 360 days**	**Total book value**	**Restated cost**	**Market value**	**Total book value**
Available for sale	**6,743**	**3,402,300**	**1,300,265**	**4,709,308**	**4,708,864**	**4,709,308**	**4,720,291**
Own portfolio (*)	**136**	**616,994**	**432,132**	**1,049,262**	**1,049,168**	**1,049,262**	**1,049,262**
Financial Treasury Bills	136	616,994	432,132	1,049,262	1,049,168	1,049,262	1,049,262
Subject to repurchase agreements	**6,607**	**2,758,304**	**866,071**	**3,630,982**	**3,630,632**	**3,630,982**	**3,630,982**
Financial Treasury Bills	6,607	2,758,304	866,071	3,630,982	3,630,632	3,630,982	3,630,982
Pledged in guarantees (**)	**-**	**27,002**	**2,062**	**29,064**	**29,064**	**29,064**	**40,047**
Financial Treasury Bills	-	27,002	2,062	29,064	29,064	29,064	40,047
Securities held to maturity	**-**	**-**	**81,088**	**81,088**	**81,088**	**81,088**	**81,088**
Own portfolio	**-**	**-**	**81,088**	**81,088**	**81,088**	**81,088**	**81,088**
Quotas - FIDC	-	-	81,088	81,088	81,088	81,088	81,088
Total	**6,743**	**3,402,300**	**1,381,353**	**4,790,396**	**4,789,952**	**4,790,396**	**4,801,379**

(*) Distribution of maturities made based on nominal maturity without considering the high liquidity characteristic of public securities.
(**) The balance includes R$ 25,651 in the Bank and in the Consolidated referring to deposited margins as guarantees in transactions involving derivative financial instruments (note 6f), the amount of R$ 2,973 in the Bank and R$ 13,956 in the Consolidated refer to the judicial proceedings and R$ 440 in the Bank and Consolidated refer to other guarantees.

(All amounts in thousands of Reais unless otherwise stated)

	December 2018						
	CCB Brasil						CCB Brasil Consolidated
	Over 90 days	**91 to 360 days**	**Over 360 days**	**Total book value**	**Restated cost**	**Market value**	**Total book value**
Available for sale	**145,539**	**-**	**7,326,567**	**7,472,106**	**7,468,406**	**7,472,106**	**7,482,470**
Own portfolio (*)	**44,274**	**-**	**665,119**	**709,393**	**709,214**	**709,393**	**709,393**
Financial Treasury Bills	44,274	-	665,119	709,393	709,214	709,393	709,393
Subject to repurchase agreements	**101,265**	**-**	**6,581,015**	**6,682,280**	**6,678,756**	**6,682,280**	**6,682,280**
Financial Treasury Bills	101,265	-	6,581,015	6,682,280	6,678,756	6,682,280	6,682,280
Pledged in guarantees (**)	**-**	**-**	**80,433**	**80,433**	**80,436**	**80,433**	**90,797**
Financial Treasury Bills	-	-	80,433	80,433	80,436	80,433	90,797
Securities held to maturity	**-**	**15,190**	**1,710,557**	**1,725,747**	**1,725,747**	**1,764,522**	**1,725,747**
Own portfolio	**-**	**15,190**	**1,214,048**	**1,229,238**	**1,229,238**	**1,255,571**	**1,229,238**
Debentures	-	15,190		15,190	15,190	15,181	15,190
Quotas - FIDC	-	-	44,709	44,709	44,709	44,709	44,709
Global Bonds	-	-	1,169,339	1,169,339	1,169,339	1,195,681	1,169,339
Subject to repurchase agreements	**-**	**-**	**496,509**	**496,509**	**496,509**	**508,951**	**496,509**
Global Bonds	-	-	496,509	496,509	496,509	508,951	496,509
Total	**145,539**	**15,190**	**9,037,124**	**9,197,853**	**9,194,153**	**9,236,628**	**9,208,217**

(*) Distribution of maturities made based on nominal maturity without considering the high liquidity characteristic of public securities.
(**) The balance includes R$ 77,213 in the Bank and in the Consolidated referring to deposited margins as guarantees in transactions involving derivative financial instruments (note 6f), the amount of R$ 2,806 in the Bank and R$ 13,170 in the Consolidated refer to the judicial proceedings and R$ 414 in the Bank and Consolidated refer to other guarantees.

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

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

c. Reclassification of the category of the securities

Given the recent restructuring process of the Bank's business, where, among other results, the growth of credit assets is expected, as well as the approaching maturity of subordinated debt, in June 2019 the Bank reclassified securities held to maturity in the amount of R $ 1,813,505 for the available for sale category and, subsequently, in the second half of 2019, it sold these securities with a profit of R$ 171,413.

6 Derivative financial instruments portfolio

a. Policy of utilization

As a result of the Volcker Rule, applicable to the CCB Group globally, the operations of the trading portfolio of CCB Brasil were suspended. During the period, CCB Brasil carried out traditional derivative operations in order to meet its clients needs, and also executed its risk management policy in order to minimize risks arising from its own financial operations. Its objective was to obtain the mitigation of exposure to market variables that impact assets and liabilities of the Conglomerate.

b. Protection of foreign exchange exposures

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

c. Hedge of portfolio with fixed interest rates

The Institution adopts the strategy of acquiring future DI contracts, assessing the relationship between the duration of DI futures contracts and the duration of the credit portfolio. Considering that the hedged loan portfolio is distributed among the companies (Bank and Financeira), and that the futures contracts are all concentrated in the Bank, the fair value hedge designation of this relationship was only applied in the consolidated balance sheet. The coverage of a hedge is assessed quarterly and meets criteria that consider the total portfolio less delays and prepayments. The replacement of DI futures contracts is periodic, in accordance with the identification of the opening of new futures contracts and the detection of their liquidity. The Bank's Treasury assesses the need to purchase or sell new DI futures contracts to offset the adjustment to market value of the hedged item. The objective is to ensure the effectiveness of the hedge in the range of 80% to 125%, considering the relationship between the market variation of the hedged layer and the market variation of DI futures contracts.

d. Risk management

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

(All amounts in thousands of Reais unless otherwise stated)

The main risk factors of the derivatives contracted at December 31, 2019 were related to the exchange rate, interest rate, dollar and variable income coupon, which aim to maximize the risk and return relationship, even in circumstances of high volatility. The risk management control of the portfolios is effected through the utilization of the metrics: VaR (for the trading portfolio), EVE and NII (for the banking and global portfolio) and Profitability and Liquidity Risk.

e. Criteria for measurement of the market value

To obtain these market values the following criteria are adopted:

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

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

f. Recording of the values

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

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

The operations with financial instruments, effected at the request of clients, or that do not meet the hedge criteria (mainly derivatives used to manage the overall risk exposure until December 31, 2019) are recorded at market value, with the realized and unrealized gains and losses recognized directly in the statement of operations.

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

The outstanding operations at December 31 2019 present the following characteristics:

						CCB Brasil and CCB Brasil Consolidated
						Notional Value
						Net Position of Assets and Liability contracts
	Differential receivable	**Differential payable**	**Maturing within 3 months**	**Maturing between 3 and 12 months**	**Maturing after 12 months**	**Total**
Swap contracts						
Interbank market	7,446	2,130	83,471	(132,377)	(19,977)	(68,883)
Foreign currency	405,673	7,374	(187,.454)	97,838	19,977	(69,639)
Prefixed	3,479	1,371	103,983	34,539	-	138,522
Subtotal	**416,598**	**10,875**	-	-	-	-
Market value adjustment	8,288	243	-	-	-	-

(All amounts in thousands of Reais unless otherwise stated)

						CCB Brasil and CCB Brasil Consolidated
						Notional Value
						Net Position of Assets and Liability contracts
	Differential receivable	**Differential payable**	**Maturing within 3 months**	**Maturing between 3 and 12 months**	**Maturing after 12 months**	**Total**
Total	**424,886**	**11,118**	-	-	-	-
NDF contracts						
Forward purchase - NDF	60	3,541	53,978	66,747	7,029	127,754
Forward sale - NDF	179	231	(26,231)	(28,864)	-	(55,095)
Subtotal	**239**	**3,772**	-	-	-	-
Total	**425,125**	**14,890**	-	-	-	-
Futures contracts (*)						
Purchase – Interbank market	4	1	-	75,575	10,896	86,471
Sale - Interbank market	9	753	(96,998)	(783,356)	(1,007,887)	(1,888,241)
Purchase-DDI-Exchange Coupon	-	1,697	173,774	81,114	-	254,888
Sale-DDI-Exchange Coupon	418	-	-	(49,746)	(9,752)	(59,498)
Purchase - foreign currency	-	4,493	-	659,681	-	659,681
Sale - foreign currency	5,725	1	-	(848,814)	-	(848,814)
Total	**6,156**	**6,945**	-	-	-	-

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

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

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

(All amounts in thousands of Reais unless otherwise stated)

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

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

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

CCB Brasil and CCB Brasil Consolidated

		December 2019		**December 2018**	
Security	**Due Date**	**Book value**	**Fair value**	**Book value**	**Fair value**
LFT	01/09/2020	25,651	25,651	77,213	77,213
Total		**25,651**	**25,651**	**77,213**	**77,213**

g. Hedge accounting

g.1 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. In the second six half of 2019 the hedge object was settled.

g.2 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.

December/19	**Hedge Object**		**Hedge instrument**		
	Curve value	Fair value			
Interest Rate Risk	Assets	Assets	Value of Ineffitiveness	Nominal Value	Variation in Value Recognized in Income
Hedge of Credit Operations	1,337,367	1,439,810	10,331	1,660,140	92,112
Total	**1,337,367**	**1,439,810**	**10,331**	**1,660,140**	**92,112**

(All amounts in thousands of Reais unless otherwise stated)

December 2018	Hedge Object					Hedge instrument	
	Curve value		Fair value				
Interest Rate Risk	Assets	Liabilities	Assets	Liabilities	Value of Ineffitiveness	Nominal Value	Variation in Value Recognized in Income
Hedge of Credit Operations	1,822,671	-	1,919,155	-	6,704	2,034,038	89,781
Hedge of funding	-	1,767,532	-	1,769,087	753	1,774,204	802
Total	**1,822,671**	**1,767,532**	**1,919,155**	**1,769,087**	**7,457**	**3,808,242**	**90,583**

7 Loans

a. Diversification by type of operation

	CCB Brasil		CCB Brasil Consolidated	
	December 2019	**December 2018**	**December 2019**	**December 2018**
Working capital and discounts	3,077,226	3,362,362	3,086,220	3,381,989
Consigned personal credit	1,763,711	1,075,181	2,553,281	1,965,708
Export financing	2,056,261	1,676,341	2,056,261	1,676,341
Rural and agro-industrial financing	521,873	345,856	521,873	345,856
Import financing	310,159	131,995	310,159	131,995
Financing of vehicles	7,663	221	65,079	139,426
Loans linked to assignments (*)	101,332	176,961	-	-
Others	121,055	145,810	122,153	146,584
Loans	**7,959,280**	**6,914,727**	**8,715,026**	**7,787,899**
Advances on export contracts (**)	1,491,413	1,081,121	1,491,412	1,082,121
Notes and credits receivable (note 10)	213,845	133,630	214,464	134,419
Debtors for purchases of assets (note 10)	54,807	81,137	54,807	81,137
Guarantees honored	16,789	1,026	16,789	1,026
Others	**1,776,854**	**1,297,914**	**1,777,472**	**1,298,703**
Leases	-	-	88,748	43,498
Total	**9,736,134**	**8,212,641**	**10,581,246**	**9,130,100**

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

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

b. Diversification by activity

	CCB Brasil		CCB Brasil Consolidated	
	December 2019	**December 2018**	**December 2019**	**December 2018**
Private sector	**7,835,702**	**6,916,627**	**7,924,450**	**6,960,127**

(All amounts in thousands of Reais unless otherwise stated)

Other services	2,333,039	3,125,261	2,409,898	3,158,192
Industry	3,326,167	2,512,949	3,328,507	2,517,991
Trade	1,948,674	1,208,961	1,958,223	1,214,488
Agribusiness	227,822	69,456	227,822	69,456
Individuals	**1,900,432**	**1,296,014**	**2,656,796**	2,169,973
Total	**9,736,134**	**8,212,641**	**10,581,246**	**9,130,100**

c. Diversification by term - by installment

	CCB Brasil				CCB Brasil Consolidated			
	December 2019	**%**	**December 2018**	**%**	**December 2019**	**%**	**December 2018**	**%**
Private sector								
Due within 3 months	2,358,437	24.22	1,855,348	22.59	2,539,028	24.00	2,047,019	22.42
Due from 3 to 12 months	3,609,054	37.07	2,352,810	28.65	3,818,834	36.09	2,581,475	28.27
Due over 1 year	3,653,704	37.53	3,914,078	47.66	4,099,258	38.74	4,396,079	48.15
Overdue as from 15 days	114,939	1.18	90,405	1.10	124,126	1.17	105,525	1.16
Total	**9,736,134**	**100.00**	**8,212,641**	**100.00**	**10,581,246**	**100.00**	**9,130,100**	**100.00**

d. Composition of allowance by risk level

						December 2019
	CCB Brasil			**CCB Brasil Consolidated**		
Risk level	**Calculation basis**	**Provision**	**%(*)**	**Calculation basis**	**Provision**	**%(*)**
AA	3.082.405	-	31.66	3,184,922	-	30.10
A	3.862.861	19,314	39.68	4,485,503	22,427	42.39
B	2.268.573	22,686	23.30	2,281,420	22,814	21.56
C	94.340	2,830	0.97	98,457	2,953	0.93
D	1.159	116	0.01	2,036	204	0.02
E	5.375	1,613	0.06	6,140	1,842	0.06
F	9.190	4,595	0.09	11,071	5,536	0.10
G	41.138	28,796	0.42	52,501	36,751	0.50
H	371.093	371,093	3.81	459,196	459,196	4.34
Total	**9.736.134**	**451,043**	**100.00**	**10,581,246**	**551.723**	**100.00**

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

						December 2018
	CCB Brasil			**CCB Brasil Consolidated**		
Risk level	**Calculation basis**	**Provision**	**%(*)**	**Calculation basis**	**Provision**	**%(*)**
AA	2,734,546	-	33.30	2,831,030	-	31.01
A	3,112,338	15,561	37.90	3,724,049	18,620	40.79
B	1,706,422	17,064	20.78	1,711,423	17,114	18.74
C	79,194	2,376	0.96	201,086	6,032	2.20
D	48,832	4,883	0.59	53,378	5,338	0.58
E	50,593	15,178	0.62	57,522	17,257	0.63
F	74,967	37,484	0.91	79,399	39,700	0.87

(All amounts in thousands of Reais unless otherwise stated)

G	97,568	68,298	1.19	121,133	84,793	1.33
H	308,181	308,181	3.75	351,080	351,080	3.85
Total	**8,212,641**	**469,025**	**100.00**	**9,130,100**	**539,934**	**100.00**

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

e. Risk concentration level

CCB Brasil Consolidated				
	December 2019		**December 2018**	
	R$	**%**	**R$**	**%**
10 largest debtors	2,046,675	19.34	2,367,243	25.93
100 largest debtors	6,459,576	61.05	6,299,055	68.99

f. Loan assignments

f.1 Interbank loan assignments

In previous years to those presented, there were consignment credit assignment operations with the subsidiary, CCB Brasil S.A. Crédito, Financiamentos e Investimentos. As established in CMN Resolution No. 3,533/08, which determined new criteria for accounting recognition and classification of credit assignment operations, effective as of January 1, 2012, said assignments are classified in the category of "transactions with substantial retention of risks and benefits" with an amount of R$ 101,332 (December 2018 - R$ 176,961), and the amount recorded as liabilities for operations related to the assignment is R$ 109,662 (December 2018 - R$ 192.674). The expense recorded in the year of related obligations was R$ 29,752 (December 2018 – R$ 36,323), arising from the appropriation "pro rata temporis" for the term of each loaned agreement. The assignments are subject to the application of Resolution No. 2,682/99, for purposes of credit risk classification and constitution of allowance for doubtful accounts.

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

In the year ended December 31, 2019, were made credit assignments operations with a substantial transfer of risks and benefits, to unrelated entities which were not members of the Brazilian financial system. The result on these assignments amounted to R$ 3,536.

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

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

(All amounts in thousands of Reais unless otherwise stated)

In the year ended December 31, 2019, there was no assignment of credit to unrelated credit securitization companies. In the year ended December 31, 2018, there were assignments to unrelated credit securitization companies of loans for working capital and other assets classified as "operations with substantial transfer of risks and benefits", resulting in the recognition of expenses in the amount of R$ 19,730, besides loan operations previously written off, resulting in the recognition of revenue in the amount of R$ 93,694. The assignments were made considering internal evaluations as regards the perspectives of recovery of the loans, which served as the pricing basis for the assignments, and analyses of a specialized company regarding the situation of the debtors and the conditions of the loans, utilized as a source of information for the evaluation of the perspectives of the recovery of the loans.

g. Lease operations

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

	CCB Brasil Consolidated	
	December 2019	**December 2018**
Lease receivables	67.133	33,973
Unearned lease income	(67.133)	(33,973)
Leased assets	128.001	83,224
Depreciation surplus	11.929	19,173
Depreciation of leased assets	(36.851)	(36,773)
Losses on lease operations to be amortized	3.381	4,838
Anticipated residual value	(17.712)	(26,964)
Total lease portfolio	**88.748**	**43,498**

8 Allowance for loan losses

Changes in the allowance for loan losses

	CCB Brasil		**CCB Brasil Consolidated**	
	December 2019	**December 2018**	**December 2019**	**December 2018**
Opening balance	**469,025**	**429,392**	**539,934**	**494,860**
Allowance constituted in the period	169,327	349,119	267,862	440,556
Reversal of allowance in the period	(48,513)	(10,450)	(54,932)	(19,772)
Reversal of the allowance on assigned loans	-	(31,297)	-	(31,297)
Subtotal	**589,839**	**736,764**	**752,864**	**884,347**
Write-offs	(138,796)	(267,739)	(201,141)	(344,413)
Closing balance	**451,043**	**469,025**	**551,723**	**539,934**
Recovery of written off loans	31,615	59,958	51,730	75,669
Renegotiated loans	268,492	389,700	280,578	683,364
% of allowance on the loan portfolio	4.63	5.91	5.21	5.71

(All amounts in thousands of Reais unless otherwise stated)

9 Foreign exchange portfolio

	CCB Brasil and CCB Brasil Consolidated	
Assets	**December 2019**	**December 2018**
Foreign exchange purchased to be settled	1,484,340	1,121,565
Rights on sales of foreign exchange	11,719	12,247
Advances received in local currency	(2,566)	(2,470)
Income receivable on advances on foreign exchange contracts	13,462	20,073
Total	**1,506,955**	**1,151,415**
Liabilities		
Foreign exchange sold to be settled	11,625	36,687
Liabilities for foreign exchange purchases	1,484,093	1,069,325
Advances on foreign exchange contracts	(1,477,950)	(1,062,048)
Foreign currency liabilities	-	32
Total	**17,768**	**43,996**

10 Other receivables - Sundry

	CCB Brasil		CCB Brasil Consolidated	
	December 2019	**December 2018**	**December 2019**	**December 2018**
Debtors for guaranteed deposits (note 22d)	437.366	426,262	443.444	433,948
Accounts receivable (*)	223.117	141,103	226.884	149,122
Debtors for the purchase of assets (note 7a)	54.807	81,137	54.807	81,137
Taxes recoverable and to be offset	23.622	25,206	47.120	49,963
Payments to be refunded	30.437	27,400	31.429	28,552
Salary advances and prepayments	772	1,144	793	1,258
Advances for payments	44	62	50	62
Sundry domestic debtors	18.334	18,615	19.345	19,534
Total	**788.499**	**720,929**	**823.872**	**763,576**

(*) Includes amounts receivable for the acquisition of financial instruments of operations with credit characteristics in the amount of R$ 213,845 (December 2018 - R$ 133,630), according to explanatory note 7a. Also includes amounts receivable of R$ - (December 2018 - R$ -) from securities issued to cover federal government debts and R$ 7,028 (December 2018 - R$ 5,661) receivable from public agencies referring to consigned credit transfers, all classified as operations without loan characteristics.

11 Other assets

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

(All amounts in thousands of Reais unless otherwise stated)

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

	CCB Brasil		CCB Brasil Consolidated	
	December 2019	**December 2018**	**December 2019**	**December 2018**
Property	348,666	368,423	351,306	371,062
Machinery and equipment	26,869	26,877	27,114	27,122
Vehicles and similar assets	1,488	1,815	13,559	11,271
Material in stock	91	74	91	74
Others	629	742	629	743
Subtotal	**377,743**	**397,931**	**392,699**	**410,272**
Provision for losses on other assets	(149,489)	(155,428)	(157,382)	(163,059)
Total	**228,254**	**242,503**	**235,317**	**247,213**

12 Fixed assets

a. Investments

See details of investments in subsidiary companies in Note 14.

b. Fixed assets for own use

	CCB Brasil								CCB Brasil Consolidated	
	Cost		Provision for loss		Accumulated depreciation		Net book value		Net book value	
	December 2019	**December 2018**	**December 2019**	**December 2018**	**December 2019**	**December 2018**	**December 2019**	**December 2018**	**December 2019**	**December 2018**
Land	107	107	-	-	-	-	107	107	107	107
Buildings	85,842	85,522	-	-	(58,250)	(50,015)	27,592	35,507	28,760	37,265
Machinery and equipment for own use	14,932	14,890	(1,121)	(1,132)	(10,777)	(10,062)	3,034	3,696	3,237	3,940
Data processing system	9,910	9,711	(15)	(15)	(9,552)	(9,458)	373	238	429	323
Transport system	842	994	-	-	(842)	(954)	-	40	-	40
Communication system	1,775	1,774	(326)	(326)	(1,158)	(1,081)	291	367	538	668
Security system	1,411	1,411	(47)	(46)	(1,101)	(991)	263	374	278	396
Total	**114,819**	**114,409**	**(1,509)**	**(1,519)**	**(81,650)**	**(72,561)**	**31,660**	**40,329**	**33,349**	**42,739**

c. Intangible assets

c.1 Intangible assets

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

CCB Brasil						CCB Brasil Consolidated	
Cost		Accumulated amortization		Net Amount		Net Amount	
December	**December**	**December**	**December**	**December**	**December**	**December**	**December**

	2019	2018	2019	2018	2019	2018	2019	2018
Software	20,877	19,185	(18,010)	(15,222)	2,867	3,963	2,892	3,992
Goodwill (*)	-	-	-	-	-	-	4,383	14,902
Total	**20,877**	**19,185**	**(18,010)**	**(15,222)**	**2,867**	**3,963**	**7,275**	**18,894**

c.2 *Movement of intangible assets*

	December 2018	Additions/write-offs	Amortization	December 2019
CCB Brasil	**3,963**	**1,692**	**(2,788)**	**2,867**
Software	3,963	1,692	(2,788)	2,867
CCB Brasil Consolidated	**18,894**	**1,692**	**(13,311)**	**7,275**
Software	3,992	1,692	(2,792)	2,892
Goodwill (*)	14,902	-	(10,519)	4,383

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

(*) The goodwill determined on the acquisition of the company CCB Brasil Financeira S.A., on November 03, 2009, corresponding to the sum of the amount paid in the transaction and the amount of negative net worth, resulted in the amount of R$ 105,190, recognized in June 2010. This goodwill is supported by the projections of results, which takes into consideration the effects of the synergy identified in the realization of the retail operations, in conjunction, of CCB Brasil and CCB Brasil Financeira S.A. as stated in the valuation report prepared by a specialized company. The period for realization goodwill is 10 years, and it is being amortized on a straight line basis over the same period.

13 Overseas branch

At the date of the balance sheet, the operations conducted by the Cayman Islands Branch presented a net equity of R$ 844,958 (December 2018 - R$ 498,936) and total assets of R$ 4,979,499 (December 2018 - R$ 6,093,261).

14 Investment in domestic subsidiaries - Multiple Bank

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

	December 2019						December 2018
Company name	**Number of shares / quotas held**	**Investment percentage**	**Shareholders' /quotaholders' equity**	**Net income (loss) for the period**	**Equity**	**Book value of investments**	**Book value of investments**
CCB Brasil Arrendamento Mercantil S.A.	180,920,168	100%	264,279	17,057	17,057	264,279	263,222

(All amounts in thousands of Reais unless otherwise stated)

CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A.	14,223,228	100%	20,887	192	192	20,887	20,696
CCB Brasil Informática S.A.	50,000	100%	776	23	23	776	753
CCB Brasil Adm. Cartão Créd. Ltda,	3,670,000	100%	9,192	(865)	(865)	9,192	10,056
CCB Brasil S.A. CFI (*)	116,405,774	100%	23,011	(35,135)	(35,135)	27,394	73,048
Brasil Factors S.A. (**)	62,931	50%	(4,232)	(1,782)	(891)	(2,116)	(1,225)
Total					**(19,619)**	**320,412**	**366,550**

(*) Includes goodwill, net of amortization, in the amount of R$ 4,383 (December 2018 - R$ 14,902) determined on the acquisition of CCB Brasil S.A. – CFI, reclassified to Intangible assets in the consolidated.
(**) In 2018, due to the debt balance of the Shareholders´ Equity of BrasilFactors S.A, the amount equivalent to the Bank's interest is recorded in "Other liabilities - other domestic creditors".

15 Related party transactions

a. Related party transactions

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

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

	Assets/(Liabilities)		**Revenues/(Expenses)**	
	December 2019	**December 2018**	**December 2019**	**December 2018**
Available financial resources in foreign currencies	**16,680**	**9,388**	**-**	**-**
China Construction Bank Corporation (d)	16,680	9,388	-	-
Interbank funds applied in interbank deposits – CDI	**760,356**	**953,798**	**83,696**	**184,113**
CCB Brasil S.A.- Crédito, Financiamentos e Investimentos (a)	760,356	953,798	83,696	184,113
FIDC Quotas	**81,088**	**44,709**	**3,880**	**1,700**
FIDC Brasil Factors (b)	81,088	44,709	3,880	1,700
Credit assignments operations – Res. No 3,533	**109,662**	**192,672**	**29,752**	**47,166**
CCB Brasil S.A.- Crédito, Financiamentos e Investimentos (a)	109.662	192,672	29,752	47,166
Others credits – income receivable	**8,500**	**5,249**	**-**	**15,343**
CCB Brasil Arrendamento Mercantil S.A. (a)	8,500	5,100	-	14,491
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A. (a)	-	149		852
Demand deposits	**(1,673)**	**(1,994)**	**-**	**-**
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A. (a)	(42)	(24)	-	-
CCB Brasil Arrendamento Mercantil S.A. (a)	(120)	(58)	-	-
CCB Brasil Informática S.A. (a)	(2)	(2)	-	-
CCB Brasil Administradora de Cartões de Crédito Ltda (a)	(161)	(106)	-	-
CCB Brasil S.A.- Crédito, Financiamentos e Investimentos (a)	(851)	(1,201)	-	-
Brasil Factors (f)	(1)	(2)	-	-
CCB Brazil Financial Holding Ltda (e)	(169)	(36)	-	-
Control and management key personnel (c)	(327)	(565)	-	-
Interbank deposits	**(229,954)**	**(257,208)**	**(11,604)**	**(16,933)**
CCB Brasil Distribuidora de Títulos e Valores Mobiliários S.A. (a)	(21,003)	(20,989)	(1,211)	(1,312)
CCB Brasil Arrendamento Mercantil S.A. (a)	(208,951)	(236,219)	(10,393)	(15,621)
CCB Brasil S.A.- Crédito, Financiamentos e Investimentos (a)				
Time deposits	**(209.218)**	**(185,366)**	**(10,921)**	**(11,654)**
CCB Brasil Informática S.A. (a)	(748)	(727)	(43)	(46)
CCB Brasil Administradora de Cartões de Crédito Ltda (a)	(386)	(8,401)	(155)	(672)
CCB Brasil Promotora de Vendas Ltda. (b)	(1,653)	(1,613)	(94)	(102)
Brasil Factors (f)	(219)	(116)	(9)	(18)

(All amounts in thousands of Reais unless otherwise stated)

	Assets/(Liabilities)		Revenues/(Expenses)	
	December 2019	**December 2018**	**December 2019**	**December 2018**
FIDC Brasil Factors (b)	(10,669)	(3,684)	(475)	(619)
CCB Brazil Financial Holding Ltda (e)	(195,222)	(168,463)	(10,127)	(10,153)
Key management personnel (c)	(321)	(2,362)	(18)	(44)
Repurchase Operations	**(25.051)**	**(30,500)**	**(2,267)**	**(2,893)**
CCB Brasil Arrendamento Mercantil S.A. (a)	(5,991)	(6,362)	(415)	(433)
CCB Brasil S.A.- Crédito, Financiamentos e Investimentos (a)	(12,482)	(20,603)	(789)	(2,443)
CCB Brasil Administradora de Cartões de Crédito Ltda. (a)	(6,578)	(3,535)	(1,063)	(17)
LCA	**(3,537)**	**(6,597)**	**(125)**	**(397)**
Control and Management Key Personnel (c)	(3,537)	(6,597)	(125)	(397)
LCI	**(1,850)**	**(697)**	**(80)**	**(17)**
Control and Management Key Personnel (c)	(1,850)	(697)	(80)	(17)
NDF	**535**	**(689)**	**282**	**1,861**
Brasil Factors (f)	535	(689)	282	1,861
Borrowings	**(3.812.733)**	**(5,779,755)**	**(176.637)**	**(1,176,811)**
China Construction Bank Corporation (d)	(3.812.733)	(5,779,755)	(176.637)	(1,176,811)
Services rendered	**(20)**	**(20)**	**(145)**	**(69)**
CCB Brasil Arrendamento Mercantil S.A. (a)	(20)	(20)	(145)	(69)

Being:

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

a.1 Maturities and rates of the operations

The interbank investments with post-fixed interest are valued at the "average CDI" (Interbank Deposit Certificate Rate) of 105% (December 2018 - 105%) and the pre-fixed interest investments at the average rate of 5.63% p.a. (December 2018 – 15.08% p.a.); the pre-fixed repurchase operations were conducted at average rates of 4.4% p.a. (December 2018 – 6.4% p.a.) with final maturity on January 2, 2020 and backed by securities maturing in up to 2 years (December 2018 – 2 years), the post-fixed repurchase operations were valued at 100% of the CDI with final maturity on February 28, 2020 and backed by securities maturing in up to 3 months (December 2018 – 2 years); the LCA operations (Agribusiness Credit Bills) were conducted at interest rates of 95.6% of CDI (December 2018 - 96%) and with final maturity in up to 1 year (December 2018 - up to 2 years). The LCI operations were conducted with rates of 95.4% of CDI (December 2018 - 96%) and with final maturity in up to 1 year (December 2018 - up to 1 year). The time deposits are remunerated at the average rate of 91.77% of the CDI (December 2018 - 101%), directly related to the amount invested, with final maturity in up to 2 years (December 2018 - up to 2 years). The borrowings were conducted at the average rate of 3.14% p.a. (December 2018 – 3.40% p.a.) plus foreign exchange variations, with final due date within 7 years (December 2018 – up to 8 years). The information regarding the loan assignment operations with related parties is included in the explanatory note 7f.

b. Remuneration of key management personnel - CCB Brasil Consolidated

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

(All amounts in thousands of Reais unless otherwise stated)

During the years of 2019 and 2018, the Board of Directors did not approve payments of profit sharing to Management, because of the negative accounting results.

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

	CCB Brasil		CCB Brasil Consolidated	
	December 2019	**December 2018**	**December 2019**	**December 2018**
Fixed remuneration	14,254	16,384	14,458	16,831
Others	912	1,059	912	1,059
Total	**15,166**	**17,443**	**15,370**	**17,890**

b.2 Long-term benefits

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

16 Deposits

Distribution by term

	CCB Brasil					CCB Brasil Consolidated
	December 2019					December 2019
	Demand deposits	**Time deposits (*)**	**Interbank deposits**	**Savings deposits**	**Total**	**Total**
No due date	87,757	-	-	2,977	90,734	89,558
Up to 3 months	-	456,183	143,323	-	599,506	599,506
3 months to 1 year	-	1,417,360	179,133	-	1,596,493	1,594,882
1 to 3 years	-	1, 285,882	247,726	-	1,533,608	1,302,477
3 to 5 years	-	1,307	-	-	1,307	1,307
Total	**87,757**	**3,160,732**	**570,182**	**2,977**	**3,821,648**	**3,587,730**

(*) Of the total amount of time deposits with a maturity over one year, the amount of R$ 534,335 refers to funding obtained in time deposits with a liquidity commitment, which is registered at B3 S.A. - Brasil, Bolsa, Balcão and classified in current liabilities in the balance sheet.

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

(All amounts in thousands of Reais unless otherwise stated)

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

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

a. Funds obtained in the open market

The funds are basically represented by repurchase commitments of securities at fixed prices, to be settled up to August 2022 (December 2018 – January 2, 2018, June 12, 2019 and February 28, 2020), backed by LFT with a maturity in September 2022 (December 2018 – until September 2022).

b. Resources from notes issued

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

	CCB Brasil and CCB Brasil Consolidated					
	December 2019			December 2018		
	LCI	**LCA**	**LF**	**LCI**	**LCA**	**LF**
Up to 3 months	12,934	203,658	22,553	23,617	162,201	2,276
3 months to 1 year	8,345	373,095	404,588	18,326	400,218	137,971
1 to 3 years	703	33,545	327,484	2,839	41,604	401,686
Total	**21,982**	**610,298**	**754,625**	**44,782**	**604,023**	**541,933**

18 Foreign currency borrowings and onlendings

The borrowings basically refer to the funds raising for import and export financing and the onlendings were granted by the Parent Company abroad and multilateral agencies, on which fixed charges are due at the average rate of 3.06% p.a. (December 2018 – 3.41% p.a.). The maturities are as follows:

	CCB Brasil Consolidated			
	December 2019		December 2018	
	R$	**%**	**R$**	**%**
Up to 3 months	606,076	13.25	2,209,441	32,44
3 months to 1 year	3,897,279	85.20	4,472,505	65,67
1 to 3 years	45,967	1.01	67,815	1,00
3 to 5 years	21,067	0.46	42,497	0,62
Over 5 years	3,667	0.08	18,248	0,27
Total	**4,574,056**	**100,00**	**6,810,506**	**100,00**

In December 2019, the foreign borrowing and onlendings operations, which contain restrictive clauses ("covenants"), are classified as current liabilities in the balance sheet because of non-compliance with some financial ratios. However, the note above maintains the previously established maturities, considering the success of the waivers obtained in the past.

The Bank has loan operations with its parent company in China in the total amount of R$ 3,812,733 (December 2018 - R$ 5.779.755), with final due date within 8 years, automatically renewable, according to the need to liquidity of the CCB Brasil Conglomerate.

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

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

Therefore, in order to present the best estimate of expected disbursement in relation to the related obligation, as well as the reduction of asymmetries, Management rectified the balance of the group "Foreign Funds" by the amount of R$ 449.492 (December 2018 – R$ 398,589), of which R$ 50,903 (December 2018 – R$ 246,345) as a contra-entry to income for the period, based on the deterioration of the credit quality of the related assets, in addition to the realization value of the guarantees obtained in each operation.

As of December 31, 2019, the amount of funding related to operations is R$ 501,709 (December 2018 – R$ 558,095) and the balance of loan operations is R$ 473,046 (December 2018 – R$ 543,558), of which R$ 291,483 (December 2018 – R$ 66,689) are represented by credits with a certain overdue portion of more than 1 day.

19 Liability for local onlendings

The liability is represented by onlendings from the Ministry of Agriculture in the modality of FUNCAFÉ (Fund for the Defense of the Coffee Economy) with maturities up to October 2021 and the Ministry of Cities in the modalities of PSH - Social Program of Housing and PMCMV - *My Home My Life Program,* without final maturity dates.

(All amounts in thousands of Reais unless otherwise stated)

20 Other liabilities - Tax and social security contributions

	CCB Brasil		CCB Brasil Consolidated	
	December 2019	**December 2018**	**December 2019**	**December 2018**
Provision for deferred tax (note 26c)	323,521	268,788	372,938	312,505
Taxes and contributions payable	11,808	10,564	15,541	13,865
Taxes and contributions payable on profits	12,275	-	12,280	7
Provision for taxes and contributions on profit	-	-	1,012	621
Total	**347,604**	**279,352**	**401,771**	**326,998**

21 Other liabilities – Sundry

	CCB Brasil		CCB Brasil Consolidated	
	December 2019	**December 2018**	**December 2019**	**December 2018**
Provision for liabilities classified probable losses (*)	952.341	834,481	988.278	872,032
Liabilities for sale/transfer of financial assets (**)	109.662	192,674	-	-
Allowance for losses on guarantees provided (note 29)	13.101	63,079	13,101	63,079
Other domestic creditors	41.989	33,599	63,945	37,528
Provision for payments	29.349	42,730	37,937	54,569
Others	15,616	-	15,616	-
Total	**1.162.058**	**1,166,563**	**1,118,877**	**1,027,208**

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

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

22 Provision, contingent and legal obligations

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

a. Contingent assets

Contingent assets are not recognized.

b. Provision classified probable losses and legal obligations

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

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

Amount involved R$ 539,911 (December 2018 - R$ 522,987) in CCB Brasil and R$ 557,244 (December 2018 - R$ 539,751) in CCB Brasil Consolidated: The Group requests the payment of the contribution, from November 2005 to December 2014 on the basis of the calculation stipulated by Complementary Law No. 7/70, in view of the unconstitutionality of the increase of the calculation basis determined in Law No. 9,718/98. Part of the amount involved, R$ 28,575 (December 2018 - R$ 27,447), has been deposited in Court in CCB Brasil and R$ 31,381 (December 2018 – R$ 30,136) in CCB Brasil Consolidated.

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

Amount involved R$ 87,676 (December 2018 - R$ 84,928) in CCB Brasil and R$ 88,503 (December 2018 - R$ 85,731) in CCB Brasil Consolidated: The Group requests the payment of the contribution, from November 2005 to December 2014, on the basis of the calculation stipulated by Complementary Law No. 7/70, in view of the unconstitutionality of the increase of the calculation basis determined in Law No. 9,718/98. Part of the amount involved, R$ 106,393 (December 2018 - R$ 94,781), has been deposited in Court.

PIS - Constitutional Amendment No. 10/96

Amount involved R$ 18,925 (December 2018 - R$ 18,275) in the Bank and in the Consolidated: The Group requests the rejection of the requirement of the retroactive contribution for PIS, for the period of 90 days between 03/07/1996 and 06/07/1996, in observance of the principles of "retroactivity" and "90 day holding period", as well as to ensure the right to calculate and collect as from 06/07/1996 the contribution to PIS on the gross operating income, understood as that arising solely from the provision of services and sales of goods as defined in Art. 44 of Law No. 4,506/64, in Art.12 of Decree-Law No. 1,587/77 and Art. 226 Decree No. 1,041/94. The amount involved has been deposited in Court.

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

Amount involved R$ 1,336 (December 2018 - R$ 1,272) in the Bank and in the Consolidated. The Group requests the extinguishing of the ISS debit entry on alleged revenues for the provision of taxable services, not expressly foreseen in the list of services annexed to LC No. 56/87 (assuming the list as explanatory), in disagreement with the jurisprudence of the Superior Court of Justice, considering its unrestricted nature. The amount involved has been deposited in Court.

Labor lawsuits

In the Conglomerate there are labor lawsuits assessed by the legal advisors as probable losses, which were fully covered by provisions totaling R$ 80,133 (December 2018 – R$ 54,991) in the Bank and R$ 86,757 (December 2018 – R$ 58,884) in the Consolidated. The provisions 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

In the Conglomerate there are civil lawsuits assessed as probable losses, which were fully covered by provisions totaling R$ 224,360 (December 2018 – R$ 152,028) in the Bank, and R$ 235,513 (December 2018 – R$ 168,119) in the Consolidated. The provisions 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$ 23,094 (December 2018 - R$ 21,707) in the Bank and the Consolidated: The Group requests the extinguishing of the ISS on alleged taxable revenue service, not expressly covered in the list of services attached to LC No.56/87, based on the argument that this Circular Letter is merely illustrative, which is not in accordance with the jurisprudence of the Superior Court. The amount involved has been deposited in Court.

Allowance for doubtful debts/1994 - Amount involved R$ 26,357 (December 2018 - R$ 25,525) in the Bank and the Consolidated: the Group requests that in the calculation of income tax and social contribution for the fiscal year 1994, a deduction be permitted for the expense on the allowance for doubtful debts under the terms determined by the National Monetary Council and the Brazilian Central Bank regulations, pursuant to Resolution No. 1,748/90 and subsequent changes, thereby considering as unconstitutional and illegal pursuant to the provisions of art. 43, paragraph 4, of Law No. 8,981/95. The amount involved has been deposited in Court.

IRF on Remittance of Interest Abroad - amount involved R$ 14,229 (December 2018 R$ 13,803): seeks to offset amounts unduly withheld as income tax at source on remittances of interest abroad, with the same income tax legal entities, pursuant to art. 39 of Law No. 9,250/96, removing the restrictions contained in Circular Letters No. 2,269/92 and No. 2,372/93 and Communique No. 2,747/92, which conditioned the application of zero income tax rate to compliance with minimum repayment terms, for flagrant violation of the principle of legality. The amount involved was deposited in court.

IRPJ / 2008 - amount involved R$ 20,071 (December 2018 **-** R$ 19,268) in the Bank and the Consolidated: awaiting approval of the adhesion to the Installment of Law No. 12,996/14 (REFIS of COPA), whose analysis of the RQA - Request for Early Discharge (article 33 of Law No. 13,043/14) is suspended pending judgment of the disallowance of tax losses and negative basis of CSLL for the years 2012 and 2014 (see IRPJ / CSLL).

INSS - Management´s profit sharing - Amount involved R$ 124,376 (December 2018 - R$ 118,835) in the Bank and the Consolidated: The Group requests the reversal of the alleged INSS debit, relating to the base periods from 2006 to 2012, assessed through an assessment notice, because of the fact that (i) the debits relating to facts generated up to October 10, 2006 are time barred and, (ii) because there should be no levy of INSS on profit sharing, as established in the Federal Constitution, in Art. 7 item XI, and Law No. 8,812/91, in Art. 28, § 9.

IRPJ / CSLL - Amount involved R$ 168,154 (December 2018 – R$ 88,567) in the Bank and in the Consolidated. The Group requests the extinguishing of the IRPJ /CSLL debit, related to the base period of 2012, assessed through an assessment notice, arising from the disallowance of the deductibility of credit losses, because of the alleged non-compliance with the procedures set forth in Law No. 9,430/96.

Financial Operations Tax (IOF) and Withholding Income Tax (IRRF) - amount involved R$ 1,485 (December 2018 - R$ 1,439) in the Bank and Consolidated. CCB Brasil as joint and several liability claims for the elimination of the launch of the alleged IRRF/IOF debt on seven exchange operations for foreign exchange remittances.

Deductibility of the PLR Expense from the CSLL Calculation Base - amount involved R$ 1,978 (December 2018 - R$ 2,251) in the Bank and Consolidated: pleads the unconstitution of the disallowance of the expense with payment of Profit Sharing to the Administrators, in the 2012 calendar year, which reduced the negative CSLL tax base in the period, due to alleged non-compliance with the procedures provided for in Law No. 7,689/88.

IOF on Credit Assignment - amount involved R$ 2,578 (December 2018 - R$ -) in the Bank and Consolidated: pleads for the decommissioning of the IOF debt entry on the alleged incidence on credit assignment contracts with recourse, for the period from 03/2014 to 12/14, for alleged breach of Decree No. 6,306/07.

Unapproved Compensation - amount involved R$ 4,117 in the Bank (December 2018 – R$ 2,927) and R$ 4,388 in the Consolidated (December 2018 - R$ 3,298): pleads in the administrative sphere with the RFB to ratify tax compensations with credits arising from overpayment or undue payment.

Labor lawsuits

In the Conglomerate there are labor lawsuits, which are classified as 'possible losses' and for which no provision was recorded. According to the legal advisors, the amount of possible indemnities for these lawsuits is R$ 9,024 (December 2018 - R$ 6,558) in the Bank and R$ 12,019 (December 2018 - R$ 8,319) in the Consolidated. The contingencies are related to lawsuits in which labor issues are discussed, in relation to the specific labor legislation, such as overtime, salary parity, additional remuneration for transfers and related matters.

Civil lawsuits

In the Conglomerate there are civil lawsuits which are classified as 'possible losses' and therefore no provision was recorded. According to the estimates of the legal advisors, the amount of indemnities in respect of these lawsuits is R$ 205,906 (December 2018 – R$ 288.378) in the Bank and R$ 229,628 (December 2018 – R$ 306,414) in the Consolidated. The contingencies generally originate from a review of contracts and indemnities for property damages and pain and suffering, the major part being discussed in the Special Civil Court.

(All amounts in thousands of Reais unless otherwise stated)

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

	CCB Brasil						CCB Brasil Consolidated
Description	**December 2018**	**Additions**	**Reversals**	**Restatement**	**Written off**	**December 2019**	**December 2019**
Civil	152,028	83,928	(7,779)	5,943	(9,760)	224,360	235,513
Labor	54,991	6,470	(3,611)	26,974	(4,691)	80,133	86,757
Subtotal	**207,019**	**90,398**	**(11,390)**	**32,917**	**(14,451)**	**304,493**	**322,270**

Tax and social security	**December 2018**	**Additions**	**Reversals**	**Restatement**	**Written off**	**December 2019**	**December 2019**
PIS - Gross operating revenue – Circular Letters No. 10/96	18,275	-	-	650	-	18,925	18,925
PIS – Increase in calculation basis - Law No. 9,718/98	84,928	-	-	2,748	-	87,676	88,503
COFINS - Increase in calculation basis - Law No. 9,718/98	522,987	-	-	16,924	-	539,911	557,244
ISS - Non-taxable - - Circular Letter No. 56/87	1,272	-	-	64	-	1,336	1,336
Subtotal	**627,462**	**-**	**-**	**20,386**	**-**	**647,848**	**666,008**
Total	**834,481**	**90,398**	**(11,390)**	**53,303**	**(14,451)**	**952,341**	**988,278**

For the above contingencies, CCB Brasil has deposited in guarantee (note 10 - Other Receivable - Other) the amount of R$ 108,867 for civil lawsuits, R$ 19,768 for labor lawsuits and R$ 308,731 for tax lawsuits, and CCB Brasil Consolidated has deposited as guarantee the amount of R$ 109,056 for civil lawsuits, R$ 22,775 for labor lawsuits and R$ 311,613 for tax lawsuits.

	CCB Brasil						CCB Brasil Consolidated
Description	**December 2017**	**Additions**	**Reversals**	**Restatement**	**Written off**	**December 2018**	**December 2018**
Civil (*)	55,818	101,222	(10,420)	8,508	(3,100)	152,028	168,119
Labor	43,045	9,752	(6,318)	8,757	(245)	54,991	58,884
Subtotal	**98,863**	**110,974**	**(16,738)**	**17,265**	**(3,345)**	**207,019**	**227,003**

Tax and social security	**December 2017**	**Additions**	**Reversals**	**Restatement**	**Written off**	**December 2018**	**December 2018**
CSLL - Rate equality - 2008 onwards	149,299	-	-	5,385	(154,684)	-	-
PIS - Gross operating revenue – Circular Letters No. 10/96	17,583	-	-	692	-	18,275	18,275
PIS – Increase in calculation basis - Law No. 9,718/98	82,003	-	-	2,925	-	84,928	85,731

(All amounts in thousands of Reais unless otherwise stated)

COFINS - Increase in calculation basis - Law No. 9,718/98	504,977	-	-	18,010	-	522,987	539,751
ISS - Non-taxable Services - Circular Letter No. 56/87	1,199	-	-	73	-	1,272	1,272
Subtotal	**755,061**	**-**	**-**	**27,085**	**(154,684)**	**627,462**	**645,029**
Total	**853,924**	**110,974**	**(16,738)**	**44,350**	**(158,029)**	**834,481**	**872,032**

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

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

23 Funding and foreign borrowings

a. Subordinated Debt

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

CCB Brasil and CCB Brasil Consolidated

Funding	Issue value – Original currency	Issuance	Maturity	Issue value – Local currency	Interest rate (p.a.)	December 2019	December 2018
Subordinated CDB	R$ 200,000	11/03/2009	11/04/2019	R$ 200,000	100% Selic	-	488,817
Eurobonds	US$ 300,000	04/27/2010	04/27/2020	R$ 529,153	8.50%	1,110,499	1,066,226
Total - Capital Tier II						**1,110,499**	**1,555,043**

b. Debt Instrument eligible to Capital

CCB Brasil and CCB Brasil Consolidated

Funding	Issue value – Original currency	Issuance	Maturity	Issue value – Local currency	Interest rate (p.a.)	December 2019	December 2018
EMTN - ITB Tier II	US$ 100,000	09/29/2015	09/29/2025	397,299	7.20%	410,406	394,532
EMTN - ITB Tier I	US$ 70,000	12/29/2016	12/30/2021	228,025	8.00%	282,149	271,236
Total - Capital Tier						**692,555**	**665,768**

24 Deferred Income

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

(All amounts in thousands of Reais unless otherwise stated)

25 Shareholders' equity

a. Shares

The Bank´s capital is R$ 2,956,864 (December 2018 – R$ 2,956,864) represented by 465,631,466 (December 2018 – 465,631,466) nominative shares, of which 297,223,908 (December 2018 – 297,223,908) are common shares and 168,407,558 (December 2018 – 168,407,558) preferred shares, without par value.

The CCB Brasil shareholder´s structure was as follows:

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

b. Treasury Shares

Up to December 31, 2019 6,879,540 preferred shares were acquired for R$ 58,593, of which 481,022 shares were transferred to the members of management as variable remuneration in the years 2013 and 2014.

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

Therefore, the number of treasury shares at December 31, 2019 corresponds to 6,398,518 shares in the amount of R$ 55,105 (December 2018 - R$ 55,105).

c. Dividends and interest on capital

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

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

26 Income tax and social contribution

On November 12, 2019, Constitutional Amendment No. 103 was enacted, which, among other aspects, established the increase in the Social Contribution on Net Income (CSLL) rate, from 15% to 20%, effective as of March 2020, whose estimated effects on the stock of tax credits recorded at the Bank on December 31, 2019 will be R$ 140,799, while in deferred tax liabilities it will be R$ 35,928, as shown in items “a” and “c”, respectively, of this explanatory note. The Bank has a stock of non-activated tax credits, which, considering the change in rate, represented an increase of R$ 86,333, in the amount described in the final paragraph of item “a” of this note.

a. Tax credits

(All amounts in thousands of Reais unless otherwise stated)

The deferred income tax and social contribution recorded in Other receivables presented the following movement:

	CCB Brasil						CCB Brasil Consolidated
Description	**December 2018**	**Realization**	**Additions**	**Adjustments (CSLL) 5%**	**Write-off Res. 3.059/02**	**December 2019**	**December 2019**
Income tax							
Allowance for loan losses	158,234	(3,244)	40,239	-	-	195,229	225,836
Provision for impairment of assets not for own use	38,857	(2,639)	1,154	-	-	37,372	39,452
Provision for contingencies and others	258,340	(69,450)	78,194	-	-	267,084	276,054
Subtotal	**455,431**	**(75,333)**	**119,587**	**-**	**-**	**499,685**	**541,342**
Tax losses	206,231	(8,458)	-	-	(23,600)	174,173	202,195
Subtotal - IRPJ tax credit	**661,662**	**(83,791)**	**119,587**	**-**	**(23,600)**	**673,858**	**743,537**
Social contribution							
Allowance for loan losses	94,940	(1,947)	24,144	39,046	-	156,183	174,547
Provision for impairment of assets not for own use	23,314	(1,583)	692	7,474	-	29,897	31,145
Provision for contingencies and others	155,006	(41,670)	46,916	53,417	-	213,669	219,051
Subtotal	**273,260**	**(45,200)**	**71,752**	**99,937**	**-**	**399,749**	**424,743**
Accumulated CSLL negative basis	126,656	(4,069)	-	40,862	(17,078)	146,371	150,045
Subtotal - CSLL tax credit	**399,916**	**(49,269)**	**71,752**	**140,799**	**(17,078)**	**546,120**	**574,788**
Total - IRPJ/CSLL tax credit	**1,061,578**	**(133,060)**	**191,339**	**140,799**	**(40,678)**	**1,219,978**	**1,318,325**

	CCB Brasil						CCB Brasil Consolidated
Description	**December 2017**	**Realization**	**Additions**	**Adjustments (CSLL) 5%**	**Write-off Res. 3.059/02**	**December 2018**	**December 2018**
Income tax							
Allowance for loan losses	97,579	(16,301)	76,956	-	-	158,234	181,872
Provision for impairment of assets not for own use	33,859	(5,183)	10,181	-	-	38,857	40,872
Provision for contingencies and others	237,347	(59,642)	80,635	-	-	258,340	267,692
Subtotal	**368,785**	**(81,126)**	**167,772**	**-**	**-**	**455,431**	**490,436**
Tax losses	269,910				(63,679)	206,231	217,011
Subtotal - IRPJ tax credit	**638,695**	**(81,126)**	**167,772**	**-**	**(63,679)**	**661,662**	**707,447**
Social contribution							
Allowance for loan losses	63,121	(9,780)	46,173	(4,574)	-	94,940	109,123
Provision for impairment of assets not for own use	20,756	(3,110)	6,108	(440)	-	23,314	24,524
Provision for contingencies and others	150,959	(35,785)	57,062	(17,230)	-	155.006	160,616
Subtotal	**234,836**	**(48,675)**	**109,343**	**(22,244)**	**-**	**273,260**	**294,263**
Accumulated CSLL negative basis	169,657				(43,001)	126,656	132,993
Subtotal - CSLL tax credit	**404,493**	**(48,675)**	**109,343**	**(22,244)**	**(43,001)**	**399,916**	**427,256**
Total - IRPJ/CSLL tax credit	**1,043,188**	**(129,801)**	**277,115**	**(22,244)**	**(106,680)**	**1,061,578**	**1,134,703**

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

(All amounts in thousands of Reais unless otherwise stated)

CCB Brasil

	Tax credit realization											December 2019	December 2018
Projected year	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Total**	**Total**
Projected value	81,108	138,624	156,948	167,687	90,817	44,811	49,249	54,624	61,669	330,213	44,228	**1,219,978**	**1,061,578**
Present value(*)	77,430	126,337	136,551	139,278	72,011	33,920	35,589	37,684	40,614	207,613	26,546	**933,573**	**740,055**
% Realization	6.6%	11.4%	12.9%	13.7%	7.4%	3.7%	4.0%	4.5%	5.1%	27.1%	3.6%	**100.0%**	

(*) Based on the projected Selic rate.

CCB Brasil Consolidated

	Tax credit realization											December 2019	December 2018
Projected year	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**Total**	**Total**
Projected value	108,215	161,488	169,550	169,976	94,783	48,588	54,609	62,116	64,549	340,223	44,228	**1,318,325**	**1,134,703**
Present value(*)	103,308	147,174	147,515	141,179	75,156	36,779	39,462	42,853	42,511	213,906	26,546	**1,016,389**	**794,721**
% Realization	8.2%	12.2%	12.9%	12.9%	7.2%	3.7%	4.1%	4.7%	4.9%	25.8%	3.4%	**100.0%**	

(*) Based on the projected Selic rate.

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

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

Therefore, as an example in the first half of 2017, where the Bank already had a history of tax losses and a negative basis for social contribution, the Management submitted to the Brazilian Central Bank a new technical study for the realization of tax credits, as established by CMN Resolution No. 3,059/02 amended by CMN Resolution No. 4,441/15 and Circular Letter No. 3,776/15, which resulted in the approval of the maintenance of the tax credit balances arising from tax losses and the negative basis of social contribution recorded on December 31, 2019, for which the Bank has the expectation of realizing, according to the technical study of realization of tax credit, in up to 10 years, as well as continuing the recording of tax credits arising from temporary differences determined in the income tax and social contribution tax base. In view of the above, the Bank and the Consolidated have non-activated tax credits arising from income tax loss and negative social contribution base in the total amount of R$ 773,991 (December 18 - R$ 645,305) for which there is no expectation. within the period provided for by CMN Resolution No. 3,059/02 of up to 10 years.

b. Presumed Tax Credit

In view of the high level of the inventory of "temporary differences" arising from credit losses which occurred after 2014, the Bank decided to compute a "Presumed Tax Credit" in the amount of R$ 380,662, according to the criterion established by Law No. 12,838/13 and

(All amounts in thousands of Reais unless otherwise stated)

Circular Letter No. 3,624/13 of BACEN, which require the determination of tax losses and credits arising from temporary differences originating from allowances for doubtful loans computed and existing in the previous calendar year.

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

During the first half of 2019, the Bank recovered the amount of R$ 830 (December 2018 – R$ 63,299), resulting from credit operations included in the presumed tax credit basis, and the related deferred taxes, in the amount of R$ 9,459 (December 2018 – R$ 25,320), were recorded in Other Liabilities - Tax and Social Security, since these amounts will be taxed when the credit is repaid 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.

Constituted Presumed Tax Credit	**2014**	**2015**	**2016**	**2019**
	78,983	107,450	194,229	380,662

c. Deferred liability

CCB Brasil

	2019					**2018**
	Income tax	**CSLL - 15%**	**Adjustment CSLL 5%**	**CSLL 20%**	**Income tax / CSLL**	**Income tax / CSLL**
Linked loans (Res. 2,921)	112,373	67,423	22,475	89,898	202,271	159,436
Presumed tax credit – Law nº 12.838/13	45,633	27,379	9,127	36,506	82,139	72,681
Monetary restatement of judicial deposits	19,048	11,429	3,810	15,239	34,287	25,096
Market value adjustment of government securities and derivatives	2,692	1,616	516	2,132	4,824	11,575
Total	**179,746**	**107,847**	**35,928**	**143,775**	**323,521**	**268,788**

CCB Brasil Consolidated

	2019					**2018**
	Income tax	**CSLL - 15%**	**Adjustment CSLL 5%**	**CSLL 20%**	**Income tax / CSLL**	**Income tax / CSLL**
Linked loans (Res. 2,921)	112,373	67,423	22,475	89,898	202,271	159,436
Presumed tax credit – Law nº 12.838/13	45,633	27,379	9,127	36,506	82,139	72,681
Monetary restatement of judicial deposits	19,257	11,429	3,810	15,365	34,622	25,427

(All amounts in thousands of Reais unless otherwise stated)

Market value adjustment of government securities and derivatives	2,692	1,616	516	2,132	4,824	11,575
Hedge accounting	25,611	-	-	20,489	46,100	38,593
Depreciation surplus	2,982	-	-	-	2,982	4,793
Total	**208,548**	**107,847**	**35,928**	**164,390**	**372,938**	**312,505**

d. Statement of calculation of income tax and social contribution

	CCB Brasil		CCB Brasil Consolidated	
	2019		2019	
	Income tax	**Social contribution**	**Income tax**	**Social contribution**
Result before taxes, contributions and interest	(91,742)	(91,742)	(113,281)	(113,281)
(-) Interest on own capital (1)	-	-	-	-
(-) Profit Sharing (2)	-	-	-	-
Calculation basis	(91,742)	(91,742)	(113,281)	(113,281)
Temporary differences	488,866	488,866	605,106	593,910
Permanent differences (3)	578,154	578,154	578.270	578.270
Exclusions	(884.849)	(884.849)	(1.009.215)	(1.005.263)
Tax loss and calculation basis for income tax and social contribution	90,429	90,429	60,880	53,636
(+) Negative taxable result of consolidated companies	-	-	33,613	37,119
(-) Offset of tax loss - negative calculation basis of social contribution	(27,129)	(27,129)	(27,129)	(27,129)
Profit and income tax and social contribution calculation basis	63,300	63,300	67,364	63,626
Charges at the rates of 15% for Income Tax and Social Contribution	9,495	9,495	10,105	9,548
10% income tax surcharge	6,306	-	6,673	-
Current taxes	15,801	9,495	16,778	9,548
Reconciliation with results				
Current taxes	15,801	9,495	16,778	9,548
Income tax abroad	(13,021)	-	(13,021)	-
Deferred Income Tax and Social Contribution	12,568	43,468	12,250	43,850
(=) Provision for Income Tax and Social Contribution	15,348	52,963	16,007	53,398
Constitution of tax credits on temporary additions	(119,587)	(171,689)	(138.270)	(182,898)
Constitution of tax credits (on tax losses and CSLL negative calculation basis)	-	(40,862)	(11,338)	(48,189)
Realization of tax credit (Reversal of temporary additions)	75,333	45,200	87,366	52,416
Realization of tax credit (compensation of tax losses and CSLL negative calculation basis)	8,548	4,069	11,012	5,602
Write-off of tax credits on tax losses and negative calculation basis of CSLL	23,600	17,078	23,600	17,078
(=) Net effect of tax credit	(12,196)	(146,.204)	(27,630)	(155,991)
Income Tax and Social Contribution expenses	3,152	(93,241)	(11,623)	(102,593)

(All amounts in thousands of Reais unless otherwise stated)

(1) As of 2019, under the terms of CMN Resolution No. 4,706/18, art. 2, the amounts relating to capital remuneration, declared or proposed, must be recognized in liabilities, in return for the appropriate account of retained earnings or reserves.

(2) As of 2019, under the terms of CMN Resolution No. 4,706/18, art. 4, the remuneration for capital earned on investments valued by the equity method, must be recognized in assets, with a corresponding entry to the respective investment.

(3) The amount of permanent additions includes R$ 16,000 received as interest on own capital from CCB Brasil Arrendamento S.A.

	CCB Brasil		**CCB Brasil Consolidated**	
	December 2018		**December 2018**	
Calculation	**Income Tax**	**Social contribution**	**Income Tax**	**Social contribution**
Result before taxes, contributions and interest	(89,714)	(89,714)	(59,720)	(59,720)
(+) Interest on capital received	-	-	15,343	15,343
(-) Interest on capital paid	-	-	(15,343)	(15,343)
Calculation basis	(89,714)	(89,714)	(59,720)	(59,720)
Temporary differences	681,605	681,605	797,134	785,602
Permanent differences	270,689	270,689	270,835	270,835
Exclusions	(920,452)	(920,452)	(1,057,880)	(1,044,705)
Tax loss and calculation basis for income tax and social contribution	(57,872)	(57,872)	(49,631)	(47,988)
(+) Negative tax result of consolidated companies	-	-	57,872	57,872
(-) Offset of tax loss - negative calculation basis of social contribution	-	-	(2,208)	(2,208)
(Loss)/Profit and income tax and social contribution calculation basis	(57,872)	(57,872)	6,033	7,676
Charges at the rates of 15% for income tax and 20% for social contribution	-	-	905	1.523
10% income tax surcharge	-	-	530	-
Current taxes	-	-	1,435	1,523
Reconciliation of results				
Current taxes	-	-	1,435	1,523
Deferred Income Tax and Social Contribution	78,572	45,651	80,499	46,563
(=) Provision for Income Tax and Social Contribution	78,572	45,651	81,934	48,086
(+) Provision for Income Tax and Social Contribution (Prior year adjustments)	-	-	(2,510)	(2,008)
(=) Total provision for Income Tax and Social Contribution	78,572	45,651	79,424	46,078
Constitution of tax credits on temporary additions	(167,772)	(87,099)	(192,259)	(106,016)
Write-off of tax credits on tax losses	63,679	43,001	63,679	43,001
Realization of tax credit (reversal of temporary additions)	81,126	48,674	107,104	68,694
Realization of tax credit (offset of tax losses and CSLL negative calculation basis)	-	-	(14,626)	(11,593)
(=) Net effect of tax credits	(22,967)	4,576	(11,850)	17,272
Income Tax and Social Contribution expenses	55,605	50,227	67,574	63,350

(All amounts in thousands of Reais unless otherwise stated)

27 Composition of the main accounts of statement of operations

a. Income from loans

	CCB Brasil			CCB Brasil Consolidated		
	2nd six months 2019	December 2019	December 2018	2nd six months 2019	December 2019	December 2018
Personal consigned credit	155,220	299,070	241,442	204,651	430,336	450,979
Working capital and discounts	162,899	179,883	476,539	162,842	179,825	476,540
Recovery of loans written off as losses	26,132	31,615	59,958	37,411	51,730	75,669
Export financing	103,240	144,465	232,656	103,240	144,465	232,656
Financing of machinery and heavy vehicles	224	323	81	7,462	19,760	47,208
Rural and agro-industrial financing	9,824	18,614	14,362	9,824	18,614	14,362
Other loans and financing	36,596	45,702	122.412	37,655	47,776	126,197
Total	**494,135**	**719,672**	**1,147,450**	**563,085**	**892,506**	**1,423,611**

b. Income from securities

	CCB Brasil			CCB Brasil Consolidated		
	2nd six months 2019	December 2019	December 2018	2nd six months 2019	December 2019	December 2018
Income from fixed income securities	219,071	277,960	411,270	219,268	277,874	411,895
Income from repurchase commitment transactions	134,832	305,313	281,613	134,832	305,313	281,613
Income from interbank funds invested	37,243	126,118	247,834	7,222	42,422	63,722
Other operations with securities	75,230	114,659	74,945	75,230	114,658	74,944
Total	**466,376**	**824,050**	**1,015,662**	**436,552**	**740,267**	**832,174**

c. Results from derivative financial instruments

	CCB Brasil and CCB Brasil Consolidated		
	2nd six months 2019	December 2019	December 2018
Swaps	93.787	84.461	334,197
Futures market - Interbank Index	(22.906)	(67.174)	(81,498)
Futures market - Dollar	10.586	43.028	(17,678)
Currency forwards	(3.142)	(1.745)	(6,111)
Total	**78.325**	**58.570**	**228,910**

d. Foreign exchange results

	CCB Brasil and CCB Brasil Consolidated		
	2nd six months 2019	December 2019	December 2018

(All amounts in thousands of Reais unless otherwise stated)

Income from foreign exchange operations	688,797	1,162,092	1,272,897
Expenses with foreign exchange operations	(552,233)	(1,008,042)	(1,069,120)
Total	**136,564**	**154,050**	**203,777**

e. Expenses with funds obtained in the market

	CCB Brasil			CCB Brasil Consolidated		
	2nd six months 2019	**December 2019**	**December 2018**	**2nd six months 2019**	**December 2019**	**December 2018**
Foreign securities	171,584	233,424	391,706	171,584	233,424	391,706
Repurchase operations	133,681	304,521	279,833	133,469	302,928	276,939
Time deposits	81,541	170,216	202,971	81,436	169,889	202,150
Expenses with financial bills - LF	21,826	40,708	24,327	21,826	40,708	24,327
Expenses with agribusiness bills - LCA	18,170	37,097	23,937	18,170	37,097	23,937
Interbank deposits	9,240	21,293	37,060	5,576	9,689	20,127
Others	2,938	6,012	15,251	2,938	6,012	15,257
Total	**438,980**	**813,271**	**975,085**	**434,999**	**799,747**	**954,443**

f. Expenses from borrowings assignments and onlendings

CCB Brasil and CCB Brasil Consolidated	**2nd six months 2019**	**December 2019**	**December 2018**
Foreign banking expenses	401,968	471,412	1,238,122
Mark to Market - hedged object	(4,017)	(1,556)	9,141
Onlendings from BNDES/FUNCAFE	5,392	10,028	3,279
Total	**403,343**	**479,884**	**1,250,542**

g. Other operating income

	CCB Brasil			CCB Brasil Consolidated		
	2nd six months 2019	**December 2019**	**December 2018**	**2nd six months 2019**	**December 2019**	**December 2018**
Linked loans (Res. 2,921)	36,080	50,.902	246,345	36,080	50,902	246,345
Reversal of provision for guarantees	41,993	49,976	94,113	41,993	49,976	94,113
Monetary restatement of deposits in guarantee	9,656	18,973	24,169	9,718	19,105	24,316
Income from other receivables and for sale of assets	2,616	5,759	-	2,616	5,871	-
Recovery of charges and expenses	515	12,731	742	7,459	25,347	22,919
Other operating income	13,498	16,145	18,875	14,535	18,837	20,898
Total	**104,358**	**154,486**	**384,244**	**112,401**	**170.038**	**408,591**

h. Other operating expenses

	CCB Brasil			CCB Brasil Consolidated		
	2nd six months 2019	**December 2019**	**December 2018**	**2nd six months 2019**	**December 2019**	**December 2018**
Constitution of provisions/pagamentos of lawsuits labor, civil and tax	69.805	150.329	135,239	66,454	150,606	140,368

(All amounts in thousands of Reais unless otherwise stated)

contingencies						
Commissions for assigned credits	28.206	48.600	48,814	53,846	86,923	69,696
Employees profit sharing	27.151	27.151	22,216	27,191	27,191	22,292
Impairment of other assets	-	-	22,013	-	-	22,013
Consigned personal credit processing fee	4.412	9.255	6,815	6,711	12,985	8,932
Constitution of provision for losses on guarantees	-	-	4,328	-	-	4,328
Discounts granted on renegotiations and prepayments	274	14.702	2,130	274	14,702	2,130
IOF (tax on financial transactions) on exchange operations	68	355	730	68	355	730
Expenses with restatement of taxes	-	-	114	1	2	227
Other operating expenses	25.211	38.990	43,330	26,735	41,975	53,492
Total	**155.127**	**289.382**	**285,729**	**181,280**	**334,739**	**324,208**

i. Personnel expenses

	CCB Brasil			CCB Brasil Consolidated		
	2nd six months 2019	**December 2019**	**December 2018**	**2nd six months 2019**	**December 2019**	**December 2018**
Salaries	48,897	113,756	100,784	54,383	124,096	110,802
Social charges	16,078	38,089	30,123	17,511	41,420	33,057
Benefits	8,154	16,158	16,956	10,094	19,919	20,573
Directors' fees	6,613	14,254	16,384	6,678	14,458	16,831
Other	270	579	695	344	704	871
Total	**80,012**	**182,836**	**164,942**	**89,010**	**200,597**	**182,134**

j. Other administrative expenses

	CCB Brasil			CCB Brasil Consolidated		
	2nd six months 2019	**December 2019**	**December 2018**	**2nd six months 2019**	**December 2019**	**December 2018**
Third party services	11,371	23,806	32,321	16,795	35,109	42,173
Amortization and depreciation	11,285	22,743	23,401	11,650	23,473	24,129
Rents and rates	6,541	12,473	13,057	7,516	14,376	15,145
Data processing	5,836	12,303	11,462	8,910	17,943	16,808
Financial system services	3,027	5,718	7,298	3,602	6,944	8,964
Maintenance and conservation	1,396	3,093	4,544	1,642	3,715	5,102
Transportation and travel	961	2,223	2,527	1,075	2,515	2,799
Other administrative expenses	5,154	9,752	9,811	10,377	20,380	23,326
Total	**45,571**	**92,111**	**104,421**	**61,567**	**124,455**	**138,446**

k. Tax expenses

	CCB Brasil			CCB Brasil Consolidated		
	2nd six months 2019	**December 2019**	**December 2018**	**2nd six months 2019**	**December 2019**	**December 2018**
COFINS	4,774	10,378	7,382	7,205	15,090	13,404

(All amounts in thousands of Reais unless otherwise stated)

Federal, state and municipal taxes	5,595	7,350	5,273	5,766	7,783	5,882
ISS	1,005	1,817	2,411	1,172	2,455	2,446
PIS/PASEP	776	1,687	1,200	1,305	2,432	2,181
Total	**12,150**	**21,232**	**16,266**	**15,448**	**27,760**	**23,913**

l. Non-operating result

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

	CCB Brasil			**CCB Brasil Consolidated**		
	2nd six months 2019	**December 2019**	**December 2018**	**2nd six months 2019**	**December 2019**	**December 2018**
Expenses of provisions for adjustment to realization value of assets	3,288	5,950	(20,079)	3,042	5,689	(20,277)
Results on disposal of assets	(1,479)	(56)	(6,130)	(1,599)	198	(4,786)
Other	215	498	(2,288)	218	506	(2,261)
Total	**2,024**	**6,392**	**(28,497)**	**1,661**	**6,393**	**(27,324)**

28 Capital adequacy requirement (car)

The table below shows the calculation of the minimum reference equity required for risk-weighted assets (RWA), which attained of 8.0% plus the additional principal capital of 2.50%, totaling 10.50%, valid for the period of January 1 to December 31, 2019.

CCB Brasil and CCB Brasil Consolidated

	Basel III	
Basel Index calculation	**December 2019**	**December 2018**
Reference Equity - Tier I	**1,449,867**	**1,394,175**
Core Capital	1,167,718	1,122,939
Perpetual Bond	282,149	271,236
Reference Equity - Tier II	**410,406**	**596,764**
Subordinated debt	410,406	596,764
REFERENCE EQUITY	**1,860,273**	**1,990,939**
Credit Risk	877,746	768,548
Market Risk	14,187	100,711
Operational Risk	103,424	78,242
RISK WEIGHTED ASSETS - RWA	**995,357**	**947,501**
Basel ratio %	**14.95**	**18.12**
Capitalization index - Level 1	11.65	12.69

(All amounts in thousands of Reais unless otherwise stated)

Capitalization index - Level 2	3.30	5.43

29 Guarantees and sureties provided

a. The responsibilities for guarantees and sureties provided amounted to R$ 1,446,936 (December 2018 - R$ 1,558,654), presenting the following concentration:

	CCB Brasil and CCB Brasil Consolidated			
	December 2019	**%**	**December 2018**	**%**
Highest guarantee granted	225,762	15.60	214,005	13.73
10 largest guarantees	745,859	51.55	932,312	59.81
20 largest guarantees	949,297	65.61	1,183,023	75.90
50 largest guarantees	1,213,587	83.87	1,466,033	94.06

In the year ended December 31, 2019, CCB Brasil recorded in "Other liabilities", the amount of R$ 13,101 (December 2018 - R$ 63,079) in respect of provisions for losses on guarantees and sureties granted (note 21).

b. Liabilities for guarantees and sureties honored amounted to R$ 16,789 (December 2018 - R$ 1,026), classified in the loan portfolio in compliance with CMN Resolution No. 2,682/99 (Note 7a).

30 Risk Management Structure

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

The Bank has centralized the management of the Socio-Environmental, Market, Credit, Liquidity, Operational and Capital Management Risks in order to maximize the effectiveness of its controls. This results in a global view of the exposures to which the Bank is subject by the nature of its activities, thereby enabling it to improve and become more agile in making strategic decisions, ensuring compliance with established policies and procedures and improving the identification of risks that could affect the business strategy and achievement of objectives. In compliance with CMN (National Monetary Council) Resolution No. 4,557/17.The "Risk Management Report" in compliance with Circular Letter No. 3,678/13, which provides for the disclosure of information related to risk management, is available on the site.

In compliance with CMN Resolution No. 4,557/17, the structure of Capital Management is fully implemented. The Board of Directors approved the nomination of a director responsible for the definition of the organizational structure applicable to the financial Conglomerate and the other companies which form part of the consolidated group. There are institutional policies and procedures defining the procedures and systems required for the effective implementation of the *Capital Management* Structure.

In the same manner, to comply with CMN Resolution No. 4,557/17, the structure of Liquidity Management was established and implemented. The Board of Directors approved the nomination of a director responsible for the area and defined the organizational structure, applicable to the entire financial Conglomerate and other member companies of the consolidated group, and also approved the institutional policies for the management of liquidity.

CMN Resolution No. 4,327/14 is also observed in relation to the establishment and implementation of the Social and Environmental Responsibility Policy. The Bank has already adapted its risk management structure to be in compliance with CMN Resolution No. 4,557/17.

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

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

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

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

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

I. Risk management

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

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

Market risk management

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

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

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

Credit risk management

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

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

In line with the practices of market benchmark, the Bank continues to improve its controls and analytical models in compliance with CMN Resolution No. 4557/17 and the Basel agreement.

Liquidity risk management

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

I Backward Looking: historical analysis of movements, repurchases, customer operations renewals to estimate the potential of cash insufficiency to honor the bank´s commitments.

II Forward Looking: analysis of the projected portfolio, considering budget scenarios and expected portfolio growth.

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

(All amounts in thousands of Reais unless otherwise stated)

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

Liquidity risk management provides:

I Elaboration of cash flow for evaluation and monitoring of liquidity in the short and long term.

II Statistical models to estimate unforeseen cash flow outflows such as CDB redemption anticipation, derivative adjustments payments and additional collateral deposits at B3.

III Stress testing to monitor financial health in adverse liquidity scenarios.

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

CCB Brasil presents in its Balance Sheet current liabilities greater than current assets, calculated according to the nominal maturity of its operations, however the Conglomerate has securities classified in the available for sale category (note 5b) in the amount of R$ 1,298,203 (December 2018 - R$ 7,246,134) which even classified in long-term assets represent highly liquid investments in government bonds issued by the National Treasury, in addition, part of current liabilities, are loans made to the parent company in China in the total amount of R$ 3,812,733 (December 2018 – R$ 5,779,755), with a maturity of less than one year, which has been systematically renewed.

December 2019

CCB Brasil Consolidated			
	Nominal liquidity	**Reclassification by effective liquidity**	**Adjusted liquidity**
Current Assets	10,772,976	1,298,203	12,071,179
Current Liabilities	(13,605,705)	3,812,733	(9,792,972)
Net Balance	**(2,832,729)**	**(2,514,530)**	**2,278,207**

December 2018

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

(All amounts in thousands of Reais unless otherwise stated)

31 Other information

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

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

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

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

b. Insurance

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

c. Cash and cash equivalents for the indirect cash flow

	CCB Brasil		**CCB Brasil Consolidated**	
	December 2019	**December 2018**	**December 2019**	**December 2018**
Investments in the open market	229,999	2,654,995	229,999	2,654,995
Cash	93,665	40,221	93,818	40,427
Foreign currency deposits	262,998	170,871	262,998	170,871
Total	**586,662**	**2,866,087**	**586,815**	**2,866,293**

32 Events after the reporting period

The management of the Bank and the Conglomerate has been following the evolution of COVID-19, as well as the impacts on the markets, especially the slowdown in the global economy. Up to the time of the disclosure of the financial statements, there were no significant measurable impacts related to the quality of loans to customers, nor in the Institution's liquidity indicators, nor were there any discontinuities in the services provided. Although it is not possible to predict, at this moment, the extent, severity and duration of the impacts, there is no evidence that this situation will change the business structure.

Board of Directors

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

Senior Management

President Senior Manager:	Liping Shang
Vice-President Senior Managers:	Yongdong Jiang Zhiqiang Zhu
Senior Managers:	Carlos José Roque Claudio Augusto Rotolo

Audit Committe

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