

(A free translation of the original in Portuguese)

***Banco BOCOM
BBM S.A.***

***Financial statements at
December 30, 2018
and independent auditor's report***



(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Banco BOCOM BBM S.A.

Opinion

We have audited the accompanying parent company financial statements of Banco BOCOM BBM S.A. (the "Bank"), which comprise the balance sheet as at December 31, 2018 and the statements of income, changes in equity and cash flows for the year and six-month period then ended, as well as the accompanying consolidated financial statements of Banco BOCOM BBM S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2018 and the consolidated statements of income, changes in equity and cash flows for the year and six-month period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco BOCOM BBM S.A. and of Banco BOCOM BBM S.A. and its subsidiaries as at December 31, 2018, and the Bank's financial performance and cash flows, as well as the consolidated financial performance and cash flows, for the year and six-month period 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.

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



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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.




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- 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 and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as 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.

Rio de Janeiro, February 15, 2019


Priscila Lourenço
PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Claudia Eliza Medeiros de Miranda
Contadora CRC 1RJ087128/O-0

Management's Report

Who We Are

Recognized for tradition and excellence, Banco BOCOM BBM is controlled by Bank of Communications, one of China's top five commercial banks, which owns 80% of its equity. Brazilian shareholders own the rest.

Our institution is dedicated to offering the best solutions in credit and financial services to corporate clients established in Brazil, as well as wealth management services for individuals and families.

We completed a key stage of our history in 2018, launching our new brand and celebrating other important achievements. Bank of Communications and Banco BOCOM BBM also commemorated 110 and 160 years of activity since their respective foundations.

This was a year, therefore, in which we reinforced foundational values resulting from the integration of two century-old institutions: investing in the future, valuing the past.

Management Message

Brazil faced several challenges in 2018. Our economy was affected by a truckers' movement in May. Moreover, risk aversion in the global economy led the Real to depreciate more than 15% against the US dollar. Lastly, a divisive election among two candidates with divergent views on economic policy kept uncertainty high for several months. Now that 2018 is over, what should we expect going forward?

Headwinds that restrained economic activity in 2018 are dissipating, supporting a growth pickup in 2019. Political and economic uncertainty is declining, as the makeup of the new government economic team indicates a commitment to a liberal and reformist agenda.

Monetary policy remains accommodative, households and corporates have deleveraged, and banks' leverage allow them to support the recovery. We expect GDP growth to accelerate to 2.6% in 2019 from 1.2% in 2018.

Inflation reached 3.7% in 2018, below the 4.5% target. The inflation outlook remains positive, with the large output gap and anchored inflation expectations keeping inflationary pressure at bay even amid stronger growth. We expect inflation to reach 3.8% in 2019, below the target for the third year running.

The Central Bank of Brazil has kept the SELIC rate stable at 6.5% since March and is set to continue doing so throughout 2019. As noted, the large output gap will allow the economy to accelerate without inflationary pressures.

Some old challenges remain. The fiscal adjustment has just started, and an ambitious pension reform is needed for the government to comply with the spending cap and stabilize public debt in the medium term.

President Bolsonaro's new cabinet has little intersection with the political forces represented in a fragmented Congress, leading some analysts to have doubts about needed political coordination to approve the reform agenda.

The global economy is also not in its best moment. In the US, there is now fear of a significant slowdown in 2019 as the fiscal stimulus loses steam and tighter financial conditions begin to bite. Europe is growing very little, and China is seeking to maintain its expansion amid a complicated environment of trade conflicts.

All in all, Brazil's economic outlook for 2019 is benign: growth should pick up with low inflation and stable interest rates. However, this scenario depends on progress on the reform agenda and growth in the large Chinese, North American and European economies.

Management's Report

Performance of Financial Group

Banco BOCOM BBM Financial Group posted equity of R\$ 601 million and net income of R\$ 64 million at December 31, 2018, which corresponds to annual profitability of 10.83% calculated based on the average equity for the period.

Total assets at the end of the year amounted to R\$ 6,676 million. The volume raised in the domestic and foreign markets totaled R\$ 4,897 million at the period end, an increase of 20% compared to December 31, 2017. The Bank's Basel Capital Adequacy Ratio was 14.45% at the end of the year.

Credit for companies

The Bank's extended credit portfolio (including advances on foreign exchange contracts and guarantees provided through sureties and collateral) totaled R\$ 4,408 million at the end of the year, an increase of 20% compared to December 31, 2017.

Capitalizing on the expertise developed over the years, both by the commercial team and the Products and Treasury areas, the Bank operates on a dynamic and selective basis, seeking to ensure that its products suit its clients' needs, adjusting flows and guarantees.

Wealth Management

Banco BOCOM BBM's Wealth Management area uses constantly updated tools for asset management of Brazilian and foreign clients, through diversified financial products in an open platform, meeting the long-term objectives. In the past year our Assets under advisory increased 33% from R\$ 5,371 million in December 31, 2017 to R\$ 7,121 million in December 31, 2018.

Financial Services

BOCOM BBM offers financial services, including the structuring and distribution of securities, derivative operations and other products. In order to better meet the needs of our customers, the continuous increase in the scope of financial services and products is a priority in BOCOM BBM's expansion strategy. In 2018, the Bank coordinated issuances of R\$ 1,470 million in securities, of which R\$ 1,350 million in Debentures and Promissory Notes and R\$ 120 million in CRA. Our service revenue of structuring and distribution of securities has increased to more than 153%, comparing to 2017.

People

Banco BOCOM BBM is a center for identification and training of talents, which values the systematic pursuit of the latest knowledge and honors professionals who want to achieve their professional ambitions while adding value to the Group. We are in close contact with the academic environment, investing in the identification and qualification of talent, making partnerships with the most renowned universities of Brazil, offering scholarships and awards to essays and thesis. We provide ideal conditions for practical learning, once it offers a direct contact with the financial market day-to-day dynamics through a broad exchange of knowledge inside a highly qualified professional and teamwork environment.

Credit Rating

In Banco BOCOM BBM's view, rating agencies' ratings are an important source of transparent and independent assessment of the quality of our credit.

Moody's Investors Service reaffirmed the ratings of Banco BOCOM BBM on May 3, 2018. On a global scale, "Ba1" rating was assigned to our senior unsecured local currency debts, with a notch above the sovereign rating ("Ba2") and stable perspective. In the national scale Banco BOCOM BBM was rated as "Aaa.br", the best possible credit rating in this category.

In addition, on October 19, 2018, the rating process was completed by Fitch Ratings. Nationwide was awarded the long-term rating "AAA (bra)", the highest possible rating in this category. On a global scale, long-term issuer default ratings (IDRs) "BB" and "BB+" were assigned in foreign currency and local currency respectively, being above the sovereign rating ("BB-"). The perspective for these ratings is stable.

Balance Sheets

| Assets | Note | In R\$ thousand | | | |
|-------------------------------------------------------------------|-----------|------------------|------------------|--------------------------|------------------|
| | | Bank | | Operational Consolidated | |
| | | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Current assets | | 3,507,057 | 2,349,461 | 3,545,413 | 2,373,140 |
| Cash and cash equivalents | 4 | 11,457 | 6,952 | 66,404 | 13,670 |
| Cash | | 3 | - | 3 | - |
| Free reserves | | 381 | 157 | 381 | 157 |
| Funds in foreign currency | | 11,073 | 6,795 | 66,020 | 13,513 |
| Short-term interbank investments | 5 | 1,327,852 | 359,910 | 1,020,296 | 355,773 |
| Open market investments | 4 | 919,766 | 200,028 | 919,766 | 200,028 |
| Interbank deposits | | 3,466 | - | 3,466 | - |
| Investments in foreign currencies | 4 | 404,620 | 159,882 | 97,064 | 155,745 |
| Marketable securities and derivative financial instruments | 6 | 233,732 | 111,382 | 386,416 | 112,133 |
| Bank portfolio | | 166,640 | 82,425 | 166,640 | 82,425 |
| Subject to repurchase agreements | | 1,575 | 3,624 | 1,575 | 3,624 |
| Derivative financial instruments | | 17,578 | 8,837 | 170,262 | 9,588 |
| Linked to guarantees given | | 47,939 | 16,496 | 47,939 | 16,496 |
| Interbank accounts | | 1,275 | 1,607 | 1,275 | 1,607 |
| Deposits – Central Bank of Brazil | | 1,252 | 1,388 | 1,252 | 1,388 |
| Correspondent banks | | 23 | 219 | 23 | 219 |
| Loan transactions | 7 | 1,492,668 | 1,195,887 | 1,625,860 | 1,212,696 |
| Discounted securities and loans | | 693,397 | 670,846 | 826,588 | 687,655 |
| Financing | | 458,727 | 337,642 | 458,727 | 337,642 |
| Rural and agroindustrial financing | | 362,837 | 225,348 | 362,837 | 225,348 |
| Allowance for loans | | (22,293) | (37,949) | (22,293) | (37,949) |
| Other receivables | | 399,948 | 635,440 | 405,039 | 638,978 |
| Foreign exchange portfolio | 8 | 333,525 | 559,146 | 333,525 | 559,146 |
| Unearned income | | 5,264 | 3,411 | 4,566 | 3,411 |
| Honoured guarantee and surety | 7 | - | 19,954 | - | 19,954 |
| Sundry | 14 | 29,773 | 22,700 | 35,562 | 26,238 |
| Tax credits | 24 | 37,607 | 48,999 | 37,607 | 48,999 |
| Allowance for other receivables | 7 | (6,221) | (18,770) | (6,221) | (18,770) |
| Other assets | 15 | 40,124 | 38,283 | 40,124 | 38,283 |

See accompanying notes.

Balance Sheets

| Assets | Note | In R\$ thousand | | | |
|-------------------------------------------------------------------|-----------|------------------|------------------|--------------------------|------------------|
| | | Bank | | Operational Consolidated | |
| | | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Noncurrent assets | | | | | |
| Long-term assets | | 2,880,437 | 2,577,397 | 2,996,301 | 2,604,579 |
| Short-term interbank investments | 5 | - | 3,258 | - | 3,258 |
| Interbank deposits | | - | 3,258 | - | 3,258 |
| Marketable securities and derivative financial instruments | 6 | 1,251,243 | 1,323,431 | 1,312,261 | 1,323,431 |
| Bank portfolio | | 426,135 | 987,668 | 426,135 | 987,668 |
| Linked to repurchase agreements | | 606,326 | 100,396 | 606,326 | 100,396 |
| Derivative financial instruments | | 10,950 | 1,727 | 71,967 | 1,727 |
| Linked to guarantees given | | 207,832 | 233,640 | 207,833 | 233,640 |
| Loan transactions | 7 | 1,541,550 | 1,173,316 | 1,594,420 | 1,197,301 |
| Discounted securities and loans | | 857,231 | 687,238 | 910,100 | 711,223 |
| Financing | | 396,968 | 217,707 | 396,968 | 217,707 |
| Rural and agroindustrial financing | | 305,080 | 291,090 | 305,080 | 291,090 |
| Allowance for loans | | (17,728) | (22,719) | (17,728) | (22,719) |
| Other receivables | | 87,644 | 77,392 | 89,620 | 80,589 |
| Unearned income | | 2,328 | 1,585 | 2,329 | 1,585 |
| Sundry | 14 | 55,267 | 51,443 | 55,267 | 51,968 |
| Tax credits | 24 | 30,757 | 24,364 | 32,732 | 27,037 |
| Allowance for other receivables | 7 | (708) | - | (708) | - |
| Permanent assets | | 402,363 | 368,611 | 134,631 | 155,635 |
| Investments | | 385,648 | 361,495 | 117,908 | 148,513 |
| Income from interest in subsidiaries | | | | | |
| In Brazil | 9 | 11,013 | 8,395 | - | - |
| Abroad | 9 | 374,463 | 353,100 | 117,736 | 148,513 |
| Other investments | | 1,982 | 1,810 | 2,800 | 2,628 |
| Provision for losses | | (1,810) | (1,810) | (2,628) | (2,628) |
| Property and equipment in use | | 5,549 | 4,095 | 5,557 | 4,101 |
| Intangible assets | | 11,166 | 3,021 | 11,166 | 3,021 |
| Total assets | | 6,789,857 | 5,295,469 | 6,676,345 | 5,133,354 |

See accompanying notes.

Balance Sheets

Liabilities

| | Note | In R\$ thousand | | | |
|------------------------------------------------------|-----------------|------------------|------------------|--------------------------|------------------|
| | | Bank | | Operational Consolidated | |
| | | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Current liabilities | | 3,995,439 | 2,749,655 | 3,881,873 | 2,696,601 |
| Deposits | 10 | 1,057,008 | 745,960 | 932,754 | 891,705 |
| Demand deposits | | 368,213 | 89,144 | 254,470 | 239,319 |
| Interbank deposits | | 12,776 | 22,470 | 2,265 | 18,040 |
| Time deposits | | 676,019 | 634,346 | 676,019 | 634,346 |
| Repurchase agreements | 11 | 613,898 | 103,846 | 613,898 | 103,846 |
| Bank portfolio | | 613,898 | 103,846 | 613,898 | 103,846 |
| Funds from acceptance and issue of securities | 12 | 1,905,820 | 1,238,494 | 1,905,820 | 1,179,923 |
| Liabilities – marketable securities abroad | | 208,155 | 58,615 | 208,155 | 44 |
| Liabilities from issue of agribusiness credit bills | | 998,810 | 855,544 | 998,810 | 855,544 |
| Liabilities from issue of credit bills | | 641,831 | 292,284 | 641,831 | 292,284 |
| Liabilities from issue of real estate credit bills | | 57,024 | 32,051 | 57,024 | 32,051 |
| Funds raised by certificate of structured operations | | | | | |
| Interbranch accounts | | 79,540 | 81,625 | 79,540 | 81,625 |
| Third-party funds in transit | | 79,540 | 81,625 | 79,540 | 81,625 |
| Borrowings | 13 | 219,859 | 493,134 | 219,859 | 349,997 |
| Loans abroad | | 219,859 | 493,134 | 219,859 | 349,997 |
| Lending Obligations - Official Institutions | 13 | 21,040 | 3,028 | 21,040 | 3,028 |
| Other institutions | | 21,040 | 3,028 | 21,040 | 3,028 |
| Derivative financial instruments | 6 | 21,356 | 8,928 | 26,083 | 9,017 |
| Derivative financial instruments | | 21,356 | 8,928 | 26,083 | 9,017 |
| Other liabilities | | 76,918 | 74,639 | 82,879 | 77,460 |
| Collection of similar taxes | | 429 | 150 | 429 | 150 |
| Foreign exchange portfolio | 8 | 1,750 | 575 | 1,750 | 575 |
| Social | | - | 17,484 | - | 19,539 |
| Statutory | | 27,600 | 15,995 | 27,995 | 14,229 |
| Tax and social security | | 17,676 | 24,788 | 19,602 | 24,856 |
| Securities trading | | 3,694 | 1,527 | 3,694 | 1,527 |
| Provision for Financial Guarantees | 7 and 26 | 1,030 | 417 | 1,030 | 417 |
| Sundry | | 24,739 | 13,703 | 28,379 | 16,167 |

See accompanying notes.

Balance Sheets

| Liabilities | Note | In R\$ thousand | | | |
|----------------------------------------------------------------------------------|-----------------|------------------|------------------|--------------------------|------------------|
| | | Bank | | Operational Consolidated | |
| | | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Noncurrent liabilities | | | | | |
| Long-term payables | | 2,183,049 | 1,961,864 | 2,183,103 | 1,852,803 |
| Deposits | 10 | 449,144 | 216,839 | 449,144 | 216,839 |
| Interbank deposits | | 95 | 837 | 95 | 837 |
| Time deposits | | 449,049 | 216,002 | 449,049 | 216,002 |
| Funds from acceptance and issue of securities | 12 | 1,240,394 | 1,363,590 | 1,240,394 | 1,254,497 |
| Liabilities – marketable securities abroad | | - | 109,093 | - | - |
| Liabilities from issue of agribusiness credit bills | | 349,176 | 353,253 | 349,176 | 353,253 |
| Liabilities from issue of credit bills | | 852,289 | 882,583 | 852,289 | 882,583 |
| Liabilities from issue of real estate credit bills | | 38,929 | 18,661 | 38,929 | 18,661 |
| Borrowings | 13 | 395,489 | 340,350 | 395,489 | 340,350 |
| Loans abroad | | 395,489 | 340,350 | 395,489 | 340,350 |
| Derivative financial instruments | 6 | 41,001 | 3,818 | 41,001 | 3,818 |
| Derivative financial instruments | | 41,001 | 3,818 | 41,001 | 3,818 |
| Other liabilities | | 57,021 | 37,267 | 57,075 | 37,299 |
| Social | | 16,802 | - | 16,802 | - |
| Statutory | | 8,381 | 7,532 | 8,381 | 7,532 |
| Tax and social security | | 14,870 | 11,673 | 14,924 | 11,705 |
| Provision for Financial Guarantees | 7 and 26 | 16,837 | 17,941 | 16,837 | 17,941 |
| Sundry | | 131 | 121 | 131 | 121 |
| Deferred income | 27 b | 10,122 | 9,037 | 10,122 | 9,037 |
| Equity | 16 | 601,247 | 574,913 | 601,247 | 574,913 |
| Capital | | 469,300 | 469,300 | 469,300 | 469,300 |
| Domiciled in Brazil | | 469,300 | 469,300 | 469,300 | 469,300 |
| Market value adjustment - marketable securities and financial instruments | | 48 | (1,356) | 48 | (1,356) |
| Available-for-sale securities | | 48 | (1,356) | 48 | (1,356) |
| Income reserves | | 313,738 | 288,808 | 313,738 | 288,808 |
| Treasury stock | | (181,839) | (181,839) | (181,839) | (181,839) |
| Total liabilities and equity | | 6,789,857 | 5,295,469 | 6,676,345 | 5,133,354 |

See accompanying notes.

Income Statement

| | | In R\$ thousand | | | | | |
|------------------------------------------------|---------|---------------------|------------|------------|--------------------------|------------|------------|
| | | Bank | | | Operational Consolidated | | |
| | Note | Second half of 2018 | 12/31/2018 | 12/31/2017 | Second half of 2018 | 12/31/2018 | 12/31/2017 |
| Financial income | | 240,846 | 561,344 | 516,605 | 252,585 | 582,193 | 520,376 |
| Loan transactions | | 138,865 | 281,534 | 266,438 | 142,101 | 286,497 | 368,602 |
| Income from marketable securities transactions | 5 and 6 | 45,476 | 93,738 | 192,844 | 47,375 | 97,535 | 194,462 |
| Result of exchange operations | 17 | 24,527 | 121,814 | 57,323 | 24,520 | 121,805 | 57,312 |
| Gain on derivative financial instruments | 21 | 31,978 | 64,258 | - | 38,589 | 76,356 | - |
| Financial expenses | | (152,960) | (378,107) | (377,390) | (152,626) | (377,388) | (366,100) |
| Market funding operations | 17 | (126,528) | (268,037) | (282,737) | (126,308) | (267,647) | (280,068) |
| Income from derivative financial instruments | 21 | - | - | (10,208) | - | - | (1,745) |
| Loans, assignments and onlending operations | 17 | (19,144) | (81,707) | (52,660) | (19,030) | (81,378) | (52,502) |
| Set up of doubtful accounts allowance | 7 | (7,288) | (28,363) | (31,785) | (7,288) | (28,363) | (31,785) |
| Gross financial income | | 87,886 | 183,237 | 139,215 | 99,959 | 204,805 | 154,276 |
| Other operating income (expenses) | | (33,886) | (54,336) | (52,799) | (44,192) | (71,768) | (68,513) |
| Service revenues | 18 | 29,243 | 56,192 | 40,076 | 32,812 | 64,734 | 43,297 |
| Personnel expenses | | (37,167) | (69,113) | (64,971) | (38,044) | (70,852) | (66,162) |
| Other administrative expenses | 19 | (27,423) | (53,985) | (43,535) | (28,940) | (56,684) | (45,528) |
| Tax expenses | | (6,742) | (13,475) | (12,020) | (7,281) | (14,504) | (18,660) |
| Income from interest in subsidiaries | 9 | 7,603 | 24,678 | 25,903 | (3,221) | 4,156 | 16,750 |
| Other operating income | | 612 | 1,479 | 3,621 | 665 | 1,678 | 9,881 |
| Other operating expenses | | (12) | (112) | (1,873) | (183) | (296) | (8,091) |
| Operating income | | 54,000 | 128,901 | 86,416 | 55,767 | 133,037 | 85,763 |
| Non-operating expenses | | (952) | (3,860) | (2,680) | (952) | (3,860) | (2,680) |
| Income before income taxes and profit sharing | | 53,048 | 125,041 | 83,736 | 54,815 | 129,177 | 83,083 |
| Income and social contributions taxes | | 24 | (9,009) | (22,867) | (11,895) | (10,434) | (10,799) |
| Provision for income tax | | (3,434) | (8,878) | (10,792) | (4,282) | (10,814) | (10,812) |
| Provision for social contribution tax | | (1,668) | (5,210) | (6,995) | (1,985) | (6,033) | (7,007) |
| Deferred tax asset/(liability) | | (3,907) | (8,779) | 5,892 | (4,167) | (9,476) | 7,020 |
| Profit sharing – management and employees | | (19,221) | (38,514) | (28,487) | (19,563) | (39,194) | (28,929) |
| Net income | | 24,818 | 63,660 | 43,355 | 24,818 | 63,660 | 43,355 |
| Net income per share | | 0.12 | 0.31 | 0.21 | 0.12 | 0.31 | 0.21 |

See accompanying notes.

Statements of changes in equity of Banco BOCOM BBM S.A.

| | In R\$ thousand | | | | | | |
|--------------------------------------------------|-----------------|---------------|-------------------------------------------------------|-----------------|-------------------|-------------------|----------------|
| | Income reserves | | Market value adjustment of securities and derivatives | Treasury shares | Retained earnings | Total controllers | Total |
| | Legal | Statutory | Bank | | | | |
| Capital | | | | | | | |
| Year Ended December 31, 2017 | | | | | | | |
| Balances at January 1, 2017 | 469,300 | 26,321 | 259,860 | (2,954) | (184,469) | 568,058 | 568,058 |
| Market value adjustments - marketable securities | | | 1,598 | | | 1,598 | 1,598 |
| Earn out reversal | | | | 2,630 | | 2,630 | 2,630 |
| Net income for the year | | | | | 43,355 | 43,355 | 43,355 |
| Allocations: | | | | | | | |
| - Reserves | 2,168 | 459 | | | (2,627) | | |
| - Interest on equity (R\$ 0.14 per share) | | | | | (40,728) | (40,728) | (40,728) |
| Balances at December 31, 2017 | 469,300 | 28,489 | 260,319 | (1,356) | (181,839) | 574,913 | 574,913 |
| Changes in the period | - | 2,168 | 459 | 1,598 | 2,630 | 6,855 | 6,855 |
| Year Ended December 31, 2018 | | | | | | | |
| Balances at January 1, 2018 | 469,300 | 28,489 | 260,319 | (1,356) | (181,839) | - | 574,913 |
| Market value adjustments - marketable securities | | | 1,404 | | | 1,404 | 1,404 |
| Net income for the year | | | | | 63,660 | 63,660 | 63,660 |
| Allocations: | | | | | | | |
| - Reserves | 3,183 | 21,747 | | | (24,930) | | |
| - Interest on equity (R\$ 0.19 per share) | | | | | (38,730) | (38,730) | (38,730) |
| Balances at December 31, 2018 | 469,300 | 31,672 | 282,066 | 48 | (181,839) | 0 | 601,247 |
| Changes in the period | - | 3,183 | 21,747 | 1,404 | (0) | 0 | 26,334 |
| Balances at July 1, 2018 | 469,300 | 30,431 | 278,255 | (1,492) | (181,839) | - | 594,655 |
| Market value adjustments - marketable securities | | | 1,540 | | | 1,540 | 1,540 |
| Net income for the semester | | | | | 24,818 | 24,818 | 24,818 |
| Allocations: | | | | | | | |
| - Reserves | 1,241 | 3,811 | | | (5,052) | | |
| - Interest on equity (R\$ 0.10 per share) | | | | | (19,766) | (19,766) | (19,766) |
| Balances at December 31, 2018 | 469,300 | 31,672 | 282,066 | 48 | (181,839) | - | 601,247 |
| Changes in the period | - | 1,241 | 3,811 | 1,540 | (0) | - | 6,592 |

See accompanying notes.

Statement of Cash Flow

| | In R\$ thousand | | | | | |
|-----------------------------------------------------------------------------------|---------------------|-----------------|-----------------|--------------------------|-----------------|-----------------|
| | Bank | | | Operational Consolidated | | |
| | Second half of 2018 | 12/31/2018 | 12/31/2017 | Second half of 2018 | 12/31/2018 | 12/31/2017 |
| Cash flow statements | | | | | | |
| Net income | 24,818 | 63,660 | 43,355 | 24,818 | 63,660 | 43,355 |
| Adjustments to net income: | 18,518 | 22,481 | 2,748 | 29,433 | 43,705 | 10,776 |
| Provision of doubtful accounts allowance | 7,288 | 28,363 | 31,785 | 7,288 | 28,363 | 31,785 |
| Depreciation and amortization | 2,176 | 3,238 | 1,726 | 2,178 | 3,242 | 1,729 |
| Expenses from civil, labor and tax allowances | 686 | 1,972 | 2,263 | 515 | 1,972 | 2,263 |
| Income from interest in subsidiaries | (7,603) | (24,678) | (26,050) | 3,221 | (4,156) | (16,897) |
| Deferred income and social contribution taxes | 3,907 | 8,779 | (5,892) | 4,167 | 9,476 | (7,020) |
| Unrealized gains/losses on marketable securities and derivatives | 10,524 | 3,404 | (2,829) | 10,524 | 3,404 | (2,829) |
| Restatement of membership certificates | 1,540 | 1,404 | 1,598 | 1,540 | 1,404 | 1,598 |
| Equity adjustments | - | 0 | 147 | - | - | 147 |
| Adjusted net income | 43,336 | 86,141 | 46,103 | 54,251 | 107,365 | 54,131 |
| Decrease/(Increase) in short-term interbank investments | (105) | (208) | (295) | (105) | (208) | (295) |
| Decrease/(Increase) in marketable securities and derivative financial instruments | 109,838 | (3,955) | 311,106 | 93,083 | (212,268) | 311,099 |
| Increase/(Decrease) in interbank and interbranch accounts | (15,455) | (1,752) | 45,535 | (15,456) | (1,753) | 45,535 |
| (Increase) in loan transactions | (311,835) | (693,379) | (1,128,536) | (431,575) | (838,646) | (1,116,713) |
| Increase/(Decrease) in deposits | 383,834 | 543,352 | (110,584) | 151,859 | 273,354 | (73,027) |
| Increase/(Decrease) in open market funding | 447,640 | 510,052 | (240,115) | 447,640 | 510,052 | (240,115) |
| Increase in securities issue resources | 15,871 | 544,129 | 1,145,619 | 15,871 | 711,794 | 1,239,086 |
| Increase/(Decrease) in borrowings and onlending | 98,829 | (200,123) | 148,100 | 98,830 | (56,987) | 4,963 |
| Increase/(Decrease) in deferred income | (971) | 1,085 | 6,910 | (971) | 1,085 | 6,910 |
| Decrease/(Increase) in other assets | 361,961 | 214,620 | (215,666) | 367,445 | 213,591 | (209,516) |
| Increase/(Decrease) in other liabilities | (77,692) | 14,936 | 22,559 | (88,713) | 18,097 | 11,776 |
| Net cash flow from (used in) operating activities | 1,011,915 | 928,757 | (15,369) | 637,908 | 618,111 | (20,296) |
| Cash flow from investing activities: | | | | | | |
| Decrease/(Increase) in investments | 525 | 525 | (95) | (210) | 34,762 | 2,780 |
| Property and equipment for use and leased acquisition | (9,212) | (12,837) | (3,876) | (9,212) | (12,843) | (3,878) |
| Net cash provided by (used in) investing activities | (8,687) | (12,313) | (3,972) | (9,422) | 21,919 | (1,097) |
| Cash flow from financing activities: | | | | | | |
| Dividends and interest on equity paid | (16,119) | (33,604) | (20,654) | (16,119) | (33,604) | (20,654) |
| Purchases of treasury shares | (0) | (0) | 2,630 | (0) | 0 | 2,630 |
| Net cash used in financing activities | (16,119) | (33,604) | (18,024) | (16,119) | (33,604) | (18,024) |
| Net increase in cash and cash equivalents | 1,030,445 | 968,981 | 8,738 | 666,618 | 713,791 | 14,713 |
| At the beginning of year/semester | 305,398 | 366,862 | 358,124 | 416,616 | 369,443 | 354,730 |
| At the end of year/semester | 1,335,843 | 1,335,843 | 366,862 | 1,083,234 | 1,083,234 | 369,443 |
| Net increase in cash and cash equivalents | 1,030,445 | 968,981 | 8,738 | 666,618 | 713,791 | 14,713 |
| Non-monetary transaction | | | | | | |
| Unpaid interest on equity | 19,766 | 38,730 | 40,728 | 19,766 | 38,730 | 40,728 |

See accompanying notes.

Notes to the financial statements

1. Operations

Banco BOCOM BBM is the leading institution of the Financial Group Banco BOCOM BBM (Note 2) and is authorized to operate as finance bank across the following portfolios:

- Commercial
- Investment
- Loan, Financing and Investment
- Foreign Exchange

The Bank and the Financial Group operate in the context of a group of institutions which operate together in the financial market, with certain operations involving co-participation or intermediation of associated institutions which are part of the Financial Group Banco BOCOM BBM. The benefits from services rendered between such institutions and the costs of the Financial Group's operating and administrative structures in common are fully or individually absorbed, on a basis that is practical and reasonable in the circumstances.

On February 2016, the People's Republic of China approved the transfer of the shareholding control from Banco BBM S.A. to the Bank of Communications Co. Ltd. and on November 10, 2016, it was approved by the Brazilian Central Bank.

After the regulatory approvals, on November 30, 2016 the Bank of Communications Co. Ltd. ("BoCom"), acquired 80% of the total outstanding common shares of Banco BBM and 80% of the total outstanding preferred shares of Banco BBM which, as a result, accounted for 80% of total outstanding shares of Banco BBM. Around 20% of the Bank's shares continued to be held by the previous controlling group of Banco BBM.

On February 20, 2017, the transfer of the shareholding control was published in the "Diário Oficial" (Federal Government's official journal) by the Brazilian Central Bank.

On February 2, 2018, the change of the corporate name to Banco BOCOM BBM was approved by the Central Bank of Brazil.

Notes to the financial statements

2. Presentation of the Financial Statements and Consolidation Criteria

The financial statements of Bank BOCOM BBM, including its facilities abroad, and of the Financial Group of Banco BOCOM BBM were prepared in accordance with the Resolution No. 4,280/2013, from the Brazilian National Monetary Board (CMN) and Circular Letter No. 3,701/2015 of the Central Bank of Brazil (BACEN), which are elaborated from the accounting guidelines arising from the Laws No. 4,595/64 (National Financial System Law) and No. 6,404/76 (Corporation Law), including the amendments introduced by the Laws No. 11,638/07 and No. 11,941/09, in compliance with the standards and instructions from CMN, BACEN, Federal Accounting Council (CFC) and the accounting practices adopted in Brazil applicable to financial institutions regulated by the BACEN.

The preparation of these statements in accordance with the accounting practices adopted in Brazil, applicable to financial institutions, requires management to use judgment in the determination and recording of accounting estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include: provision for doubtful accounts, realization of deferred tax assets, provision for labor, tax and civil claims, valuation of financial instruments and other provisions. The definitive values of the transactions involving these estimates will only be known at the time of their settlement.

The financial statements of Banco BOCOM BBM and Financial Group of Banco BOCOM BBM were prepared in accordance with the consolidation criteria stated by Resolution No. 4,280/2013 from BACEN, which includes financial institutions and other institutions authorized to operate by the Central Bank of Brazil.

In the consolidation process of the entities members of Banco BOCOM BBM and of the Financial Group Banco BOCOM BBM, it was adjusted, at the base date, in order that the same classifications, criteria, procedures and accounting practices used in the lead institution are applied in the evaluation and recognition of the assets, liabilities, revenues and expenses, with the following eliminations:

- Capital share, reserves and accumulated results held between the institutions (it also should be noted that there is no intercompany transactions);
- Balances of current accounts and other Assets and/or Liabilities between the institutions, whose balance sheets were consolidated; and
- The effects on profit or loss arising from significant transactions between these institutions.

The Operating Consolidation comprises the financial statements at December 31, 2018 and 2017 of the following institutions:

Banco BOCOM BBM S.A. and Nassau branch

BBM Bank Ltd. (a)

BOCOM BBM Corretora de Câmbio e Valores Mobiliários S.A. (b) (c)

- (a) The indirect participation of 100% of Banco BOCOM BBM in the social capital of BBM Bank Ltd. was eliminated from the Operating Consolidate.
- (b) Banco BOCOM BBM directly holds 100% of the capital of this entity.
- (c) On February 22, 2018, the change in the Company's corporate name from BACOR Corretora de Câmbio e Valores Mobiliários S.A. to BOCOM BBM Corretora de Câmbio e Valores Mobiliários S.A. was approved by the Trade Board of the Estate of São Paulo - JUCESP.

Notes to the financial statements

3. Significant Accounting Practices

(a) Results of Operations

Calculated on an accrual basis.

(b) Marketable securities and derivative financial instruments

In accordance with BACEN Circular Letter No. 3,068, securities are classified into the following categories:

I- Trading securities;

II- Securities held for sale;

III- Securities held up to maturity.

Securities classified in categories I and II are adjusted to market value, being the adjustment of the former directly accounted in the result and the adjustment of the latter in specific equity account, net of tax effects. Securities classified as "held up to maturity" are evaluated based on the cost plus the earnings.

Derivative financial instruments are adjusted to market value, in accordance with BACEN Circular Letter No. 3,082.

Investment fund shares are restated monthly based on the share value disclosed by the funds Administrators where funds are invested. The appreciation and depreciation of investment fund quotas are presented in "Result from transactions with marketable securities".

(c) Current and non-current assets

These are presented at their realization amounts, including, when applicable, the earnings and monetary variations (on a pro rata basis) and foreign exchange variations, less corresponding proceeds from future realization and/or provision for losses. Balances maturing within 12 months (or 360 days) are classified as current assets.

(d) Permanent assets

These are stated at cost, plus the following aspects:

- Evaluation of the significant investments in subsidiaries on an equity accounting basis.
- Depreciation of property and equipment in use and lease calculated on a straight-line basis, based on annual rates that reflect the economic useful life of the assets, being properties in use - 4%; furniture and utensils - 10% and data processing - 20%.
- Amortization of intangible assets calculated according to the economic useful life of the asset.

In accordance with CMN Resolution No. 4,534/16, financial institutions and institutions authorized to operate by BACEN cannot record Deferred Assets. Balances recorded as deferred assets at the date this resolution became effective, except for lease losses to amortize, must be:

I- Reclassified to the proper asset accounts, according to the operation nature, when they refer to items that constitute an asset, according to the effective regulation; and

II- Amortized on a straight-line basis up to December 31, 2019, in the other cases.

(e) Current Liabilities and Long-term Liabilities

These are stated at their known or calculable values including, whenever applicable, the charges and the monetary (on a daily pro rata basis) and exchange variations, less the corresponding expenses to be allocated. Balances maturing within 12 months (or 360 days) are classified as Current Liabilities.

Notes to the financial statements

3. Significant Accounting Practices (Continued)

(f) Income Tax and Social Contribution

The provision for income tax is set up based on the taxable profit, at 15% rate, plus 10% surcharge on annual taxable profit exceeding R\$ 240 thousand. The provision for social contribution tax is set up at the rate of 20%.

The deferred tax assets and liabilities arising from temporary differences were recognized in accordance with CMN Resolution No. 3,059 issued on December 20, 2002, and CMN Resolution No. 3,355, issued on March 31, 2006, and take into account the history of profitability and the expected generation of future taxable income supported by technical feasibility studies. The deferred taxes were constituted based on the expected income tax and social contribution rates of 25% and 20% respectively, since used while the rate is effective.

In May 2015, Provisional Measure No. 675 was issued, amending the rate of Social Contribution on Net Income (CSLL) of financial institutions from 15% to 20%. According to the Provisional Measure, this rate increase became effect as from September 2015 and it remains in force up to December 2018.

(g) Swaps, futures, forwards and options

The nominal amounts of contracts are recorded in offsetting accounts. Daily adjustments of transactions conducted in the future market are recorded as effective income or expense as they are incurred. Premiums paid or received upon the realization of operations in the options market are recorded in the respective equity accounts at cost value, adjusted to market value as a counterparty to the result. The market value of swap and term operations are individually recorded in asset and liability equity accounts, as a counterparty to the respective income and expense accounts.

(h) Earnings per share

These are calculated based on the number of outstanding shares at the balance sheet dates.

(i) Impairment of assets

In accordance with CPC 1, as approved by CMN Resolution 3,566/08 of May 29, 2008, and based on management's analysis, if the book value of the Bank's and its subsidiaries' assets exceed their recoverable value, an impairment loss is recognized in the result.

(j) Contingent assets and liabilities and legal obligations

The recognition, measurement and disclosure of contingent assets and liabilities, and legal obligations are made pursuant to the criteria defined below:

Contingent assets - these are not recognized in the financial statements, except when there are evidences that offer guarantees of their realization, with no appeals.

Contingent liabilities - these are recognized in the financial statements when, based on the opinion of the legal advisors and of management, the loss of a lawsuit or administrative proceeding is evaluated as probable and whenever the amounts involved can be measured with sufficient reliability. The contingent liabilities classified as possible losses by legal advisors are not recorded and are just disclosed in the notes to the financial statements and those classified as remote loss do not require any provision disclosure. Regarding the labor suits with loss probability classified as possible by the external lawyers, management will consider some assumptions such as: procedure stage, involved right, losses background, deal possibility. Accordingly, we can have provision, even if the suits are classified as possible.

Legal obligations - tax and social security - these refer to lawsuits contesting the legality and constitutionality of some taxes and contributions. The discussed amount is quantified and accounted for.

(k) Short-term interbank investments

Interbank investments are stated at the acquisition, investment or release cost, plus foreign exchange, monetary and interest variations, as contractually defined. When the market value is lower, a provision for the adjustment of an asset to its realization value is made.

Notes to the financial statements

3. Significant Accounting Practices (Continued)

(l) Loan transactions

Credit operations are stated at the acquisition, investment or release cost, plus foreign exchange, monetary and interest variations, as contractually defined. When the market value is lower, a provision for the adjustment of an asset to its realization value is made. An allowance for doubtful accounts is set at an amount considered sufficient to cover any losses, and it considers, in addition to past experience, the assessment of debtors and their guarantors, as well as the specific characteristics of transactions, in accordance with the requirements of Brazilian Central Bank Resolution No. 2,682. These are recorded at present value on a daily pro rata basis, based on the index variation and the agreed-upon interest rate, restated up to the 59th day in arrears at the financial companies, observing the estimated receipt date. After the 60th day, the recognition in results occurs on the effective receipt of the installments. The renegotiated operations are maintained, at least, at the same level in which they were classified previously to the renegotiation and, if they have already been written-off against the provision, they are classified as level H; the gains are recognized in income upon the effective receipt.

Credit assignments without risk retention result in the write-off of the financial assets that are the object of the operation, which are then kept in a offsetting account. The result of the assignment is fully recognized when it is realized. As of January 2012, as determined by CMN Resolution 3,533/2008 and CMN Resolution 3,895/2010, all credit assignments with risk retention are recognized in the remaining terms of operations, and the financial assets subject to assignment are recorded as credit operations and the amount received as obligations for sales or transfer of financial assets.

(m) Cash and cash equivalents

These represent cash and cash equivalents, unlinked balances with the Central Bank of Brazil and financial assets of high liquidity with maturities within three months, subject to an immaterial risk of changes in their fair values, which are used by the Group to manage short term commitments. See Note 4.

(n) Other values and assets

The operations classified as Other values and assets represent operations arising from the execution of loan guarantees, which are initially valued at the remaining balance of the debt, and which are valued at fair value based on valuation reports prepared by professional entities with recognized qualifications, using evaluation techniques.

(o) Hedge Accounting

The Bank allocated derivative financial assets to hedge principal amounts raised and the corresponding interest due.

Derivative financial instruments used to mitigate risks arising from exposure to variations in the market values of financial assets and liabilities, and that are highly correlated regarding changes in its market value in relation to the market value of the item that is being protected, at the beginning and during the life of the contract and considered effective in reducing the risk associated to the exposure to be protected, are considered protection instruments (hedges) and are classified based on their nature:

- (a) Market risk hedge: the financial instruments classified under this category, as well as their related financial assets and liabilities, which are the hedge objects, are recorded at fair value and have their gains/losses, whether realized or not, reflected in the result; and
- (b) Cash flow hedge: the financial instruments classified in this category are marked at fair value, being the effective parcel of appreciation or depreciation registered, net of tax effects, in a specific account on equity. The ineffective portion of the respective hedge is recognized directly in the result.

If the hedging instrument expires or is sold, cancelled or exercised, or when the hedging position does not fall under hedge accounting conditions, the hedging relationship ends.

Notes to the financial statements

3. Significant Accounting Practices (Continued)

The risk management objectives of this operation, as well as the strategy of protection against such risks during the operation, are duly documented, as well as it is documented the evaluation, both at the beginning of the protection operation and on an ongoing basis, that the derivative financial instruments are highly effective in offsetting the variations of the fair value (mark-to-market) of the hedged item. A hedge is expected to be highly effective if the variation in the fair value or cash flow attributable to the risk being hedged during the hedge relation period nulls from 80% to 125% of the risk variation.

Derivative instruments used for hedging purposes, as well as the marked-to-market value of the hedged object are disclosed in Note 21.

(p) Deposits and Funding in the Open Market

The deposits and funding in the open market are recognized at the amounts of the liabilities, and the charges payable, when applicable, are recorded on a daily pro rata basis.

4. Cash and cash equivalents

| | In R\$ thousand | | | |
|---------------------------------------------|------------------|----------------|--------------------------|----------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Interbank investments (a) | 919,766 | 200,028 | 919,766 | 200,028 |
| Investments in foreign currencies | 404,620 | 159,882 | 97,064 | 155,745 |
| Funds in foreign currency | 11,073 | 6,795 | 66,020 | 13,513 |
| Free reserves in cash with the Central Bank | 381 | 157 | 381 | 157 |
| Cash | 3 | - | 3 | - |
| Total | 1,335,843 | 366,862 | 1,083,234 | 369,443 |

(a) Committed transactions maturing within 90 days, on the date of application.

Notes to the financial statements

5. Short-term interbank investments

Short-term interbank investments are as follows:

| | In R\$ thousand | | | |
|------------------------------------------------|------------------|----------------|--------------------------|----------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Open market investments | | | | |
| Self-funded position | 919,766 | 200,028 | 919,766 | 200,028 |
| National Treasury Bills | 419,618 | - | 419,618 | - |
| National Treasury Notes – B series | 500,148 | 200,028 | 500,148 | 200,028 |
| Interbank deposits | 3,466 | 3,258 | 3,466 | 3,258 |
| Investments in foreign currencies (*) | 404,620 | 159,882 | 97,064 | 155,745 |
| | 1,327,852 | 363,168 | 1,020,296 | 359,031 |
| Current assets | 1,327,852 | 359,910 | 1,020,296 | 355,773 |
| Long-term receivables | - | 3,258 | - | 3,258 |
| | 1,327,852 | 363,168 | 1,020,296 | 359,031 |

(*) The investments in foreign currencies in the Bank and in the Operational Consolidated in December 2018 and 2017 basically refer to Overnight operations with first-tier banks.

At December 31, 2018 and 2017, the collateral received through repurchase agreements amounted to R\$ 949,518 thousand and R\$ 206,627 thousand respectively, in the Bank and in the Operational Consolidated. The collateral provided amounted to R\$ 525,935 thousand and R\$ 10,526 thousand during the same periods.

The results of short-term interbank investments in the Bank and in the Operational Consolidated are as follows:

| | In R\$ thousand | | | | | |
|-------------------------------------------------------|---------------------|---------------|---------------|--------------------------|---------------|---------------|
| | Bank | | | Operational Consolidated | | |
| | Second half of 2018 | 12/31/2018 | 12/31/2017 | Second half of 2018 | 12/31/2018 | 12/31/2017 |
| Open market investments | 10,500 | 15,394 | 41,055 | 10,500 | 15,394 | 41,055 |
| Investments in foreign currencies | 1,396 | 1,443 | 59 | 3,295 | 5,239 | 1,702 |
| Interbank deposits | 106 | 209 | 295 | 106 | 209 | 295 |
| Income from marketable securities transactions | 12,002 | 17,046 | 41,409 | 13,901 | 20,842 | 43,052 |

Notes to the financial statements

6. Marketable securities and derivative financial instruments

| | In R\$ thousand | | | | In R\$ thousand | | | |
|----------------------------------------------------|------------------|------------------|--------------------------|------------------|------------------|------------------|--------------------------|------------------|
| | Bank | | Operational Consolidated | | Bank | | Operational Consolidated | |
| | Cost | Market | Cost | Market | Cost | Market | Cost | Market |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| I- Marketable securities | 1,456,322 | 1,456,447 | 1,423,839 | 1,424,249 | 1,456,322 | 1,456,447 | 1,423,838 | 1,424,249 |
| Trading securities (*) | 164,087 | 164,113 | 52,130 | 52,283 | 164,087 | 164,113 | 52,130 | 52,283 |
| Bank portfolio | 146,017 | 146,043 | 33,945 | 34,098 | 146,017 | 146,043 | 33,945 | 34,098 |
| Fixed-income securities | 35,223 | 35,249 | 33,945 | 34,098 | 35,223 | 35,249 | 33,945 | 34,098 |
| Financial Treasury Bills | 820 | 820 | 9 | 9 | 820 | 820 | 9 | 9 |
| National Treasury Notes - B series | 34,403 | 34,429 | 33,936 | 34,089 | 34,403 | 34,429 | 33,936 | 34,089 |
| Investment funds quotas | 110,794 | 110,794 | | | 110,794 | 110,794 | | |
| Multimarket fund quotas | 110,794 | 110,794 | | | 110,794 | 110,794 | | |
| Linked to guarantees given | 18,070 | 18,070 | 18,185 | 18,185 | 18,070 | 18,070 | 18,185 | 18,185 |
| Shares in Guarantee Fund | 18,070 | 18,070 | 18,185 | 18,185 | 18,070 | 18,070 | 18,185 | 18,185 |
| Securities held for sale | 689,751 | 689,850 | 778,292 | 778,549 | 689,751 | 689,850 | 778,291 | 778,549 |
| Bank portfolio | 335,061 | 335,102 | 505,945 | 506,002 | 335,061 | 335,102 | 505,944 | 506,002 |
| Fixed-income securities | 335,061 | 335,102 | 505,945 | 506,002 | 335,061 | 335,102 | 505,944 | 506,002 |
| Financial Treasury Bills | 164,609 | 164,645 | 319,130 | 319,269 | 164,609 | 164,645 | 319,130 | 319,269 |
| National Treasury Notes - B series | 6,358 | 6,357 | 9,826 | 9,733 | 6,358 | 6,357 | 9,826 | 9,733 |
| Promissory notes | | | 51,477 | 51,477 | | | 51,477 | 51,477 |
| Debentures | 164,094 | 164,100 | 125,512 | 125,523 | 164,094 | 164,100 | 125,511 | 125,523 |
| Subject to repurchase agreements | 181,456 | 181,511 | 103,796 | 104,020 | 181,456 | 181,511 | 103,796 | 104,020 |
| Financial Treasury Bills | 85,138 | 85,166 | 10,520 | 10,526 | 85,138 | 85,166 | 10,520 | 10,526 |
| Debentures | 96,318 | 96,345 | 93,276 | 93,494 | 96,318 | 96,345 | 93,276 | 93,494 |
| Linked to guarantees given | 173,234 | 173,237 | 168,551 | 168,527 | 173,234 | 173,237 | 168,551 | 168,527 |
| Financial Treasury Bills | 173,234 | 173,237 | 168,551 | 168,527 | 173,234 | 173,237 | 168,551 | 168,527 |
| Securities held up to maturity | 602,484 | 602,484 | 593,417 | 593,417 | 602,484 | 602,484 | 593,417 | 593,417 |
| Bank portfolio | 111,630 | 111,630 | 529,993 | 529,993 | 111,630 | 111,630 | 529,993 | 529,993 |
| Fixed-income securities | 111,630 | 111,630 | 529,993 | 529,993 | 111,630 | 111,630 | 529,993 | 529,993 |
| National Treasury Notes - F series | 111,630 | 111,630 | 529,993 | 529,993 | 111,630 | 111,630 | 529,993 | 529,993 |
| Subject to repurchase agreements | 426,390 | 426,390 | | | 426,390 | 426,390 | | |
| National Treasury Notes - F series | 426,390 | 426,390 | | | 426,390 | 426,390 | | |
| Linked to guarantees given | 64,464 | 64,464 | 63,424 | 63,424 | 64,464 | 64,464 | 63,424 | 63,424 |
| National Treasury Notes - F series | 64,464 | 64,464 | 63,424 | 63,424 | 64,464 | 64,464 | 63,424 | 63,424 |
| II-Derivative financial instruments | 23,113 | 28,528 | 7,936 | 10,564 | 236,814 | 242,229 | 8,687 | 11,315 |
| Sw ap operations | 11,527 | 15,807 | 7,467 | 9,552 | 224,257 | 228,537 | 7,362 | 9,447 |
| Term | 3,762 | 4,897 | 469 | 1,012 | 4,733 | 5,868 | 1,325 | 1,868 |
| Futures | 7,824 | 7,824 | | | 7,824 | 7,824 | | |
| Total marketable securities and | | | | | | | | |
| Derivative financial instruments | 1,479,435 | 1,484,975 | 1,431,775 | 1,434,813 | 1,693,136 | 1,698,676 | 1,432,525 | 1,435,564 |
| Segregation of portfolio by maturity range: | | | | | | | | |
| Up to 3 months | 207,472 | 207,733 | 53,832 | 54,266 | 330,675 | 330,935 | 54,582 | 55,017 |
| From 3 to 12 months | 25,070 | 25,999 | 56,207 | 57,116 | 54,551 | 55,481 | 56,207 | 57,116 |
| More than 12 months | 1,246,893 | 1,251,243 | 1,321,736 | 1,323,431 | 1,307,910 | 1,312,260 | 1,321,736 | 1,323,431 |
| Total | 1,479,435 | 1,484,975 | 1,431,775 | 1,434,813 | 1,693,136 | 1,698,676 | 1,432,525 | 1,435,564 |

Notes to the financial statements

6. Marketable Securities and Derivative Financial Instruments (Continued)

| | In R\$ thousand | | | | In R\$ thousand | | | |
|---------------------------------------------|-----------------|---------------|---------------|---------------|--------------------------|---------------|---------------|---------------|
| | Bank | | | | Operational Consolidated | | | |
| | Cost | Market | Cost | Market | Cost | Market | Cost | Market |
| | 12/31/2018 | | 12/31/2017 | | 12/31/2018 | | 12/31/2017 | |
| III-Derivative financial instruments | | | | | | | | |
| | 55,286 | 62,357 | 11,740 | 12,746 | 60,013 | 67,084 | 11,829 | 12,835 |
| Swap operations | 52,636 | 59,900 | 10,742 | 11,993 | 52,636 | 59,900 | 10,742 | 11,993 |
| Term | 2,650 | 2,457 | 998 | 753 | 7,377 | 7,184 | 1,087 | 842 |
| Purchased position | 55,286 | 62,357 | 11,740 | 12,746 | 60,013 | 67,084 | 11,829 | 12,835 |
| Segregatio by maturity range: | | | | | | | | |
| Up to 3 months | 15,645 | 15,438 | 7,612 | 7,329 | 19,088 | 18,880 | 7,701 | 7,418 |
| From 3 to 12 months | 5,139 | 5,918 | 1,698 | 1,599 | 6,423 | 7,203 | 1,698 | 1,599 |
| More than 12 months | 34,502 | 41,001 | 2,430 | 3,818 | 34,502 | 41,001 | 2,430 | 3,818 |
| Total | 55,286 | 62,357 | 11,740 | 12,746 | 60,013 | 67,084 | 11,829 | 12,835 |

The results of Marketable Securities in the Bank and in the Operational Consolidated are as follows:

| | In R\$ thousand | | | | | |
|------------------------------------------|---------------------|---------------|----------------|--------------------------|---------------|----------------|
| | Bank | | | Operational Consolidated | | |
| | Second half of 2018 | 12/31/2018 | 12/31/2017 | Second half of 2018 | 12/31/2018 | 12/31/2017 |
| Investment funds quotas | 6,259 | 6,791 | 4,365 | 6,259 | 6,791 | 4,365 |
| Government bonds | 16,989 | 49,689 | 119,903 | 17,211 | 49,911 | 119,903 |
| Private securities | 10,226 | 20,212 | 27,167 | 10,004 | 19,991 | 27,142 |
| Income from marketable securities | 33,474 | 76,692 | 151,435 | 33,474 | 76,693 | 151,410 |

The market values of marketable securities and derivative financial instruments are determined based on market price quotations at the balance sheet date, when available, or through price valuation models.

(*) Securities classified as "Securities for trading" maturing in more than 12 months and which, at December 31, 2018, amount to R\$ 3,080 thousand in the Bank and in the Operational Consolidated (December 31, 2017 - R\$ 34,098 thousand), are stated in current assets, according to BACEN Circular Letter No. 3,068/01. Securities classified as "Held for sale", maturing in more than 12 months, in the amount of R\$ 637,810 thousand on December 31, 2018 (December 31, 2017 - R\$ 778,549 thousand), in the Bank and in the Operational Consolidated, are stated as Long-term receivable assets, according to BACEN Circular Letter No. 3,068/01, regardless its liquidity level. The effect of this classification in net current capital is shown in Note 22 - Liquidity risk.

Notes to the financial statements

7. Loan Transactions, Sureties and Guarantees

At December 31, 2018 and 2017, loans and guarantees provided through sureties or guarantee agreements in the Bank and in the Operational Consolidated, classified according to the clients' economic activities, are as follows:

| In R\$ thousand | | | | |
|------------------------------|------------------|---------------|------------------|---------------|
| Prudential Conglomerate | | | | |
| | 12/31/2018 | | 12/31/2017 | |
| Sugar and Ethanol | 670,063 | 16.16% | 699,814 | 20.60% |
| Agriculture | 428,289 | 10.33% | 438,089 | 12.89% |
| Building and Real Estate | 307,580 | 7.42% | 221,363 | 6.52% |
| Foods - Sundry | 247,571 | 5.97% | 168,616 | 4.96% |
| Retail market | 243,640 | 5.87% | 184,721 | 5.44% |
| Specialized Services | 208,005 | 5.02% | 115,510 | 3.40% |
| Utilities (energy) | 197,149 | 4.75% | 188,187 | 5.54% |
| Capital Goods | 152,127 | 3.67% | 136,744 | 4.02% |
| Transportation and Logistics | 144,437 | 3.48% | 62,814 | 1.85% |
| Textile and Leathers | 124,401 | 3.00% | 85,495 | 2.52% |
| Pharmaceutics | 106,495 | 2.57% | 89,873 | 2.65% |
| Chemical and Petrochemical | 98,508 | 2.38% | 82,122 | 2.42% |
| Construction Material | 95,035 | 2.29% | 75,854 | 2.23% |
| Civil Aviation | 85,423 | 2.06% | 60,194 | 1.77% |
| Mining | 83,949 | 2.02% | 50,140 | 1.48% |
| Diversified Holdings | 78,769 | 1.90% | 13,178 | 0.39% |
| Meat Industry | 56,595 | 1.36% | 27,638 | 0.81% |
| Pulp and Paper | 50,936 | 1.23% | 69,703 | 2.05% |
| Others (*) | 223,563 | 5.39% | 182,115 | 5.33% |
| Private Sector | 3,602,535 | 86.87% | 2,952,171 | 86.87% |
| Public | 216,097 | 5.21% | 91,356 | 2.69% |
| Oil & Gas | 135,808 | 3.27% | 131,678 | 3.88% |
| Utilities (energy) | 109,483 | 2.64% | 181,950 | 5.36% |
| Water and Sewage Concessions | 50,201 | 1.21% | 11,044 | 0.33% |
| Others (*) | 32,973 | 0.80% | 29,171 | 0.86% |
| Public Sector | 544,562 | 13.13% | 445,199 | 13.13% |
| Total | 4,147,097 | 100% | 3,397,370 | 100% |

(*) The activities classified within Others include all economic sectors that individually represent less than 1% of the total active loan portfolio at the base date of December 31, 2018.

Notes to the financial statements

7. Loan Transactions, Sureties and Guarantees (Continued)

Loans transactions are stated in the Bank and in the Operational Consolidated balance sheet as follows:

| | Em R\$ Mil | | | |
|-----------------------------------------------------------------|------------------|------------------|--------------------------|------------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Current assets | | | | |
| Loan transactions | 1,514,961 | 1,233,836 | 1,648,152 | 1,250,645 |
| Private sector | 1,367,756 | 1,172,246 | 1,500,947 | 1,189,055 |
| Public sector | 147,205 | 61,590 | 147,205 | 61,590 |
| Other receivables | 14,602 | 36,476 | 14,602 | 36,476 |
| Foreign exchange portfolio – receivables (a) | 9,537 | 15,563 | 9,537 | 15,563 |
| Securities and credits receivable | 5,065 | 20,913 | 5,065 | 20,913 |
| Noncurrent assets | | | | |
| Loan transactions | 1,559,279 | 1,196,034 | 1,612,148 | 1,220,020 |
| Private sector | 1,334,177 | 967,693 | 1,387,046 | 991,678 |
| Setor Público | 225,102 | 228,342 | 225,102 | 228,342 |
| Other receivables | 2,361 | 6 | 2,361 | 6 |
| Securities and credits receivable | 2,361 | 6 | 2,361 | 6 |
| Current liabilities | | | | |
| Other liabilities | 307,009 | 524,498 | 307,009 | 524,498 |
| Foreign exchange portfolio - Advances on exchange contracts (a) | 307,009 | 524,498 | 307,009 | 524,498 |
| Subtotal | 3,398,212 | 2,990,850 | 3,584,272 | 3,031,645 |
| Co-obligations and risks in guarantees provided (b) | 748,885 | 406,520 | 562,825 | 365,725 |
| Total | 4,147,097 | 3,397,370 | 4,147,097 | 3,397,370 |

- (a) The Advances on Exchange Contracts are classified as reduction accounts of Other Liabilities – Exchange Portfolio and as Other Receivables – Exchange Portfolio, respectively, as shown in Note 8.
- (b) These refer to guarantees granted through sureties and guarantees. The granted guarantees are recorded in offsetting accounts and the respective earnings are classified as deferred income and appropriated to the result according to the guarantees' contractual terms. Includes also, the guarantees provided for BBM Bank Limited and Nassau Branch, which are eliminated in the Operating Consolidated.

The provision for loan transactions was calculated according to the criteria established by the CMN Resolutions No. 2,682 and 2,697, based on the risk classification of the transactions and on their level of arrears.

The classification of the loan transactions in the Bank and in the Operational Consolidated is as follows:

| Risk level | In R\$ thousand | | | | | | | | | | | | |
|------------|-----------------|----------|----------|-----------|------------|--------------------|----------------|-----------------|---------------|-----------|--------|------------|--------|
| | 12/31/2018 | | | | | | | | | | | 12/31/2017 | |
| | Overdue – days | | | | | Falling due – days | | | | | | | |
| | Within 14 | 15 to 60 | 61 to 90 | 91 to 180 | 181 to 360 | Within 90 | From 91 to 180 | From 181 to 360 | Over 360 days | Total | PDD | Total | PDD |
| AA | | | | | | 360,437 | 174,254 | 500,132 | 685,503 | 1,720,326 | | 1,116,030 | |
| A | 79 | | | | | 188,282 | 239,148 | 406,974 | 713,411 | 1,547,894 | 7,739 | 1,422,844 | 7,114 |
| B | 1,839 | 9,920 | | | | 95,310 | 151,222 | 252,694 | 200,455 | 711,440 | 7,114 | 594,250 | 5,943 |
| C | 794 | | | | | 13,391 | 40,769 | 38,782 | 35,849 | 129,585 | 3,888 | 176,981 | 5,309 |
| D | | | | | | | | | | | | | |
| E | | | | | | | | 2,361 | 2,361 | 4,722 | 1,417 | 11,700 | 3,510 |
| F | | | | | | | | | | | | 20,888 | 11,628 |
| G | 115 | 116 | 115 | 185 | | 1,656 | 2,069 | 2,004 | 14,554 | 20,814 | 15,637 | 31,776 | 23,571 |
| H | | 1,703 | | | 5,132 | | 1,532 | 3,949 | | 12,316 | 12,316 | 22,901 | 22,901 |
| Total | 2,827 | 11,739 | 115 | 185 | 5,132 | 659,076 | 608,994 | 1,206,896 | 1,652,133 | 4,147,097 | 48,111 | 3,397,370 | 79,976 |

Notes to the financial statements

7. Loan Transactions, Sureties and Guarantees (Continued)

The allowance below is presented in the Operational Consolidated balance sheets as follows:

| | In R\$ thousand | |
|----------------------------------------------------------------------|-----------------|---------------|
| | 12/31/2018 | 12/31/2017 |
| Allowance for loan losses | 40,021 | 60,668 |
| Current assets | 22,293 | 37,949 |
| Noncurrent assets | 17,728 | 22,719 |
| Provision for other credits | 6,929 | 18,770 |
| Securities and credits receivable | 4,113 | 14,003 |
| Current assets | 3,405 | 14,003 |
| Noncurrent assets | 708 | |
| Provision for advances on exchange contracts | 2,816 | 4,767 |
| Current assets | 2,816 | 4,767 |
| Provision for co-obligations and risks in guarantees provided | 1,161 | 538 |
| Current Liability | 1,030 | 417 |
| Noncurrent Liability | 131 | 121 |
| Total | 48,111 | 79,976 |

Changes in allowances are as follows:

| | In R\$ thousand | |
|-----------------------------|-----------------|---------------|
| | 12/31/2018 | 12/31/2017 |
| Balance at January 1 | 79,976 | 68,163 |
| Set up / (reversal) | 28,363 | 31,797 |
| Write-offs to loss | (60,228) | (19,984) |
| Total | 48,111 | 79,976 |

At the year ended December 31, 2018, loan transactions were renegotiated in the Bank and in the Operational Consolidated in the amount of R\$ 13,691 thousand (December 31, 2017, no loan transaction was renegotiated).

At the year ended December 31, 2018, there was a recovery of losses on loan transactions in the amount of R\$ 10,952 thousand (December 31, 2017 - R\$ 753 thousand).

Notes to the financial statements

7. Loan Transactions, Sureties and Guarantees (Continued)

The breakdown of sales or transfers of assets without the substantial retention of risks and rewards in the periods ended December 31, 2018 and 2017 was as follows:

| | In R\$ thousand | |
|---------------------------------|-----------------|------------|
| | 12/31/2018 | 12/31/2017 |
| Number of contracts | 5 | 22 |
| Assignment amount | 3,556 | 25,637 |
| Provision net book value | 4,333 | 25,038 |
| Revenue from assignments | (777) | 599 |

The credit risk concentration in the Operational Consolidated is as follows:

| | In R\$ thousand | | | |
|-----------------|-----------------|-------|------------|-------|
| | 12/31/2018 | % | 12/31/2017 | % |
| Top debtor | 135,808 | 3.3% | 131,678 | 3.9% |
| Top 10 debtors | 1,039,004 | 25.1% | 816,634 | 24.0% |
| Top 20 debtors | 1,604,590 | 38.7% | 1,287,098 | 37.9% |
| Top 50 debtors | 2,618,125 | 63.1% | 2,133,335 | 62.8% |
| Top 100 debtors | 3,478,539 | 83.9% | 2,914,920 | 85.8% |

The breakdown of the Operational Consolidated credit portfolio by type is as follows:

| | In R\$ thousand | |
|-------------------------------------------------|------------------|------------------|
| | 12/31/2018 | 12/31/2017 |
| Working capital | 1,718,898 | 1,562,365 |
| Trade Finance | 379,239 | 586,293 |
| Export credit notes | 740,750 | 457,299 |
| Co-obligations and risks in guarantees provided | 562,825 | 365,725 |
| Others | 745,385 | 425,688 |
| Total | 4,147,097 | 3,397,370 |

Notes to the financial statements

8. Foreign exchange portfolio

| | In R\$ thousand | |
|-----------------------------------------------------------|-----------------|----------------|
| | 12/31/2018 | 12/31/2017 |
| Other receivables – Foreign exchange portfolio | | |
| Foreign exchange purchases pending settlement | 322,914 | 543,006 |
| Rights on foreign exchange sales | 1,074 | 577 |
| Income receivable from advances granted (a) | 9,537 | 15,563 |
| Total | 333,525 | 559,146 |
| Other payables – Foreign exchange portfolio | | |
| Foreign exchange sales pending settlement | 1,070 | 575 |
| Exchange purchase obligations | 307,689 | 524,498 |
| Advances on foreign exchange contracts granted (a) | (307,009) | (524,498) |
| Total | 1,750 | 575 |

(a) See Note 7.

On December 31, 2018, the Company made deposits of federal government securities securing foreign exchange transactions with B3 in the amount of R\$ 66,525 thousand (December 31, 2017 – R\$ 66,651 thousand).

Notes to the financial statements

9. Investments – Interest in Subsidiaries

a) Bank

| | BOCOM BBM CCVM S.A. | The Southern Atlantic Investments Ltd. | Others (a) | Total |
|------------------------------------------------------------|------------------------|----------------------------------------------|---------------|---------|
| At December 31, 2018: | | | | |
| Number of issued shares | 127,374 | 229,201,370 | | |
| Common shares | 63,687 | 229,201,370 | | |
| Preferred nominative shares | 63,687 | | | |
| Direct interest | 100% | 100% | | |
| Capital – R\$ thousand | 8,755 | 229,201 | | 237,956 |
| Equity – R\$ thousand | 11,013 | 374,463 | | 385,476 |
| Net income for the year – R\$ thousand | 1,170 | 6,433 | | 7,603 |
| Book value of investments – R\$ thousand | | | | |
| December 31, 2018 | 11,013 | 374,463 | | 385,476 |
| Income from interest in subsidiaries – R\$ thousand | | | | |
| Second half of 2018 | 1,170 | 6,433 | | 7,603 |
| Year ended 2018 | 3,316 | 21,362 | | 24,678 |
| At December 31, 2017 | | | | |
| Number of issued shares | 127,374 | 229,201,370 | | |
| Common nominative shares | 63,687 | 229,201,370 | | |
| Preferred nominative shares | 63,687 | - | | |
| Direct interest | 100% | 100% | | |
| Capital – R\$ thousand | 8,755 | 229,201 | | 237,956 |
| Equity – R\$ thousand | 8,395 | 353,100 | | 361,495 |
| Net income (loss) for the semester – R\$ thousand | (2,078) | 14,212 | | 12,134 |
| Book value of investments – R\$ thousand | | | | |
| December 31, 2017 | 8,395 | 353,100 | | 361,495 |
| Income from interest in subsidiaries – R\$ thousand | | | | |
| Second half of 2017 | (2,320) | 14,212 | (6,287) | 5,605 |
| Year ended 2017 | (2,078) | 28,575 | (6,881) | 19,616 |

(a) It partly refers to the foreign exchange variation on the equity of the Nassau branch, not eliminated in the consolidation process.

Notes to the financial statements

9. Investments – Interest in Subsidiaries (Continued)

b) Operational Consolidated

| | In R\$ thousand | | | | |
|---------------------------------------------------|-----------------------|----------------|---------------------------------------|--------------|---------------|
| | Investment book value | | Income from interests in subsidiaries | | |
| | 12/31/2018 | 12/31/2017 | Second half of 2018 | 12/31/2018 | 12/31/2017 |
| The Southern Atlantic Investments Ltd. (a) | 117,736 | 148,513 | (3,221) | 4,156 | 17,343 |
| Others (b) | | | | - | (593) |
| Total | 117,736 | 148,513 | (3,221) | 4,156 | 16,750 |

- (a) The indirect participation of 100% of Banco BOCOM BBM in the social capital of BBM Bank Ltd. was eliminated in the Operational Consolidated as "Interest in Subsidiaries - The Southern Atlantic Investments Ltd.". For the year ended December 31, 2018, this elimination gave rise to the following effects in the Operational Consolidated: decrease in the permanent investment of R\$ 256,727 thousand (December 31, 2017 - R\$ 204,569 thousand) and decrease in the equity result of R\$ 9,654 thousand (December 31, 2017 - R\$ 11,232 thousand).
- (b) In the interest result "Others", in the Operational Consolidated, it is mainly presented the subsidiaries' equity variation, which are eliminated, such as foreign exchange variation of the interest abroad, update of equity securities and adjustments of previous years, when applicable.

10. Deposits

| Maturity range | in R\$ thousand | | | | | | | |
|----------------------|------------------|--------------------------|--------------------|--------------------------|------------------|--------------------------|------------------|--------------------------|
| | Time deposits | | Interbank deposits | | Total 12/31/2018 | | Total 12/31/2017 | |
| | Bank | Operational Consolidated | Bank | Operational Consolidated | Bank | Operational Consolidated | Bank | Operational Consolidated |
| Within 1 month | 48,540 | 48,540 | 899 | - | 49,439 | 48,540 | 201,840 | 201,556 |
| From 1 to 3 months | 328,690 | 328,690 | 253 | 253 | 328,943 | 328,943 | 245,605 | 245,605 |
| From 3 to 6 months | 228,435 | 228,435 | 131 | 131 | 228,566 | 228,566 | 120,815 | 120,815 |
| From 6 to 12 months | 70,354 | 70,354 | 11,493 | 1,881 | 81,847 | 72,235 | 88,556 | 84,410 |
| More than 12 months | 449,049 | 449,049 | 95 | 95 | 449,144 | 449,144 | 216,839 | 216,839 |
| Subtotal | 1,125,068 | 1,125,068 | 12,871 | 2,360 | 1,137,939 | 1,127,428 | 873,655 | 869,225 |
| Cash deposits | | | | | 368,213 | 254,470 | 89,144 | 239,319 |
| Total | | | | | 1,506,152 | 1,381,898 | 962,799 | 1,108,544 |

The average term of interbank and time deposits, for outstanding transactions at December 31, 2018, in the Operational Consolidated, is 802 and 514 days (December 31, 2017 - 525 and 374 days), respectively.

Notes to the financial statements

10. Deposits (Continued)

| Maturities upon issuance | in R\$ thousand | | | | | | | |
|--------------------------|------------------|--------------------------|--------------------|--------------------------|------------------|--------------------------|------------------|--------------------------|
| | Time deposits | | Interbank deposits | | Total 12/31/2018 | | Total 12/31/2017 | |
| | Bank | Operational Consolidated | Bank | Operational Consolidated | Bank | Operational Consolidated | Bank | Operational Consolidated |
| Within 1 month | 2,543 | 2,543 | - | - | 2,543 | 2,543 | 1,196 | 1,196 |
| From 1 to 3 months | 200,219 | 200,219 | - | - | 200,219 | 200,219 | 169,756 | 169,756 |
| From 3 to 6 months | 313,748 | 313,748 | - | - | 313,748 | 313,748 | 213,310 | 213,310 |
| From 6 to 12 months | 75,418 | 75,418 | 899 | - | 76,317 | 75,418 | 171,057 | 166,911 |
| More than 12 months | 533,140 | 533,140 | 11,972 | 2,360 | 545,112 | 535,500 | 318,336 | 318,052 |
| Subtotal | 1,125,068 | 1,125,068 | 12,871 | 2,360 | 1,137,939 | 1,127,428 | 873,655 | 869,225 |
| Cash deposits | | | | | 368,213 | 254,470 | 89,144 | 239,319 |
| Total | | | | | 1,506,152 | 1,381,898 | 962,799 | 1,108,544 |

The breakdown per segment of the Prudential Consolidated is as follows:

| | In R\$ thousand | | | | | | | | | |
|-------------------------|-----------------|----------------|------------------|----------------|--------------------|---------------|------------------|-------------|------------------|-------------|
| | Cash deposits | | Time deposits | | Interbank deposits | | Total | | | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 | 12/31/2018 | | 12/31/2017 | |
| Legal entities | 154,493 | 84,508 | 255,201 | 208,336 | - | - | 409,694 | 29.65% | 292,844 | 26.42% |
| Institucional customers | 4 | 4 | - | 32,876 | 1,619 | - | 1,623 | 0.12% | 32,880 | 2.97% |
| Group | 99,973 | 138,361 | 717,337 | 567,278 | - | 5,694 | 817,310 | 59.14% | 711,333 | 64.17% |
| Financial Institutions | - | 1 | 151,599 | 33,739 | 741 | 13,183 | 152,340 | 11.02% | 46,923 | 4.23% |
| Individuals | - | 16,445 | 931 | 8,119 | - | - | 931 | 0.07% | 24,564 | 2.22% |
| Total | 254,470 | 239,319 | 1,125,068 | 850,348 | 2,360 | 18,877 | 1,381,898 | 100% | 1,108,544 | 100% |

| | In R\$ thousand | | | |
|--------------------|-----------------|--------|------------|--------|
| | 12/31/2018 | | 12/31/2017 | |
| Top depositor | 515,875 | 37.33% | 431,857 | 38.96% |
| 10 top depositors | 1,067,649 | 77.26% | 870,196 | 78.50% |
| 20 top depositors | 1,211,426 | 87.66% | 966,297 | 87.17% |
| 50 top depositors | 1,322,394 | 95.69% | 1,067,663 | 96.31% |
| 100 top depositors | 1,374,672 | 99.48% | 1,098,935 | 99.13% |

Notes to the financial statements

11. Repurchase agreements

The obligations from repurchase agreements in the Operational Consolidated are as follows:

| | In R\$ thousand | | | |
|------------------------------------|-----------------|----------------|--------------------------|----------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Own Portfolio | 613,898 | 103,846 | 613,898 | 103,846 |
| Financial Treasury Bills | 85,021 | 10,500 | 85,021 | 10,500 |
| National Treasury Notes – F series | 432,907 | - | 432,907 | - |
| Debentures | 95,970 | 93,346 | 95,970 | 93,346 |
| | 613,898 | 103,846 | 613,898 | 103,846 |

12. Funds from Acceptance and Issue of Securities and Real Estate Bills

Banco BOCOM BBM issued Eurobonds in the amount of R\$ 208,155 thousand in December 2018 (December 2017 - R\$ 167,708 thousand), acquired by The Southern Atlantic Investments Ltd, company not consolidated in the Operational Consolidated. On December 28, 2015, it was issued US\$ 30,000 thousand maturing on January 31, 2019, on December 31, 2017, it was issued US\$ 4,000 thousand maturing on February 28, 2019, on August 31, 2018, it was issued US\$ 15,000 thousand maturing on February 28, 2019 and on November 29, 2018, it was issued US\$ 7,000 thousand maturing on May 27, 2019.

On December 31, 2018 and 2017, fundraising through Agribusiness Credit Bills (LCA), Housing Credit Bills (LCI), Financial Bills (LF) were segregated by maturity range as follows:

| | In R\$ thousand | | | | | |
|---------------------|--------------------------------|------------------|---------------|---------------|------------------|------------------|
| | Bank/ Operational Consolidated | | | | | |
| | LCA (a) | | LCI (b) | | LF (c) | |
| Maturity | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Within 1 month | 130,051 | 74,324 | 7,423 | 970 | 87,430 | 3,239 |
| From 1 to 3 months | 181,844 | 68,557 | 30,810 | 10,462 | 138,085 | 5,704 |
| From 3 to 6 months | 299,185 | 247,890 | 5,135 | 242 | 77,601 | 123,371 |
| From 6 to 12 months | 387,730 | 464,773 | 13,656 | 20,376 | 338,715 | 159,970 |
| More than 12 months | 349,176 | 353,253 | 38,929 | 18,661 | 852,289 | 882,583 |
| Total | 1,347,986 | 1,208,797 | 95,953 | 50,712 | 1,494,120 | 1,174,866 |

- (a) Agribusiness Credit Bills (LCA) are issued by the Bank and registered with B3, according to the Law No. 11,076/2004 and Law No. 11,311/2006 and subsequent amendments.
- (b) Housing Credit Bills (LCI) are nominative securities created by Provisional Measure No. 2,223 on September 4, 2011, which resulted in Law No. 10,931 of August 2, 2004.
- (c) Financial Bills (LF) are issued by the Bank and registered with B3 - according to the Law No. 12,249/10 (Section II, articles 37 to 43), and ruled by CMN (Law No. 3,836).

Notes to the financial statements

13. Borrowings and onlendings

a) Borrowings abroad

Borrowings abroad in the Bank and in the Operational Consolidated are as follows:

| | In R\$ thousand | | | |
|----------------------------------------|-----------------|----------------|--------------------------|----------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 31/12/2018 | 31/12/2017 |
| Obligations with borrowings abroad (*) | 395,489 | 593,971 | 395,489 | 593,971 |
| Export credit facility | 203,217 | 92,346 | 203,217 | 92,346 |
| Import credit facility | 16,642 | 4,030 | 16,642 | 4,030 |
| Clean credit | | 143,137 | | |
| | 615,348 | 833,484 | 615,348 | 690,347 |
| Current liabilities | 219,859 | 493,134 | 219,859 | 349,997 |
| Long-term payables | 395,489 | 340,350 | 395,489 | 340,350 |
| | 615,348 | 833,484 | 615,348 | 690,347 |

(*) The amount of R\$ 395,489 thousand in December 31, 2018, classified as Borrowings Abroad, refers to the fundraising in U.S. dollars with Bank of Communications with final maturity in September 2022 (On December 31, 2017, the amount of R\$ 593,971 thousand refers to fundraising operations in U.S. dollars with the International Finance Corporation (IFC) and Bank of Communications).

On February 7, 2018, Banco BOCOM BBM pre settled the US dollar funding operation with the International Finance Corporation (IFC), in the amount of R\$ 248,668 thousand, due in December 2019. Additionally, the entire Hedge assembled structure for this operation has been discontinued.

In spite of the early settlement of the loan with the International Finance Corporation (IFC), the Bank has pre-export credit lines with that institution on which financial covenants are required. The amount used for these credit lines totals R\$ 46,805 thousand as of December 31, 2018 and the restrictive rates are fully complied with.

b) Onlendings in the Country

Banco BOCOM BBM has funding line operations with resources from the Fund for Defense of the Coffee Economy (Funcafé) for coffee growers, their cooperative and the agribusiness companies, to use for storage and acquisition of coffee and working capital.

| | In R\$ thousand | | | | | | |
|---------------------------|-----------------|--------------------|--------------------|---------------------|---------------------|---------------|--------------|
| | 12/31/2018 | | | | | | 12/31/2017 |
| | Within 1 month | From 1 to 3 months | From 3 to 6 months | From 6 to 12 months | More than 12 months | Total | Total |
| Funcafé - FAC | - | - | 756 | 756 | - | 1,512 | 2,010 |
| Funcafé - Working capital | - | - | 9,764 | 9,764 | - | 19,528 | 1,018 |
| Total | - | - | 10,520 | 10,520 | - | 21,040 | 3,028 |

Notes to the financial statements

14. Other Receivables/ Sundry

| | In R\$ thousand | | | |
|---------------------------------------|-----------------|---------------|--------------------------|---------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Sundry | | | | |
| Debtors Deposits on warranty | 51.314 | 46.487 | 51.904 | 47.011 |
| Taxes and contributions to offset | 17.667 | 13.698 | 18.341 | 13.830 |
| Securities and credits receivable (*) | 7.426 | 964 | 7.426 | 964 |
| Sundry debtors – domestic | 4.426 | 6.232 | 4.648 | 6.469 |
| Sundry debtors – foreign | 3.902 | 6.351 | 8.218 | 9.536 |
| Advances – Salaries and constructions | 290 | 396 | 292 | 396 |
| Receivables from related parties | 15 | 15 | - | - |
| | 85.040 | 74.143 | 90.829 | 78.206 |
| Current asset | 29.773 | 22.700 | 35.562 | 26.238 |
| Long-term asset | 55.267 | 51.443 | 55.267 | 51.968 |
| | 85.040 | 74.143 | 90.829 | 78.206 |

(*) Refers to Advances on Foreign Exchange Contracts written off in the period.

15. Other assets

| | In R\$ thousand | | | |
|-------------------------------|-----------------|---------------|--------------------------|---------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Other Values and Goods | | | | |
| Properties | 40,020 | 37,334 | 40,020 | 37,334 |
| Others | 104 | 949 | 104 | 949 |
| | 40,124 | 38,283 | 40,124 | 38,283 |
| Current asset (a) | 40,124 | 38,283 | 40,124 | 38,283 |
| | 40,124 | 38,283 | 40,124 | 38,283 |

(a) In December 2018, the amount of R\$ 40,020 thousand, classified as current assets, refers mainly to the execution of guarantee of properties, recorded as properties not for own use (BNDU), according to independent appraisal report.

Notes to the financial statements

16. Equity

(a) Capital - Banco BOCOM BBM S.A.

The capital is comprised of 282,201,085 registered shares with a par value of R\$ 1.60 each, divided into 188,626,652 common shares and 93,574,433 preferred shares. Each common share is entitled to 1 (one) vote in resolutions of the General Meeting. Preferred shares have no voting rights.

(b) Legal reserve

This reserve is calculated at the rate of 5% of the net income at each balance sheet date, up to the limit determined by the Corporation Law of 20% of Capital.

(c) Statutory reserve

In accordance with the articles of incorporation, this reserve represents the remaining balance of net income at each balance sheet date, after the legal allocations.

(d) Treasury stock

In August 2017, R\$ 2,630 thousand were reversed to the price complement of the shares repurchased by the treasury on March 28, 2011. In the earn out contract, the purchaser (Banco BOCOM BBM) took on the future obligation of paying to the buyer, throughout 72 months from the signature date, an amount calculated based on the revenue earned with the recovery of a specific loan transaction, determined in this contract. This obligation was extinct in this period.

On December 31, 2018, Banco BOCOM BBM has 76,296,769 shares to hold in treasury in the amount of R\$ 181,839 thousand.

(e) Interest on Equity

According to article 9 of Law No. 9,249/95 and its subsequent amendments, Banco BOCOM BBM S.A., at the end of the year 2018, declared interest on equity of R\$ 38,730 thousand (December 31, 2017 - R\$ 40,728 thousand), with the retention of withholding income tax of R\$ 5,810 thousand (December 31, 2017 - R\$ 6,109 thousand), calculated at the rate of 15%. This amount was determined based on the legal limits in force and classified in the group's official records as "Other Operating Expenses".

For the purposes of the publication of the statement of income, as established by BACEN Circular Letter No. 2,739, the expense related to the payment of interest on equity capital was adjusted by a reclassification to retained earnings, and recognized in the statement of changes in equity as an allocation of income.

Interest on equity proposed at the end of the year 2018 reduced tax burden by R\$ 17,429 thousand (December 31, 2017 - R\$ 18,328 thousand).

(f) Carrying value adjustments

For the year ended December 31, 2018, the carrying value adjustments are comprised by the market adjustment variation of the securities held for sale in the amount of (R\$ 87 thousand) (December 31, 2017 - R\$ 142 thousand), by the variation of the cash flow hedges in the amount of R\$ 0 thousand (December 31, 2017 - (R\$ 1,491 thousand)), by the variation of foreign investment hedging instruments in the amount of (R\$ 5,884 thousand) (December 31, 2017 - (R\$ 471 thousand)), by the foreign exchange variation in investment abroad in the amount of R\$ 5,884 thousand (December 31, 2017 - R\$ 465 thousand), net of tax effects.

Notes to the financial statements

16. Equity (Continued)

(g) Dividends

In accordance with the Bank's articles of incorporation, the shareholders are entitled to minimum mandatory dividends of 25% of net income for the year, after specific allocations.

| | In R\$ thousand | |
|-----------------------------|-----------------|---------------|
| | 12/31/2018 | 12/31/2017 |
| Net income - Banco BBM S.A. | 63,660 | 43,355 |
| (-) Statutory Reserve | (3,183) | (2,168) |
| Dividend calculation basis | 60,477 | 41,187 |
| Mandatory dividend (a) | 25% | 25% |
| | 15,119 | 10,297 |
| Interest on own capital (b) | 38,730 | 40,728 |
| Total | 38,730 | 40,728 |

(a) Minimum mandatory dividends were approved as interest on equity.

(b) The dividends higher than the mandatory dividends were approved by the stockholders and will be ratified in Ordinary General Meeting.

Notes to the financial statements

17. Financial Intermediation Expenses and Foreign Exchange Gains (Losses)

| | In R\$ thousand | | | | | |
|------------------------------------------------------|---------------------|------------------|------------------|--------------------------|------------------|------------------|
| | Bank | | | Operational Consolidated | | |
| | Second half of 2018 | 12/31/2018 | 12/31/2017 | Second half of 2018 | 12/31/2018 | 12/31/2017 |
| Open market funding | | | | | | |
| Financial Bills | (55,413) | (105,264) | (78,347) | (55,413) | (105,264) | (78,347) |
| Agriculture Credit Bills | (38,252) | (77,031) | (82,241) | (38,252) | (77,031) | (82,241) |
| Time deposits | (20,277) | (36,513) | (67,805) | (20,277) | (36,513) | (67,596) |
| Expenses with securities abroad | (15,940) | (44,638) | (7,977) | (15,940) | (44,638) | (7,287) |
| Repurchase agreements | (4,501) | (8,466) | (38,985) | (4,501) | (8,466) | (38,985) |
| Real Estate Credit Bills | (2,856) | (4,931) | (3,911) | (2,856) | (4,931) | (3,912) |
| Credit Guarantee Fund | (1,162) | (2,437) | (2,591) | (1,162) | (2,437) | (2,591) |
| Interbank deposits | (345) | (883) | (5,869) | (125) | (503) | (4,711) |
| Deposits Previous Notice | (87) | (179) | (647) | (87) | (169) | (34) |
| Foreign exchange variation (a) | 12,305 | 12,305 | 5,636 | 12,305 | 12,305 | 5,636 |
| | (126,528) | (268,037) | (282,737) | (126,308) | (267,647) | (280,068) |
| Loans, assignments and onlending operations | | | | | | |
| Loan expenses abroad | (16,052) | (9,937) | (31,620) | (15,938) | (9,608) | (31,462) |
| Foreign exchange variation (a) | (2,781) | (71,390) | (21,011) | (2,781) | (71,390) | (21,011) |
| Other expenses | (311) | (380) | (29) | (311) | (380) | (29) |
| | (19,144) | (81,707) | (52,660) | (19,030) | (81,378) | (52,502) |
| Foreign exchange transactions | | | | | | |
| Revenue from Advances on Exchange Contracts (ACC) | 17,230 | 39,578 | 40,778 | 17,230 | 39,578 | 40,778 |
| Foreign exchange variations and interest differences | 7,615 | 82,837 | 16,938 | 7,609 | 82,829 | 16,938 |
| Other expenses | (318) | (601) | (393) | (319) | (602) | (404) |
| | 24,527 | 121,814 | 57,323 | 24,520 | 121,805 | 57,312 |

(a) This substantially represents the effects of foreign exchange variations on loans raised by the Bank from its branch abroad through the transfer of funds raised in foreign currency.

Notes to the financial statements

18. Service revenues

| | In R\$ thousand | | | | | |
|-----------------------------------------------------|---------------------|---------------|---------------|--------------------------|---------------|---------------|
| | Bank | | | Operational Consolidated | | |
| | Second Half of 2018 | 12/31/2018 | 12/31/2017 | Second Half of 2018 | 12/31/2018 | 12/31/2017 |
| Service Revenue | | | | | | |
| Structuring Commission | 8,000 | 15,243 | 8,704 | 10,147 | 21,222 | 10,116 |
| Guarantees commission and letter of credit | 7,316 | 14,447 | 9,867 | 7,316 | 14,447 | 9,866 |
| Management and performance fees of investment funds | 6,022 | 11,951 | 9,036 | 7,664 | 15,062 | 11,496 |
| Other services (*) | 7,905 | 14,551 | 12,469 | 7,684 | 14,002 | 11,819 |
| Total | 29,243 | 56,192 | 40,076 | 32,812 | 64,734 | 43,297 |

(*) This refers mainly to revenue from bank fees.

19. Other administrative expenses

| | In R\$ thousand | | | | | |
|--------------------------------------|---------------------|-----------------|-----------------|--------------------------|-----------------|-----------------|
| | Bank | | | Operational Consolidated | | |
| | Second Half of 2018 | 12/31/2018 | 12/31/2017 | Second Half of 2018 | 12/31/2018 | 12/31/2017 |
| Data processing | (3,572) | (6,554) | (3,429) | (3,669) | (6,763) | (3,601) |
| Rentals | (3,197) | (6,177) | (5,948) | (3,488) | (6,761) | (6,316) |
| Travel | (2,676) | (4,823) | (4,008) | (2,689) | (4,838) | (4,009) |
| Third-party services | (1,784) | (4,156) | (3,812) | (1,995) | (4,616) | (4,194) |
| Financial system services (a) | (2,261) | (4,101) | (6,195) | (2,400) | (4,382) | (6,426) |
| Specialized technical services | (2,849) | (4,057) | (2,833) | (2,913) | (4,155) | (2,899) |
| Fines (b) | (146) | (3,850) | (130) | (305) | (4,008) | (130) |
| Amortization and depreciation | (2,176) | (3,238) | (1,726) | (2,178) | (3,242) | (1,729) |
| Registry | (734) | (3,138) | (3,549) | (738) | (3,146) | (3,549) |
| Communications | (1,623) | (3,099) | (2,413) | (1,648) | (3,134) | (2,434) |
| Property maintenance and upkeep | (1,917) | (2,780) | (1,543) | (1,921) | (2,788) | (1,551) |
| Other administrative expenses | (1,450) | (2,681) | (3,744) | (1,895) | (3,395) | (4,339) |
| Condominium | (1,042) | (1,824) | (1,485) | (1,042) | (1,824) | (1,485) |
| Promotion/ Advertising/ Publications | (1,062) | (1,759) | (1,247) | (1,122) | (1,881) | (1,393) |
| Water, energy and gas | (503) | (972) | (845) | (503) | (972) | (845) |
| Transportation | (316) | (574) | (435) | (316) | (574) | (435) |
| Material | (87) | (155) | (126) | (90) | (158) | (126) |
| Surveillance and security services | (13) | (27) | (24) | (13) | (27) | (24) |
| Insurance | (15) | (20) | (43) | (15) | (20) | (43) |
| | (27,423) | (53,985) | (43,535) | (28,940) | (56,684) | (45,528) |

(a) For the year ended December 31, 2018, this includes brokerage expenses, charges and commission related to guarantee transactions and derivative financial instruments of R\$ 1,708 thousand (December 31, 2017 - R\$ 3,445 thousand).

(b) In December 2018, the amount of R\$ 3,651 thousand refers to expenses with pre-settling of the IFC contract.

Notes to the financial statements

20. Related-parties Significant Transactions

- a) The operations between related-parties were carried out using the average rates practiced by the market, effective on the operations dates, as follows:

| | In R\$ thousand | | | |
|------------------------------------------------|-----------------|----------------|--------------------------|----------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Asset | | | | |
| Cash and cash equivalents | 14 | | 30 | |
| Bank of Communications Co., Ltd | 14 | | 30 | |
| Short-term interbank investments | | | | |
| Investments in foreign currencies | 403,430 | 153,962 | | |
| BBM Bank Limited | 403,430 | 153,962 | | |
| Investments Funds Quotes | 116,594 | | 110,794 | |
| Jiang Fundo De Investimento Multimercado C PIE | 116,594 | | 110,794 | |
| Dividends and bonuses receivables | | | | |
| BOCOM BBM CCVM S.A. | | | | |
| Other Receivables | 200 | 3,445 | 200 | 8,445 |
| BOCOM BBM CCVM S.A. | | 15 | | |
| The Southern Atlantic Investments Ltd | | 3,222 | | 8,238 |
| Bahia Fund | 200 | 207 | 200 | 207 |
| Derivative Financial Instruments | 1,413 | 208 | 1,394 | 1,064 |
| Jiang Fundo De Investimento Multimercado C PIE | 480 | | 423 | |
| The Southern Atlantic Investments Ltd | 933 | 208 | | 1,064 |
| Haitan Fund | | | 971 | |
| Sundry | 1,343 | | 5,584 | |
| The Southern Atlantic Investments Ltd | 1,343 | | 5,584 | |
| Liabilities | | | | |
| Demand deposits | 263,686 | 7,996 | 139,862 | 155,831 |
| Évora S.A. | 64 | 13 | 64 | 13 |
| Haitan Fund | 29,693 | | 29,693 | |
| BBM Bank Limited | 232,976 | 3,599 | | |
| BOCOM BBM CCVM S.A. | 253 | | | |
| Bahia Fund | | | 61,722 | 138,285 |
| The Southern Atlantic Investments Ltd | | | 47,683 | 13,149 |
| Bocom Brazil Holding Company Ltda | 301 | 4,014 | 301 | 4,014 |
| Bahia Holding S.A. | 6 | | 6 | |
| Bahia AM Renda Fixa Ltda | 5 | | 5 | |
| Bahia AM Renda Variável Ltda | 5 | | 5 | |
| Other related individuals/legal entities | 383 | 370 | 383 | 370 |
| Interbank deposits | 10,511 | 10,125 | | 5,694 |
| BOCOM BBM CCVM S.A. | 10,511 | 4,431 | | |
| BBM Administração de Recursos DTVM S.A. | | 5,694 | | 5,694 |
| Time deposits | 714,873 | 567,279 | 717,337 | 567,279 |
| Bahia Holding S.A. | 69,850 | | 69,850 | |
| Évora S.A. | 3,219 | 3,130 | 3,219 | 3,130 |
| Bocom Brazil Holding Company Ltda | 38,516 | | 38,516 | |
| Bahia Fund | | 132,292 | | 132,292 |
| Bank of Communications Co., Ltd | 513,411 | 431,857 | 515,875 | 431,857 |
| Other related individuals/legal entities | 89,877 | | 89,877 | |
| Repurchase agreements - Debentures | 37,256 | 32,122 | 37,256 | 32,122 |
| Other related individuals/legal entities | 37,256 | 32,122 | 37,256 | 32,122 |
| Agriculture Credit Bills | 275,647 | 294,651 | 275,647 | 294,651 |
| Other related individuals/legal entities | 275,647 | 294,651 | 275,647 | 294,651 |
| Real Estate Credit Bills | 67,020 | 30,417 | 67,020 | 30,417 |
| Other related individuals/legal entities | 67,020 | 30,417 | 67,020 | 30,417 |
| Obligations for securities abroad | 208,155 | 167,708 | 208,155 | 44 |
| The Southern Atlantic Investments Ltd | 208,155 | 167,708 | 208,155 | 44 |
| Derivative Financial Instruments | 28,505 | 5,689 | 14,354 | 5,689 |
| BBM Bank Limited | 175 | | | |
| Bahia Fund | 15,637 | 5,689 | 10,576 | 5,689 |
| The Southern Atlantic Investments Ltd | 933 | | 2,547 | |
| Jiang Fundo De Investimento Multimercado C PIE | 11,760 | | 1,231 | |
| Liabilities on Loans abroad | 3,337 | 340,350 | 395,489 | 340,350 |
| Bank of Communications Co., Ltd | 3,337 | 340,350 | 395,489 | 340,350 |
| Dividends and bonuses payable | 16,802 | 17,484 | 16,802 | 17,484 |
| Interest on capital credited to shareholders | 16,802 | 17,484 | 16,802 | 17,484 |
| Sundry | | | 5 | |
| The Southern Atlantic Investments Ltd | | | 5 | |

Notes to the financial statements

20. Related-parties Significant Transactions (Continued)

| | In R\$ thousand | | | | | |
|--------------------------------------------------------|---------------------|------------------|------------------|--------------------------|------------------|------------------|
| | Bank | | | Operational Consolidated | | |
| | Second half of 2018 | 12/31/2018 | 12/31/2017 | Second half of 2018 | 12/31/2018 | 12/31/2017 |
| Result | | | | | | |
| Investment income abroad | | | | | | |
| Loss (gain) on derivative financial instruments | (9,207) | (9,112) | (739) | 5,307 | 56,537 | (6,044) |
| The Southern Atlantic Investments Ltd | 4,509 | 16,255 | 4,750 | 623 | 59,055 | (4,927) |
| BBM Bank Limited | | (5,602) | | | | |
| Bahia Fund | 5,061 | (1,494) | (5,489) | 4,967 | (2,742) | (1,117) |
| Jiang Fundo de Investimento Multimercado C PIE | 7,108 | 61,835 | | 7,108 | 61,835 | |
| Haitan Fund | (25,885) | (80,106) | | (7,391) | (61,611) | |
| Earnings from investments funds | 5,800 | 5,794 | | 5,800 | 5,794 | |
| Jiang Fundo de Investimento Multimercado C PIE | 5,800 | 5,794 | | 5,800 | 5,794 | |
| Open market funding | (25,159) | (69,675) | (37,615) | (24,946) | (69,461) | (36,673) |
| Expenses from investments funds | (3,636) | (32,334) | (2,729) | (3,636) | (32,334) | (2,729) |
| The Southern Atlantic Investments Ltd | (3,636) | (32,334) | (2,341) | (3,636) | (32,334) | (2,341) |
| Repurchase agreements - Debentures expenses | (554) | (787) | (738) | (555) | (787) | (738) |
| Bocom Brazil Holding Company Ltda | (4) | (4) | | (4) | (4) | |
| Other related individuals/legal entities | (550) | (783) | (738) | (550) | (783) | (738) |
| Interbank deposits expenses | (214) | (188) | (1,360) | | 26 | (418) |
| BOCOM BBM CCVM S.A. | (214) | (214) | (942) | | | |
| BBM Administração de Recursos DTVM S.A. | | 26 | (418) | | 26 | (418) |
| Time deposits expenses | (10,772) | (18,787) | (7,420) | (10,772) | (18,787) | (7,420) |
| Évora S.A. | (94) | (10) | (278) | (94) | (10) | (278) |
| Bahia Fund | | | (5,133) | | | (5,133) |
| Bocom Brazil Holding Company Ltda | (775) | (976) | | (775) | (976) | |
| Bahia Holding S.A. | (2,218) | (5,547) | | (2,218) | (5,547) | |
| Bank of Communications Co., Ltd. | (6,108) | (10,677) | (2,009) | (6,108) | (10,677) | (2,009) |
| Other related individuals/legal entities | (1,577) | (1,577) | | (1,577) | (1,577) | |
| Financial Bills expenses | | | (82) | | | (82) |
| Other related individuals/legal entities | | | (82) | | | (82) |
| Agriculture credit bills expenses | (8,106) | (14,657) | (22,823) | (8,106) | (14,657) | (22,823) |
| Other related individuals/legal entities | (8,106) | (14,657) | (22,823) | (8,106) | (14,657) | (22,823) |
| Real estate credit bills expenses | (1,877) | (2,923) | (2,463) | (1,877) | (2,923) | (2,463) |
| Other related individuals/legal entities | (1,877) | (2,923) | (2,463) | (1,877) | (2,923) | (2,463) |
| Loans expenses abroad | (15,780) | (76,259) | (27,963) | (15,780) | (76,259) | (27,963) |
| Bank of Communications Co., Ltd. | (15,780) | (76,259) | (27,963) | (15,780) | (76,259) | (27,963) |
| Expenses with banks abroad | (2,352) | (3,524) | (1,252) | (2,238) | (3,195) | (1,252) |
| BBM Bank Limited | (2,688) | (3,860) | (1,175) | (2,574) | (3,531) | (1,175) |
| BBM Nassau Branch | 336 | 336 | (77) | 336 | 336 | (77) |
| Other administrative expenses | (39) | (73) | (63) | (21) | (30) | |
| Services provisions | (39) | (73) | (63) | (21) | (30) | |
| BBM Bank Limited | (39) | (73) | (63) | (21) | (30) | |
| Other operating income | 572 | 1,134 | 933 | 265 | 440 | 207 |
| BBM Bank Limited | 350 | 662 | 576 | 118 | 118 | |
| BOCOM BBM CCVM S.A. | 75 | 150 | 150 | | | |
| Bahia Fund | 147 | 322 | 207 | 147 | 322 | 207 |
| Income from securities abroad | | | 91 | | | |
| Key management compensation | (6,086) | (12,880) | (9,677) | (6,086) | (12,880) | (9,677) |
| Expenses with dividends and bonuses payable | (19,766) | (38,730) | (40,728) | (19,766) | (38,730) | (40,728) |
| Interest on capital credited to shareholders | (19,766) | (38,730) | (40,728) | (19,766) | (38,730) | (40,728) |
| Total | (72,017) | (203,325) | (117,013) | (57,465) | (137,784) | (122,130) |

The transactions between related-parties were carried out at the average rates practiced by the market, effective on the transactions dates.

Notes to the financial statements

20. Related-parties Significant Transactions (Continued)

b) Key Management Compensation

The total compensation will be calculated as follows:

I) Fixed and variable compensation

The total compensation of the Participants will be comprised of fixed and variable part. The variable compensation of the Participants will be paid as follows:

- (a) The amount equivalent to, at most, 50% (fifty percent) of the variable compensation will be paid in cash, immediately available for the Participant ("Short-term compensation"); and
- (b) The amount equivalent to, at least, 50% (fifty percent) of the variable compensation will be deferred for payment within 3 (three) years, considering the provisions below ("Deferred Compensation" together with "Short-term Compensation" and "Variable Compensation");

The minimum and maximum amounts of the Variable Compensation of the Participants will be fixed by the Administrative Council of Banco Bocom BBM.

II) Deferred compensation

The payment of the deferred Compensation will be carried out on a scaled basis, every six months, in shares proportional to the deferral period ("Deferred Compensation Shares"), and all the deferred shares should be updated by the ROE of the Banco Bocom BBM.

ROE, is the profit for the period before tax divided by the Equity at the beginning of the period.

| | Em R\$ Mil | | | |
|-------------------------------------------------------|---------------|---------------|--------------------------|---------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 31/12/2017 | 12/31/2018 | 31/12/2017 |
| Liabilities | | | | |
| Statutory | 14,329 | 10,175 | 14,329 | 10,175 |
| Management Variable Compensation - Short Term | 5,103 | 3,878 | 5,103 | 3,878 |
| Deferred Management Variable Compensation - Long Term | 9,226 | 6,297 | 9,226 | 6,297 |

| | Em R\$ Mil | | | | | |
|-----------------------|---------------------|-----------------|-----------------|--------------------------|-----------------|-----------------|
| | Bank | | | Operational Consolidated | | |
| | Second Half of 2018 | 12/31/2018 | 31/12/2017 | Second Half of 2018 | 12/31/2018 | 31/12/2017 |
| Result | | | | | | |
| Total | (11,287) | (22,911) | (18,489) | (11,287) | (22,911) | (18,489) |
| Fixed compensation | (5,201) | (10,031) | (8,812) | (5,201) | (10,031) | (8,812) |
| Variable compensation | (6,086) | (12,880) | (9,677) | (6,086) | (12,880) | (9,677) |

Notes to the financial statements

21. Derivative financial instruments

The Bank and the other institutions of the Operational Consolidated participate in transactions involving derivative financial instruments to meet their own needs as well as on behalf of their clients.

Derivative financial instruments are classified according to management's intent at the inception of the transaction, taking into consideration whether or not the purpose is to hedge risks.

In accordance with BACEN Circular Letter No. 3,082, the derivative financial instruments assigned to offset, in whole or in part, exposure to risks from assets, liabilities, commitments or projected future transactions (hedged items), since they are considered effective in reducing the risk associated with the exposure to be hedged, are classified according to their nature:

These transactions are traded, recorded or held on B3. In the Operational Consolidated, international derivatives transactions are traded and recorded in the OTC market, at the Chicago Board of Trade (CBOT) or Chicago Mercantile Exchange (CME).

The criteria used to calculate the market values of the derivative financial instruments are:

- Futures: value of daily adjustments to the transactions;
- Swap and term transactions: Cash flow is estimated for each part discounted to present value according to the corresponding interest rate curves, obtained based on B3 prices or on the assets' prices;
- Options: average trading price on the calculation date or, when not available, estimated price based on pricing models, such as Black & Scholes.

At December 31, 2018, the guarantees for the transactions involving derivative financial instruments are represented mainly by government securities in the total amount of R\$ 170,976 thousand (December 31, 2017 - R\$ 166,400 thousand) and fund quotas in the total amount of R\$ 9,033 thousand (December 31, 2017 - R\$ 9,000 thousand).

Notes to the financial statements

a.) Recorded in offsetting and equity accounts

The commitments arising from these financial instruments, recorded in offsetting accounts, on December 31, 2018, within maturity up to January 2023 (December 31, 2017 - up to January 2025) are as follows:

| In R\$ thousand | | | | | | | | | | | | |
|--------------------------------------|--------------------|---------------------|------------------|----------------|------------------|--------------------------|--------------------|---------------------|------------------|----------------|------------------|------------------|
| Bank | | | | | | Operational Consolidated | | | | | | |
| 12/31/2018 | | | | | 12/31/2017 | 12/31/2018 | | | | | 12/31/2017 | |
| Up to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Total | Total | Up to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Total | Total | Total |
| Future Market | | | | | | | | | | | | |
| Purchased position | | | | | | | | | | | | |
| Foreign exchange coupon | 1,329,379 | 5,743 | 65,994 | 649,490 | 2,050,607 | 1,090,560 | 1,329,379 | 5,743 | 65,994 | 649,490 | 2,050,607 | 1,090,560 |
| Interest rate | 27,486 | 985 | 16,285 | 355,682 | 400,438 | 258,905 | 27,486 | 985 | 16,285 | 355,682 | 400,438 | 258,905 |
| Foreign currency | 678,752 | | | | 678,752 | 306,701 | 678,752 | | | | 678,752 | 306,701 |
| IPCA | | | 18,673 | 18,673 | 16,880 | | | | 18,673 | 18,673 | 16,880 | |
| Sold position | | | | | | | | | | | | |
| Foreign exchange coupon | 1,923 | 1,918 | 167,761 | 686,113 | 857,716 | 466,809 | 1,923 | 1,918 | 167,761 | 686,113 | 857,716 | 466,809 |
| Interest rate | 74,970 | 51,626 | 47,657 | 123,053 | 297,305 | 120,557 | 74,970 | 51,626 | 47,657 | 123,053 | 297,305 | 120,557 |
| Foreign currency | 445,700 | | | | 445,700 | 240,792 | 445,700 | | | | 445,700 | 240,792 |
| IPCA | | 208,695 | 38,929 | 247,624 | 398,035 | | 208,695 | | 38,929 | 247,624 | 398,035 | |
| Non-deliverable forward - NDF | | | | | | | | | | | | |
| Asset position | | | | | | | | | | | | |
| Currency | 138,331 | 17,348 | 9,316 | | 164,996 | 7,936 | 719,926 | 17,348 | 64,082 | | 801,357 | 8,687 |
| Liability position | | | | | | | | | | | | |
| Currency | 220,937 | | 11,656 | | 232,593 | 754 | 731,236 | | 50,405 | | 781,640 | 843 |
| Swaps | | | | | | | | | | | | |
| Asset position | | | | | | | | | | | | |
| Interest rate | | | 187,692 | 480,826 | 668,518 | 6,020 | | | 187,692 | 480,826 | 668,518 | 6,020 |
| Liability position | | | | | | | | | | | | |
| Interest rate | 40,518 | 21,900 | 424,110 | 294,224 | 780,752 | 15,384 | 40,518 | 21,900 | 424,110 | 294,224 | 780,752 | 15,384 |

Notes to the financial statements

b.) At cost and market value

| In R\$ thousand | | | | | | |
|--------------------------------------|--------|----------------|--------------------|---------------------|------------------|------------------|
| Bank | | | | | | |
| 12/31/2018 | | | | | | 12/31/2017 |
| Cost | Market | Up to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Total |
| Future market | | | | | | |
| Purchased position | 7,824 | 7,824 | 7,824 | | | 1,673,046 |
| Sold position | | | | | | 1,226,193 |
| Swaps | | | | | | |
| Asset position | 11,527 | 15,807 | 0 | 4,857 | 10,950 | 6,020 |
| Liability position | 52,636 | 59,900 | 13,921 | 657 | 4,321 | 15,384 |
| Non-deliverable forward - NDF | | | | | | |
| Asset position | 3,762 | 4,897 | 3,260 | 285 | 1,352 | 7,936 |
| Liability position | 2,651 | 2,457 | 1,517 | | 940 | 754 |

| In R\$ thousand | | | | | | |
|--------------------------------------|---------|----------------|--------------------|---------------------|------------------|------------------|
| Operational Consolidated | | | | | | |
| 12/31/2018 | | | | | | 12/31/2017 |
| Cost | Market | Up to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Total |
| Future market | | | | | | |
| Purchased position | 7,824 | 7,824 | 7,824 | | | 1,673,046 |
| Sold position | | | | | | 1,226,193 |
| Swaps | | | | | | |
| Asset position | 224,257 | 228,537 | 123,194 | 28,519 | 4,857 | 6,020 |
| Liability position | 52,636 | 59,900 | 13,921 | 657 | 4,321 | 15,384 |
| Non-deliverable forward - NDF | | | | | | |
| Asset position | 4,733 | 5,868 | 3,269 | 285 | 2,314 | 8,687 |
| Liability position | 7,377 | 7,184 | 4,960 | | 2,224 | 843 |

Notes to the financial statements

c.) Notional value per counterparty

| In R\$ thousand | | | | | | | |
|--------------------------------------|-----------------|----------------|-----------------|-------------------------|-------------|------------------|------------------|
| Bank | | | | | | | |
| 12/31/2018 | | | | | | | 12/31/2017 |
| Financial Institutions | Related-parties | Legal entities | Stock exchanges | Institutional customers | Individuals | Total | Total |
| Future market | | | | | | | |
| Purchased position | | | 3,148,470 | | | 3,148,470 | 1,673,046 |
| Sold position | | | 1,848,345 | | | 1,848,345 | 1,226,193 |
| Swaps | | | | | | | |
| Asset position | | 668,518 | | | | 668,518 | 6,020 |
| Liability position | | 780,752 | | | | 780,752 | 15,384 |
| Non-deliverable forward - NDF | | | | | | | |
| Asset position | 103,070 | 57,268 | | | 4,658 | 164,996 | 7,936 |
| Liability position | 103,070 | 129,272 | | | 251 | 232,593 | 754 |

| In R\$ thousand | | | | | | | |
|--------------------------------------|-----------------|----------------|-----------------|-------------------------|-------------|------------------|------------------|
| Operational Consolidated | | | | | | | |
| 12/31/2018 | | | | | | | 12/31/2017 |
| Financial Institutions | Related-parties | Legal entities | Stock exchanges | Institutional customers | Individuals | Total | Total |
| Future market | | | | | | | |
| Purchased position | | | 3,148,470 | | | 3,148,470 | 1,673,046 |
| Sold position | | | 1,848,345 | | | 1,848,345 | 1,226,193 |
| Swaps | | | | | | | |
| Asset position | | 668,518 | | | | 668,518 | 6,020 |
| Liability position | | 780,752 | | | | 780,752 | 15,384 |
| Non-deliverable forward - NDF | | | | | | | |
| Asset position | 589,397 | 103,070 | 104,231 | | 4,658 | 801,356 | 8,687 |
| Liability position | 396,768 | 255,349 | 129,272 | | 251 | 781,640 | 843 |

Notes to the financial statements

21. Derivative financial instruments (Continued)

The futures market includes the following positions maturing on the first business day of the subsequent month:

- Purchased foreign exchange coupon contracts (DDI) in the amount of R\$ 2,050,607 thousand (December 31, 2017 – purchased foreign exchange coupon (DDI) in the amount of R\$ 180,356 thousand);
- Sold foreign exchange coupon contracts (DDI) in the amount of R\$ 857,716 thousand (December 31, 2017 – sold foreign exchange coupon (DDI) in the amount of R\$ 0 thousand);
- Purchased interest contracts (DI1) in the amount of R\$ 394,038 thousand (December 31, 2017 – R\$ 4,498 thousand);
- Sold interest contracts (DI1) in the amount of R\$ 297,305 thousand (December 31, 2017 – R\$ 39,979 thousand);
- Purchased currency contracts (DOL) in the amount of R\$ 678,752 thousand (December 31, 2017 – Purchased currency contracts (DOL) in the amount of R\$ 1,654 thousand);
- Sold currency contracts (DOL) in the amount of R\$ 445,700 thousand (December 31, 2017 – Sold currency contracts (DOL) in the amount of R\$ 182,767 thousand);
- Purchased currency contracts (DAP) in the amount of R\$ 18,673 thousand (December 31, 2017 – R\$ 0 thousand);
- Sold currency contracts (DAP) in the amount of R\$ 247,624 thousand (December 31, 2017 – R\$ 0 thousand).

Net gains (losses) on derivative financial instruments are as follows:

| | In R\$ thousand | | | | | |
|--------------------------|---------------------|---------------|-----------------|--------------------------|---------------|----------------|
| | Bank | | | Operational Consolidated | | |
| | Second half of 2018 | 12/31/2018 | 12/31/2017 | Second half of 2018 | 12/31/2018 | 12/31/2017 |
| Futures contracts | 14,555 | 47,318 | 1,837,432 | 14,555 | 47,318 | 1,837,469 |
| Option contracts | (133) | (31) | (1,852,996) | (133) | (31) | (1,852,996) |
| Swap and term agreements | 17,556 | 16,971 | 5,355 | 24,167 | 29,069 | 13,782 |
| Total | 31,978 | 64,258 | (10,208) | 38,589 | 76,356 | (1,745) |

Notes to the financial statements

21. Derivative Financial Instruments (Continued)

d.) Hedge Accounting

Fundraising hedge (I)

At September 30, 2014, Banco BBM made a loan transaction to provide long term funding for use in transactions with agribusiness customers, structured by three counterparties, one of which is responsible for 50% of the funds provided, and the other two for 25% each, maturing in 2019 (for two of them, of 50% and 25%) and 2017 (the remaining 25%), amounting to US\$ 100,000 thousand payable subject to half-yearly post-fixed interest at six-month LIBOR plus 2.70% p.a. and six-month LIBOR plus 2.40% p.a., respectively. Furthermore, in addition to the half-yearly payments, 1% commission is payable on the total notional value plus an annual fee of US\$ 35 thousand.

This loan allowed Banco BOCOM BBM to have a disbursement option until March 2016 and, based on the transaction structure, the first withdrawal, of US\$ 10,000 thousand, took place on December 30, 2014 and the second, of US\$ 90,000 thousand, occurred on August 18, 2015. Up to this date, Banco BOCOM BBM has entered into a cash flow hedge transaction against the risks arising from exposure to variable interest rates and future cash flow, for this purpose, a swap transaction was entered into, receiving the variable interest rate of the transaction and paying a fixed interest rate, both levied on the amount of the principal of the transaction denominated in US Dollars. This results in a fixed cash flow in US Dollars. In order to peg this cash flow to the CDI, a series of foreign exchange coupon transactions were performed with B3, in accordance with the maturities and exposures of the respective agreements, all designated as hedges. The cash outlays were in US Dollars and, upon cash receipt, a market risk hedge was contracted, designating derivative financial instruments entirely for hedging purposes, considering the foreign exchange exposure risk as well as the market funding conditions prevailing abroad. With a view to equalizing the effects of the marking-to-market of derivative financial instruments designated as hedges, the amount of the hedge principal, plus interest due, is stated at fair value and also marked to market.

Due to the fact that the hedge object flows, and hedge derivatives results are gathered, the effectiveness of the transaction remained close to 101.07% on December 2017. In 2018, management decided to discontinue this hedge.

Fundraising Hedge (II)

During the 3rd quarter of 2017, Banco BOCOM BBM entered into loan contracts in US dollars with the Bank of Communications Shanghai Branch, in order to provide funding. On September 6, 2017, in the amount of USD 35,000 thousand, with payment of interest fixed in 2.05% p.a. On September 11, 2017, in the amount of USD 35,000 thousand, with payment of interest fixed in 2.05% p.a. On September 18, 2017, in the amount of USD 30,000 thousand, with payment of interest fixed in 2.06% p.a.

In order to peg this cash flows to the CDI, a series of foreign exchange coupon transactions were performed with BM&F, in accordance with the maturities and exposures of the available FRC contracts and the maturity of the operations. The cash outlays were in US Dollars and, upon cash receipt, a market risk hedge was contracted, designating a derivative financial instruments portfolio, comprised of DDI, DOL and ED contracts for total hedge, considering the foreign exchange exposure and interest rates risks. With a view to equalizing the effects of the marking-to-market of derivative financial instruments designated as hedges, the amount of the hedge principal, plus interest due, is stated at fair value and also marked to market.

Due to the fact that the hedge object flows and hedge derivatives results are gathered, the effectiveness of the transaction remained close to 106.10%.

Notes to the financial statements

21. Derivative Financial Instruments (Continued)

Fundraising Hedge (III)

In June 2017, Banco BOCOM BBM designated a derivative financial instruments portfolio constituted by DI1 and DAP contracts in order to peg to CDI a portion of its fundraising portfolio indexed to the IPCA. With a view to equalizing the effects of the marking-to-market of derivative financial instruments designated as hedges, the amount of the fundraisings indexed to IPCA is stated at fair value and also marked to market.

Due to the fact that the hedge object flows and hedge derivatives results are gathered, the effectiveness of the transaction remained close to 109.53%.

Loan Transactions Hedge

In August 2017, Banco BOCOM BBM designated a derivative financial instruments portfolio constituted by future contracts in U.S. Dollar and Euro in order to hedge the U.S. Dollar short term interest rate variations. In order to equalize the effects of the marking to market of the derivative financial instruments assigned as hedge, the amount of USD 29,761 thousand from the loan transaction released in August 2017 by Banco BOCOM BBM Nassau Branch, with interest rate fixed in 4.28% p.a., is stated at fair value and also marked to market.

Due to the fact that the hedge object flows and hedge derivatives results are gathered, the effectiveness of the transaction remained close to 103.81%.

In November 2018, Banco BOCOM BBM designated a derivative financial instruments portfolio constituted by future contracts in U.S. Dollar and Euro in order to hedge the U.S. Dollar short term interest rate variations. In order to equalize the effects of the marking to market of the derivative financial instruments assigned as hedge, the amount of USD 32,500 thousand from the loan transaction released in August 2017 by Banco BOCOM BBM Nassau Branch, with interest rate fixed in 5.00% p.a., is stated at fair value and also marked to market.

Due to the fact that the hedge object flows and hedge derivatives results are gathered, the effectiveness of the transaction remained close to 89.71%.

Investment Hedge Abroad

In September 2016, CMN edited the Resolution No. 4,524, establishing the criteria to record the transactions with financial instruments contracted in order to mitigate the risks associated to the foreign exchange exposure of the investments abroad.

In January 2017, Banco BOCOM BBM assigned a derivative financial instruments portfolio constituted by DI1 and DOL contracts, with the purpose of hedging the foreign exchange rate risk of its investment abroad in the amount of USD 5,000,000, which is consolidated in the Operational Consolidated.

Due to the fact that the hedge object flows and hedge derivatives results are gathered, the effectiveness of the transaction remained close to 100%.

Notes to the financial statements

22. Risks Management

Market Risk

Banco BOCOM BBM was a pioneer in terms of quantifying market risk in Brazil, and developed a proprietary system in 1997 which became a benchmark for the industry. The market risk management structure includes the following: a) the Executive Board, responsible for reviewing risk management policies and proposing risk management operating limits, submitting these for the approval of the Board of Directors at least once a year; b) the Board of Directors, which approves the risk policies and limits at least once a year; c) the Market Risk area, subordinated to the Risk Officer, is responsible for identifying, measuring, monitoring and reporting online to the Executive Board the Bank's market risk, ensuring compliance with the market risk management policy, as well as guaranteeing that operational limits are observed; d) the Price department, which among other duties is responsible for defining the price models and sources used in mark-to-market adjustments of traded products, independently of management departments; e) Internal Audit, which is responsible for ensuring the adequacy of procedures and the consistency between market risk management policies and the structure actually implemented.

The market risk is monitored through daily calculations of the Value at Risk (VaR), a statistical tool that measures the institution's maximum potential loss at a given confidence level over a given investment horizon. A VaR limit is established, which may be allocated by the Chief Treasury Officer among the various risk factors. The VaR calculation model is submitted to periodical back testing. Furthermore, scenarios are analyzed daily, and these scenarios are quarterly defined by the Risk Committee, independently of the management departments. A full description of the Bank's market risk management structure is available on Banco BOCOM BBM's website (www.bancobocombbm.com.br).

*VaR = Maximum potential risk, given the level of reliability and the investment scenario. For Banco BBM, the limit is established based on a 95% likelihood of loss at a maximum of 2% of equity in 1 day.

Liquidity Risk

Banco BOCOM BBM's liquidity target is to ensure that at any given time the Bank has sufficient cash to meet all its liabilities and other commitments. It is the responsibility of the Liquidity Risk area to monitor whether there is a sufficient free cash position to guarantee the continuity of the bank's operations in a severe stress scenario, following the limits and guidelines defined by the Risk Committee and approved by the Board of Directors.

Liquidity risk is managed based on cash flow forecasts, considering different scenarios for funding, loan and treasury operations. These cash flow analyses take into consideration: (a) the implicit risk of each client, (b) possible additional cash for compulsory deposits, (c) derivative adjustments; and (d) other existing obligations. The general principle is to ensure that the Bank's commitments are aligned with its equity and the current policies for fundraising, credit and treasury.

Banco BOCOM BBM has a liquidity risk management structure comprised of the following agents, with their respective assignments: a) Liquidity Risk area, subordinated to the Risk Director, which is responsible for centralizing and measuring the information referring to liquidity risk management, ensuring that operational limits are observed and disclosing reports to support decision making on liquidity risk; b) Internal Audit, which is responsible for ensuring the adequacy of the procedures and the consistency between the liquidity risk management policies and the effectively implemented structure. A full description of the Bank's liquidity risk management structure is available on the website of Banco BOCOM BBM (www.bocombbm.com.br).

Notes to the financial statements

22. Risks Management (Continued)

| | In R\$ thousand | | | |
|--------------------------------------------------------------------------------|------------------|------------------|--------------------------|------------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Current assets | 3,507,057 | 2,349,461 | 3,545,413 | 2,373,140 |
| Current liabilities | (3,995,439) | (2,749,655) | (3,881,873) | (2,696,601) |
| Working capital, net | (488,383) | (400,194) | (336,459) | (323,461) |
| Short term securities available for sale presented in long-term receivables | 637,810 | 710,286 | 637,810 | 710,286 |
| | 149,427 | 310,093 | 301,351 | 386,826 |

Credit Risk

Banco BOCOM BBM has a credit risk management structure comprised of the following elements and respective duties: a) the Credit Committee, responsible for defining credit limits of the economic groups and for monitoring and evaluating the consolidated portfolio position, its concentration and risk level. It is also responsible for establishing the terms for solving default on credit operations or with a certain level of deterioration of the guarantees and deciding whether or not to initiate judicial collection proceedings, as applicable; b) Board of Directors, responsible for approving the risk policies and limits, at least once a year; c) Credit Risk area, subordinated to the Risk Director, is responsible for centralizing and evaluating information related to the individual and consolidated credit risk management, per operation, ensuring that operating limits are complied with, disclosing reports facilitating decision making related to credit limits approved by the Credit Committee. It is also the responsibility of the risk area to previously evaluate new operational genres related to credit risk; d) Credit Analysis area, responsible for assessing the credit risk of economic groups with which the Bank maintains or intends to maintain credit relationships; e) Internal Audit, which carries out periodic audits of the business units and of the Credit processes of the Group; f) Legal Department, responsible for analyzing the contracts entered into by Banco BOCOM BBM and its clients, as well as coordinating measures to recover credits or protect the Bank's rights; and g) Contracts Department, responsible for checking the adherence of operations to the parameters established in the Credit Limit Proposal ("PLC"), as well as the making of adequate guarantees. It is also responsible for issuing contracts to be entered into by Banco BOCOM BBM and the client. A full description of the credit risk management structure is available on the website of Banco BOCOM BBM (www.bocombbm.com.br).

Notes to the financial statements

22. Risks Management (Continued)

Operational Risk

Banco BOCOM BBM has implemented an operational risk management structure based on market best practices and in compliance with the regulatory requirements in force. The structure is documented in the internal manual "Policy on Operational Risk Management" which defines the methodology, management process, roles and responsibilities, categories, information storage and documentation procedures, and also the disclosure process in order to ensure the transparency of management activities.

The Operational Risk Department is an independent organizational unit segregated from the Internal Audit department, subordinated to the Chief Internal Control, Capital and Risk Officer. This area is responsible for working with the other components of the operational risk structure to ensure the compliance with the guidelines established by the mentioned Policy. A full description of the operational risk management structure is available on the website of Banco BOCOM BBM (www.bocombbm.com.br).

Capital Management

Banco BOCOM BBM manages its capital through a structure composed of the following bodies: Board of Directors, Executive

Board, Internal Control, Capital and Risk Board, Treasury Board, Fund Raising Board, Back Office, Business Units and Audit Board. The Board of Directors is the highest body within this structure, in charge of monitoring the capital adequacy. The Executive Board must review the documents to be submitted to the Board of Directors, as well as approving the methodologies to be used for the management and monitoring of the capital adequacy. Capital management and centralization is the responsibility of the Capital and Risk Board, which must continuously work to improve and oversee the institution's compliance with the capital management policy and its capital plan. The Treasury and Fundraising Boards are responsible for planning the issuance of equity instrument, if necessary. The capital management department periodically generates reports on the capital adequacy, which are sent to the Executive Board and the Board of Directors.

These reports comprise simulations of severe events and extreme market conditions. The Business Units must provide all information that the Internal Control, Capital and Risk Board deems necessary for effective capital management. The Audit department is responsible for evaluating, from time to time, the effectiveness of the capital management process. The description of the capital management structure is available on the website of Banco BOCOM BBM (www.bocombbm.com.br).

Notes to the financial statements

23. Operating Limits

In October 2013, the new rules related to capital measurement became effective. The financial institutions and similar entities have to maintain minimum equity of 8.625% of their assets, weighted by grades of risk to expositions in gold, foreign exchange and operations subject to the operating risk and to the variations in: foreign exchange, interest rate, price of commodities and price of shares classified as held in portfolio for trade, according to BACEN's rules and instructions. The Operational Consolidated of Banco BOCOM BBM is within this operational limit on December 31, 2018.

| | In R\$ thousand | |
|--------------------------------------------------------------------------------|-------------------------|----------------|
| | Prudential Conglomerate | |
| | 12/31/2018 | 12/31/2017 |
| Reference Equity Level I | 576,753 | 559,804 |
| Ajusted Equity (*) | 601,253 | 576,411 |
| Decrease in intangible / deferred assets according to CMN Resolution No. 4,192 | 24,500 | 16,606 |
| Reference Equity (PR) | 576,753 | 559,804 |
| Risk-Waighted Assets (RWA) | 344,288 | 322,429 |
| Portion referring to: | | |
| Credit risk (RWACPAD) | 304,769 | 283,835 |
| Foreign exchange risk (PCAM) | 7,563 | 968 |
| Interest rate risk (RWAMPAD) | 1,378 | 14,055 |
| Operating Risk (RWAOPAD) | 30,578 | 23,571 |
| Margin or Insufficiency Value (PR - RWA) | 232,465 | 237,375 |
| Risk Factor – 8.625% of PR | 49,745 | 51,782 |
| Basel Rate (Risk Factor / RWA) | 14.45% | 16.06% |
| RBAN | 80,255 | 72,470 |
| ACP Required | 74,845 | 87,143 |
| Reference Equity Margin + RBAN | 77,365 | 77,762 |

(*) This does not consider losses of equity valuation adjustments of cash flow hedge.

Notes to the financial statements

24. Income Tax and Social Contribution

Changes in tax credits and provision for deferred taxes on temporary differences are as follows:

| | In R\$ thousand | | | |
|----------------------------------------------|-----------------|---------------|--------------------------|---------------|
| | Bank | | Operational consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Asset credit tax: | | | | |
| Balance at January 1 | 73,363 | 76,531 | 76,036 | 78,076 |
| Constitution (Reversal) | | | | |
| - With effects in the result | (8,779) | (2,154) | (9,476) | 7,020 |
| - With effects in equity | | | | |
| (Securities held for sale) | 3,554 | (1,014) | 3,554 | (1,014) |
| - Credit assignment/ Write-off of tax debits | 226 | - | 226 | (8,046) |
| Balance at December 31 | 68,364 | 73,363 | 70,340 | 76,036 |
| Provision for deferred taxes: (*) | | | | |
| Balance at January 1 | 12,339 | 11,454 | 12,371 | 11,456 |
| Constitution (Reversal) | | | | |
| - With effects in the result | 8,644 | 970 | 8,666 | 1,002 |
| - With effects in equity | | | | |
| (Securities held for sale) | (111) | (85) | (111) | (87) |
| Balance at December 31 | 20,872 | 12,339 | 20,926 | 12,371 |

(*) The amount of provision for deferred taxes is recorded as Other tax and social security obligations.

Notes to the financial statements

24. Income Tax and Social Contribution (Continuing)

The breakdown of tax credits and provision for deferred taxes is as follows:

| | In R\$ thousand | | | |
|------------------------------------------------------------------|-----------------|---------------|--------------------------|---------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Asset Tax Credit: | | | | |
| Temporary differences (a) | | | | |
| - Provision for loan transactions | 37,171 | 42,550 | 37,171 | 42,550 |
| - Market value adjustment - marketable securities and derivative | 8,623 | 7,442 | 8,623 | 7,442 |
| - Provisions for Contingencies (Note 25a) | 3,594 | 3,334 | 3,595 | 3,334 |
| - PIS/ COFINS (Note 25b) | - | - | - | 127 |
| - Others | 7,489 | 4,846 | 7,617 | 4,846 |
| Social Contribution Negative Basis | 3,265 | 5,059 | 3,958 | 6,013 |
| Tax loss | 8,222 | 10,132 | 9,376 | 11,723 |
| Total | 68,364 | 73,363 | 70,340 | 76,036 |
| Provision for deferred taxes: | | | | |
| Temporary differences (a) | | | | |
| - Market adjustment of securities and derivatives | 6 | 116 | 61 | 116 |
| - Others | 20,866 | 12,222 | 20,866 | 12,255 |
| Total | 20,872 | 12,338 | 20,927 | 12,371 |

(a) It is expected that these tax credits will be realized up to the end of 2023 for income tax and social contribution, with a present value of R\$ 27 million and R\$ 16 million, respectively. The social contribution on the tax credits was calculated considering the new effective rate (15%).

In December 2017, Banco BOCOM BBM, Assignor, entered into a credit assignment agreement with the Assignee, BOCOM BBM Corretora de Câmbio e Valores Mobiliários S.A., arising from tax losses and negative basis regularly constituted due to tax assessment of 2013, mainly considering the accounting impact of the adhesion, by the Assignor, to the payment in installments ruled by the Law No. 12,865 of October 9, 2013 and by the PGNF/RFB Joint Ordinance No. 8 of October 18, 2013. With the Provisional Measure No. 783 of May 31, 2017 and the RFB Normative Instruction No. 1,711 of June 16, 2017, which established the Tax Regularization Special Program, to which the Assignee adhered in order to settle the tax debits through the Social Contribution negative basis.

Notes to the financial statements

24. Income Tax and Social Contribution (Continuing)

The conciliation of the expense calculated using the tax rates and the expense of income tax and social contribution accounted for in the Bank is as follows:

| | In R\$ thousand | | | |
|-------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 12/31/2018 | | 12/31/2017 | |
| | IRPJ | CSLL | IRPJ | CSLL |
| Profit before income tax and social contribution | 42,686 | 42,686 | 12,831 | 12,831 |
| Bank's net profit | 63,660 | 63,660 | 43,355 | 43,355 |
| (-) Interest on Bank's Capital | (38,730) | (38,730) | (40,728) | (40,728) |
| (-/+) Income tax and social contribution | (17,756) | (17,756) | 10,204 | 10,204 |
| Tax rate | 25% | 20% | 25% | 20% |
| Income tax and Social Contribution | | | | |
| At tax rate | (10,671) | (8,537) | (3,208) | (2,566) |
| Permanent additions | 53,744 | 40,865 | 53,617 | 43,940 |
| Non-deductible expenses | 15,394 | 2,515 | 10,391 | 714 |
| Addition on profit abroad | 38,350 | 38,350 | 43,227 | 43,227 |
| Permanent exclusions | 44,725 | 44,725 | 38,544 | 38,544 |
| Tax-free revenues | 10,648 | 10,648 | 32 | 32 |
| Equity in the result of subsidiaries | 34,077 | 34,077 | 38,511 | 38,511 |
| Temporary additions / exclusions | (26,230) | (23,301) | 30,880 | 33,326 |
| Tax basis | 25,475 | 15,524 | 58,785 | 51,554 |
| Utilization of tax loss and negative basis | (7,642) | (4,657) | (17,635) | (15,466) |
| Tax basis with usage of tax loss and negative basis | 17,832 | 10,867 | 41,149 | 36,088 |
| Income tax and social contribution (a) | (4,434) | (2,173) | (10,263) | (7,218) |
| Utilization of tax incentives and taxes abroad | 1,147 | | 663 | |
| Income tax and social contribution in the result for the year | (3,287) | (2,173) | (9,600) | (7,218) |
| DIPJ adjustment | 7 | 10 | - | - |
| Liability deferred taxes | (5,598) | (3,046) | (1,192) | 223 |
| Income tax and social contribution in the result for the year - Banco BOCOM BBM | (8,878) | (5,210) | (10,792) | (6,995) |
| Income tax and social contribution of other institutions of the Operational Consolidated | (1,008) | (823) | (20) | (12) |
| Utilization of tax incentives and taxes of subsidiaries abroad | 928 | | | |
| Income tax and social contribution in the result for the year - Operational Consolidated | (10,814) | (6,033) | (10,812) | (7,007) |

(a) In May 2015, Provisional Measure No. 675 was issued, amending the rate of Social Contribution on Net Income (CSLL) of financial institutions from 15% to 20%. According to the Provisional Measure, this rate increase became effect as from September 2015 and it remains in force up to December 2018.

Notes to the financial statements

25. Provisions and liabilities for legal obligation

The Operational Consolidated are a party to lawsuits and administrative proceedings arising from the normal course of operations, involving tax, labor and civil matters among others.

a) Breakdown of provisions

Based on information from its legal counsels and an analysis of the pending legal and civil proceedings and labor suits, considering previous experience related to the claimed amounts, management recorded a provision in an amount considered sufficient to cover the estimated losses expected in connection with ongoing litigation, as follows:

| | In R\$ thousand | | | |
|---------------------------------------------|-----------------|--------------|--------------------------|--------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Labor | 8,325 | 7,109 | 8,325 | 7,109 |
| Civil | 633 | 464 | 633 | 464 |
| Total - Provisions for contingencies | 8,958 | 7,573 | 8,958 | 7,573 |

These provisions are recorded as "Other liabilities - sundry" under Long-term liabilities. During the period ended December 31, 2018, the amount of R\$ 587 thousand was translated and the amount of R\$ 1,972 thousand of the provisions for contingencies was constituted in the Operational Consolidated.

b) Liabilities for legal obligations

Since April 2007, based on a preliminary court order contesting the constitutionality of the law that increased the PIS and COFINS tax bases, Banco BOCOM BBM S.A. and BOCOM BBM Corretora de Câmbio e Valores Mobiliários S.A. have been paying the said taxes calculated only on service revenue, recording a liability for the remaining balances until a final decision is handed down, recorded as "Other Liabilities - Sundry" under long-term liabilities, as follows:

| | In R\$ thousand | | | |
|-------------------------------------------------------------------------------|-----------------|------------|--------------------------|------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) | 26 | - | 29 | - |
| Total - Liabilities for legal obligations (*) | 26 | - | 29 | - |

Notes to the financial statements**25. Provisions and liabilities for legal obligation (Continued)****C) BM&F and Bovespa Demutualization**

In December 2013, Banco BOCOM BBM and BOCOM BBM Corretora de Câmbio e Valores Mobiliários S.A. adhered to the program of payment/payment in installments of debits before Federal Revenue Secretariat (SRF), the National Treasury General Attorney's Office (PGFN) and the Brazilian National Social Security Institute (INSS), established by the Law No. 11,941/2009, amended by Law No. 12,865/2013 ("REFIS"), in order to settle the debits discussed in administrative procedures and tax enforcements, enjoying the benefits of decrease of fine and interest related to tax assessment notices issued by the Brazilian Federal Revenue in December 2011, with the purpose of: (i) income tax and social contribution taxation on the reserve of equity securities of BM&F and Bovespa, due to demutualization of the mentioned entities and (ii) PIS and COFINS taxation on the capital gain in the sale of the mentioned securities. It is worth mentioning that only Banco BOCOM BBM adhered to the program for the purpose of PIS and COFINS taxation, remaining the discussion for the company BOCOM BBM Corretora de Câmbio e Valores Mobiliários S.A.

In August 2017, BOCOM BBM Corretora de Câmbio e Valores Mobiliários S.A. adhered to the Tax Regularization Special Program (PERT), in order to settle debits discussed in administrative procedures and tax enforcements, related to PIS and COFINS, of the demutualization of BM&F and Bovespa. It resulted in a provision of R\$ 6,783 thousand.

d) Others

On December 5, 2016, Banco BOCOM BBM S.A. was named by the Brazilian Administrative Council for Economic Defense (CADE) in an administrative proceeding investigating alleged anticompetitive practices in relation to the onshore foreign exchange market between 2008 and 2012. The Bank, together with its legal counsels, is in the process of making defense arguments.

Notes to the financial statements

26. Allowance for financial guarantees

The Allowance for doubtful in account related with financial guarantees are based on the analysis of operations according to the type of obligation provided, past experience, future expectations and management's risk assessment policy. They are reviewed periodically, as established by CMN Resolution No. 4,512/2016.

| | In R\$ thousand | | | |
|---------------------------------------------------------------|-----------------|----------------|--------------------------|----------------|
| | Bank | | Operational Consolidated | |
| | 12/31/2018 | 12/31/2017 | 12/31/2018 | 12/31/2017 |
| Guarantee | | | | |
| Linked to international trade | 3,053 | 301 | 3,053 | 301 |
| Linked to bids, auctions, service render or construction | 180,939 | 146,885 | 180,939 | 146,885 |
| Surety or guarantee in lawsuits and administrative procedures | 256,526 | 165,267 | 256,526 | 165,267 |
| Other sureties | 306,767 | 94,067 | 122,068 | 53,272 |
| Total | 747,285 | 406,520 | 562,586 | 365,725 |
| Changes in allowances for financial guarantees | | | | |
| Beginning balance | 538 | 14,611 | 538 | 14,611 |
| Constitution | 15,478 | 3,700 | 15,478 | 3,700 |
| Reversal (*) | (14,855) | (17,773) | (14,855) | (17,773) |
| Ending balance | 1,161 | 538 | 1,161 | 538 |

(*) Refers to the reclassification of the provision of external credit operations, transferred to the group of the provision for credit operations.

Notes to the financial statements

27. Other information

(a) Compensatory and settlement of obligations arrangement

Banco BOCOM BBM has a compensatory and settlement of obligations arrangement within the scope of the National Financial System, according to CMN Resolution No. 3,263/05, resulting in more guarantee to settle its debits with financial institutions with which it has this kind of arrangement. On December 31, 2018, the total assets mitigated by compensatory arrangement was of R\$ 810,442 thousand (2017 - R\$ 518,613 thousand).

(b) Result for future years

Result for future years refers mainly to the earnings of guarantees granted (Note 7(b)) and its increase in the period ended December 31, 2018 is aligned with the variation of the guarantees.

(c) Marketable Securities Portfolio

On February 2, 2018, based on the Resolution No. 3,181 of the Central Bank of Brazil, considering the positive incline of the government bonds nominal rates, mainly that the nominal rate of the NTN-F 01/2023 was 80 basis points higher than NTN-F 01/2021, that the nominal rate of the NTN-F 01/2023 was around 9.16% and that for our budget and business plan for the next years, it is important to be able to foresee and to avoid decrease in the revenues, the Executive Board of Banco BOCOM BBM unanimously approved the continuity of the increase of the nominal securities portfolio held to maturity, selling R\$ 316,003,385.10 in NTN-F 01/2021 and purchasing R\$ 316,040,126.10 in NTN-F 01/2023, which had an effect of R\$ 10,580 thousand in the result, registered in "Income from marketable securities transactions".

At the end of the period, Banco BOCOM BBM had R\$ 602,484 thousand in marketable securities classified as "held to maturity", according to Circular Letter No. 3,068/01 of Central Bank of Brazil. Banco BOCOM BBM has financial capacity and intention to hold them to maturity.

28. Subsequent events

On January 30, 2019, Banco BOCOM BBM raised R\$ 200,000 thousand through the issuance of perpetual and subordinated financial letters, with repurchase option from 5 years on (semiannual windows, upon authorization from the Central Bank of Brazil). On the issuance date, the Bank filled a request with Central Bank, applying to use the issued amount as complementary capital, in order to compose Tier I capital of the institution (request under analysis). It was a private placement within the Bank's shareholders.

* * *

Aline Gomes – Controller
CRC 087.989/0-9 "S"- BA