Audited Financial Statements

Banco ABC Brasil S.A.

June 30, 2018 and 2017
with Independent Auditor's Report

Banco ABC Brasil S.A.

Financial Statements

June 30, 2018 and 2017

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A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency and in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil

Independent auditor's report on individual and consolidated financial statements

The Shareholders and management of Banco ABC Brasil S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Banco ABC Brasil S.A. ("Bank"), identified as Bank and Consolidated, respectively, which comprise the balance sheet as at June 30, 2018, and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Banco ABC Brasil S.A. as at June 30, 2018, and its individual and consolidated financial performance and respective cash flows for the six-month period then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

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 individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) 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 opinion.

Emphasis

Restatement of amounts corresponding to June 30, 2017

As described in Note 2, income and valued added statements for the six-month period ended June 30, 2017, presented for comparison purposes, is being restated due to the adequacy of Resolution 4,524 / 16 of the Central Bank of Brazil. As part of our audit of the individual and consolidated financial statements for the six-month period ended June 30, 2018, we reviewed the adjustments to the amounts corresponding to the adjustment on June 30, 2017, described in Note 2, which in our opinion are appropriate and have been correctly made, in all material respects. Our opinion has no qualification related to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

1. Technological environment

The Bank's operations rely on the appropriate operation of the technological structure and its systems, and, therefore, we considered the technological environment as a key component in our scope. As a result, we understand that this is a key audit matter. Given the Bank's business nature and volume of transactions, our audit strategy is based on the technological environment effectiveness.

The Bank considers that the success of its activities depends on the improvement and continuous enhancement and integration of its technological platforms necessary for good performance of its operations.

Audit approach:

In the course of our audit, we engaged our technology team specialists to conduct IT general controls tests for systems considered significant in the audit context, focusing upon change management processes and logical access granting to users. We also conducted procedures in connection with the effectiveness of automatic controls, considered material, which support significant business processes and accounting records of operations.

Our tests related to design and operation of IT general controls, included automatic controls, considered as relevant in audit process, gave us support to keep the nature, time and extension planned of our substantive audit procedures.

2. Loans and allowance for loan losses

Management exercises significant judgment to set up allowance for loan losses pursuant to Central Bank of Brazil Decision No. 2682/99. As presented in Notes 7 and 8, at June 30,2018, gross balance of loans operations amounted to R$ 12,352,387 thousand, for which an allowance for loan losses was set up amounting to R$ 326,951 thousand. In 2018, the Bank recognized expenses with loan losses amounting to R$ 54,295 thousand.

We consider this a significant area due to: (i) significance of the loan transaction balance, subject to loss assessment; (ii) guarantees received for loan transactions granted, which may impact the level of the allowance to be considered; (iii) the country's economic situation and the conditions of the market where borrowers operate, (iv) management's judgment in relation to ratings determining the minimum individual level of allowance per operation, credit borrower or economic group; and (v) process for recognition of revenue from interest on loan transactions; among others.

Audit approach:

In our audit, we considered the understanding of the process established by management, and control tests related to: (i) origin of transactions; (ii) analysis and approval of credit transactions considering the established levels; (iii) rating granted per transactions; borrower or economic group; (iv) analysis of guarantees received; (v) timely update of borrower's information; (iv) recognition of revenue from interest on operations under ordinary conditions; and (vii) suspension of revenue recognition on loan transactions past due for over 59 days; among others.

Our audit procedures also included, for a sample of loan transactions, tests related to analysis of documentation supporting the level of allowances determined for sample items, recalculation of allowance for loan losses based on ratings granted, balance confirmation directly with selected borrowers through external confirmations , recalculation of outstanding balance at procedure base date, in addition to sum tests to crosscheck total from database against accounting records, and recalculation of total allowance for loan losses.

Based on the results of our audit procedures related to loans and allowance for loans losses, which are consistent with management evaluation, we consider that the criteria and assumptions adopted by management, as well as the related disclosures in notes 7 and 8 of the financial statements, are acceptable in the context of the financial statements taken as a whole.

3. Evaluation of unquoted marketable securities and derivative financial instruments

The evaluation of unquoted marketable securities and derivative financial instruments was considered an area of focus in our audit due to the complexity of the pricing process, which is substantially based on judgments and estimates made by management and the inherent uncertainty of this process.

At June 30, 2018, unquoted marketable securities amounted to R$ 2,680,591 thousand. As regards unquoted derivative financial instruments, the balance recorded amounted to R$ 321,095 thousand in assets and R$ 216,502 thousand in liabilities. Company disclosures are included in Note 5.

Audit approach:

Our audit procedures included, among others, (i) understanding the process, methodology and assumptions established by management for pricing of unquoted marketable securities and derivative financial instruments; (ii) tests of key controls, including controls related to definition and approval of assumptions to be used in pricing models and how these assumptions feed these models.

Additionally we conducted, based on sampling, the following procedures for selected operations: (i) confirmation of existence through checking of statements from custody agencies and/or agreements between the parties; (ii) with support of our specialists, we ran evaluation tests and evaluated the methodologies and assumptions used through comparison with models and independent market sources.

Based on the results of our audit procedures related to unquoted marketable securities and derivative financial instruments, which are consistent with management evaluation, we consider that the criteria and assumptions adopted by management, as well as the related disclosures in note 5 of the financial statements are acceptable in the context of the financial statements taken as a whole.

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4. Hedge Accounting

At June 30, 2018, the Bank has a hedge accounting structure to cover risks arising from foreign exchange variations of portions related to subordinated debts and obligations for transfers abroad, amounting to R$ 270,283 thousand and R$ 171,795 thousand, respectively, representing approximately 1,5% of the Bank's liabilities. This area was considered significant in our audit due to its materiality, complexity of required criteria for accounting and for involving management's assumptions and judgments for pricing of hedged items and related derivative financial instruments. The Company's disclosures on hedge accounting structure are included in Notes 2, 5, 15 and 16.

Audit approach:

Our approach included, in addition to checking the sufficiency of documentation prepared by Bank's management to meet the criteria of Central Bank of Brazil (BACEN) Circular Letter No. 3082/02, tests, based on sampling and, with our specialists' support, on hedge accounting structure, considering tests of evaluation of transactions and evaluation of assumptions and models used. We also evaluated the result of the hedge accounting structure effectiveness tests documented by management.

Based on the results of our audit procedures, which are consistent with management evaluation, we consider the hedge accounting policies acceptable to support the judgments, estimates and information disclosed in the context of the financial statements taken as a whole.

Other matters

Statement of value added

The individual and consolidated statements of value added for the six-month period ended June 30, 2018, prepared under the responsibility of Company management, of which the presentation is required by law for listed companies and presented as supplementary information for purposes of BACEN's accounting practices, were submitted to audit procedures conducted together with the audit of individual and consolidated financial statements. For the purposes of our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by CPC 09 - Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in accordance with the criteria defined in abovementioned technical pronouncement, and are consistent in relation to the overall individual and consolidated financial statements.

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

Bank's management is responsible for all this and other information included in the management's report. Our opinion on the financial statements does not included the management's report and we do not express any audit opinion on this report.

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

Management and governance's responsibility for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil (BACEN), and for such internal controls 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 individual and consolidated financial statements, management is responsible for evaluating the Bank's ability to continue as a going concern, disclosing, where applicable, any matters related to its operating continuity and use of this accounting base for preparation of financial statements, unless management intends to liquidate the Bank and its subsidiaries or ceases its operations, or there is no realistic alternative to avoid the shutdown of its operations.

Those in charge of governance are also those in charge of overseeing the preparation of the financial statements, and include the Board of Directors and the Audit Committee of the Bank and its subsidiaries.

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Auditor's responsibilities for the individual and consolidated financial statements

Our objective is to obtain reasonable assurance that the overall individual and consolidated financial statements are free from material misstatements whether due to fraud or error, and issue an audit report with our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit performed in accordance with the Brazilian and international standards on auditing will always detect existing material misstatements. Misstatements may arise from fraud or error and are considered material when, either individually or in aggregate, may impact, within a reasonable perspective, the economic decisions of users, made based the aforementioned 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 individual 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.

- Obtained 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 Company's and its subsidiaries' internal control.

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

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

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

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

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

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

São Paulo, August 2, 2018.

ERNST & YOUNG

Auditores Independentes S/S
CRC-2SP034519/O-6

Eduardo Wellichen
Accountant
CRC-1SP184050/O-6

A free translation from Portuguese into English of financial statements prepared in Brazilian currency and in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil

Banco ABC Brasil S.A.

Balance sheets
June 30, 2018 and 2017
(In thousands of reais)

		Bank		Consolidated	
Assets	**Notes**	**2018**	**2017**	**2018**	**2017**
Current assets		**23,878,289**	**19,875,740**	**24,080,340**	**20,360,104**
Cash and banks	3	33,926	20,440	33,926	20,440
Interbank investments	4	**5,558,238**	**6,041,519**	**5,558,238**	**6,041,519**
Money market investments		3,960,743	4,561,756	3,960,743	4,561,756
Interbank deposits		1,049,354	976,917	1,049,354	976,917
Foreign investments		548,141	502,846	548,141	502,846
Marketable securities and derivative instruments		**6,290,346**	**5,609,105**	**6,491,889**	**6,092,597**
Own portfolio	5.a	5,471,475	4,883,424	5,673,018	5,049,703
Linked to guarantees given	5.a	358,767	133	358,767	133
Linked to repurchase agreement	5.a	114,833	4,602	114,833	4,602
Derivative financial instruments	5.b	345,271	720,946	345,271	1,038,159
Interbank accounts	6	**34,398**	**21,946**	**34,398**	**21,946**
Unsettled payments and receipts		34,398	21,840	34,398	21,840
Reserve requirements - Central Bank Deposits		-	106	-	106
Lending operations		**6,708,739**	**6,218,534**	**6,708,739**	**6,218,534**
Loans - public sector	7	123,970	78,785	123,970	78,785
Loans - private sector	7	6,693,587	6,343,574	6,693,587	6,343,574
Allowance for loan losses	8	(108,818)	(203,825)	(108,818)	(203,825)
Other credits		**4,971,206**	**1,684,958**	**4,971,714**	**1,685,830**
Credits on guarantees honored		35,146	14,845	35,146	14,845
Foreign exchange portfolio	9	3,669,188	793,292	3,669,188	793,292
Receivables		31,844	16,680	31,844	16,680
Trading and intermediation of securities	10.a	185,329	63,581	185,329	63,581
Sundry	10.b	1,160,163	826,897	1,160,671	827,769
Allowance for losses on other credits	8	(110,464)	(30,337)	(110,464)	(30,337)
Other assets		**281,436**	**279,238**	**281,436**	**279,238**
Other assets		277,673	270,770	277,673	270,770
Prepaid expenses		3,763	8,468	3,763	8,468
Noncurrent assets		**6,794,656**	**6,141,287**	**6,794,656**	**6,141,295**
Marketable securities and derivative instruments		**2,463,008**	**1,718,992**	**2,463,008**	**1,718,992**
Own portfolio	5.a	1,132,940	1,008,373	1,132,940	1,008,373
Linked to guarantees given	5.a	598,493	519,329	598,493	519,329
Linked to repurchase agreement	5.a	285,554	-	285,554	-
Derivative financial instruments	5.b	446,021	191,290	446,021	191,290
Lending operations		**4,226,215**	**4,232,494**	**4,226,215**	**4,232,494**
Loans - public sector	7	16,389	-	16,389	-
Loans - private sector	7	4,315,288	4,415,190	4,315,288	4,415,190
Allowance for loan losses	8	(105,462)	(182,696)	(105,462)	(182,696)
Other credits		**103,915**	**189,003**	**103,915**	**189,011**
Foreign exchange portfolio	9	2,065	-	2,065	-
Receivables		5,858	3,207	5,858	3,207
Sundry	10.b	98,199	242,928	98,199	242,936
Allowance for losses on other credits	8	(2,207)	(57,132)	(2,207)	(57,132)
Other assets		**1,518**	**798**	**1,518**	**798**
Prepaid expenses		1,518	798	1,518	798
Permanent assets		**247,843**	**237,129**	**48,045**	**45,962**
Investments	11	**200,412**	**191,781**	**614**	**614**
Investments in subsidiaries and affiliates - Domestic		199,798	191,167	-	-
Other investments		614	614	614	614
Fixed assets	12	**25,250**	**28,805**	**25,250**	**28,805**
Other fixed assets		53,092	51,074	53,092	51,074
Accumulated depreciation		(27,842)	(22,269)	(27,842)	(22,269)
Intangible	12	**22,181**	**16,543**	**22,181**	**16,543**
Intangible assets		52,242	40,451	52,242	40,451
Accumulated amortization		(30,061)	(23,908)	(30,061)	(23,908)
Total assets		**30,920,788**	**26,254,156**	**30,923,041**	**26,547,361**

Banco ABC Brasil S.A.

Balance sheets
June 30, 2018 and 2017
(In thousands of reais)

Liabilities and equity	Notes	Bank		Consolidated	
		2018	2017	2018	2017
Current liabilities		**20,407,463**	**15,706,722**	**20,409,716**	**15,999,927**
Deposits	13	**5,206,613**	**5,718,740**	**5,206,520**	**5,718,637**
Demand deposits		49,292	20,235	49,199	20,132
Interbank deposits		424,567	413,529	424,567	413,529
Time deposits		4,732,754	5,284,976	4,732,754	5,284,976
Money market funding	13	**793,400**	**27,864**	**793,400**	**27,864**
Own portifolio		401,530	4,598	401,530	4,598
Free Movement		391,870	23,266	391,870	23,266
Funds from acceptance and issue of securities	14	**4,970,811**	**3,539,829**	**4,970,811**	**3,539,829**
Real estate, mortgage, credit an similar notes		4,936,956	3,533,363	4,936,956	3,533,363
Certificates of structured finance		33,855	6,466	33,855	6,466
Interbank accounts		**11,672**	**6,137**	**11,672**	**6,137**
Obligations to participants settlement systems		11,672	6,137	11,672	6,137
Interbranch accounts		**83,121**	**50,717**	**83,121**	**50,717**
Third party funds in transit		83,121	50,717	83,121	50,717
Borrowings	15	**3,585,481**	**3,485,549**	**3,585,481**	**3,485,549**
Foreign borrowings		3,585,481	3,485,549	3,585,481	3,485,549
Onlendings in Brazil - Government agencies	15	**577,163**	**812,209**	**577,163**	**812,209**
BNDES		310,242	495,644	310,242	495,644
FINAME		149,404	186,908	149,404	186,908
Other institutions		117,517	129,657	117,517	129,657
Transfers abroad	15	**1,376,225**	**623,837**	**1,376,225**	**623,837**
Liabilities due to transfers abroad		1,376,225	623,837	1,376,225	623,837
Derivative financial instruments	5b	**275,331**	**608,815**	**275,331**	**897,903**
Derivative financial instruments		275,331	608,815	275,331	897,903
Other liabilities		**3,527,646**	**833,025**	**3,529,992**	**837,245**
Collection of taxes		2,089	3,052	2,089	3,052
Foreign exchange portfolio	9	2,987,031	340,059	2,987,031	340,059
Social and statutory		92,808	88,434	92,808	88,434
Taxes and social security	16.a	229,405	264,330	231,724	268,521
Trading and intermediation of securities		32,053	2,417	32,053	2,417
Subordinated debts	16.b	2,652	9,531	2,652	9,531
Sundry	16.c	181,608	125,202	181,635	125,231
Noncurrent liabilities		**7,034,530**	**7,428,130**	**7,034,530**	**7,428,130**
Deposits	13	**208,081**	**436,285**	**208,081**	**436,285**
Time deposits		208,081	436,285	208,081	436,285
Funds from acceptance and issue of securities	14	**3,671,239**	**3,711,855**	**3,671,239**	**3,711,855**
Real estate, mortgage, credit an similar notes		3,670,747	3,711,468	3,670,747	3,711,468
Certificates of structured finance		492	387	492	387
Borrowings	15	**233,073**	**1,910**	**233,073**	**1,910**
Foreign borrowings		233,073	1,910	233,073	1,910
Onlendings in Brazil - government agencies	15	**690,537**	**1,061,550**	**690,537**	**1,061,550**
BNDES		318,004	640,817	318,004	640,817
FINAME		347,393	415,126	347,393	415,126
Other institutions		25,140	5,607	25,140	5,607
Transfers abroad	15	**300,465**	**983,702**	**300,465**	**983,702**
Liabilities due to transfers abroad		300,465	983,702	300,465	983,702
Derivative financial instruments	5b	**330,008**	**180,951**	**330,008**	**180,951**
Derivative financial instruments		330,008	180,951	330,008	180,951
Other liabilities		**1,601,127**	**1,051,877**	**1,601,127**	**1,051,877**
Foreign exchange portfolio	9	1,977	-	1,977	-
Social and statutory		315	315	315	315
Taxes and social security	16.a	1,272	62,296	1,272	62,296
Subordinated debts	16.b	1,511,074	962,407	1,511,074	962,407
Debts instruments elegible for capital		62,471	11,777	62,471	11,777
Sundry	16.c	24,018	15,082	24,018	15,082
Deferred income		**32,834**	**28,163**	**32,834**	**28,163**
Deferred income		32,834	28,163	32,834	28,163
Shareholders' equity	26	**3,445,961**	**3,091,141**	**3,445,961**	**3,091,141**
Capital:		**2,378,511**	**2,203,244**	**2,378,511**	**2,203,244**
Brazilian residents		400,938	304,021	400,938	304,021
Foreign residents		1,977,573	1,899,223	1,977,573	1,899,223
Capital reserve		42,553	32,470	42,553	32,470
Income reserves		1,008,386	795,039	1,008,386	795,039
Equity valuation adjustment		(34,771)	7,510	(34,771)	7,510
Treasury shares		(49,907)	(37,597)	(49,907)	(37,597)
Retained earnings		101,189	90,475	101,189	90,475
Total Liabilities		**30,920,788**	**26,254,156**	**30,923,041**	**26,547,361**

See accompanying notes.

Banco ABC Brasil S.A.

Income statements
Six-month period ended June 30, 2018 and 2017
(In thousands of reais, except net income per share)

	Notes	Bank		Consolidated	
		2018	2017 (Restated)	2018	2017 (Restated)
Income from financial intermediation		**2,010,700**	**1,356,308**	**2,016,956**	**1,367,583**
Lending operations		941,642	723,503	941,642	723,503
Marketable securities		861,917	731,362	868,173	741,862
Gain or Losses on derivative financial instruments	5.b	31,805	(118,792)	31,805	(118,017)
Foreign exchange operations		175,336	20,212	175,336	20,212
Gain on financial assets sale or transfer		-	23	-	23
Expenses from financial intermediation		**(1,834,510)**	**(1,049,443)**	**(1,834,510)**	**(1,049,443)**
Funding expenses		(650,151)	(717,532)	(650,151)	(717,532)
Borrowings and onlendings		(1,128,758)	(217,008)	(1,128,758)	(217,008)
Allowance for loan losses	8	(54,294)	(114,347)	(54,294)	(114,347)
Allowance for loan losses - Exchange rate variation on credit assignment operations		(1,297)	(215)	(1,297)	(215)
Losses on financial assets sale or transfer		(10)	(341)	(10)	(341)
Gross income from financial intermediation		**176,190**	**306,865**	**182,446**	**318,140**
Other operating income (expenses)		**(13,662)**	**(18,519)**	**(17,644)**	**(25,648)**
Income from services rendered	17	169,087	152,028	169,087	152,028
Personnel expenses		(103,810)	(99,559)	(103,810)	(99,559)
Other administrative expenses	18	(55,254)	(52,379)	(55,345)	(52,569)
Taxes		(25,918)	(32,820)	(26,234)	(33,329)
Equity pick-up from subsidiaries	11	3,575	6,430	-	-
Other operating income	19	7,265	14,196	7,265	14,196
Other operating expenses	20	(8,607)	(6,415)	(8,607)	(6,415)
Operating income		**162,528**	**288,346**	**164,802**	**292,492**
Non-operating loss		**(20,284)**	**(18,187)**	**(20,284)**	**(18,187)**
Income before taxes and profit sharing		**142,244**	**270,159**	**144,518**	**274,305**
Income and social contribution taxes	21	**148,957**	**(6,581)**	**146,683**	**(10,727)**
Provision for income tax		(38,930)	(20,734)	(40,366)	(23,339)
Provision for social contribution tax		(36,876)	(21,089)	(37,712)	(22,606)
Deferred tax credits		224,763	35,242	224,761	35,218
Variable compensation		**(71,000)**	**(59,584)**	**(71,000)**	**(59,584)**
Net income for the six-month period / year		**220,201**	**203,994**	**220,201**	**203,994**
Net earnings per outstanding share - in 200,004,335 shares in 2018 (186,496,733 in 2017)		**1.10**	**1.09**		

See accompanying notes.

Banco ABC Brasil S.A.

Statements of changes in shareholders' equity
Six-month period ended June 30, 2018 and 2017
(In thousands of reais)

			Income reserves						
	Capital	Capital reserve	Legal reserve	Dividends equalization	Share buyback	Equity valuation adjustment	Retained earnings	Treasury shares	Total
Balances at December 31, 2016	**2,121,765**	**32,422**	**142,532**	**587,307**	**55,000**	**242**	**-**	**(46,050)**	**2,893,218**
Adjustment to market value - securities	-	-	-	-	-	6,051	-	-	6,051
Adjustments of foreign exchange variation of investments abroad	-	-	-	-	-	1,217	-	-	1,217
Acquisition of treasury shares	-	-	-	-	-	-	-	8,453	8,453
Capital Increase	81,479	-	-	-	-	-	-	-	81,479
Net income for the period	-	-	-	-	-	-	203,994	-	203,994
Interest on equity	-	-	-	-	-	-	(103,319)	-	(103,319)
Allocation - Legal reserve	-	-	10,200	-	-	-	(10,200)	-	-
Allocations of reserves - Management remuneration	-	48	-	-	-	-	-	-	48
Balances at June 30, 2017	**2,203,244**	**32,470**	**152,732**	**587,307**	**55,000**	**7,510**	**90,475**	**(37,597)**	**3,091,141**
Balances at December 31, 2017	**2,291,065**	**35,196**	**163,469**	**778,907**	**55,000**	**(2,510)**	**-**	**(36,795)**	**3,284,332**
Adjustment to market value - securities	-	-	-	-	-	(32,261)	-	-	(32,261)
Acquisition of treasury shares	-	-	-	-	-	-	-	(13,112)	(13,112)
Capital Increase	87,446	-	-	-	-	-	-	-	87,446
Net income for the period	-	-	-	-	-	-	220,201	-	220,201
Interest on equity	-	-	-	-	-	-	(108,002)	-	(108,002)
Allocation - Legal reserve	-	-	11,010	-	-	-	(11,010)	-	-
Allocations of reserves - Management remuneration	-	7,357	-	-	-	-	-	-	7,357
Balances at June 30, 2018	**2,378,511**	**42,553**	**174,479**	**778,907**	**55,000**	**(34,771)**	**101,189**	**(49,907)**	**3,445,961**

See accompanying notes.

Banco ABC Brasil S.A.

Statements of cash flows - Indirect method
Six-month period ended June 30, 2018 and 2017
(In thousands of reais)

	Notes	Bank		Consolidated	
		2018	2017	2018	2017
Operating activities					
Adjusted net income of the six-month period / year		**268,243**	**337,428**	**271,818**	**343,858**
Net income of the six-month period / year		220,201	203,994	220,201	203,994
Adjustment to net income:		**48,042**	**133,434**	**51,617**	**139,864**
Depreciation and amortization		5,987	5,268	5,987	5,268
Equity pick-up from subsidiaries		(3,575)	(6,430)	-	-
Income (loss) on disposal of assets not used in banking operations		6,976	14,763	6,976	14,763
Gain (loss) on disposal of fixed assets and intangible		-	(8)	-	(8)
Provision for impairment of assets not of own use		14,785	3,786	14,785	3,786
Allowance for loan losses		55,591	114,562	55,591	114,562
Provision for contingent liabilities and legal liabilities		539	(5,775)	539	(5,775)
Mark-to-market - Adjustment marketable securities		(32,261)	7,268	(32,261)	7,268
Changes in assets and liabilities		**(1,008,581)**	**(1,569,544)**	**(1,012,160)**	**(1,576,127)**
Interbank investments		184,149	(634,718)	184,149	(634,718)
Marketable securities and derivative financial instruments		(869,257)	74,780	(869,593)	70,928
Lending operations		(519,007)	(413,121)	(519,007)	(413,121)
Other credits and other assets		(1,649,325)	(36,518)	(1,647,569)	(34,574)
Interbank accounts		(22,726)	(14,421)	(22,726)	(14,421)
Interbranch accounts		54,674	38,954	54,674	38,954
Other liabilities		1,812,712	(578,589)	1,807,713	(583,264)
Deferred income		199	(5,911)	199	(5,911)
Cash flow (used in) / provided by operating activities		**(740,338)**	**(1,232,116)**	**(740,342)**	**(1,232,269)**
Investments activities					
Acquisition of fixed assets and intangible		(4,867)	(3,579)	(4,867)	(3,579)
Acquisition of assets not used in banking operations		(23,053)	(173,509)	(23,053)	(173,509)
Disposal of fixed assets for own use and intangible assets		24	1	24	1
Disposal of assets on own use		48,284	16,642	48,284	16,642
Allocations of reserves of capital		7,357	48	7,357	48
Cash (used in) / provided by investment activities		**27,745**	**(160,397)**	**27,745**	**(160,397)**
Financing activities					
Deposits		(635,647)	814,670	(635,643)	814,823
Money market funding		(638,766)	22,065	(638,766)	22,065
Borrowings and onlendings		370,505	(883,899)	370,505	(883,899)
Acceptance and issuance of securities		645,317	1,093,842	645,317	1,093,842
Treasury shares		(13,112)	8,453	(13,112)	8,453
Capital Increase		87,446	81,479	87,446	81,479
Interest on equity provisioned	26.b	(108,002)	(103,319)	(108,002)	(103,319)
Cash (used in) / provided by financing activities		**(292,259)**	**1,033,291**	**(292,255)**	**1,033,444**
Increase / (Decrease) in cash and cash equivalents		**(1,004,852)**	**(359,222)**	**(1,004,852)**	**(359,222)**
At beginning of the six-month period / year		3,037,646	4,369,169	3,037,646	4,369,169
At end of the six-month period / year		2,032,794	4,009,947	2,032,794	4,009,947
Change in cash and cash equivalents		**(1,004,852)**	**(359,222)**	**(1,004,852)**	**(359,222)**

See accompanying notes.

Banco ABC Brasil S.A.

Statements of value added
Six-month period ended June 30, 2018 and 2017
(In thousands of reais)

	Notes	Bank		Consolidated	
		2018	2017 (Restated)	2018	2017 (Restated)
Determination of Value Added					
Income		**2,131,461**	**1,407,970**	**2,137,717**	**1,419,245**
Income from financial intermediation		2,010,700	1,356,308	2,016,956	1,367,583
Income from services rendered	17	169,087	152,028	169,087	152,028
Set-up of allowance for loan losses		(55,591)	(114,562)	(55,591)	(114,562)
Other operating income	19	7,265	14,196	7,265	14,196
Expenses from financial intermediation		**(1,778,919)**	**(934,881)**	**(1,778,919)**	**(934,881)**
Assets acquired from third parties		**(71,967)**	**(65,563)**	**(72,058)**	**(65,753)**
Telecommunications and data processing	18	(7,685)	(7,340)	(7,685)	(7,340)
Services provided by third parties	18	(4,319)	(3,627)	(4,319)	(3,627)
Financial services	18	(9,621)	(8,725)	(9,633)	(8,759)
Specialized technical services	18	(6,759)	(7,014)	(6,806)	(7,049)
Travel expenses	18	(3,735)	(3,392)	(3,735)	(3,392)
Promotions and public relations	18	(407)	(910)	(407)	(910)
Other operating expenses	20	(8,607)	(6,415)	(8,607)	(6,415)
Non-operating income		(20,284)	(18,187)	(20,284)	(18,187)
Other administrative expenses	18	(10,550)	(9,953)	(10,582)	(10,074)
Gross value added		**280,575**	**407,526**	**286,740**	**418,611**
Retained values		**(5,987)**	**(5,268)**	**(5,987)**	**(5,268)**
Depreciation and amortization	18	(5,987)	(5,268)	(5,987)	(5,268)
Net value added		**274,588**	**402,258**	**280,753**	**413,343**
Added value received in transfer		**3,575**	**6,430**	**-**	**-**
Equity pick-up from subsidiaries		3,575	6,430	-	-
Total value added to be distributed		**278,163**	**408,688**	**280,753**	**413,343**
Distribution of value added		**278,163**	**408,688**	**280,753**	**413,343**
Salaries and social charges		**150,270**	**137,004**	**150,270**	**137,004**
Direct compensation		60,654	59,580	60,654	59,580
Benefits		12,306	11,209	12,306	11,209
Social Charges - FGTS		5,148	5,517	5,148	5,517
Training		1,162	1,114	1,162	1,114
Profit sharing		71,000	59,584	71,000	59,584
Taxes, charges and compulsory contributions		**(98,499)**	**61,540**	**(95,909)**	**66,195**
Federal		(107,605)	53,448	(105,015)	58,103
State		11	10	11	10
Municipal		9,095	8,082	9,095	8,082
Compensation of third party capital		**6,191**	**6,150**	**6,191**	**6,150**
Rental	18	6,191	6,150	6,191	6,150
Compensation of shareholders		**220,201**	**203,994**	**220,201**	**203,994**
Interest on equity	26.b	108,002	103,319	108,002	103,319
Retained profit		112,199	100,675	112,199	100,675

See accompanying notes.

1. Operations

The Bank is a publicly traded corporation and a subsidiary of the Arab Banking Corporation, based in Bahrain. In Brazil, the Bank is engaged in asset and liability operations inherent to multiple bank activities, being authorized to operate with commercial, foreign exchange, investment, credit and financing and housing financing portfolios.

The Bank's operations are conducted through branches in Brazil and abroad through an overseas branch located in Georgetown, Cayman Islands (Note 23).

2. Financial statements presentation, consolidation criteria and significant accounting practices

i) Financial statements presentation and consolidation criteria

The financial statements (individual and consolidated) were prepared in accordance with accounting practices adopted in Brazil, in light of accounting guidelines contained in Law No. 6,404/76 with amendments introduced by Law No. 11,638/07 and 11,941/09, and the standards and instructions of the Central Bank of Brazil (BACEN) and the Brazilian Securities and Exchange Commission (CVM). The consolidated financial statements include the financial statements of Banco ABC Brasil S.A. and those of the subsidiaries ABC Brasil Distribuidora de Títulos e Valores Mobiliários S.A. and ABC Brasil Administração e Participações Ltda., for which the direct and indirect ownership interest as of June 30, 2018, is equivalent to approximately 100%.

The financial statements were approved by the Directors on August 02, 2018.

The accounting practices adopted to record operations and assess the Bank's assets, including operations conducted by the overseas branch and its consolidated subsidiaries were consistently applied and investments, rights, obligations and profit and loss (P&L) among consolidated companies were eliminated.

In compliance with the new accounting rules arising of the Resolution No. 4,524/16, reclassifications were made to the income statement for the six-month period as of June 30, 2017, offering better presentation of this information.

	BANK			CONSOLIDATED		
	Prior Disclosure	Reclassification	Amount Reclassified	Prior Disclosure	Reclassification	Amount Reclassified
Income from financial intermediation	**1,313,049**	**43,259**	**1,356,308**	**1,324,324**	**43,259**	**1,367,583**
Lending operations	702,244	21,259	723,503	702,244	21,259	723,503
Marketable securities	710,862	20,500	731,362	721,362	20,500	741,862
Losses on derivative financial instruments	(118,869)	77	(118,792)	(118,094)	77	(118,017)
Foreign exchange operations	18,789	1,423	20,212	18,789	1,423	20,212
Expenses from financial intermediation	**(1,020,110)**	**(29,333)**	**(1,049,443)**	**(1,020,110)**	**(29,333)**	**(1,049,443)**
Funding expenses	(716,086)	(1,446)	(717,532)	(716,086)	(1,446)	(717,532)
Borrowings and onlendings	(189,121)	(27,887)	(217,008)	(189,121)	(27,887)	(217,008)
Gross income from financial intermediation	**292,939**	**13,926**	**306,865**	**304,214**	**13,926**	**318,140**
Other operating income (expenses)	**(6,405)**	**(12,114)**	**(18,519)**	**(13,534)**	**(12,114)**	**(25,648)**
Personnel expenses	(99,587)	28	(99,559)	(99,587)	28	(99,559)
Other administrative expenses	(52,414)	35	(52,379)	(52,604)	35	(52,569)
Other operating income	26,373	(12,177)	14,196	26,373	(12,177)	14,196
Operating income	**286,534**	**1,812**	**288,346**	**290,680**	**1,812**	**292,492**
Income before taxes and profit sharing	**268,347**	**1,812**	**270,159**	**272,493**	**1,812**	**274,305**
Income and social contribution taxes	**(4,769)**	**(1,812)**	**(6,581)**	**(8,915)**	**(1,812)**	**(10,727)**
Deferred tax credits	37,054	(1,812)	35,242	37,030	(1,812)	35,218

ii) Functional currency and presentation currency

The consolidated financial statements are presented in Brazilian Reais (R$), which is the functional and presentation currency of the Banco ABC Brasil S.A. and its subsidiaries, defined in accordance with Resolution No. 4,524/16 of the Central Bank of Brazil.

iii) Foreign currencies translation

The assets and liabilities of the subsidiaries are converted at the exchange rate of the Financial Statements date.

In accordance with the convergence process to international accounting standards, certain standards and interpretations were issued by Brazilian FASB (CPC), which will be applicable to financial institutions only when approved by BACEN. The accounting pronouncements already approved by BACEN are:

Resolution No. 3,566/08 - Impairment of assets;
Resolution No. 3,604/08 - Cash flow statement;
Resolution No. 3,750/09 - Related party disclosure;
Resolution No. 3,823/09 - Provisions, contingent liabilities and contingent assets;
Resolution No. 3,973/11 - Subsequent events;
Resolution No. 3,989/11 - Share-based payments;
Resolution No. 4,007/11 - Accounting policies, change in estimates and correction of errors;
Resolution No. 4,144/12 - Conceptual framework;
Resolution No. 4,424/15 - Employee benefits;
Resolution No. 4,524/16 - Effects of changes in exchange rates and translation of accounting statements;
Resolution No. 4,534/16 - Intangible assets; and
Resolution No. 4,535/16 - Fixed assets

The preparation of the financial statements (individual and consolidated) in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, require that management use assumptions and professional judgment in determining amounts and in recording of accounting estimates, such as the allowance for loan losses, deferred income tax, provision for contingencies and valuation of derivative instruments receivable and payable. Settlement of these transactions involving these estimates may result in amounts different from those estimated, due to the uncertainties related to the determination process.

Significant accounting practices are summarized as follows:

a) *Asset valuation criteria*

Interbank investments, loans and other rights, except for marketable securities and derivative financial instruments, are stated at cost of acquisition, of investment or release, plus exchange rate variation, monetary restatement and contractual interest. Allowances are recognized for adjustment to realizable value when market value is lower.

Marketable securities and derivative financial instruments are classified in accordance with management's intention to hold them in the portfolio, or their availability for sale, and are recorded as follows:

Trading securities: are acquired for the purpose of being actively and frequently traded. They are adjusted to market value with the related gain or loss recognized directly in the statements of income for the period.

Held to maturity: marketable securities for which the Bank has the intent and ability to maintain in portfolio to maturity are stated at cost, plus earnings reflected in the statements of income for the period. Permanent losses are recognized in P&L for the period.

Available for sale: marketable securities which cannot be classified as either trading securities or as held to maturity are adjusted to market value. The difference between the amounts restated by the yield curve of the security and market value is recorded under a separate account in shareholders' equity, net of tax effects, and transferred to the statements of income for the period when effectively realized.

Derivative financial instruments: marked to market against P&L for the period.

Forward operations are recorded at final contracted value, less the difference between such value and cash value of the asset or right. This difference is recognized as income or expenses based on the agreement effective terms.

Option transactions are recorded at the value of premiums paid or received through effective exercise thereof reduction restated at market value. They are then written off as a decrease or increase in asset or right cost, for the effective exercise thereof, or as income or expenses if not exercised.

Futures transactions are recorded at daily adjustment values, allocated as income or expenses.

Swap operations are recorded at the value of the receivables-payables difference, which is allocated as income or expenses.

Operations with other derivative financial instruments are recorded based on the agreement characteristics.

The allowance for loan losses is recognized at an amount considered sufficient to cover potential losses on the Bank's loan portfolio, based on past experience, assessment of delinquent accounts and collateral risks, as well as specific terms and conditions of the operations, in conformity with BACEN Resolution No. 2,682/99.

The provision for guarantees provided is based on the assessment of the losses associated with the probability of future disbursements related to the guarantees, and specific characteristics of the operations performed according to the requirements of Central Bank of Brazil Resolution No. 4,512/16. It is recorded in an amount considered sufficient to cover probable losses during the entire term of the guarantee provided. The classification of operations are consistent with the requirements applied by Resolution No. 2,682/99 of the Central Bank of Brazil.

Investments in subsidiaries are stated by the equity method in proportion to the Bank's ownership interest; other investments are stated at cost of acquisition, less provision, where applicable, to cover permanent losses.

Assets and rights, classified under fixed assets in use are stated at cost of acquisition, less depreciation, where applicable, provided under the straight line method using rates that take the useful lives of the assets into consideration.

Intangible assets are stated at cost of acquisition, less amortization, where applicable, provided under the straight-line method over the estimated useful lives of the assets, as from the date these were made available for use.

b) *Cash and cash equivalents*

Cash and cash equivalents, as established in CMN Resolution No. 3,604/08 include cash, bank deposits, short-term highly liquid investments, with insignificant risks of changes in value, with maturity less than 90 days.

c) *Liability valuation criteria*

Obligations, charges and measurable or known risks, including income taxes for the period are stated at the amounts updated through to the balance sheet date.

Foreign-currency obligations are translated into local currency at the exchange rate in force on the balance sheet date as disclosed by the Central Bank of Brazil. Liabilities subject to monetary restatement based on contractual clauses are stated at amounts updated through to the balance sheet date.

d) *Hedge Accounting*

Considering the exposure to currency risk and the conditions of loan market abroad through long-term subordinated debt instruments, the Bank has selected some derivative financial instruments to total hedge (fair value hedge) the principal amounts of loans taken out and related interest due. In order to equalize the effects of mark to market of the derivative financial instruments selected for hedge purposes to market, the principal hedged amount, plus interest due, is stated at fair value and also mark to market.

The variation in the fair value of hedge derivatives is recognized in the income statement. However, the variation in the fair value of the hedged item attributed to the hedged risk is accounted for as part of its book value, also recognized in the statement of income for the year. When a hedge instrument matures or is sold, cancelled or exercised, or when it does not meet hedge accounting requirements, the hedge strategy ends.

The objectives of this operation and the hedging strategy for such risks during the entire operation are duly documented, together with the assessment, both at the beginning of the hedge transaction and on an ongoing basis, confirming that derivative financial instruments of the hedging operations are highly effective in the offset of variations in the fair value (mark to market) of the hedged item. A hedge instrument is considered highly effective when the variation in the fair value or cash flow of the coverage risk during the hedging period reduces 80% to 125% of the risk variation.

The fair value of the derivative financial instruments used as hedge, as well as the market value of the loan subject to hedge, are disclosed in Notes 5.b, 15.b and 16.b respectively.

Other financial instruments and exposures of trading books and banking books do not follow a specific hedge accounting policy. Risks to which such portfolios are mitigated by diverse financial instruments (Note 5.b).

e) *Classification of current and noncurrent / long-term assets and liabilities*

Operating assets and liabilities with maturities or effective possibility of settlement up to one year from the balance sheet date are classified as current while those with maturity or effective possibility of settlement after this date are classified as noncurrent.

f) *Recognition of revenues and expenses*

Revenues and expenses, including income, charges, monetary or exchange variances of inflation indices or official exchange rates applicable to current and noncurrent / long-term assets and liabilities, are recognized on accrual basis. Income and expenses also include the effects of asset adjustments to market or realizable value. Interest on past-due loan installments outstanding for over 60 days is recognized only when the respective amount is received.

Deferred income and social contribution taxes on temporary differences arising from nontaxable or nondeductible income and expenses, the future additions or exclusions of which are authorized by tax legislation, are also determined on the accrual basis.

g) *Contingent assets and contingent liabilities*

The recognition, measurement and disclosure of contingent assets and liabilities, and legal liabilities take place according to the criteria described below:

- Contingent assets - are not recognized in the financial statements, except when there is evidence providing guarantee of their realization, on which further appeals can no longer be filed.

- Contingent liabilities - are recognized in the financial statements when, based on the opinion of legal advisors and the Bank's management, the risk of loss of a legal or administrative proceeding is regarded as probable, with a probable outflow of funds for settling the liabilities, and when the amounts involved may be measured with sufficient accuracy. Contingent liabilities classified by legal advisors as possible losses are only disclosed in notes, whereas those classified as remote losses do not require provision or disclosure.

h) *Impairment of non-financial assets*

An impairment loss is recognized if the book value of an asset, or its cash-generating unit, exceeds its recoverable amount. An impairment loss is recognized in profit and loss of the period.

i) *Income and Social Contribution Taxes*

Provisions for income tax and social contribution, when due, are based on accounting profit, adjusted for additions and exclusions provided for in tax legislation. Deferred income tax and social contribution are calculated on the amount of temporary differences, whenever the realization of these amounts is deemed probable.

3. Cash and cash equivalents

Cash and cash equivalent components:

	Bank and Consolidated	
	2018	**2017**
Cash and banks	**33,926**	**20,440**
Interbank investments	**1,998,868**	**3,989,507**
Foreign investments	548,141	502,846
Other investments with maturity less than 90 days	1,450,727	3,486,661
Total cash and cash equivalents	**2,032,794**	**4,009,947**

4. Interbank investments

The balance of interbank investments is composed of money market investments backed by federal government bonds with maturities up to March 2019, in the amount of R$ 3,960,743 (R$ 4,561,756 in 2017), foreign currency overnight investments in the amount of R$ 548,141 (R$ 502,846 in 2017) and investments in interbank deposits maturing by February 2019, in the amount of R$ 1,049,354 (R$ 976,917 in 2017).

5. Marketable securities and derivative financial instruments

a) Marketable securities

The classification of marketable securities at June 30, 2018 and 2017 are as follows:

	2018				2017	
	Bank		Consolidated		Bank	Consolidated
	Cost	Market	Cost	Market	Market	Market
Trading securities						
Financial Treasury Bills - “LFT”	1,234,481	1,234,253	1,436,043	1,435,796	1,181,422	1,321,795
Eurobonds	44,240	41,781	44,240	41,781	9,454	9,454
National Treasury Notes - “NTN - B”	496,728	489,663	496,728	489,663	142,553	142,553
National treasury bills - “LTN”	1,532,249	1,559,788	1,532,249	1,559,788	1,422,047	1,422,047
Bank Deposit Certificate - “CDB”	-	-	-	-	-	25,906
Debentures	10,447	10,510	10,447	10,510	22,476	22,476
Foreign government bonds	913,921	908,617	913,921	908,617	-	-
Subtotal - Trading securities	**4,232,066**	**4,244,612**	**4,433,628**	**4,446,155**	**2,777,952**	**2,944,231**
Securities available for sale (b)						
Eurobonds	8,189	8,408	8,189	8,408	7,082	7,082
National Treasury Notes - “NTN - B”	29,966	30,069	29,966	30,069	12,462	12,462
National Treasury Notes - “NTN - A”	97,131	92,543	97,131	92,543	83,713	83,713
Debentures	895,134	849,464	895,134	849,464	1,089,214	1,089,214
Promissory Notes - “NP”	358,795	358,427	358,795	358,427	390,795	390,795
Rural Product bills - “CPR”	900,694	889,448	900,694	889,448	170,519	170,519
Foreign government bonds	722,189	720,525	722,189	720,525	1,414,163	1,414,163
Financial Treasury - “LF”	25,774	25,772	25,774	25,772	-	-
Certificate of Agribusiness Receivables - “CRA”	37,270	37,266	37,270	37,266	-	-
Subtotal - Securities available for sale	**3,075,142**	**3,011,922**	**3,075,142**	**3,011,922**	**3,167,948**	**3,167,948**
Held to maturity (a)						
National Treasury Notes - “NTN - B”	51,864	51,864	51,864	51,864	-	-
National treasury bills - “LTN”	653,664	653,664	653,664	653,664	469,961	469,961
Subtotal - held to maturity	**705,528**	**705,528**	**705,528**	**705,528**	**469,961**	**469,961**
Total	**8,012,736**	**7,962,062**	**8,214,298**	**8,163,605**	**6,415,861**	**6,582,140**

(a) Securities classified as held to maturity are valued at amortized cost. If they were valued at market value, on June 30, 2018, would have positive adjustment of R$ 17,398 (positive adjustment of R$ 37,291 on June 30, 2017).

(b) The market value submitted is net of the allowance for devaluation of securities in the amount of R$ 61,121 on June 30, 2018 (R$ 117,806 in 2017).

At June 30, 2018, unrealized income on securities classified as available for sale totaled a loss of R$ 63,220 (R$ 11,441 gain in 2017), which is recorded in equity under the account "Equity valuation adjustment" net of tax effects, amounting a loss to R$ 34,771 (R$ 6,293 loss in 2017).

As of June 30, 2018, the balance of unquoted securities is R$ 2,680,591 (R$ 2,900,739 in 2017). The fair value measurements of unquoted securities are obtained through valuation techniques that include data for assets that are not based on observable market variables.

The Bank's portfolios at June 30, 2018, classified by maturity, are as follows:

	Bank						
	2018						
	Up to 1 Month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total
Trading securities							
Financial Treasury Bills - "LFT"	-	172,137	-	190,806	871,310	-	1,234,253
Eurobonds	-	-	-	-	-	41,781	41,781
National Treasury Notes - "NTN - B"	-	63,434	-	82,568	65,613	278,048	489,663
National Treasury Bills - "LTN"	-	-	836,466	723,314	8	-	1,559,788
Debentures	-	-	-	-	-	10,510	10,510
Foreign government bonds	-	126,007	782,610	-	-	-	908,617
Subtotal - Trading securities	**-**	**361,578**	**1,619,076**	**996,688**	**936,931**	**330,339**	**4,244,612**
Securities available for sale							
Eurobonds	-	-	-	-	-	8,408	8,408
National Treasury Notes - "NTN - B"	-	-	-	8,353	-	21,716	30,069
National Treasury Notes - "NTN - A"	-	-	-	-	-	92,543	92,543
Debentures	18,001	-	173,611	13,846	159,706	484,300	849,464
Promissory Notes - "NP"	10,373	116,298	16,133	36,241	179,382	-	358,427
Rural Product Bills - "CPR"	150,482	10,361	39,621	61,730	531,406	95,848	889,448
Foreign government bonds	-	-	720,525	-	-	-	720,525
Financial Treasury - "LF"	-	-	-	-	25,772	-	25,772
Certificate of Agribusiness Receivables - "CRA"	-	-	-	-	23,124	14,142	37,266
Subtotal - Securities available for sale	**178,856**	**126,659**	**949,890**	**120,170**	**919,390**	**716,957**	**3,011,922**
Held to maturity							
National Treasury Notes - "NTN - B"	-	-	-	-	-	51,864	51,864
National Treasury Bills - "LTN"	-	-	-	324,888	211,618	117,158	653,664
Subtotal - held to maturity	**-**	**-**	**-**	**324,888**	**211,618**	**169,022**	**705,528**
Total - 2018	**178,856**	**488,237**	**2,568,966**	**1,441,746**	**2,067,939**	**1,216,318**	**7,962,062**
Total - 2017	**-**	**220,817**	**1,560,132**	**445,221**	**3,485,444**	**704,247**	**6,415,861**

	Consolidated						
	2018						
	Up to 1 Month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total
Trading securities							
Financial Treasury Bills - "LFT"	-	172,137	-	392,349	871,310	-	1,435,796
Eurobonds	-	-	-	-	-	41,781	41,781
National Treasury Notes - "NTN - B"	-	63,434	-	82,568	65,613	278,048	489,663
National Treasury Bills - "LTN"	-	-	836,466	723,314	8	-	1,559,788
Debentures	-	-	-	-	-	10,510	10,510
Foreign government bonds	-	126,007	782,610	-	-	-	908,617
Subtotal - Trading securities	**-**	**361,578**	**1,619,076**	**1,198,231**	**936,931**	**330,339**	**4,446,155**
Securities available for sale							
Eurobonds	-	-	-	-	-	8,408	8,408
National Treasury Notes - "NTN - B"	-	-	-	8,353	-	21,716	30,069
National Treasury Notes - "NTN - A"	-	-	-	-	-	92,543	92,543
Debentures	18,001	-	173,611	13,846	159,706	484,300	849,464
Promissory Notes - "NP"	10,373	116,298	16,133	36,241	179,382	-	358,427
Rural Product Bills - "CPR"	150,482	10,361	39,621	61,730	531,406	95,848	889,448
Foreign government bonds	-	-	720,525	-	-	-	720,525
Financial Treasury - "LF"	-	-	-	-	25,772	-	25,772
Certificate of Agribusiness Receivables - "CRA"	-	-	-	-	23,124	14,142	37,266
Subtotal - Securities available for sale	**178,856**	**126,659**	**949,890**	**120,170**	**919,390**	**716,957**	**3,011,922**
Held to maturity							
National Treasury Notes - "NTN - B"	-	-	-	-	-	51,864	51,864
National Treasury Bills - "LTN"	-	-	-	324,888	211,618	117,158	653,664
Subtotal - held to maturity	**-**	**-**	**-**	**324,888**	**211,618**	**169,022**	**705,528**
Total - 2018	**178,856**	**488,237**	**2,568,966**	**1,643,289**	**2,067,939**	**1,216,318**	**8,163,605**
Total - 2017	**-**	**220,817**	**1,586,038**	**445,221**	**3,625,817**	**704,247**	**6,582,140**

The Bank has securities linked to security of its operations as follows:

		Bank and Consolidated	
		Market value	
Operation type	**Linked securities**	**2018**	**2017**
Derivatives - B3 S.A. - Brasil, Bolsa, Balcão e CBLC	NTN	92,544	291,679
Exchange - B3 S.A. - Brasil, Bolsa, Balcão	LTN	142,672	50,490
Agribusiness credit bills funding	Rural product bills / Debentures	722,044	177,293
Total		**957,260**	**519,462**

b) Derivative financial instruments

The Bank operates in the derivatives market to hedge against market price variances and to reduce currency and exchange rate risks of its assets and liabilities and cash flows contracted under compatible terms, rates and amounts.

Derivatives are used as a risk transfer tool aimed to cover Banking Book and Trading Book portfolio positions. In addition, highly liquid derivatives traded on stock exchanges are used, within strict limits and with regular review, in order to manage Trading Book portfolio exposures.

In order to manage risks arising therefrom, internal limits for global exposure and by portfolio have been set, which are monitored on a daily basis. Considering the likelihood of existing limits that have been exceeded due to not anticipated issues, management has defined internal policies that require that realigning conditions be immediately defined. These risks are monitored by an independent function from the operating functions and are reported to management on a daily basis.

Risk exposure is based on the Value at Risk (VaR) calculation over a time horizon of one year through historical simulation with a confidence level of 99% and retention periods from one-day to trading portifolio and twenty-one days for non trading portifolio. Besides the exposure controls and VaR, the Bank also conducts tests of sensitivity analysis to assess the impact of changes in interest rates on the portfolio.

Derivatives operations have a counterparty credit limit set according to the customer's profile and are reviewed periodically by credit committees with participation from senior management. The operations are under the custody of the B3 S.A. - Brasil, Bolsa, Balcão as well as the Chicago Stock Exchange.

The market values of these derivative financial instruments are determined based on quotations disclosed by specialized stock exchanges and, in certain cases, when there is no liquidity or market quotation, estimates of present values and other pricing techniques are used.

The bases adopted for determining market prices are as follows:

- Futures: stock exchange quotations;
- Options: determined based on the criteria set forth in the contracts, calculated according to known models used by the market;
- Swaps: cash flows for each contract are discounted to present value, in accordance with the respective interest rate curves, obtained based on B3 S.A. - Brasil, Bolsa, Balcão prices adjusted to the credit risk of the counterparties; and
- Forward: the future value of the transaction discounted to present value as rates obtained at B3 S.A. - Brasil, Bolsa, Balcão grants or reference stock exchange market adjusted to the credit risk of the counterparties.

Differentials and adjustments to derivative financial instruments are recorded in the respective balance sheet accounts, and matched against the result of operations. They are adjusted to market value and the notional value of financial instruments are recorded in memorandum accounts, as follows:

	2018				2017	
	Bank				Bank	
	Notional value	Cost - (receivable / payable)	Marked to Market adjustment	Market value	Notional value	Market value
Future contracts	**8,796,993**	-	-	-	**8,961,830**	**-**
Purchase commitments	**2,346,522**	-	-	-	**2,659,964**	**-**
Interbank market	1,568,614	-	-	-	1,561,241	-
Foreign currency	777,908	-	-	-	1,098,723	-
Sales commitments	**6,450,471**	-	-	-	**6,301,866**	**-**
Interbank market	5,680,293	-	-	-	6,000,375	-
Foreign currency	770,178	-	-	-	300,219	-
Others	-	-	-	-	1,272	
Asset position	**13,926,414**	**672,237**	**80,277**	**752,514**	**11,132,168**	**906,999**
Swap contracts	**2,288,059**	**77,451**	**8,808**	**86,259**	**1,597,949**	**61,068**
Interbank market	437,963	8,395	7,240	15,635	742,286	57,195
Foreign currency	585,083	67,939	1,409	69,348	103,877	2,876
Fixed rates	1,264,703	1,112	164	1,276	751,786	997
Others	310	5	(5)	-	-	-
Options contracts	**5,591,942**	**438,173**	**49,053**	**487,226**	**7,759,139**	**727,629**
Purchase commitments	**2,729,840**	**247,983**	**208,808**	**456,791**	**4,280,992**	**93,611**
Foreign currency	2,729,840	247,983	208,808	456,791	4,238,919	92,478
Others financial assets	-	-	-	-	42,073	1,133
Sales commitments	**2,862,102**	**190,190**	**(159,755)**	**30,435**	**3,478,147**	**634,018**
Foreign currency	2,854,569	190,050	(159,731)	30,319	3,401,357	630,503
Others financial assets	7,533	140	(24)	116	76,790	3,515
Others financial instruments	**6,046,413**	**156,613**	**22,416**	**179,029**	**1,775,080**	**118,302**
Foreign currency	2,510,067	145,515	22,296	167,811	806,125	79,528
Others financial assets	3,536,346	11,098	120	11,218	968,955	38,774

	2018				2017	
	Bank				Bank	
	Notional value	Cost - (receivable / payable)	Marked to Market adjustment	Market value	Notional value	Market value
Liability position	**8,642,792**	**(368,292)**	**(236,497)**	**(604,789)**	**10,228,925**	**(763,686)**
Swap contracts	**1,952,836**	**(135,836)**	**(7,349)**	**(143,185)**	**1,195,502**	**(29,536)**
Interbank market	410,943	(6,506)	(3,932)	(10,438)	404,606	(18,494)
Foreign currency	746,910	(125,898)	287	(125,611)	256,805	(7,539)
Fixed rates	779,984	(2,641)	(2,711)	(5,352)	517,878	(2,862)
Others	14,999	(791)	(993)	(1,784)	16,213	(641)
Options contracts	**5,651,968**	**(189,628)**	**(223,711)**	**(413,339)**	**7,838,894**	**(616,221)**
Purchase commitments	**2,956,729**	**(111,573)**	**(281,048)**	**(392,621)**	**4,555,988**	**(80,621)**
Foreign currency	2,948,249	(111,142)	(280,137)	(391,279)	4,493,942	(79,137)
Others financial assets	8,480	(431)	(911)	(1,342)	62,046	(1,484)
Sales commitments	**2,695,239**	**(78,055)**	**57,337**	**(20,718)**	**3,282,906**	**(535,600)**
Foreign currency	2,692,840	(77,881)	57,281	(20,600)	3,235,500	(531,969)
Others financial assets	2,399	(174)	56	(118)	47,406	(3,631)
Others financial instruments	**1,037,988**	**(42,828)**	**(5,437)**	**(48,265)**	**1,194,529**	**(117,929)**
Foreign currency	597,802	(33,971)	(4,892)	(38,863)	1,021,800	(85,907)
Others financial assets	440,186	(8,857)	(545)	(9,402)	172,729	(32,022)

	2018				2017	
	Consolidated				Consolidated	
	Notional value	Cost - (receivable / payable)	Marked to Market adjustment	Market value	Notional value	Market value
Future contracts	**8,796,993**	**-**	**-**	**-**	**8,961,830**	**-**
Purchase commitments	**2,346,522**	**-**	**-**	**-**	**2,659,964**	**-**
Interbank market	1,568,614	-	-	-	1,561,241	-
Foreign currency	777,908	-	-	-	1,098,723	-
Sales commitments	**6,450,471**	**-**	**-**	**-**	**6,301,866**	**-**
Interbank market	5,680,293	-	-	-	6,000,375	-
Foreign currency	770,178	-	-	-	300,219	-
Others	-	-	-	-	1,272	
Asset position	**13,926,414**	**672,237**	**80,277**	**752,514**	**12,069,668**	**1,224,212**
Swap contracts	**2,288,059**	**77,451**	**8,808**	**86,259**	**1,597,949**	**61,068**
Interbank market	437,963	8,395	7,240	15,635	742,286	57,195
Foreign currency	585,083	67,939	1,409	69,348	103,877	2,876
Fixed rates	1,264,703	1,112	164	1,276	751,786	997
Others	310	5	(5)	-	-	-
Options contracts	**5,591,942**	**438,173**	**49,053**	**487,226**	**8,696,639**	**1,044,842**
Purchase commitments	**2,729,840**	**247,983**	**208,808**	**456,791**	**4,280,992**	**93,611**
Foreign currency	2,729,840	247,983	208,808	456,791	4,238,919	92,478
Others financial assets	-	-	-	-	42,073	1,133
Sales commitments	**2,862,102**	**190,190**	**(159,755)**	**30,435**	**4,415,647**	**951,231**
Foreign currency	2,854,569	190,050	(159,731)	30,319	4,338,857	947,716
Others financial assets	7,533	140	(24)	116	76,790	3,515
Others financial instruments	**6,046,413**	**156,613**	**22,416**	**179,029**	**1,775,080**	**118,302**
Foreign currency	2,510,067	145,515	22,296	167,811	806,125	79,528
Others financial assets	3,536,346	11,098	120	11,218	968,955	38,774

	2018				2017	
	Consolidated				Consolidated	
	Notional value	Cost - (receivable / payable)	Marked to Market adjustment	Market value	Notional value	Market value
Liability position	**8,642,792**	**(368,292)**	**(236,497)**	**(604,789)**	**11,138,300**	**(1,052,774)**
Swap contracts	**1,952,836**	**(135,836)**	**(7,349)**	**(143,185)**	**1,195,502**	**(29,536)**
Interbank market	410,943	(6,506)	(3,932)	(10,438)	404,606	(18,494)
Foreign currency	746,910	(125,898)	287	(125,611)	256,805	(7,539)
Fixed rates	779,984	(2,641)	(2,711)	(5,352)	517,878	(2,862)
Others	14,999	(791)	(993)	(1,784)	16,213	(641)
Options contracts	**5,651,968**	**(189,628)**	**(223,711)**	**(413,339)**	**8,748,269**	**(905,309)**
Purchase commitments	**2,956,729**	**(111,573)**	**(281,048)**	**(392,621)**	**4,555,988**	**(80,621)**
Foreign currency	2,948,249	(111,142)	(280,137)	(391,279)	4,493,942	(79,137)
Others financial assets	8,480	(431)	(911)	(1,342)	62,046	(1,484)
Sales commitments	**2,695,239**	**(78,055)**	**57,337**	**(20,718)**	**4,192,281**	**(824,688)**
Foreign currency	2,692,840	(77,881)	57,281	(20,600)	4,144,875	(821,057)
Others financial assets	2,399	(174)	56	(118)	47,406	(3,631)
Others financial instruments	**1,037,988**	**(42,828)**	**(5,437)**	**(48,265)**	**1,194,529**	**(117,929)**
Foreign currency	597,802	(33,971)	(4,892)	(38,863)	1,021,800	(85,907)
Others financial assets	440,186	(8,857)	(545)	(9,402)	172,729	(32,022)

To mitigate the risks of the operations of funding with the subordinated debt of US$ 69,3 million (US$ 69,3 million in 2017) (Note 16.b), and Foreign Onlendings in the amount US$ 44,4 million (US$ 83,8 million in 2017) (Note 15.b), the management decided to designate financial instruments shown below to hedge a portion of the principal amount and value of the a portion contractual interest.

		Bank and Consolidated		
		2018		
Derivatives used as fair value hedge	**Notional value**	**Curve Yield**	**Market value**	**MTM**
Hedge instruments				
Swap contracts	**398,188**	**38,780**	**38,227**	**(553)**
Subordinate loans	**238,163**	**28,210**	**27,729**	**(481)**
Foreign currency - US dollar - Liabilities position (1)	238,163	28,210	27,729	(481)
Liabilities due to transfers abroad	**160,025**	**10,570**	**10,498**	**(72)**
Foreign currency - US dollar - Assets position (1)	53,254	10,834	11,049	215
Foreign currency - US dollar - Liabilities position (1)	106,771	(264)	(551)	(287)
Subject to hedge	**443,586**	**(443,586)**	**(443,033)**	**553**
Subordinated debt (Note 16.b)	271,719	(271,719)	(271,238)	481
Liabilities due to transfers abroad (Note 15.b)	171,867	(171,867)	(171,795)	72

(1) Amounts updated through the balance sheet date.

		Bank and Consolidated		
		2017		
Derivatives used as fair value hedge	**Notional value**	**Curve Yield**	**Market value**	**MTM**
Hedge instruments				
Swap contracts	**528,422**	**(28,458)**	**(20,843)**	**7,615**
Subordinate loan	**238,163**	**(13,003)**	**(9,282)**	**3,721**
Foreign currency - US dollar - Liabilities position (1)	238,163	(13,003)	(9,282)	3,721
Liabilities due to transfers abroad	**290,259**	**(15,455)**	**(11,561)**	**3,894**
Foreign currency - US dollar - Assets position (1)	159,762	4,221	5,237	1,016
Foreign currency - US dollar - Liabilities position (1)	130,497	(19,676)	(16,798)	2,878
Subject to hedge	**511,751**	**(511,751)**	**(519,366)**	**(7,615)**
Subordinated debt (Note 16.b)	233,166	(233,166)	(236,887)	(3,721)
Liabilities due to transfers abroad (Note 15.b)	278,585	(278,585)	(282,479)	(3,894)

(1) Amounts updated through the balance sheet date.

Considering that cash flows (principal and interests) of the hedged item (subordinated debt and foreign onlendings) and cash flows of designated swaps are identical, effectiveness expected from the time such hedge instruments are designated and during the transaction is in conformity with the provisions set forth by the Central Bank of Brazil.

Derivative financial instruments by maturity, as of June 30, 2018 and 2017, are as follows:

	2018							2017
	Bank							Bank
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total	Total
Off Balance								
Futures contracts	2,792,673	1,184,663	1,204,285	2,299,642	1,154,381	161,349	8,796,993	8,961,830
Option contracts	3,751,443	382,184	203,318	73,829	6,833,136	-	11,243,910	15,598,033
Swap contracts	386,955	583,659	1,257,694	852,510	1,371,609	186,655	4,639,082	3,321,873
Others financial instruments	661,863	2,477,528	1,109,049	1,359,720	1,437,683	38,558	7,084,401	2,969,609
Total - 2018	**7,592,934**	**4,628,034**	**3,774,346**	**4,585,701**	**10,796,809**	**386,562**	**31,764,386**	**-**
Total - 2017	**12,332,340**	**3,767,066**	**2,504,333**	**2,636,888**	**9,289,235**	**321,483**	**-**	**30,851,345**
Asset position								
Option contracts	122,005	10,012	7,291	676	347,242	-	487,226	727,629
Swap contracts	1,234	2,458	24,766	15,808	79,441	1,330	125,037	66,305
Others financial instruments	31,494	76,589	30,696	22,242	18,008	-	179,029	118,302
Total - 2018	**154,733**	**89,059**	**62,753**	**38,726**	**444,691**	**1,330**	**791,292**	**-**
Total - 2017	**562,866**	**114,572**	**24,515**	**18,993**	**189,512**	**1,778**	**-**	**912,236**
Liability position								
Option contracts	(97,114)	(11,741)	(10,754)	(4,330)	(289,400)	-	(413,339)	(616,221)
Swap contracts	(2,005)	(19,983)	(45,407)	(37,111)	(36,376)	(2,853)	(143,735)	(55,616)
Others financial instruments	(11,310)	(15,116)	(10,855)	(9,605)	(319)	(1,060)	(48,265)	(117,929)
Total - 2018	**(110,429)**	**(46,840)**	**(67,016)**	**(51,046)**	**(326,095)**	**(3,913)**	**(605,339)**	**-**
Total - 2017	**(490,183)**	**(82,129)**	**(25,348)**	**(11,155)**	**(162,540)**	**(18,411)**	**-**	**(789,766)**

	2018							2017
	Consolidated							Consolidated
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Total	Total
Off Balance								
Futures contracts	2,792,673	1,184,663	1,204,285	2,299,642	1,154,381	161,349	8,796,993	8,961,830
Option contracts	3,751,443	382,184	203,318	73,829	6,833,136	-	11,243,910	17,444,908
Swap contracts	386,955	583,659	1,257,694	852,510	1,371,609	186,654	4,639,081	3,321,873
Others financial instruments	661,863	2,477,528	1,109,049	1,359,720	1,437,683	38,558	7,084,401	2,969,609
Total - 2018	**7,592,934**	**4,628,034**	**3,774,346**	**4,585,701**	**10,796,809**	**386,561**	**31,764,385**	**-**
Total - 2017	**14,179,215**	**3,767,066**	**2,504,333**	**2,636,888**	**9,289,235**	**321,483**	**-**	**32,698,220**
Asset position								
Option contracts	122,005	10,012	7,291	676	347,242	-	487,226	1,044,842
Swap contracts	1,234	2,458	24,766	15,808	79,441	1,330	125,037	66,305
Others financial instruments	31,494	76,589	30,696	22,242	18,008	-	179,029	118,302
Total - 2018	**154,733**	**89,059**	**62,753**	**38,726**	**444,691**	**1,330**	**791,292**	**-**
Total - 2017	**880,079**	**114,572**	**24,515**	**18,993**	**189,512**	**1,778**	**-**	**1,229,449**
Liability position								
Option contracts	(97,114)	(11,741)	(10,754)	(4,330)	(289,400)	-	(413,339)	(905,309)
Swap contracts	(2,005)	(19,983)	(45,407)	(37,111)	(36,376)	(2,853)	(143,735)	(55,616)
Others financial instruments	(11,310)	(15,116)	(10,855)	(9,605)	(319)	(1,060)	(48,265)	(117,929)
Total - 2018	**(110,429)**	**(46,840)**	**(67,016)**	**(51,046)**	**(326,095)**	**(3,913)**	**(605,339)**	**-**
Total - 2017	**(779,271)**	**(82,129)**	**(25,348)**	**(11,155)**	**(162,540)**	**(18,411)**	**-**	**(1,078,854)**

The unquoted derivative financial instruments where the pricing process is substantially based on the use of judgments and estimates has the amounts recorded in the Assets of R$ 321,095 (R$ 159,846 in 2017) and in the Liabilities of R$ 216,502 (R$ 182,096 in 2017).

Gains (losses) on derivative financial instruments for the six-month period ended June 30, 2018 and 2017 are as follows:

	2018				2017	
	Bank			Consolidated	Bank	Consolidated
	Gains	Losses	Net	Net	Net	Net
Swaps	403,884	(396,363)	7,521	7,521	(2,179)	(2,179)
Futures	1,658,682	(1,827,004)	(168,322)	(168,322)	(84,776)	(84,776)
Options	490,831	(497,112)	(6,281)	(6,281)	5,806	6,581
Forwards	346,102	(147,215)	198,887	198,887	(37,643)	(37,643)
Total	**2,899,499**	**(2,867,694)**	**31,805**	**31,805**	**(118,792)**	**(118,017)**

Risk sensitivity analysis in financial instrument operations

In accordance with CVM Rule No. 475/08, the Bank discloses a sensitivity analysis to all types of market risk stemming from financial instruments considered significant by management. The table below sets out the most probable scenario in management's assessment and two additional scenarios. The probable scenario considers contractual prices and, where applicable, indicators from various external sources or pricing models adopted to calculate the fair value of financial instruments at the balance sheet date. Scenario II considers a 25% deterioration in risk variables in view of the nature of financial instrument risk. Scenario III considers a 50% deterioration in the same variables.

	Exposure		
	Probable Scenario	**Scenario II**	**Scenario III**
i) *Interest rate*			
Net exposure to fixed interest rates (RWAjur1)	22,298	31,841	41,882
Net exposure of currency coupons (RWAjur2)	21,924	22,962	23,944
Net exposure of index coupons (RWAjur3)	14,560	16,614	18,288
Total interest rate exposure (Note 27)	**58,782**	**71,417**	**84,114**
ii) Foreign exchange rate			
Total exposure purchased at exchange rates	**1,610**	**4,025**	**8,050**

i) Interest rates:

According to criteria established by the Central Bank of Brazil through Resolution No. 3,464/07 and Circular No. 3,354/07 financial instruments classified under trading books represent exposure that would have an impact on the organization's income by mark to market or when realized or settled. Financial instruments indexed to interest rates pose potential risk from market fluctuations. These risks are managed through a methodology set out by the Central Bank of Brazil and the result of this analysis is considered when determining the minimum capital base required of financial institutions.

In order to comply with CVM Rule No. 475/08, regarding risk sensitivity, it was utilized, in the scenario analysis required in this regulation, the amount of the minimum capital requirement for interest rate exposure as of June 30, 2018.

ii) Foreign exchange rate:

Net exposure to exchange rates is regulated by the Central Bank of Brazil through Resolution No. 3,490/07 and Circular No. 3,568/11. These procedures set the maximum level of exposure at 30% of capital base.

The risk exposure calculation criteria as set out by the Central Bank of Brazil and in accordance with CVM Rule No. 475/08 were taken into account in the scenario analysis of net exposure at June 30, 2018.

iii) Banking Book:

These refer to operations that are not classified in the trading book, resulting from Bank business lines and their possible hedge instruments. Measurement and valuation of interest rate risk of banking book operations are regulated by the Central Bank of Brazil through Circular No. 3,365/07 that sets criteria and assumptions to gauge the degree of risk including stress tests whose results could indicate how much regulatory capital is required to cover such risks. Results of these procedures have no relevance on accounting practices regarding the recording and valuation of banking book operations are reported to the Central Bank of Brazil and at June 30, 2018 an exposure of R$ 54,423 was stated, which also takes into account interest rate risk of the aforementioned banking book in alternative scenarios according to methodologies set out by the regulatory body.

In order to carry out a risk sensitivity analysis, foreign exchange mismatch risk in the banking book is considered in the foreign exchange rate position as set out in item II.

6. Interbank accounts

The breakdown of interbank accounts represents the amount of R$ 34,398 as of June 30, 2018 (R$ 21,946 in 2017), represented by reserve requirements - Central Bank deposits, in the amount of R$ 237 (R$ 106 in 2017) and Others - Payments and receivables to settle, in the amount of R$ 34,161 (R$ 21,840 in 2017).

7. Lending operations, guarantees and responsibilities

Loans, other credits, guarantees and responsibilities are as follows:

Loans portfolio by modality:

	Bank and Consolidated	
	2018	**2017**
Loans		
Loans	5,278,880	4,835,267
Financing	4,724,248	4,146,709
Financing - Rural and agribusiness	1,146,106	1,855,573
Subtotal - Loans	**11,149,234**	**10,837,549**
Others receivables		
Advances on export contracts and interest (a)	599,048	450,280
Notes and loans receivable	568,958	556,022
Others	35,147	14,845
Subtotal - Others receivables	**1,203,153**	**1,021,147**
Subtotal - Loans and Others receivables	**12,352,387**	**11,858,696**
Subtotal - Financial guarantees and responsibilities (b)	**10,753,584**	**9,357,295**
Total	**23,105,971**	**21,215,991**

(a) The balance comprises advance of R$ 586,774 (R$ 441,169 in 2017), demonstrated reducing Other liabilities (Note 9) plus R$ 12,274 (R$ 9,111 in 2017) of income receivable related to such advances presented in Other credits (Note 9).

(b) The guarantees provided on behalf of clients are subject to charges and counter-guarantees by its beneficiaries. On June 30, 2018, the balance of provisions for guarantees and responsibilities is R$ 51,042 (R$ 39,946 at June 30, 2017) - Note 16.c.

Loans portfolio by sector activity:

	Bank and Consolidated					
	2018			**2017**		
	Loans	**Guarantees and responsibilities**	**Total**	**Loans**	**Guarantees and responsibilities**	**Total**
Private Sector						
Financial intermediaries	158,032	2,068,130	2,226,162	104,945	2,213,695	2,318,640
Industry	4,420,707	2,003,404	6,424,111	4,401,395	1,409,381	5,810,776
Commercial	2,309,316	1,023,855	3,333,171	1,839,100	793,727	2,632,827
Services	5,075,972	4,399,433	9,475,405	5,221,485	4,069,122	9,290,607
Individuals	248,002	76,075	324,077	212,986	121,272	334,258
Subtotal - Private sector	**12,212,029**	**9,570,897**	**21,782,926**	**11,779,911**	**8,607,197**	**20,387,108**
Public Sector	**140,358**	**1,182,687**	**1,323,045**	**78,785**	**750,098**	**828,883**
Total	**12,352,387**	**10,753,584**	**23,105,971**	**11,858,696**	**9,357,295**	**21,215,991**

Loans, financial guarantees and responsibilities, by maturity, are as follows:

	Bank and Consolidated							
	2018							
	Maturities							
	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	Over 3 years	Overdue after 15 days	Total
Loans	839,640	1,442,491	1,949,430	2,546,489	3,580,386	751,291	39,507	11,149,234
Other credits	244,516	418,837	290,267	194,485	5,137	2,355	47,556	1,203,153
Subtotal - Loans and other credits	**1,084,156**	**1,861,328**	**2,239,697**	**2,740,974**	**3,585,523**	**753,646**	**87,063**	**12,352,387**
Financial guarantees and responsibilities	**437,395**	**760,123**	**1,923,190**	**3,572,976**	**4,024,911**	**34,989**	**-**	**10,753,584**
Total - 2018	**1,521,551**	**2,621,451**	**4,162,887**	**6,313,950**	**7,610,434**	**788,635**	**87,063**	**23,105,971**
Total - 2017	**1,501,633**	**2,712,539**	**4,478,089**	**5,736,367**	**5,737,451**	**913,202**	**136,710**	**21,215,991**

According to CMN Resolution No. 3,533/08 and Resolution No. 3,895/10, the credit assignments with substantial retention of risks and benefits are replaced its results recognized by the remaining term of operations. The financial assets objects of sales remain recorded as loans and the amount received as obligations for sales or transfer of financial assets. The assignments were as described below:

(i) With substantial transfer of risks and benefits

During the six-month period ended June 30, 2018, in the Bank and consolidated, were performed credit assignment operations with substantial transfer of risks and benefits in the amount of R$ 6,805 (R$ 15,566 in 2017). The effect of these operations on the income was loss on period ended June 30, 2018 of R$ 65 (R$ 341 of loss in 2017).

Credit risk concentration are as follows:

	Bank and Consolidated			
	2018		2017	
	Balance	% of portfolio (1)	Balance	% of portfolio (1)
Main debtor	646,687	2.80	735,430	3.47
10 main debtors	4,166,024	18.03	3,785,847	17.84
20 main debtors	6,005,966	25.99	5,520,934	26.02

(1) Total portfolio includes the balances of financial guarantees and responsibilities into consideration.

8. Allowance for loan and other credit losses

The portfolio of loans and other assets, and the allowance for loan and other credit losses, at June 30, 2018 and 2017, are as follows:

		Bank and Consolidated			
		2018			
		Total operations			Allowance
Risk rating	Minimum Level of allowance	Normal course	Past due	Total	Res. 2682
AA	-	820,363	-	820,363	-
A	0.5%	4,419,977	-	4,419,977	22,100
B	1.0%	5,068,858	-	5,068,858	50,689
C	3.0%	1,404,954	3,073	1,408,027	42,241
D	10.0%	344,503	14,011	358,514	35,851
E	30.0%	146,916	37,578	184,494	55,348
F	50.0%	16,491	8,162	24,653	12,326
G	70.0%	22,399	7,950	30,349	21,244
H	100.0%	20,863	16,289	37,152	37,152
Additional provision (*)		-	-	-	50,000
Total		**12,265,324**	**87,063**	**12,352,387**	**326,951**

(*) Refers to additional provision to the minimum required by Resolution n. 2,682/99, considering the economic scenario and uncertainties related to it.

		Bank and Consolidated			
		2017			
		Total operations			Allowance
Risk rating	Minimum Level of allowance	Normal course	Past due	Total	Res. 2,682/99
AA	-	673,302	-	673,302	-
A	0.5%	4,714,132	-	4,714,132	23,571
B	1.0%	3,825,351	16	3,825,367	38,254
C	3.0%	1,790,573	3,855	1,794,428	53,833
D	10.0%	363,254	10,695	373,949	40,021
E	30.0%	116,956	55,245	172,201	57,815
F	50.0%	73,691	1,368	75,059	37,530
G	70.0%	142,969	48,005	190,974	133,682
H	100.0%	21,758	17,526	39,284	39,284
Additional provision (*)		-	-	-	50,000
Total		**11,721,986**	**136,710**	**11,858,696**	**473,990**

(*) Refers to additional provision to the minimum required by Resolution n. 2,682/99, considering the economic scenario and uncertainties related to it.

Changes in the allowances for loan and other credit losses for the six-month period ended June 30, 2018 and 2017 were as follows:

	Bank and Consolidated			
	2018			2017
	Loans	Other credits	Total	Total
Balances at the beginning of the six-month period	308,096	86,832	394,928	430,251
Set up / (Reversal)	21,570	32,725	54,295	114,347
Foreign exchange variation	3,485	-	3,485	899
Classified as future year P&L	-	(31)	(31)	(543)
Loans written off as losses	(114,515)	(881)	(115,396)	(47,473)
Write-off of credit assignment	(4,356)	(5,974)	(10,330)	(23,491)
Balances at the end of the six-month period	**214,280**	**112,671**	**326,951**	**473,990**

At June 30, 2018, balance of renegotiated loans amounted to R$ 335,384 (R$ 600,772 in 2017), being total loan transactions renegotiated over the six-month period ended June 30, 2018 amounted to R$ 43,302 (R$ 30,734 in 2017).

The amount of loans recovered for the six-month period ended June 30, 2018, previously offset against the provision, was R$ 3,274 (R$ 2,813 in 2017).

9. Foreign exchange portfolio

The balance of the foreign exchange portfolio is as under:

	Bank and Consolidated	
	2018	2017
Other credits		
Foreign exchange purchased to be settled - CCL	1,977,686	590,110
Allowance for Exchange variation of CCL	(1,612)	(247)
Rights on foreign Exchange sales	1,692,317	200,548
Advances received	(9,412)	(6,230)
Income receivable from advances on exchange - (Note 7)	12,274	9,111
Total	**3,671,253**	**793,292**
Other liabilities		
Foreign exchange sold to settle	1,847,907	205,371
Foreign exchange purchase liabilities	1,727,875	575,857
Advances on foreign exchange contracts - (Note 7)	(586,774)	(441,169)
Total	**2,989,008**	**340,059**

10. Other credits

a) Trading and intermediation of securities account is substantially represented by receivables from the settlement of operations with financial assets recorded on stock exchanges.

b) The breakdown of other sundry credits are as follows:

	Bank		Consolidated	
	2018	**2017**	**2018**	**2017**
Tax credits (Note 21)	604,107	444,718	604,114	444,726
Debtors for the purchase of assets	50,152	18,363	50,152	18,363
Guarantee deposit debtors	15,954	15,495	15,954	15,495
Taxes and contributions to be offset	18,323	37,071	18,824	37,943
Securities and credits receivable	562,447	550,802	562,447	550,802
Other	7,379	3,376	7,379	3,376
Total	**1,258,362**	**1,069,825**	**1,258,870**	**1,070,705**

11. Investments

	ABC Brasil Distribuidora de Títulos e Valores Mobiliários S.A.		ABC Brasil Administração e Participações Ltda.			
	June 2018	**June 2017**	**June 2018**	**June 2017**	**2018**	**2017**
Capital	88,516	50,002	55,632	55,632		
Equity	97,819	94,046	101,979	97,121		
Net income for the six-month period	1,562	2,881	2,013	3,549		
Number of common shares owned	24,980,054	24,980,054	-	-		
Number of preferred shares owned	24,980,055	24,980,055	-	-		
Number of fund shares owned	-	-	55,631,814	55,631,814		
Ownership interest (%)	100,00	100.00	99,99	99.99		
Book value	97,819	94,046	101,979	97,121	**199,798**	**191,167**
Equity pickup	1,562	2,881	2,013	3,549	**3,575**	**6,430**

12. Fixed, deferred and intangible assets

Fixed assets are depreciated using the straight line method at the following annual rates: installations, furniture, communication and security systems - 10%; such rates represent fairly the economic useful life of assets.

Intangible assets correspond to acquisition and development of computer software and operating systems, amortized under the straight-line method at annual rate of 20%.

13. Deposits and open market funding

The interbank deposits, time deposits and open market funding are carried out at normal market rates. Their maturities are distributed as follows:

	Bank							Consolidated	
	2018						2017	2018	2017
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total	Total	Total	Total
Demand deposits	49,292	-	-	-	-	49,292	20,235	49,199	20,132
Interbank deposits	-	277,586	146,981	-	-	424,567	413,529	424,567	413,529
Time deposits	-	1,861,668	2,871,086	208,081	-	4,940,835	5,721,261	4,940,835	5,721,261
Open market funding	-	663,859	129,541	-	-	793,400	27,864	793,400	27,864
Total - 2018	**49,292**	**2,803,113**	**3,147,608**	**208,081**	**-**	**6,208,094**	**-**	**6,208,001**	**-**
Total - 2017	**20,235**	**1,919,323**	**3,779,182**	**435,953**	**332**	**-**	**6,182,889**	**-**	**6,182,786**

14. Acceptance and issuance of securities

Funds from acceptances and issuance of securities are traded at market interest rates and have the following distribution by maturity date:

	Bank and Consolidated					
	2018					2017
	Up to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total	Total
Real estate credit bill	282,000	453,161	160,975	-	896,136	1,034,287
Agribusiness credit bills	654,100	1,086,489	903,952	30,532	2,675,073	2,672,301
Financial bills	439,865	2,021,341	2,525,602	49,686	5,036,494	3,538,243
Certificates of structured finance	8,930	24,925	492	-	34,347	6,853
Total - 2018	**1,384,895**	**3,585,916**	**3,591,021**	**80,218**	**8,642,050**	**-**
Total - 2017	**989,337**	**2,550,492**	**3,689,778**	**22,077**	**-**	**7,251,684**

15. Borrowings and onlendings

a) Borrowings and onlendings by maturity are as follows:

	Bank and Consolidated					
	2018					
	Up to 3 months	3 to 12 months	1 to 3 years	Over 3 years	Total	2017 Total
Borrowings:						
Foreign	1,356,355	2,229,126	232,543	530	3,818,554	3,487,459
Onlendings - Domestic:						
BNDES	106,084	204,158	136,607	181,397	628,246	1,136,461
FINAME	42,142	107,262	202,511	144,882	496,797	602,034
Other institutions	34,734	82,783	25,140	-	142,657	135,264
Onlendings - Foreign	390,855	985,370	193,372	107,093	1,676,690	1,607,539
Total - 2018	**1,930,170**	**3,608,699**	**790,173**	**433,902**	**6,762,944**	**-**
Total - 2017	**2,248,270**	**2,673,325**	**1,387,798**	**659,364**	**-**	**6,968,757**

Foreign borrowings represent funds obtained on the international market for use in commercial foreign exchange operations related to import and export financing as well as onlendings and financing in foreign currencies.

These liabilities are subject to exchange rate variance as well as interest rates on the international market and are restated by exchange rate variation plus financial charges incurred through to the balance sheet date.

Domestic onlending liabilities are represented by funds and special programs managed by government institutions which are passed onto final borrowers and are adjusted based on official indices and financial charges up to the balance sheet date.

Foreign onlending are represented mainly by funds raised by the Bank with multilateral agencies (IFC - International Finance Corporation, IDB - Inter-American Development Bank, IIC - Inter-American Investment Corporation and PROPARCO - Societe de Promotion et de Participation pour la Cooperation Economique SA), which are passed onto final borrowers and are adjusted by the exchange rate variation and financial charges incurred through to the balance sheet date.

b) The compositions of the balance of foreign onlendings at June 30, 2018 and 2017 are composed as follows:

	Bank and Consolidated	
	2018	**2016**
Borrowings and onlendings		
Foreign Onlendings subject to "Hedge accounting"		
Principal amount US$ 16,7 million (US$ 50,0 million in 2017)	64,253	165,380
Principal amount US$ 27,7 million (US$ 33,8 million in 2017)	106,759	111,950
Accrued interest	855	1,255
Subtotal	**171,867**	**278,585**
Adjustment to market value ("Hedge Accounting") - Notes 2.II.d and 5.b	(72)	3,894
Total	**171,795**	**282,479**
Other foreign onlendings	1,504,895	1,325,060
Total	**1,676,690**	**1,607,539**

Foreign onlendings, subject to hedge accounting of US$ 16,7 million (US$ 50,0 million in 2017) maturing in November 2018 with annual interest rate of 2.9%, paid on an semiannual basis and US$ 27,7 million (US$ 33,8 million in 2017) maturing in November 2022 with annual interest rate of 4.6%, paid on an semiannual basis.

16. Other liabilities

a) Tax and social security balances are as follows:

	Bank		Consolidated	
	2018	**2017**	**2018**	**2017**
Provision for income and social contribution taxes on income	-	76,893	2,271	80,665
Taxes and contributions payable	56,953	46,410	57,001	46,480
Provision for deferred income and social contribution taxes (Note 21)	173,724	203,323	173,724	203,672
Total	**230,677**	**326,626**	**232,996**	**330,817**

b) Subordinated debts:

The composition of the balance of subordinated debt at June 30, 2018 and 2017 are composed as follows:

	Bank and Consolidated	
	2018	**2017**
Subordinated debts subject to "Hedge accounting"		
Subordinated Notes US$ 69,3 million (US$ 69,3 million in 2017)	270,283	247,674
Subtotal	**270,283**	**247,674**
Others Subordinated debts		
Financial bills	981,336	485,899
Subordinated Notes US$ 65,9 million (US$ 69,0 million in 2017)	262,107	238,365
Subtotal	**1,243,443**	**724,264**
Total Subordinated debts	**1,513,726**	**971,938**

The composition of the balance of subordinated debt from issuing of subordinated notes abroad at June 30, 2018 and 2017, are composed as follows:

	Bank and Consolidated	
	2018	**2017**
Subordinated debts subject to "Hedge accounting"		
Subordinated Notes		
Principal amount US$ 49,3 million (US$ 49,3 million in 2017)	190,006	163,021
Principal amount US$ 20,0 million (US$ 20,0 million in 2017)	77,116	66,164
Accrued interest	4,597	3,981
Subtotal	**271,719**	**233,166**
Deferred fund-raising expenses	(399)	(624)
Deferred hedge accounting P&L (1)	-	12,162
Discount	(556)	(751)
Adjustment to market value ("Hedge Accounting") - Notes 2.II.d and 5.b	(481)	3,721
Total	**270,283**	**247,674**

(1) Financial instruments started by the "*reset"* amortized by maturity of subordinated debts.

	Bank and Consolidated	
	2018	**2017**
Others Subordinated debts		
Subordinated Notes US$ 65,9 million (US$ 69,0 million in 2017)	254,248	228,428
Goodwill	3,208	5,879
Deferred fund-raising expenses	(104)	(169)
Accrued interest	4,755	4,227
Total	**262,107**	**238,365**

Funds raised abroad, subject to hedged accounting structure of US$ 300,0 million, principal amount of US$ 69,3 million on June 30, 2018 (US$ 69,3 in 2017), with maturing in April 2020 and annual interest rate of 7.9%, paid on a semiannual basis. On October 9, 2012, the Bank raised funds through the issuance of additional Subordinated Notes abroad in the amount of US$ 100,0 million, principal amount US$ 65,9 million on June 30, 2018 (US$ 69,0 in 2017), with same maturity and interest rates.

On the six-month period ended June 30, 2018, the Bank made a partial repurchase of the subordinated notes issued on April 8, 2010 and on October 9, 2012, in the amount of US$ 2,610. The total amount paid under the offer for the notes accepted for repurchase was US$ 2,767.

Goodwill and discount for raising these funds, and direct expenses, are deferred throughout the maturities of the respective notes.

The balance of R$ 981,336, related to capital through the issuance of financial bills with subordination clause, with maturity until April 2028 with an interest rate from 6.0 % to 9.3% + IPCA, from 1.6% to 3.2% + CDI, fixed rates from 10.7% to 20.3% and CDI from 114.5% to 130.0%.

c) The balance of other sundry liabilities are as follow liabilities:

	Bank		Consolidated	
	2018	**2017**	**2018**	**2017**
Allowance for payments to be settled	77,192	72,044	77,219	72,073
Sundry domestic creditors	1,645	64	1,645	64
Provision for contingent liabilities (Note 25)	25,747	28,230	25,747	28,230
Provision for financial guarantees provided	51,042	39,946	51,042	39,946
Purchase of bonds payable	50,000	-	50,000	-
Total	**205,626**	**140,284**	**205,653**	**140,313**

The financial guarantees provided are subject to charges and counter-guarantees and recorded in off balance accounts. As of June 30, 2018 and 2017, the balances of the financial guarantees provided composed as follows:

	Bank e Consolidated			
	2018		2017	
Type of guarantee	Amount	Provision	Amount	Provision
Guarantees given to customers	10,626,637	50,316	9,348,816	39,833
Import credit facilities	126,947	726	8,479	113
Total	**10,753,584**	**51,042**	**9,357,295**	**39,946**

The balances of the provided guarantees and responsabilities are shown as follows:

	Bank and consolidated			
	2018		2017	
Riks rating	Amount	Provision	Amount	Provision
AA	6,583,297	-	6,202,101	-
A	1,862,645	9,313	1,283,950	6,420
B	1,913,767	19,138	1,527,747	15,277
C	258,765	7,763	230,017	6,901
D	128,527	12,853	113,480	11,348
E	6,583	1,975	-	-
Total	**10,753,584**	**51,042**	**9,357,295**	**39,946**

17. Income from services rendered

Income from services rendered, for the six-month period ended June 30, 2018 and 2017, are composed as follows:

	Bank and consolidated	
	2018	2017
Income from guarantees given	111,207	108,048
Fees related to credit operations	8,269	5,122
Collection fees	8,386	7,538
Bank fees	5,549	3,836
Income from commissioning and security placement	34,820	27,083
Income from other services	856	401
Total	**169,087**	**152,028**

18. Other administrative expenses

Other administrative expenses in the six-month period ended June 30, 2018 and 2017 are composed as follows:

	Bank		Consolidated	
	2018	2017	2018	2017
Third party services	4,319	3,627	4,319	3,627
Financial system services	9,621	8,725	9,633	8,759
Rentals	6,191	6,150	6,191	6,150
Specialist technical services	6,759	7,014	6,806	7,049
Data processing	5,723	5,690	5,723	5,690
Communication	1,962	1,650	1,962	1,650
Travel expenses	3,735	3,392	3,735	3,392
Depreciation and amortization	5,987	5,268	5,987	5,268
Promotions and public relations	407	910	407	910
Publications	187	233	209	256
Philanthropic contributions	112	312	112	312
Transportation	931	967	931	967
Asset maintenance and conservation	995	952	995	952
Water, electricity and gas	415	417	415	417
Materials	206	189	206	189
Insurance	248	222	248	222
Advertising and Publicity	2,535	1,294	2,535	1,294
Condominium	1,433	1,354	1,433	1,354
Legal Fees	808	381	808	381
Others	2,680	3,632	2,690	3,730
Total	**55,254**	**52,379**	**55,345**	**52,569**

19. Other operating income

The breakdown of other operating income, for the six-month period ended June 30, 2018 and 2017 are as follows:

	Bank and Consolidated	
	2018	2017
Interests and monetary correction of assets	1,097	795
Provision of reversal	-	9,799
Recovery of charges and expenses	408	611
Others recoveries without credit characteristics	2,081	-
Other	3,679	2,991
Total	**7,265**	**14,196**

20. Other operating expenses

Other operating expenses for the six-month period ended June 30, 2018 and 2017 are as follows:

	Bank and Consolidated	
	2018	**2017**
Provision of constitution	539	-
Financial guarantees provided of constitution	3,916	3,200
Commissioning linked to operations	1,887	666
Discounts granted	2,201	2,468
Other expenses	64	81
Total	**8,607**	**6,415**

21. Income and social contributions taxes

The nature and origin of deferred tax assets deferred tax liabilities, as well as the changes occurred therein at June 30, 2018 and December 31, 2017 are stated as follows:

	December 2017	Additions	Write-offs	June 2018
Deferred tax assets				
Temporary differences:				
Allowance for loan losses and others	191,953	108,245	(111,546)	188,652
Provision for financial guarantees provided	29,831	5,255	-	35,086
Provision for assets on own use - BNDU	13,674	6,654	-	20,328
Adjustment to market value - securities and derivatives	20,991	207,845	(15,313)	213,523
Unrealized gains (losses) on futures market	19,917	2,502	(15,981)	6,438
Tax loss - negative social contribution base	-	56,326	-	56,326
Other	65,264	5,525	(24,749)	46,040
Adjustment to market value - available for sale securities	20,165	25,831	(8,282)	37,714
Total	**361,795**	**418,183**	**(175,871)**	**604,107**
Deferred tax liabilities				
Temporary differences:				
Adjustments to market value - securities and derivatives	(79,810)	(135,868)	58,561	(157,117)
Unrealized gains (losses) on futures market	(1,350)	(6,923)	1,156	(7,117)
Adjustment to market value - available for sale securities	(16,380)	(2,506)	9,623	(9,263)
Adjustment resulting from the transition tax regime - RTT	(293)	-	66	(227)
Deferred taxes on foreign exchange variation	(1,730)	-	1,730	-
Total	**(99,563)**	**(145,297)**	**71,136**	**(173,724)**
Net balance	**262,232**	**272,886**	**(104,735)**	**430,383**

The consolidated financial statements include, further to the amounts presented in the table above, adjustment to market value of securities available for sale and financial instruments derivatives in amount of R$ 7 at June 30, 2018 (R$ 8 in June 30, 2017) in deferred tax assets.

The net balance of deferred tax assets and tax liabilities at June 30, 2018 and 2017, are stated as follows:

	Bank		Consolidated	
	2018	2017	2018	2017
Other credits - Sundry - Tax credits (Note 10.b)	604,107	444,718	604,114	444,726
Other liabilities - Provision for deferred taxes and contributions (Note 16.a)	(173,724)	(203,323)	(173,724)	(203,672)
Total	**430,383**	**241,395**	**430,390**	**241,054**

The realization of deferred tax assets and liabilities at June 30, 2018 based on the history of profitability and estimated realization are stated as follows:

Year	Bank			Consolidated
	Assets	Liabilities	Net	Net
2018	501,996	(173,560)	328,436	328,436
2019	30,719	(63)	30,656	30,663
2020	44,074	(101)	43,973	43,973
2021	15,608	-	15,608	15,608
2022	7,319	-	7,319	7,319
2023	2,890	-	2,890	2,890
Over 5 years	1,501	-	1,501	1,501
Total	**604,107**	**(173,724)**	**430,383**	**430,390**
Present Value - Selic	**556,034**	**(163,260)**	**392,774**	**392,781**

For income tax, the rate used is 15% plus an additional 10% of annual taxable income exceeding R$ 240 thousand and a 20% contribution to financial companies.

Expenses with income and social contribution taxes for the six-month period ended June 30, 2018 and 2017 are calculated as follows:

	Bank		Consolidated	
	2018	2017	2018	2017
Income before taxation less profit sharing	71,244	208,763	73,518	212,909
Total income and social contributions taxes	32,059	93,943	34,358	98,113
Net income from write-offs and write-ups of deferred liabilities net of tax credits	141,755	63,447	141,753	63,075
Nontaxable revenues / expenses net of nondeductible expenses	(123,605)	(30,623)	(125,214)	(33,517)
Equity pick up in subsidiaries	(1,609)	(2,894)	-	-
Interest on equity capital	(48,601)	(46,494)	(48,601)	(46,494)
Other amounts	(7,201)	(7,351)	(7,226)	(7,375)
Total income and social contribution taxes - Current	**(7,202)**	**70,028**	**(4,930)**	**73,802**
Deferred taxes and contributions				
Tax liabilities set up in the period	142,791	76,586	142,791	76,934
Tax liabilities realized in the period	(59,783)	(102,979)	(59,783)	(102,979)
Tax credits set up in the period	(392,352)	(188,844)	(392,352)	(188,844)
Tax credits realized in the period	167,589	151,790	167,591	151,814
Total deferred taxes and contributions	**(141,755)**	**(63,447)**	**(141,753)**	**(63,075)**
Total income and social contribution taxes	**(148,957)**	**6,581**	**(146,683)**	**10,727**

22. Related parties

a) Subsidiaries and related companies

The amounts below refer to the Bank's transactions with subsidiaries and related companies. These operations were carried out under normal market conditions and rates of the dates of the respective transactions. For the six-month period ended June 30, 2018 and 2017, transactions between related parties are as follows:

			2018		2017	
Transactions / Related parties	**Relationship**	**Maturity**	**Assets / (Liabilities)**	**Income / (Expenses) Period**	**Assets / (Liabilities)**	**Income / (Expenses) Period**
Demand deposits						
ABC Brasil Adm. e Participações Ltda.	Subsidiary	No maturity	(34)	-	(49)	-
ABC Brasil DTVM S.A.	Subsidiary	No maturity	(59)	-	(54)	-
Marsau Comercial Exp. e Importadora Ltda.	Related party	No maturity	(20)	-	(23)	-
Time deposits and funds from acceptance and issue of securities						
Marsau Comercial Exp. e Importadora Ltda.	Related party	07/26/2018	(101)	-	-	-
Marsau Uruguay Holdings Sociedad Anonima	Shareholder	07/20/2018	(1,368)	(13)	(714)	(6)
Key members of management		Sundry	(45,571)	(3,229)	(40,931)	(4,472)
Borrowings						
Arab Banking Corporation (ABC)	Holding	07/02/2018	(39,186)	(989)	(327,231)	(4,383)
Dividends and interest on equity capital						
Marsau Uruguay Holdings Sociedad Anonima	Shareholder	08/10/2018	(56,000)	-	(53,682)	-

b) Fees of key members of management

In compliance with Resolution CMN No. 3.921/10, Banco ABC Brasil has implemented a Management Remuneration Policy applicable to the members of the Board of Directors, to the Executive Committee and to the Officers with no specific title (employees).

In brief, the policy has as main objectives: (i) complying with the regulations of the National Monetary Council and the Central Bank of Brazil (BACEN), which establish special rules for financial institutions such as Banco ABC; (ii) fixing the remuneration of those considered Managers of Banco ABC in compliance with the regulations referred to in item (i) above and, in particular, of those assuming this position according to the Bank's governance; (iii) aligning the remuneration of the Managers of Banco ABC with the Bank's risk management policy; (iv) avoiding behaviors that would raise risk exposure above the levels considered prudent in the short, medium and long-term strategies adopted by Banco ABC; and (v) creating a tool for attracting and retaining talents in key positions at Banco ABC.

The remuneration defined in the policy takes into account: (i) current and potential risks faced by Banco ABC; (ii) the overall results of Banco ABC, in particular recurring income (net book profit for the period adjusted for unrealized income and ignoring the effects of non-recurring events which are within the control of Banco ABC); (iii) Banco ABC's capacity for generating cash flow; (iv) the economic environment in which Banco ABC operates, and its trends; (v) long-term sustainable financial bases and adjustments to future payments as a result of the risks assumed, changes in the cost of capital and liquidity forecasts; (vi) the individual performance of the Managers based on the target agreement celebrated by each Officer, as provided for in the profit sharing agreement filed at the headquarters of Banco ABC; (vii) the performance of the business unit; and (viii) the relationship between the individual performance of the Managers, the performance of the business unit, the performance of Banco ABC as a whole and the risks assumed.

Variable remuneration shall be calculated as follows:

I - To Officers without specific designation:

a) Up to 50% (fifty percent) of the amount determined in variable remuneration is immediately paid in cash on payment of profit sharing; and

b) A minimum of 50% (fifty percent) of the amount determined for variable remuneration shall be deferred and paid in preferred shares of the Bank observing that the number of shares to be allocated to the managers will be determined by dividing the amount corresponding to deferred variable remuneration, net of withholding tax, by the unit share price, calculated by the average closing price of the preferred shares issued by Banco ABC Brasil, at the trading sessions of B3 S.A. - Brasil, Bolsa, Balcão on June (for the payment of variable remuneration for the first half) and December (for payment of the variable remuneration for the second half of the year), as applicable, except in cases where there are closed periods in those months, at which time the average will be calculated using the subsequent trading sessions.

II - To the members of the Executive Committee:

a) 100% (one hundred percent) of the amount fixed for variable remuneration shall be paid in shares;

b) 60% (sixty percent) of the variable remuneration shall be subject to sale restriction (lock up) for 6 months; and

c) 40% of the variable remuneration shall be paid on a deferred basis, as provided for by Resolution CMN No. 3.921/10.

The delivery of shares relating to deferred variable remuneration allocated to managers shall only take place if, in the applicable period of deferment there is no (i) significant reduction in recurring profit realized, or (ii) losses posted by the institution or business unit, or (iii) evidence of errors in accounting and / or management practices that affect the income calculated in the variable remuneration rights acquisition period

The total compensation of key members of management for the six-month period ended June 30, 2018 and 2017 are composed as follows:

	2018	2017
Fixed remuneration	11,047	11,019
Variable remuneration	7,149	15,241
Total short-term benefits	**18,196**	**26,260**
Share-based compensation	32,191	17,618
Total long-term benefits	**32,191**	**17,618**
Total	**50,387**	**43,878**

c) Summary of changes in the compensation plan:

To meet the resolution of compensation plan of the Bank was authorized by CVM, privately, transfer shares of its own shares held in treasury for its executives.

In according to the compensation plan actions cited in Note 22.b, shares were granted to executives eligible, for settlement at the end of the vesting period, as shown below in number of shares:

	2018	2017
At the beginning of the six-month period	**3,711,587**	**3,917,518**
Set up	1,578,553	876,072
Shares granted	(1,051,165)	(1,043,856)
At end of the six-month period	**4,238,975**	**3,749,734**

23. Overseas branch

The transactions with third parties carried out by the overseas branch at June 30, 2018 and 2017 are as follows:

	2018	2017
Assets		
Cash and banks	5,938	6,911
Interbank investments	440,774	441,489
Marketable securities and derivative financial instruments	103,914	100,252
Lending operations - Net	2,127,357	1,763,671
Other receivables, amounts and assets	59,666	8,959
Total	**2,737,649**	**2,321,282**
Liabilities		
Demand deposits	46	278
Time deposits	161,640	94,095
Foreign borrowings	3,325,185	3,182,273
Derivative financial instruments	19,582	55,561
Other liabilities	74,636	1,065
Total	**3,581,089**	**3,333,272**

The balances of assets, liabilities and results are converted according to Note 2) iii

The effects of exchange rate variations resulting from the translation transactions of foreign currency of assets and liabilities were recognized in income statement for the period in the amount of R$ 215,078 (R$ 19,613 at June 30, 2017), according the Brazilian Central Bank resolution No. 4,524/16.

24. Profit sharing

An allowance for profit sharing was established based on the Variable Compensation Program set up by Banco ABC Brasil S.A. and its employees, that takes into consideration activities developed by the Bank in various areas, the degree of responsibility, the degree of influence on earnings, as well as qualitative and quantitative targets set with individual Bank employees.

25. Contingent assets and liabilities

The Bank and its subsidiaries are involved in judicial and administrative proceedings of tax, labor and civil nature, both as plaintiff or claimer. Note 2.II.g) explains the criteria for recognizing and measuring these suits and proceedings.

a) Fiscal contingents

The bank is responsible for actions and processes whose losses are being considered with possible prognoses by our directors in the amount of R$ 423,163 and have not been accumulated. See below the main lawsuits whose probability of unfavorable outcome was assessed as possible:

Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL) related to non-taxation of retained earnings of a foreign subsidiary

In 2001, the Bank filed a petition for writ of mandamus seeking a preliminary injunction that ensured the right not to add to its P&L figures, for the purposes of determination of IRPJ and CSLL, retained earnings that were never actually made available by ABC Brasil Banking Ltd, upon the divestiture of interest in that company. Currently the decision at first jurisdiction level is favorable. Total contingency corresponds to R$ 10,674.

Fine - Service Tax ("ISS") - 2008 a 2011

This is an administrative proceeding in which the Bank discusses the release of 50% of fine, the assessment notices issued by the municipality of São Paulo, referring to the service tax on guarantees of income on the period from 2008 to 2011. The fine was launched on values whose enforceability was suspended as linked to the injunction where challenging the levy of this tax. The amount involved is R$ 13,644.

Social Security's Charges ("INSS")

The Bank is currently a defendant in a lawsuit related to payment of pension charges, mainly on profit sharing related to 2006 to 2014 exercises, amounting to R$ 276,610.

Unauthorized payment - COFINS

Refers to payment of COFINS without fines, as established in article 63 of Law No. 9.430/96. Awaiting appeal decision. Amount demanded totals R$ 3,699.

Income Tax (IRPJ) and Social Contribution Tax (CSLL) related to the deduction of income for the period of 2010 on loans operations

Collection of income tax and social contribution related deduction of losses on loans operations in result of 2010. The Bank has estimated the losses as effective, however, the Receita Federal considers that occurred anticipation of the deduction period provided for in Law 9,430/96. The value of the requirement amounts to R$ 5,365.

IRPJ / CSLL - Deductibility PLR of the Board on the period from 2010 to 2014

It is collection of income tax and social contribution of PLR on deductibility paid to the board of directors for the period of 2010 to 2014. Awaiting judgment of challenging the tax assessment notice. The amount of requirement is R$ 108,608.

PIS - ABC Brasil Distribuidora de Títulos e Valores Mobiliários S.A.

This is a action filed by the Federal Government in the face of a final decision that recognized the claim of the Distribuidora to non-payment of the PIS contribution from July 1997 to December 1999 pursuant to EC 17/1997. The estimated amount of the contingency corresponds to R$ 1,881.

b) Labor

On June 30, 2018, labor lawsuits in progress classified by our legal counsel as probable loss totaled R$ 11,202 (Note 25.d). The labor lawsuits classified as possible loss totaled R$ 11,866 and were not provisioned.

c) Civil

On June 30, 2018, civil claims in progress classified by our legal counsel as probable loss totaled R$ 1,221 (Note 25.d). The civil lawsuits classified as possible loss totaled R$ 2,990 and were not provisioned.

d) Changes in provisions

	Bank and Consolidated				
	Tax and legal obligations	**Labor**		**Civil**	
At the beginning of the six-month period	13,391	10,662		1,155	
Set up / (Reversal)	(67)	1,120		66	
Write-off	-	(580)		-	
At end of the six-month period	**13,324**	**11,202**	**(b)**	**1,221**	**(a)**

(a) Note 25.c e (b) Note 25.b.

26. Equity

a) Capital

On June 30, 2018 capital comprises 203,569,244 registered and uncertified shares (189,988,101 in 2017), without par value, of which 102,749,196 common shares (95,780,135 in 2017) and 100,820,048 preferred shares (94,207,966 in 2017).

b) Dividends and interest on equity

As established in the Bank's articles of incorporation, shareholders are entitled to an annual dividend of not less than 25% of net income adjusted as provided for in applicable law. Such dividend can, alternatively, be distributed in the form of interest on equity.

For the six-month period ended June 30, 2018 and 2017 shareholders resolved to distribute interest on equity, calculated according with established by Law 9,249/95, as follows:

Resolution approval date	Credit date	Interest on equity	Reduction in expenses with income and social contributions taxes
06/26/2018	**08/10/2018**	**108,002**	**48,601**
06/27/2017	08/10/2017	103,319	46,494

Interest on equity is calculated on net equity accounts and limited to the long-term interest rate, conditioned to the existence of profit calculated before deduction or retained subscription earnings and income reserves in amount equal or two times higher its amount.

c) Capital increase

On March 14, 2017 was deliberate by the Board of Directors a capital increase of R$ 81,479, corresponding to the issuance of 7,763,572 new shares, being 4,006,308 new shares common and 3,757,264 new preferred shares through the use of interest on shareholders' equity or cash payment, approved by the Central Bank of Brazil on March 30, 2017.

On March 9, 2018 was deliberate by the Board of Directors a capital increase of R$ 87,446, corresponding to the issuance of 7,014,397 new shares, being 3,596,542 new common shares and 3,417,855 new preferred shares through the use of interest on shareholders' equity or cash payment, approved by the Central Bank of Brazil on March 20, 2018.

On June 26, 2018,was deliberated by the Board of Directors the proposal to increase the equity of the company, on the amount R$ 91,802, through the emission of new shares, for the private subscription with the utilization of interest credit over own capital distributed or in the national currency.

d) Destination of earnings

i) Income reserve - Legal reserve

The establishment of compulsory legal reserve of 5% of net income on June 30, 2018 amounted of R$ 11,010 (R$ 10,200 in 2017).

ii) Income reserve - Dividend equalization

At the Annual and Special Shareholders' Meetings held on April 30, 2008, the shareholders approved the creation of the account Income Reserve for Dividend Equalization, to which the retained earnings account balance is allocated, limited to 80% of capital, the latter of which is set up to maintain the shareholder payment flow.

iii) *Income reserve - Repurchase of shares*

The reserve for repurchase of shares is set up to support the possible opening, after approval by the Board of Directors, of the program for repurchase of the Institution's shares, should market conditions indicate such possibility.

e) Treasury shares

For the six-month period ended June 30, 2018, based on authorization of the Board of Directors to acquire shares of Company for holding in treasury, 1,440,300 preferred shares were repurchased.

On June 30, 2018, the total value of shares repurchased in treasury is R$ 49,907 equivalent to 3,564,909 preferred shares (R$ 37,597 equivalent to 3,491,368 in 2017). The average cost per share repurchased treasury is R$ 14,00.

Changes in treasury shares

	2018	2017
At the beginning of the period	3,175,774	4,381,824
Shares acquired	1,440,300	153,400
Shares delivered	(1,051,165)	(1,043,856)
At the end of the period	**3,564,909**	**3,491,368**

f) Earnings per share

Earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the number of shares in June 30, 2018, excluding shares purchased by the Company and held as treasury shares.

27. Operational limits - The Basel Accord

The Central Bank of Brazil, through Resolution No, 4,192/13 and 4,278/13, instituted the determination of the reference equity on a consolidated basis for the financial conglomerate and by Resolution No, 4,193/13 instituted calculating the minimum equity required for reference the Risk Weighted Assets (RWA), both with effect from October 2013. The capital adequacy ratio for June 30, 2018 calculated based on the prudential conglomerate is 16.14% (16.18% in 2017). The table below shows the calculation of the minimum equity required for the reference risk weighted assets (RWA) which was 8.63% on January 01, 2018 (9.25% at December 31, 2017).

	2018	2017
Credit risk	2,005,655	1,779,366
Interest Rate	58,782	57,627
Commodities	5,008	12,353
Actions	74	308
Operating risk	134,334	101,208
Exchange risk	16,101	21,950
Required capital base (PRE)	**2,219,954**	**1,972,812**
Reference equity (PR)	**4,153,209**	**3,449,869**
Excess of equity in relation to limit	**1,933,255**	**1,477,057**

28. Other information

Offset and settlement of liabilities agreement - the Bank has an agreement on the offset and settlement of liabilities under the Brazilian National Financial System, in accordance with CMN Resolution No. 3,263/05, resulting in added guarantees of settlement of their assets with financial institutions that are party to the agreement. The Bank does not have compensation mitigation services as of June 30, 2018 and 2017.

29. Reconciliation of Equity and Net Income, under BRGAAP and IFRS

We present below the major adjustments (net of taxes) identified between the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil ("BRGAAP") and the International Financial Reporting Standards IFRS for the six-month period ended June 30, 2018 and 2017.

		2018	2017
Equity under BRGAAP		**3,445,961**	**3,089,924**
Allowance for losses on loans and advances to clients	**(a)**	38,262	84,196
Guarantees and responsibilities		16,029	15,729
Others		30,030	(2,212)
Equity under IFRS		**3,530,282**	**3,187,637**
Net income under BRGAAP		**220,201**	**203,994**
Allowance for losses on loans and advances to clients	**(a)**	(5,584)	(5,024)
Guarantees and responsibilities		3,127	2,588
Others		(3,321)	(1,217)
Net income under IFRS		**214,423**	**200,341**

a) Allowance for losses on loans and advances to clients

In the adoption of IFRS 9, there was a change in the calculation model of incurred loss (IAS 39) to expected loss, considering forward-looking information. On BRGAAP, the concept of expected loss is used, pursuant to BACEN Resolution No. 2,682/99.

Performance in the first half of 2018

We submit to your consideration the individual and consolidated accounting information of Banco ABC BRASIL S.A. for the first half of 2018.

Banco ABC BRASIL S.A.

Banco ABC Brasil S.A. is a commercial bank specialized in lending and providing services for midsized to large companies. Nonetheless, it is one of the few Brazilian banks featuring international control and local autonomy.

The bank is managed by a highly qualified team of senior executives, who are also shareholders of the bank, holding vast experience in financial markets and having broad autonomy for decision taking, in addition to the capability to foresee and explore sectorial and cyclical opportunities in the Brazilian economy.

Banco ABC Brasil S.A. is present in Brazil since 1989, and from this date on has been building a solid Corporate Clients portfolio by offering wide high-value added financial products. Nevertheless, the Bank is recognized by its robust expertise on credit risk assessment and concession.

Banco ABC Brasil S.A. is listed in the Level 2 of Corporate Governance of São Paulo Stock Exchange (B3 S.A. - Brasil, Bolsa, Balcão).

Shareholding Structure

As of June 30, 2018 the shareholding structure of Banco ABC Brasil S.A. was the following: Bank ABC: 59.81%; Free-float: 33.40%; Management and Board members: 5.04%; and Stocks in Treasury: 1.75%.

Business Profitability

Banco ABC BRASIL S.A. reported net income of R$ 220.2 million in the first half of 2018 (R$ 204.0 million in the first half of 2017), reaching a return on average equity of 13.0% in the period (13.6% in the first half of 2017).

The increase of the bank's net income in the period compared to the same period of the previous year is mainly due to the increase on income from financial intermediation and income from services rendered and the decrease on allowance to loan losses expenses, which were partially offset by higher expenses from financial intermediation.

Shareholders received, as Interest on own capital, the total gross amount of R$ 108.0 million, which represents a gross amount of R$ 0.54 for each common share and each preferred share, in compliance with legal provisions inherent to tax withholding, with interest inherent to the first half of 2018. The Bank offered shareholders the opportunity to reinvest the interest on equity paid by issuing new shares (note 26 b/c).

Credit Portfolio

The credit portfolio (including guarantees issued) totaled R$ 23.1 billion as of the end of June, 2018 (R$ 21.2 billion as of the end of June, 2016). Regarding the credit portfolio quality, 94.9% of the loan transactions and 98.7% of the guarantees issued transactions were rated between AA and C at the end of June 2017, in accordance with Brazilian Central Bank Resolution No. 2682. Considering both portfolios, the ratio was 96.7%. The allowance for loan losses represented 2.65% of the loan portfolio as of the end of June, 2018 (4.00% as of the end of June, 2017).

IN CVM 381/03

In compliance with CVM Ruling No. 381 of January 14, 2003, which provides for the need to disclose, by audited entities, information on service performance by the Independent Auditor, Banco ABC BRASIL S.A., informs that independent audit services of the financial statements of the Bank and its controlled companies are provided by Ernst & Young Auditores Independentes S.S.

No services unrelated to audit were performed.

The policy adopted meets the principles that preserve Auditor's independence, in accordance with criteria internationally accepted. These principles are as follows: 1) the auditor must not audit his/her own work; 2) the auditor must not perform managerial activities in his/her customer; 3) the auditor must not promote his/her customer's interests.

Securities Portfolio

At the end of the period, Banco ABC BRASIL S.A. has R$ 705.5 million in securities classified as "held to maturity", in accordance with Circular No. 3,068/01 of November 8, 2001 of the Central Bank of Brazil. The Bank has the financial capability and intention to hold these securities to maturity.

Arbitration Clause

Banco ABC BRASIL S.A. is subject to arbitration in the Market Arbitration Chamber, in accordance with the Arbitration Clause contained in its Articles of Association.

Risk Management

1) Corporate Risk

To Banco ABC Brasil the risk management is a process aimed at creating and preserving the institution's value, providing reasonable assurance that events that may affect the institution are identified and continuously managed according to its risk appetite. Therefore, to meet Resolutions Nos. 4,557/17 and 4,327/14 of the Central Bank of Brazil, the bank maintains specific structures to deal with risk management, capital management, and environmental and social responsibility, respectively. To meet the aforementioned resolutions and Circular No. 3,678/13 of the Central Bank of Brazil, the information related to the risk management process of Banco ABC Brasil is available in its website on internet, available through the following URL: www.abcbrasil.com.br > Investor Relations > IR Services > Risk Factors > Risk Management Structure > Banco ABC Brasil.

Corporate Risk Management is responsibility of all areas and employees. They must perform their activities and timely identify risks, failures and deficiencies and inform to areas better positioned to deal with them. Despite being responsibility of all areas and employees, it is managed in a centralized manner by Vice-Presidency of Credit and Risk Management.

The Bank's governance structure considers that the company must be managed with main focus on value creation for shareholders, without injuring the rights of interested parties and complying the laws that regulate the markets, according to accepted and recommended ethical standards. Such structure is based on the regulations of B3 S.A. - Brasil, Bolsa, Balcão, the Brazilian Securities and Exchange Commission (CVM) and the Central Bank of Brazil, counting on. It is based on bodies defined by the current regulation, such as the Board of Directors and Audit Committee, and supported by internal ones, such as the Board Risk Committee and the Executive Committee, as well as other operating committees, such as the Credit Committee, the Financial Committee and the Operational Risk and Compliance Committee.

The Board of Directors is responsible for defining the risk appetite of the institution, the approval of business strategies and the maintenance of high governance standards. It should ensure the effectiveness of the risk management framework, providing independence and resources for its proper functioning. Accordingly, it is supported by bodies and committees created for this purpose.

The Executive Committee is responsible for executing the definitions set by the Board of Directors and for managing the activities of the institution.

2) Operational risk

The Bank acknowledges that Operational Risk is a specific risk category and should be managed as such. It should cover the institution as a whole, involving all its employees, including third-party service providers and considering its processes, activities, systems, products and physical structure. Operating risk management also includes legal risks.

Operational risk management is organized in three defense lines: 1) managers of several areas; 2) Risk Management area and Operational Risk and Compliance Committee and 3) Internal Audit.

Management is based on ongoing identification, assessment, monitoring, control and mitigation of risks through specific tools. The effectiveness of actions is reinforced by timely communication to management, involvement of people, and the efforts to spread a risk management culture. The Operational Risk and Compliance Committee is the internal body that discusses operational risk, business continuity management, compliance, information security and internal control matters.

3) Market and liquidity risks

The market and liquidity risks are managed through internal information and tools operated by the Risk Management area, which centralizes the control activities, monitoring the portfolio exposures, as well as current and future acceptable liquidity levels.

Treasury executes the decisions taken by the Financial Committee and manages proprietary positions within the limits determined. It also manages the funding as well the inflow and outflow gap. The Financial Committee formally discusses such exposures in its weekly meetings and designs a strategy for the subsequent period.

The Risk Management area provides daily information to the Management, Treasury, and members of the Financial Committee. It also prepares periodic specific reports to the Board of Directors and the Audit Committee. Furthermore, it has to disclose the Bank's risk appetite to the areas involved in the liquidity and market risk management and in the design of new products or activities.

4) Credit risk

Credit risk management covers the bank's activities of authorization, execution, control and monitoring. This also includes not only individual outlook for economic groups, clients and operations, but also the aggregate risk factors of the portfolio, such as concentration in a sector, product or region.

The approval of client relationships and of the concession of credit lines is the responsibility of the Credit Committee, up to the limits under Administrative jurisdiction. Beyond that limit, the Board Risk Committee has exclusive rights of approval.

The process of management is dynamic and shared, notably in the areas of Credit Risk Analysis, Administration, and Management, which are parts of the structure of the Vice-Presidency of Credit and Risk Management. This seeks to assure that risks are within defined limits and that the coverage of required collaterals are at required levels, with the expected quality and accessible to the Bank in case of default.

The Credit Risk Management area is also responsible for monitoring the credit portfolio. This includes portfolios quality monitoring and execution of stress tests, as well as the development and performance of models for attributing counterparty and transaction risk classification. The area also monitors risk concentration and evaluates the impacts of adverse scenarios.

5) Environmental and Social Responsibility

The environmental and social responsibility policy defines the guidelines for the identification, assessment, monitoring, mitigation and control of environmental and social risks, in compliance with Resolution 4,327/14 of the Central Bank of Brazil.

The Bank has research tools, internal analysis processes and governance structure that allow the management of such risks. The Bank also applies environmental and social questionnaires to its clients, according to internal eligibility criteria.

6) Capital management

The Executive Committee conducts the capital management jointly with the Board of Directors, based on activities coordinated by the Financial Planning area, which is also responsible for structuring the annual strategic plan and monitoring the budget. The Risk Management and the Finance areas are fully integrated in the process. In compliance with Resolution No. 4,557/17 of the Central Bank of Brazil, the information relating to capital management Brasil is available in its website on internet, available through the following URL: www.abcbrasil.com.br > Investor Relations > IR Services > Risk Factors > Capital Management Structure - Banco ABC Brasil.

7) Compensation Committee

The Bank has a Compensation Committee established in the first General Shareholder's Meeting of 2012 that shall be responsible for (i) proposing to the Board of Directors the various forms of fixed and variable compensation, the benefits as well as the bespoke recruitment and severance programs; (ii) supervising the implementation and operation of the compensation policy for the institution's managers; (iii) reviewing on an annual basis the institution's management compensation policy and recommending to the Board of Directors any correction or improvement; (iv) proposing to the Board of Directors the sum of overall compensation for managers to be submitted to the General Shareholders Meeting in accordance with article 152 of Corporation Law; (v) assessing future internal or external scenarios and their possible impacts on management compensation; (vi) analyzing the institution's management compensation policy in relation to market practices in order to identify significant discrepancies in relation to similar companies and proposing adjustments when necessary; (vii) ensuring that the management compensation policy is always compatible with the risk management policy, with the institution's current and projected objectives and financial position as well the provisions of that resolution; and (viii) preparing on an annual basis in a ninety day period as from December 31, each year a document known as the Compensation Committee Report as provided in Resolution No. 3,921 of Brazil's National Monetary Council.

8) Compliance risk

Banco ABC Brazil through its Compliance department seeks to ensure the existence of corporate policies, processes, controls and continuous monitoring of meeting regulatory requirements of regulatory agencies and professional associations, as well as prevent and combat money laundering and terrorism financing. Acting on the orientation and awareness, aimed at curbing activities and conduct that could cause damage to the institution's image and use its best efforts in the dissemination and practices of Law Nº 12,846 of Anti-Corruption an Bribery Law. Within the Compliance area have the security area information that is responsible for defining and implementing rules and policies to ensure the confidentiality, integrity and availability of information.

Sao Paulo, August 2, 2018.

The management

Banco ABC Brasil S.A.

Summary report of the Audit Committee

As a result of its evaluations and diligences, the Audit Committee considers the internal control environment of the organization and its control and risk management instruments to be adequate, providing the quality of the process of preparing the Financial Statements and notes, in accordance with the accounting practices adopted in Brazil and standards issued by the Central Bank of Brazil.

Accordingly, considering the scope of its duties, scope of action and its responsibilities, the Audit Committee recommends to the Board of Directors the approval of the audited individual and consolidated financial statements of Banco ABC Brasil SA for the six-month periods ended June 30 2018 and 2017.

The full report of the Audit Committee containing the details of the scope of its work and diligences will be available on the website of Banco ABC Brasil SA (https://ri.abcbrasil.com.br) and available to those interested in the section "Corporate Governance ".

Sao Paulo, August 2, 2018.

The Audit Committee

Abiding by CVM Rule No. 480, dated December 7, 2009, the undersigned parties, Executive Board members of Banco ABC Brasil S.A., listed at Corporate Governance Level 2 (Code ABCB4), REPRESENT hereby that they:

a) Reviewed, discussed and agreed with the financial statements for the six-month period ended June 30, 2018.

b) Reviewed, discussed and agreed with the opinion expressed in the independent auditor's report of Ernst & Young Auditores Independentes S.S., on the Bank's financial statements for the six-month period ended June 30, 2018.

Sao Paulo, August 2, 2018.

Anis Chacur Neto
Director President

Sérgio Ricardo Borejo
Director Vice - President of Administrative

Leila Maria de Carvalho Rocha
Director