

December, 31 2018

**CONSOLIDATED
FINANCIAL
STATEMENTS**

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BANCO VOTORANTIM S.A | Management Report | From January to December 2018

We present the Management Report and the Financial Statements of Banco Votorantim S.A. and subsidiaries, for the periods ended December 31, 2018 and 2017.

1 KEY INFORMATION

	Dec.18 (2018)	Dec.17 (2017)	Variation
Net Income (R\$ million)	1,061	582	82.3%
Return on Average Equity ¹ (ROAE) (%)	11.5	6.8	4.7 p.p.
Return on Average Assets ² (ROAA) (%)	1.1	0.6	0.5 p.p.
Total Assets (R\$ million)	101,821	93,519	8.9%
Loan Portfolio (R\$ million)	50,478	48,679	3.7%
Wholesale segment (R\$ million)	11,887	12,687	-6.3%
Consumer Finance segment (R\$ million)	38,592	35,992	7.2%
Guarantees provided and private securities (R\$ million)	9,748	10,342	-5.7%
Funding sources (R\$ million)	60,809	61,203	-0.6%
Shareholders' equity (R\$ million)	9,374	8,868	5.7%
Basel Ratio (%)	15.7	15.5	0.2 p.p.
Tier I Capital (%)	13.6	11.4	2.2 p.p.
Common Equity Tier I (%)	11.6	11.4	0.2 p.p.
90-day NPL (%)	4.2	4.0	0.2 p.p.
Coverage Ratio (90-day NPL) (%)	171	192	-20.5 p.p.
AuM ³ (R\$ million)	48,435	54,749	-11.5%
Employees (individuals)	3,842	3,873	-0.8%

1. Ratio between net income and average equity of the period;

2. Ratio between net income and average assets of the period;

3. Includes onshore funds (ANBIMA criteria) and private clients' resources.

2 ECONOMIC ENVIRONMENT AND BANKING SECTOR

The year 2018 was marked by a high volatility. Following tensions in the international financial markets in the first quarter, the truck drivers' strike and political uncertainties in Brazil brought concerns over the second half of the year, with the end of the year bringing new global turmoil.

After a decade of record highs in the stock markets and government bonds in the United States, investors were uncertain about the future. The scenario of low-interest rates, broad liquidity and expectation of rising prices for real assets is over. Analysts believe that there will be fewer financial resources and a lower rate of global growth from 2019 onwards, with the deterioration of activity indicators in China triggering a sharp fall in assets with great accumulated appreciation in 2018, such as stocks and commodities.

Internally, the Brazilian economy followed its recovery path, although the shocks represented by global uncertainties and the truck drivers' strike have slowed the pace of growth and frustrated the initial optimistic expectations. From the inflation point of view, idleness in production and employment offset the foreign exchange pressures and kept inflation well below the 4.5% target. Thus, the Central Bank ended the process of interest rate cuts and kept the base interest rate at 6.5%, a historically low level.

Such unstable and low-growth environment had moderate impacts on the credit and automotive market. Delinquency and spreads fell back to their historical averages for both consumers and companies, with fluctuations in the confidence of businessmen and consumers smoothing the pace of recovery of credit

granting, especially in the corporate case. In the auto finance segment, although sales of used cars have decreased, there was a significant increase in auto finance of new vehicles.

The scenario is still favorable for 2019. There is responsibility in economic management and, at the same time, the low production and capital costs favor the continuity of cyclical recovery. As a result, automobile financing, payroll credit and corporate operations should continue to perform well.

3 CORPORATE STRATEGY

We seek to consolidate our position among the main national privately-held banks, leveraging synergies with our shareholders and bringing the client to the center of the business. Accordingly, we are focusing on maximizing business profitability, increasing operational efficiency, and diversifying sources of income, investing continuously in digital transformation aimed at improving the experience of our clients.

In the first semester, we deployed the "BV Lab", our innovation laboratory dedicated to connecting the institution with new technologies and to improving user experience. We made investments in data science through the creation of the Data Science area, hiring new talent, building up our analytical skills, and reinforcing the ability to deal with structured and unstructured data, artificial intelligence and speech analytics. As an example of this transformation, we can mention the solid level of 95% of automatic credit responses; the use of artificial intelligence in our call center, providing better visibility of our customers' needs and resultant actions to improve their experience with us; the use of facial recognition to control fraud; the micro-services infrastructure that enables fast and effective credit decision in digital channels; and, finally, the automatic reading of legal opinions, thus better directing the efforts in civil lawsuits.

In line with our plan to continue advancing on fronts that promote an environment of innovation and promotion of companies that are changing the markets in which they operate, in the first semester we also made investments through BR Startups Fund, a partnership with Microsoft, in the "Quero Quitar" platform, a company with financial education and debt negotiation as its business purpose. We also strengthened our operations with "GuiaBolso" – the main Brazilian financial control and education application, as well as advancing in partnerships with the venture capital fund Monashees and startups Olivia and Neon Pagamentos – one of the most innovative fintechs in reinventing the financial services experience, of which we are the custodian provider Bank since May 2018.

In the second half of the year, we created an equity investment fund (FIP BV) that will allow us to directly invest in startups that we believe to be promising. In this regard, we entered into an agreement with Weel, an artificial intelligence fintech for the anticipation of receivables, expanding our presence in the segment of small and medium enterprises focused on financing the supplier chain for the Wholesale's customer portfolio. We also launched new products with fintechs "Serasa eCred" and "BomPraCrédito" and formalized two new partnerships: with Yalo, in the healthcare and benefits segment, and with CVC in the tourism sector.

These partnerships reinforce our strategy of diversifying business and digital transformation. As the market recognition of this transformational process, we were featured in the Financial Institution category of the "1st Digital Maturity Award", developed by McKinsey in partnership with the newspaper Valor Econômico.

As regards business segmentation, our portfolio is divided into three units: Consumer Finance (Financing to Consumption), Wholesale Bank and Wealth Management, with well-defined strategies.

Consumer Finance Business

In Consumer Finance, with BV, we are leaders in Used Auto Finance (multi-brand dealers), and we diversify our businesses and solutions to meet the demands of our clients and partners, providing credit, payment methods and insurance.

In the beginning of 2018, we advanced in the repositioning of BV with the launch of a new logo, more modern and with slogan "credit for those who believe". This change reflects the consolidation of the positioning of Consumer Finance, which has worked to increase the offer of credit solutions and the distribution channels so as to make us even closer to our partners and clients.

During the year, we launched new relationship platforms. For customers, we improved the experience in our physical stores with a new design, and also launched a new BV website where it is possible to consult all contracted products, issue the second copy of the payment slip, consult statements, and simulate prepayments. The website receives an average of over 2 million visits per month, with 55% of the clients served in a digital and autonomous manner, thus generating customer service reduction, increasing our operational efficiency, and improving the customer experience. Furthermore, we have developed a new application to facilitate the formalization of auto finance proposals, which is already integrated with the commercial force platforms and available to 100% of the approximately 18,000 multi-brand dealers with which we have a relationship. As a result of this investment, we had a reduction of 35% in the average time for store owners to record a credit proposal.

In the Auto Finance business, which is the flagship of our Consumer Finance segment, we continue originating with scale and quality, as a result of the continuous improvement of credit policies, processes and models. The volume of auto finance loan origination grew 8.2% in relation to 2017, and amounted to R\$ 17.0 billion in 2018, with 89% relating to used cars, a sector in which we have history of leadership and recognized expertise.

Using the client base of Vehicles, we seek to diversify our sources of income through credit cards and insurance, both products with relevant growth in the period:

- The credit card portfolio – composed of billing of payments, installment sales, and revolving credit – grew 20.4% over December 2017, and ended 2018 at R\$ 2.3 billion, with more than 900 thousand active cards. We promoted significant improvements in the application "My Card BV" to the users of our credit card, and currently 70% of the clients already use the channel.
- We expanded sales of insurance (e.g.: credit insurance, auto, life insurance etc.) whose revenues from brokerage totaled R\$ 477 million in 2018, a growth of 16.6% compared to 2017.

Moreover, we advanced the loan and financing products strategy, with an increase in individual loans (+69.5%), credit with real estate guarantee (+22.3%) and private payroll loans (+6.6%) in the last 12 months.

It is worth mentioning that Promotiva S.A. – a subsidiary created to act as a promoter of business, directly to the shareholder Banco do Brasil – ending 2018 with R\$ 6.6 billion, mainly in payroll credit.

Still in the diversification front, we consolidated important strategic commercial partnerships in the second semester of 2018, such as PRAVALER, Kroton, Portal Solar, GuiaBolso, among others. Combined, these partnerships accounted for a portfolio of R\$ 23 million at the end of December 2018 – amount fully originated in the last 12 months, which will be increased in 2019. Aiming to strengthen this strategy, we formalized two new partnerships by the end of 2018. In September, we signed an exclusive agreement for BV to offer credit solutions to Yalo's clients, Dr. Consulta partner and the first benefit platform of healthcare procedures and wellness services in the Brazilian market. In December, we also started operating in the tourism segment, financing CVC clients in the purchase of travel packages.

We ended 2018 as the fourth best bank in the ranking of complaints of the Brazilian Central Bank, composed of 11 financial institutions (with more than 4 million clients). In addition to the Ombudsman's continuous work with other operational and business areas, that important position was driven by our new cycle of digital transformation. One of the successful initiatives was the use of artificial intelligence in the telephone calls from

our call center, in which we automatically analyze around 15,000 calls a day, allowing to improve client satisfaction as to reduce civil claims. This initiative received market recognition and won two awards in 2018: “2018 ABT Award” (“Process Innovation” category), and “2018 ABRAREC Award”, awarded to the Ombudsman by Associação Brasileira das Relações Empresa Cliente (ABRAREC), both for the case “Artificial Intelligence: Improving processes, building relationships and enriching lives.”

Wholesale Bank Businesses

In the Wholesale business we continue with our strategy of increasing penetration in the Corporate segment (companies with an annual billing of up to R\$ 1.5 billion) with special emphasis on fixed income, treasury, mergers and acquisitions and corporate finance operations. In 2018, we doubled the volume of business origination within this segment, increasing the number of clients by more than 50%.

With a focus on enhancing a more customer-oriented strategy, in the first half, we have launched a new Internet Banking website that provides a new online experience and simplifies product management. In the same direction, we have accelerated the pace of digital transformation in the segment, and we have expanded the supply of cash management services, addressing the needs of our clients with a larger range of products.

Furthermore, with the aforementioned FIP BV's investment strategy we aim to strengthen new products and channels, expand our presence in new industries and increase the use of disruptive technologies, substantially changing our relationship and experience with clients. With the development of this strategy, we entered into an agreement with Weel, an artificial intelligence fintech for the anticipation of receivables, aimed at financing the supplier chain for the Wholesale's client portfolio.

Wealth Management Businesses (VWM&S)

In Wealth Management, through Votorantim Asset Management (VAM), we have maintained our position as one of the leaders in the management and administration of Real Estate Funds (Brazilian FIIs), Private Equity Investment Funds (FIPs) and Receivables Investment Funds (FIDCs), and relevant succession solution and financial planning structurers providers in Private Bank.

It is worth noting that VAM has a partnership with Banco do Brasil for the structuring, management, administration and distribution of investment funds, operating in a comprehensive group of investor segments - from corporate and institutional to private bank clients and distributors.

VAM occupies a prominent position within its peer group (i.e. Asset Managers without a branch network structure), and in the end of 2018 was in 13rd place in the overall ranking of managers of ANBIMA (Brazilian Association of Financial and Capital Markets Entities), with a total volume of AuM (Asset under Management) of R\$ 48.4 billion. In the segment of structured products, VAM ended 2018 with administrated volume of R\$21.3 billion and occupied the 3rd position in the Ranking of FII Managers and the 4th position in the Ranking of FIP Managers prepared by ANBIMA.

In 2018, VAM won important recognition for its funds and management work. The fund named “Fundo de Previdência Multimercado Balanceado 15” was awarded as the best in the category by Valor Investe based on a study performed in partnership with Fundação Getúlio Vargas. In the publication “Guia Exame – Onde Investir 2019”, two multimarket funds and three fixed-income funds won five stars in the ranking, and VAM ranked third in the category Best Expert Fixed Income Fund Manager.

4 PERFORMANCE

4.1 | RESULT

Statement of income (R\$ million)	2018	2017	Variation
Gross Income from financial intermediation before ALL expenses ¹	5,616	5,632	-0.3%
Revenues from recovery of written-off loans	781	792	-1.3%
Allowance for loan losses expenses (ALL)	(2,014)	(2,585)	-22.1%
Income from services and banking fees	1,374	1,318	4.2%
Personnel and administrative expenses	(2,350)	(2,239)	5.0%
Tax expenses	(384)	(395)	-3.0%
Equity in income of subsidiaries	361	285	26.5%
Other operating income/expenses ²	(774)	(845)	-8.4%
income tax and social contribution and profit sharing expenses	(767)	(589)	30.3%
Net income	1,061	582	82.3%

1. We have an agency in Nassau that allows us to make business via the international market. To hedge the exposure to exchange variations of this investment, we use derivatives. Brazilian tax legislation establishes that gains and losses arising from foreign exchange variations on foreign investments are not taxable for the purposes of PIS / COFINS / IR / CSLL, while gains or losses arising from derivatives used as a hedge of that position are taxed. Tax treatment distinct from such exchange rate differences results in volatility in the Income from Financial Intermediation and Tax Expenses (PIS / COFINS) and Income Tax (IR / CSLL).

2. Other operating income and expenses, and non-operating income.

For a detailed analysis of the figures presented below, we recommend reading this document together with the Earnings Release of the fourth quarter of 2018. The Earnings Release presents our quarterly managerial performance and is available on our website, on the Investor Relations page (www.bancovotorantim.com.br/ir).

Net income of 2018 totaled R\$ 1,061 million - equivalent to a return on average shareholders' equity (ROAE) of 11.5% p.y., comparable to income of R\$ 582 million in 2017, representing growth of 82.3% in the period. The following items contributed to the composition of income for the year:

- Income from Financial Intermediation before Loan Losses Expenses:** remained practically stable compared to 2017. Performance was negatively affected by the tax effect of hedging our investments abroad, but was positively offset by the higher profitability of businesses, particularly Consumer Finance operations, whose participation in the portfolio has been growing consistently. If we disregard the hedge tax effects (see table above), the gross income from our financial intermediation would have increased by 4.0%.
- Allowance for Loan Losses:** despite the 3.7% growth in the classified credit portfolio, ALL expenses decreased by 22.1% in relation to 2017, mainly due to the improvement in the quality of the Wholesale assets, reflecting both the quality of risk management and of the credit concession processes (see the Portfolio Quality section).
- Fee income/ banking fees income:** growth of 4.2% in comparison to 2017, mainly due to the greater origination of auto finance in 2018. It is also worth highlighting the growth of revenue with credit cards, which reflects our business diversification strategy.
- Equity in Income of Subsidiaries:** growth of 26.5% compared to 2017 due to the increase in the sale of third party insurance, such as Credit Insurance and Auto Insurance. Sales are handled through the subsidiary Votorantim Corretora de Seguros (VCS), and the result is recognized under the equity method of accounting.

5. **Personnel and Administrative Expenses:** increase of 5.0% compared to 2017, due to (i) greater investments in Technology, aligned with our digital transformation process; (ii) higher Marketing expenses, due to the greater investment in advertising for the Consumer Finance brand, BV; and (iii) higher non-recurring expenses with legal advisors, whose impact was neutralized by lower expenses with provisions for contingent liabilities.
6. **Other income and expenses:** the reduction of 8.4% comes, mainly, from lower expenses with provision for civil lawsuits.

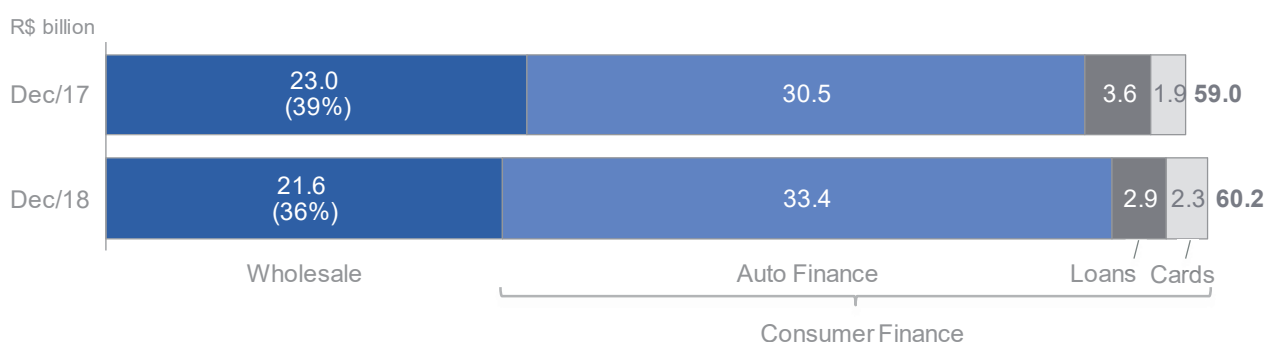
4.2 | BALANCE SHEET ANALYSIS

R\$ million	Dec.18	Dec.17	Variation
Total assets¹	101,821	93,519	8.9%
Expanded loan portfolio	60,226	59,021	2.0%
Loan Portfolio	50,478	48,679	3.7%
Consumer Finance segment	38,592	35,992	7.2%
Wholesale segment	11,887	12,687	-6.3%
Guarantees provided and private securities	9,748	10,342	-5.7%
Allowance for loan losses (ALL)	(3,631)	(3,674)	-1.2%
Permanent assets	2,251	1,016	121.7%
Total Liabilities	101,821	93,519	8.9%
Funding resources	60,809	61,203	-0.6%
Shareholders' equity	9,374	8,868	5.7%

1. Pursuant to Article 8 of Bacen Circular 3,068, we declare that we have the financial capacity and intention to hold to maturity the securities classified as held-to-maturity securities in the amount of R\$ 2.1 billion, representing 8 % of total securities.

4.2.1 | LOAN PORTFOLIO

In 2018, we maintained a conservative posture in credit concession. In December 2018, the balance of the expanded credit portfolio, including guarantees provided and private securities, reached R\$ 60.2 billion, an increase of 2.0% over the last 12 months.

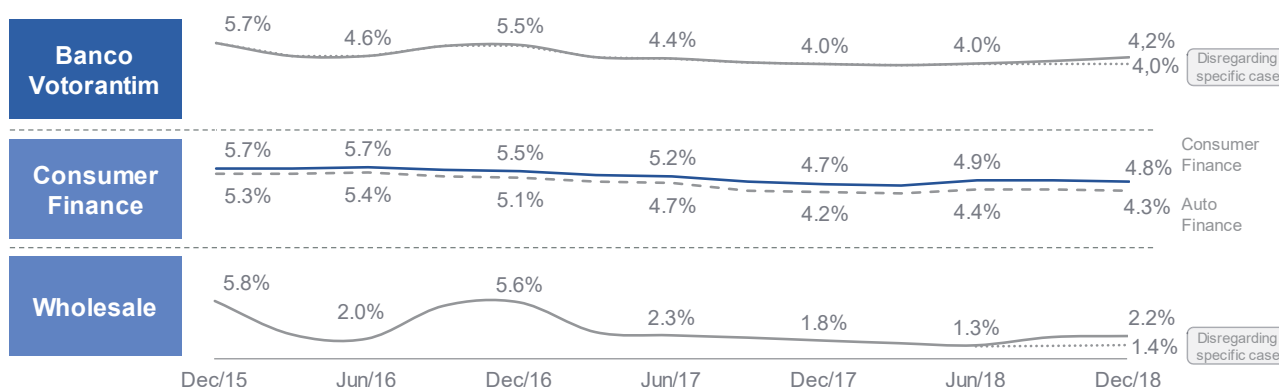


The expanded credit portfolio of Wholesale ended December 2018 with a balance of R\$ 21.6 billion, down 6.1% compared to December 2017, mainly due to the reduction in the balance of private securities, in line with our strategy of leveraging the profitability of this segment.

In Consumer Finance, the loan portfolio reached R\$ 38.6 billion in December 2018, 7.2% higher than in 12 months, leveraged by growth in auto finance - used auto finance, specially.

Portfolio Quality

The 90-day NPL ratio of the consolidated portfolio reached 4.2% in December 2018 compared to 4.0% in December 2017.



The quality indicators of the portfolio are kept under control, supported by the combination of improvements in the credit processes and models and the prudence in the granting of loans.

90-day NPL ratio of the Consumer Finance portfolio ended December 2018 at 4.8%, 0.1 pp higher than the previous year. It is worth mentioning that the negative impacts of the first half of the year – a sharp slowdown in the country's economy, a peak in inflation, and a significant increase in fuel prices – did not affect the structural quality of the Consumer Finance portfolio, but caused occasional delays, especially since June. The quality of the credit vintages generated remains at historically good levels, and the effect observed is not a reflection of a greater risk in concession, but rather a result of the economic impact described above.

In Wholesale, delinquency increased by 0.4 p.p. in the last 12 months, to 2.2% in December 2018, reflecting a specific case adequately provisioned. Disregarding the specific case, the 90-day NPL ratio for the segment would be 1.4% – lower when compared to December 2017, while the delinquency index of the consolidated portfolio would be 4.0%, stable when compared to the previous year.

We maintained the Coverage Ratio of 90-Day NPL at a sturdy level, reaching 171% in December 2018, evidencing the soundness of the balance sheet and reflecting consistency in risk management.

4.2.2 | FUNDING SOURCES

The funding sources volume amounted to R\$ 60.8 billion in December 2018, showing a decrease of 0.6% in the last 12 months. During this period, we emphasized the decrease in the balance of repos backed by Debentures, reflecting the regulatory change introduced by Resolution 4,527, which makes it impossible new repos with debentures of lease subsidiaries since May 2018. In substitution of this instrument, we increased the volume of funding in Deposits (+42.1%) and Financing Bills (+20.3%).

R\$ million	Dec. 18	Dec. 17	Variation
Debentures (repo)	2,291	9,290	-75.3%
Deposits	12,085	8,503	42.1%
Subordinated debts	6,334	5,818	8.9%
Borrowings and onlendings	3,974	4,062	-2.1%
Bills	29,680	23,468	26.5%
Financing bills	24,804	20,617	20.3%
Securitization with recourses	5,914	9,445	-37.4%
Securities abroad	532	607	-12.4%
Total funding	60,809	61,193	-0.6%

In terms of liquidity, we ended 2018 with cash at a very comfortable level to fully cover funding with daily liquidity. The LCR (Liquidity Coverage Ratio) – which is the ratio between the balance of highly-liquid assets and the total cash outflows expected for the next thirty days in a stress scenario – of 4Q18 was 163%, exceeds the minimum regulatory requirement of 90%. Additionally, it is worth emphasizing that we have a committed credit facility at Banco do Brasil since 2009, which represents a significant liquidity reserve and that has never been tapped.

4.2.3 | CAPITAL

The Basel ratio is calculated pursuant to the Financial Statements prepared in accordance with accounting practices adopted in the country, applicable to institutions licensed to operate by the Brazilian Central Bank. In order to guarantee our solidity and availability of capital to support the development of our business, we have maintained regulatory capital above the level required by the Brazilian Central Bank. For 2018, the minimum capital requirement is 10.5%, where 7.9% was the minimum for Tier I Capital, and 6.4% for Equity Tier.

The Basel Ratio reached 15.7% at the end of 2018, with the following breakdown: (i) 13.6% relating to Tier 1 Capital, which consists of the sum of Common Equity Tier I (11.6%) and Additional Tier I (2.0%); and (ii) 2.2% relating to Tier II Capital. It is worth mentioning that in March 2018, the issuance of USD 300 million in perpetual bonds abroad was approved to compose the Additional Tier I, strengthening our capital base.

	Dec. 18	Dec. 17
Basel Ratio	15.7%	15.5%
Tier I Capital	13.6%	11.4%
Common Equity Tier I	11.6%	11.4%
Additional Tier I	2.0%	-
Tier II Capital	2.2%	4.2%

For further information, see the "Risk and Capital Management" report on our website, on the Investor Relations page (www.bancovotorantim.com.br/ir).

5 RATINGS

The Bank is rated by international rating agencies and the ratings assigned reflect the operating performance, financial soundness and the quality of our management, in addition to other factors related to the financial sector and economic environment in which we are.

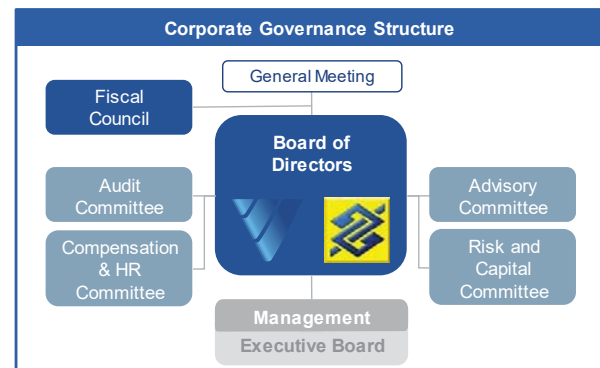
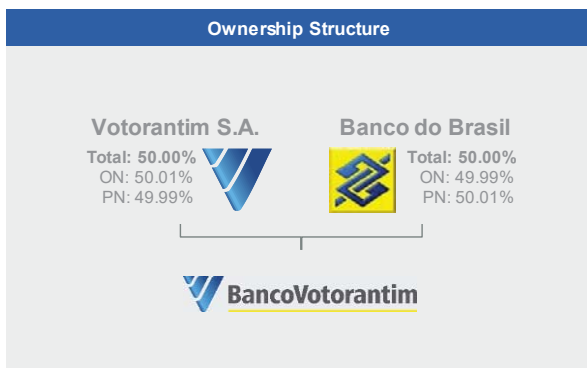
RATING AGENCIES		International		National	Brazil Sovereign rating Ba2 BB-
		Local	Foreign	Local	
Moody's	Long-term	Ba2	Ba3	Aa3.br	
	Short-term	NP	NP	BR-1	
Standard & Poor's	Long-term	BB-		brAAA	
	Short-term	B		brA-1+	

In March 2018, the agency Standard & Poor's reaffirmed our global rating as 'BB-', with a stable outlook, following the sovereign rating outlook. In June 2018, the agency reviewed the credit rating mapping table in national scale, and as a result, our rating was changed from 'brAA-' to 'brAAA', maintaining the stable outlook.

In October 2018, Moody's agency reaffirmed our rates, maintaining them as 'Ba2' (domestic currency) and 'Ba3' (foreign currency), both with negative outlook.

6 CORPORATE GOVERNANCE

We strive to comply with good corporate governance practice in order to improve the quality of management and to seek efficiency in the decision-making process.



Our governance is shared by the Votorantim Finanças shareholders and Banco do Brasil, with parity appointment of Board of Directors' members in the Fiscal Council and other forums which advise the Board of Directors.

7 PEOPLE

We invest continuously in the management of culture, and recent experiences have shown the benefits in the practice of Our Way of Being and Doing. An example of this is the strategic partnership that we formed with Neon Payments, in which different areas joined forces and took on a leading role, acting with the necessary celerity to make this business practicable in record time.

The entire transformation journey is also experienced in our way of working. We expanded the remote work, and reform our work spaces to make them more modern and collaborative, affording greater synergy between the areas. These actions encourage us to have an agile and simple environment, which directly influences our day-to-day attitudes. With the purpose of always providing the best experience for our employees, we recognized them by the length of service, generating a greater bond and pride of belonging. We continued

with initiatives focused on wellbeing, such as extending the benefits of Gympass to family members, the unprecedented partnership with Sírio Libanês Hospital, and offering convenience in performing exams in the Fleury laboratory in the Head office unit.

We value people development and intensify our on-site and distance training. We encourage self-development, organizing various meetings to promote innovation and the digital mindset, through speeches with relevant topics, workshops and up-to-date content in our virtual training platform. Moreover, we had initiatives focused on diversity in 2018, showing how this issue can reflect and strengthen our culture.

For leadership we have developed specific programs with an emphasis on people management, business and innovation. Succession planning, which ensures the organization's perpetuity and sustainability, is part of our talent management strategy. In this period, we also evaluate and identify the best paths to expansion and executive leadership style.

All such initiatives reflected in the engagement of our employees, which recorded an 80% favorable outcome in our climate research. These advances also allowed us to convey what it is like to work at the Bank to the market, increasing our attractiveness as a good employer. In recognition of these initiatives during 2018, we entered the ranking of the 50 Most Beloved Companies in Love Mondays – a digital platform with evaluations of employees or former employees that consolidates what is like to work for in each organization. In addition to being on the top of the list among the Banks in the ranking released in January 2019, we gained prominence in the Top 15 position in the category Large Enterprises.

Together with the advances of our culture, we prioritize a client-centric approach, since we believe that this leverages sustainable results based on the relationship of trust with all our clients. Finally, our culture is an element in continuous evolution and it directs how we conduct business, produce results and develop relations with others. After all, #WeAreWhatWeDo.

8 SUSTAINABILITY

Sustainability for Banco Votorantim is the development and performance of perennial actions, which reaffirm our commitment to the development of Brazil, reduce the impact on the environment and guarantee an expanded management of risks and opportunities for our clients and employees. We also approximated our Sustainability principles to the Bank's purpose, organizational culture and brand positioning plan. We stressed the important role we should play in the development of solutions that meet the financial needs of our clients – Wholesale and Consumer Finance, connecting the social and environmental aspects to all of business fronts.

Our main Sustainability initiatives in 2018 were as follows:

Social Responsibility and BV Esportes (BV Sports)

We launched the BV Esportes (BV Sports) platform in the second half of 2018, whose purpose is to support social projects of famous athletes. In addition to BV financial investment, all initiatives rely on the professional mentorship of internal collaborators of Banco Votorantim. The platform encourages the exchange of information among all participating athletes and, in a second phase, it will connect BV's clients, partners and suppliers to each of the supported projects. Initially, BV's support will last two years, and projects will be evaluated based on performance indicators. Moreover, the platform will have an independent consulting company to monitor how resources are being invested. Supported projects:

- Instituto Esporte e Educação, of the athlete Ana Moser
- Burnkits, of the athlete Bob Burnquist
- Institute Reação, of the athlete Flávio Canto
- M4 in Schools, of the athlete Marcelinho Machado

- Instituto Próxima Geração, of the athlete Mauro Menezes
- Instituto Serginho 10, of the athlete Serginho Escadinha

In addition to the aforementioned projects, the platform also supported three collaborating athletes of the Bank, sponsoring their participation in important sporting events in the marathon, triathlon and judo modalities.

We continue following up 20 social projects supported by tax incentive laws in the areas of culture, sports, childhood, adolescence, and elderly. We launched the individual donation platform in the second half, which allows donations of a portion of the employees' income tax payable - deducted from payroll - to some projects supported by the social investment program of the Bank and of other Votorantim Group companies.

Business Sustainability

We have progressed in the development of Financial Education and sustainable businesses. We provided lectures, information and exchange of information regarding the use of credit, highlighting the importance of its conscious use. In such opportunities, we highlight the best practices among the HR areas from several industries, giving visibility to the positive examples of payroll credit offer.

We also promoted our first HR conference, attended by 68 human resource leaders from several industries and from all over the country. The participants attended a workshop on financial market trends, innovation and opportunities. Parallel to this conference, they had the opportunity to learn our position regarding the conscious offer of credit to client.

In addition,

- In September 2018, we entered into a partnership with YALO, the first platform to offer health care and wellness benefits in the Brazilian market, which has several other partner companies, such as Dr. Consulta. Following our business diversification and digital transformation plan, BV became YALO's exclusive financial partner, enabling health care access to clients;
- We increased our offering of Solar Power Financing, through partnership with Portal Solar, the largest solar energy marketplace in Brazil;
- We made progress towards the offering of Student Loan with PRAVALER, the largest finance program targeted at higher education in the country; and with Kroton, one of the largest private educational organizations in the world;
- We maintained access to private investment in public-interest infrastructure projects, in the areas of energy, transportation, water, basic sanitation, and irrigation, by three investment funds of infrastructure for clean energy generation - BB Votorantim Energia Sustentável I, II, III;
- We continue to be signatories to the Equator Principles, adjusting our business solutions to mitigate the social and environmental impacts of our Corporate clients.

Conscious Consumption and Impact of activities

We prepared a study to understand the exposure of our businesses to the risks and opportunities of climate change in order to improve our management of these issues in line with the sustainability strategy, demands of regulatory bodies and international trends.

- We celebrated the world water day (March 22), providing sustainable cups to all of our collaborators, reducing the use and disposal of disposable cups;
- We had full adherence of and effort from our collaborators to the implementation of distance work, reducing transportation and CO2 emission;
- We approved the support to the Pomar Project/SP initiative, which in partnership with Legado das Águas – Votorantim Group, will revitalize 3km stretch of Marginal Pinheiro's margins.

9 ACKNOWLEDGMENT

We are grateful to the clients, investors and shareholders for their trust and to the employees for their continuous effort and dedication.

São Paulo, February 07, 2019.

Board of Directors

Summary of the Audit Committee

Second Half of 2018

Introduction

The Audit Committee is a statutory body governed by the National Monetary Council ("CMN") Resolution No. 3198/2004, the bylaws of Banco Votorantim S.A. and its Internal Regulation, which are available for consultation at <http://www.bancovotorantim.com.br/ir>.

It is a body that provides advice to the Board of Directors, operating as a permanent and independent function. In the second half, the Committee operated with three independent members and two of them were appointed by the shareholder Votorantim Finanças S.A. and one was appointed by the shareholder Banco do Brasil S.A.

Banco Votorantim S.A. chose, pursuant to Article 11 of Resolution 3,198/2004, to set up a single Audit Committee for the Multiple Bank and for the subsidiaries. The Audit Committee, in compliance with its Internal Regulation and the Bylaws of Banco Votorantim S.A., has the following main duties, in addition to other duties provided for in the legislation or assigned by the Board of Directors: to assess the efficiency of the internal control system; to review financial statements prior to disclosure, to assess the effectiveness of the internal and independent audits; to fulfill the aforementioned duties and responsibilities also with respect to the subsidiaries of Banco Votorantim S.A. that adhere to the single Audit Committee.

The managements of Banco Votorantim S.A. and its subsidiaries are responsible for preparing and ensuring the integrity of the financial statements, managing risks, maintaining an effective and consistent internal control system, and ensuring compliance with the applicable laws and regulations.

The mission of the Internal Audit is to provide the shareholders, Board of Directors and Executive Board with independent, impartial and timely reviews regarding the effectiveness of risk management, the adequacy of controls, and compliance with the standards and regulations associated with the Conglomerate's operations.

KPMG Auditores Independentes is the firm responsible for providing financial statement audit services; issuing an opinion on their adequacy in relation to the equity and financial position, in accordance with accounting practices adopted in Brazil; and assessing the quality and adequacy of the internal control system, including electronic data processing and risk management systems, and compliance with the applicable laws and regulations.

Exercised activities in the period

With a view to fulfilling its duties and complying with its Annual Work Plan, approved by the Board of Directors on 12/07/2017, the Audit Committee held seven meetings only with Committee and Advisory members, one meeting for final discussions and approval of the Semiannual Report and 42 meetings with the risk and Capital Committee, with the Board of Directors, Executive Officers, the Internal and Independent Audits (KPMG), and the main persons responsible for business and control areas.

At these meetings, the Audit Committee addressed especially matters related to accounting processes, internal controls, business and product areas, operations, compliance, lawsuits and administrative proceedings, information technology, risk management, internal and independent audit recommendations, and external oversight bodies.

At meetings with the internal audit, it followed up on the work carried out in the period, the main findings, recommendations, discussed and recommended the work plan's approval for 2019. At meetings with the independent audit, it followed up and verified the work carried out in the period, especially the review of the financial statements and report referring to Circular Letter

3,467/2009. It examined the Technical Study on the consumption of Tax Credits, according to item II, subparagraph 2, of article 1 of Bacen's Circular Letter 3.776/2015.

It reviewed the parent company and consolidated financial statements, the main assets and liabilities, shareholders' equity, profit or loss, and explanatory notes under BRGAAP, the accounting practices adopted and the content of the independent auditors' report. In situations in which it detected opportunities for improvement, it suggested such improvements.

Conclusion

Based on the activities it carried out in the period and considering its duties and the limitations inherent in the scope of its work, the Audit Committee concluded that:

- a) Internal Control System – the Internal Control System is effective and commensurate with the size and nature of the operations and risk appetite approved by the Board of Directors;
- b) Risk Management – the Conglomerate's risk structure and management are effective and commensurate with the size and nature of the operations and risk appetite approved by the Board of Directors;
- c) Internal Audit – the audit performs its activities in a satisfactory, professional and independent manner;
- d) Independent Auditors – worked efficiently and assigned the right number of professionals with the proper qualifications to perform the review of the financial statements for the period;
- e) Financial Statements – Financial statements for 2018 were prepared in compliance with the laws and practices in effect in Brazil, and present fairly, in all material respects, the equity and financial position of the Conglomerate on such date.

São Paulo - SP, February 07, 2019.

José Danúbio Rozo
Member

Armando Wolfrid
Member

Gilberto Lourenço da Aparecida
Coordinator



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Independent auditors' report on the financial statements

To
The Board of Directors and Shareholders of
Banco Votorantim S.A.
São Paulo - SP

Opinion

We have audited the individual and consolidated financial statements of Banco Votorantim S.A. ("Bank") referred to as "Bank" and "Consolidated", respectively, which comprise the statement of financial position as at December 31, 2018 and statements of income, changes in shareholder's equity and cash flows, for the six month period and the year then ended, and notes, including significant accounting practices.

In our opinion, the accompanying individual and consolidated financial statements referred above, present fairly, in all material respects, the individual and consolidated financial position of Banco Votorantim S.A. as at December 31, 2018, its individual and consolidated financial performance and its individual and consolidated cash flows for the six month period and the year then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brasil - Bacen.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of individual and consolidated financial statements" section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant in the Accountant's Professional Ethics Code and the Professional Standards issued by the Federal Accounting Council (CFC), and we have fulfilled our 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current year. 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 therefore, we do not provide a separate opinion on these matters.

Allowance for loans losses

As disclosed in notes 4h and 9, for purposes of measuring the allowance for loan losses,



the Bank classifies its loans (which comprise loans, leasing, advances on foreign exchange contracts and other receivables with credit characteristics) into nine risk levels, taking into account and assumptions such as late payments, economic and financial position, indebtedness level, economy sector, guarantee characteristics and other factors and assumptions of the current regulation, with rating "AA" being the minimum risk level and "H" the maximum risk level. The Bank initially applies the loss percentages established in the regulation for each risk level for purposes of calculating the allowance and further increases the allowance, when necessary, based on internal evaluations. The classification of loans into risk levels requires the Bank to make assumptions and judgments, based on its internal risk classification methodologies, and the allowance for loan losses represents the Bank's best estimate of the portfolio losses. Due to the relevance of loans and the uncertainties and judgments related to the allowance for loan losses and the impact that any changes in assumptions may generate on the recorded amounts in the individual and consolidated financial statements, we considered this as a significant matter in our audit.

How our audit addressed this matter

We have evaluated the design and operating effectiveness of the relevant internal controls, related to the processes of approval, recording, classifying and updating the risk levels of loans and the main assumptions used for calculating the allowance for loan losses. On a sampling basis, we evaluated whether the Bank met the minimum requirements established by the current regulations related to the determination of the allowance for loan losses and whether the disclosures in the individual and consolidated financial statements described in notes 4h and 9 are in accordance with the applicable accounting practices.

Based on the evidence obtained from the procedures described above, we have considered adequate the level of provisioning and the related disclosure in the context of the individual and consolidated financial statements taken as a whole.

Fair value of financial instruments

As disclosed in Notes 4f, 4g and 7, the Bank has significant balances of derivative financial instruments and securities measured at fair value. For financial instruments that are not actively traded and those which market prices and parameters are not available, the determination of fair value is subject to a higher uncertainty level, to the extent the Bank makes significant judgments to estimate such amounts. Therefore, we considered the fair value measurement of these financial instruments as a significant matter in our audit.

How our audit addressed this matter

We have tested the design and operating effectiveness of the relevant internal controls to mitigate the risk of material misstatement in the individual and consolidated financial statements arising from uncertainties in the fair value measurement of financial instruments, which depend on the Bank's internal models. For a sample of financial instruments for which the fair value measurement parameters are not observable, with the technical support of our specialists with knowledge of financial instruments, we evaluated the adequacy of the models developed by the Bank for determining fair values and the reasonableness of data, the parameters and information included in the pricing models used, and recalculated the corresponding fair values of these transactions. We also evaluated whether the disclosures in the individual and consolidated financial statements, in Notes 4f, 4g and 7, are in accordance with the applicable accounting practices.

Based on the evidence obtained from the procedures described above, we have considered adequate the fair value measurement of financial instruments and the related disclosure in the context of the individual and consolidated financial statements taken as a whole.



Provisions and contingent liabilities - labor, civil and tax

As disclosed in Notes 4o and 26, the Bank recognizes provision for labor, civil and tax claims arising from the normal course of its operations. Estimates of the outcome and the financial effect are determined by the nature of the claims and by the Bank's judgment, based on the opinion of the legal advisors, on the elements of the process, complemented by the experience of similar claims. Due to the relevance, complexity and judgment involved in the evaluation, measurement, timing of recognition definition and disclosures related to Provisions and contingent Liabilities and Provisions, we considered this as a significant matter in our audit.

How our audit addressed this matter

We have evaluated the design and operating effectiveness of the relevant internal controls, related to the process identification, risk evaluation, measurement of provision, process management and closing steps. We have evaluated the adequacy of the measurement, recognition and sufficiency of the provision and disclosure of contingent liabilities, considering the constitutions, reversals and the assessment of Bank's internal and external lawyer. We have evaluated the determination of the procedural risk of causes for relevant matters and values of the Bank by evaluating the criteria adopted in the measurement methodology for the amounts recognized and/or disclosed, as well as historical data and information and analyzed the changes in the assumptions in relation to previous periods, when applicable. We also have evaluated whether the disclosures made in the individual and consolidated financial statements, disclosed in Notes 4o and 26, are in accordance with the applicable accounting practices.

Based on the evidence obtained from the procedures described above, we have considered adequate the level of provisioning and the related disclosure in the context of the individual and consolidated financial statements taken as a whole.

Projection of future results for realization of deferred tax assets

The individual and consolidated financial statements include assets related to deferred tax assets (Notes 4n, 23e and 23f), which realization depends on future profitability based on the business plan and budgets prepared by the Bank and approved at its governance levels. To prepare the projections of future results for purposes, among others, of verifying the realization of assets, the Bank adopts assumptions based on its corporate strategies and the macroeconomic scenario, such as interest rate, inflation rate, among others, considering the current and past performance and the expected growth in the market it acts. Due to the relevance of the balances related to these assets (deferred tax assets), as they are based on estimative of future profitability and the impact that eventual changes in the assumptions would have on the amounts recorded in the individual and consolidated financial statements, we considered this as a significant matter in our audit.

How our audit addressed this matter

We have evaluated the design and effectiveness of the relevant internal controls related to the process for determining and approving the assumptions used to prepare the projection of future results, which is the basis for evaluating the realization of assets. With the support of our corporate finance specialists, we evaluated the reasonableness of the assumptions used by the Bank, recalculated the projections based on such assumptions, and considered if they were in compliance with current regulatory guidelines. With the support of our tax specialists, we evaluated the bases of calculation to which the current tax rates are applied and the study of the capacity to realize the deferred tax assets. We also have evaluated whether the disclosures in the individual and consolidated financial statements described in notes 4n, 23e and 23f are in accordance with the applicable accounting practices.

Based on the evidence obtained from the procedures described above, we have considered



adequate the measurement of the deferred tax assets and the related disclosure in the context of the individual and consolidated financial statements taken as a whole.

Other matters - Statements of value added

The individual and consolidated statements of value added for the six month period and year ended December 31, 2018, prepared under the responsibility of the Bank's management, and presented as supplementary information for purposes of accounting practices adopted in Brazil applicable to financial institutions authorized to operate by the Central Bank of Brazil - Bacen, were subject to audit procedures performed in conjunction with the auditing of the Bank's financial statements. For the purpose of forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria set forth in Technical Pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

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

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

Our opinion on the individual and consolidated financial statements does not cover the Management's Report and we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by Central Bank of Brazil - Bacen and for such internal controls as management determines is necessary to enable the preparation of these 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 assessing the Bank and its subsidiaries ability to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are those responsible for overseeing the Bank's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the individual and



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

As part of an audit performed in accordance with the 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, designed 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 the override of internal control, collusion, forgery, intentional omissions or misrepresentations.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank and its subsidiaries internal control.
- Evaluate the appropriateness of the 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 material uncertainty exists related to events or conditions that may cast significant doubt on the Bank and its subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank and its subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



We also have provided those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and 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 have determined those matters that were of most significance in the audit of the individual and consolidated financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditors' report, unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we have determined 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 benefit of such communication.

São Paulo, February 07, 2019

KPMG Auditores Independentes
CRC SP014428/O-6
(Original report in portuguese signed by)
João Paulo Dal Poz Alouche
Accountant CRC 1SP245785/O-2

Banco Votorantim S.A.
STATEMENT OF FINANCIAL POSITION
in December 31, 2018 and 2017

(In thousands of Reais, unless otherwise stated)

	Note	Bank		Consolidated	
		12.31.2018	12.31.2017	12.31.2018	12.31.2017
CURRENT ASSETS		49,566,012	46,624,644	56,546,074	50,142,741
Cash and due from banks	5	189,565	268,484	201,874	296,335
Interbank investments	6a	28,637,099	30,204,204	12,901,168	15,108,170
Money market repurchase commitments		12,002,947	13,370,148	12,002,947	13,370,148
Interbank deposit investments		16,634,152	16,834,056	898,221	1,738,022
Securities and Derivative financial instruments		12,698,640	8,221,307	15,065,789	8,770,230
Own portfolio	7a	2,571,538	876,623	5,489,219	6,499,230
Subject to repurchase commitment	7a	8,433,164	6,552,996	7,872,949	1,313,104
Subject to guarantees provided	7a	55,978	80,841	76,783	117,204
Derivative financial instruments	7d	2,184,090	823,639	2,172,968	953,484
(Provision for impairment of securities)	7a	(546,130)	(112,792)	(546,130)	(112,792)
Interbank accounts		521,978	14,156	521,978	14,156
Reserve requirements	8a	521,889	14,074	521,889	14,074
Compulsory deposits at the Central Bank of Brazil		521,889	14,074	521,889	14,074
Correspondents		89	82	89	82
Loan operations	9a	3,526,424	3,713,769	20,969,081	19,912,865
Public sector		104,037	97,988	104,037	97,988
Private sector		3,607,050	3,896,632	19,441,254	16,840,150
Loan operations subject to assignment		-	-	3,062,060	4,800,985
(Allowance for loans losses)		(184,663)	(280,851)	(1,638,270)	(1,826,258)
Lease operations	9a	-	-	137,762	144,640
Private sector		-	-	138,194	145,472
(Allowance for leases losses)		-	-	(432)	(832)
Other receivables		3,931,542	4,139,578	6,612,403	5,745,451
Foreign exchange portfolio	10a	904,120	665,099	904,120	665,099
Income receivable		23,367	6,380	22,527	19,283
Securities clearing accounts		76,728	44,210	92,447	100,376
Sundry	11	2,944,702	3,533,246	5,621,977	5,080,073
(Allowance for other receivables losses)	9a	(17,375)	(109,357)	(28,668)	(119,380)
Other assets	12	60,764	63,146	136,019	150,894
Non-operating assets and material inventories		65,195	69,754	149,349	161,377
(Accumulated impairment)		(24,890)	(21,973)	(41,025)	(42,703)
Prepaid expenses		20,459	15,365	27,695	32,220
NON-CURRENT ASSETS		43,432,589	42,825,079	45,275,323	43,376,184
LONG-TERM ASSETS		39,449,745	39,409,743	43,024,088	42,360,556
Interbank investments	6a	16,020,865	9,588,043	95,909	1,511
Money market repurchase commitments		95,909	-	95,909	-
Interbank deposit investments		15,924,956	9,588,043	-	1,511
Securities and Derivative financial instruments		16,369,705	22,091,354	15,321,924	14,348,163
Own portfolio	7a	5,870,381	6,459,218	6,097,681	7,666,845
Subject to repurchase commitment	7a	8,896,410	15,468,548	7,421,032	6,192,441
Subject to guarantees provided	7a	149,068	23,082	421,140	348,371
Derivative financial instruments	7d	2,208,178	1,082,214	2,136,403	1,082,214
(Provision for impairment of securities)	7a	(754,332)	(941,708)	(754,332)	(941,708)
Loan operations	9a	4,107,343	5,198,735	21,441,263	21,619,738
Public sector		352,944	368,410	352,944	368,410
Private sector		4,060,075	5,261,188	20,150,036	18,828,708
Loan operations subject to assignment		-	-	2,147,774	3,513,905
(Allowance for loans losses)		(305,676)	(430,863)	(1,209,491)	(1,091,285)
Lease operations	9a	-	-	53,357	99,012
Private sector		-	-	53,524	99,581
(Allowance for leases losses)		-	-	(167)	(569)
Other receivables		2,951,522	2,531,357	6,101,028	6,229,510
Credits for sureties and guarantees paid	9a	1,351	-	1,351	-
Income receivable		820	4,797	820	4,797
Securities clearing accounts		8	1,340	8	1,340
Sundry	11	3,691,658	3,150,907	6,852,685	6,859,285
(Allowance for other receivables losses)	9a	(742,315)	(625,687)	(753,836)	(635,912)
Other assets	12	310	254	10,607	62,622
Prepaid expenses		310	254	10,607	62,622
PERMANENT ASSETS		3,982,844	3,415,336	2,251,235	1,015,628
Investments		3,696,261	3,192,551	1,883,217	741,579
Investments in subsidiaries	13a	3,691,219	3,181,974	1,848,675	669,785
Domestic		3,691,219	3,181,974	1,848,675	669,785
Other investments	13e	14,554	14,517	98,821	95,690
(Accumulated impairment)	13e	(9,512)	(3,940)	(64,279)	(23,896)
Property for use	14	72,735	69,522	108,829	106,463
Other property for use		218,108	195,121	349,534	331,947
(Accumulated depreciation)		(145,373)	(125,599)	(240,705)	(225,484)
Intangible assets	15a	213,848	153,263	259,189	167,586
Intangible assets		321,646	225,274	444,939	296,555
(Accumulated amortization)		(89,376)	(54,585)	(166,143)	(110,357)
(Accumulated impairment)		(18,422)	(17,426)	(19,607)	(18,612)
TOTAL ASSETS		92,998,601	89,449,723	101,821,397	93,518,925

See the accompanying notes to the financial statements.

Banco Votorantim S.A.
STATEMENT OF FINANCIAL POSITION
in December 31, 2018 and 2017

(In thousands of Reais, unless otherwise stated)

	Note	Bank		Consolidated	
		12.31.2018	12.31.2017	12.31.2018	12.31.2017
CURRENT LIABILITIES		54,893,995	56,847,123	60,909,947	56,329,498
Deposits	16a	10,265,370	7,070,533	9,925,795	6,580,180
Demand deposits		146,807	99,267	144,460	94,633
Interbank deposits		870,638	1,148,559	533,410	666,282
Time Deposits		9,247,925	5,822,707	9,247,925	5,819,265
Money market repurchase commitments	16c	26,426,902	33,017,929	23,561,571	24,688,751
Own portfolio		16,309,564	20,918,632	14,354,374	14,163,638
Third-party portfolio		8,362,069	7,486,409	7,451,928	5,912,225
Free portfolio		1,755,269	4,612,888	1,755,269	4,612,888
Acceptances and endorsements	18	12,319,993	12,607,246	14,966,768	12,607,246
Funds from real estate bills, mortgage, credit and similar		11,790,197	12,021,152	14,436,972	12,021,152
Securities issued abroad		529,796	576,582	529,796	576,582
Structured operations certificates		-	9,512	-	9,512
Interbank accounts		2,480	-	1,379,906	1,149,554
Payments and receivables to be settled		2,480	-	1,379,906	1,149,554
Interbranch accounts		75,530	63,538	75,530	63,538
Third-party funds in transit		75,530	63,538	75,530	63,538
Borrowings	17a	1,970,708	1,087,621	1,970,708	1,087,621
Foreign borrowings		1,970,708	1,087,621	1,970,708	1,087,621
Domestic onlendings - Official institutions	17b	589,747	970,813	589,747	975,546
National Treasury		110,282	45,429	110,282	45,429
BNDES		160,825	577,873	160,825	577,873
FINAME		318,640	347,511	318,640	352,244
Derivative financial instruments	7d	2,230,977	623,803	2,228,404	623,803
Other liabilities		1,012,288	1,405,640	6,211,518	8,553,259
Collection and levy of taxes and alike		1,367	2,372	16,434	17,956
Foreign exchange portfolio	10a	307,856	335,342	307,856	335,342
Social and statutory		87,992	176,263	192,650	270,203
Tax and social security	19a	31,131	60,145	283,153	460,169
Securities clearing accounts		134,493	192,603	162,828	278,268
Subordinated debts	19b	37,581	-	37,581	-
Sundry	19d	411,868	638,915	5,211,016	7,191,321
NON-CURRENT LIABILITIES		28,731,011	23,735,050	31,537,855	28,321,877
LONG-TERM LIABILITIES		28,698,156	23,702,963	31,504,428	28,289,692
Deposits	16a	2,159,160	1,923,072	2,159,160	1,923,072
Interbank deposits		1,442,870	1,382,086	1,442,870	1,382,086
Time Deposits		716,290	540,986	716,290	540,986
Money market repurchase commitments	16c	1,287,312	1,085,625	1,278,327	1,048,168
Own portfolio		1,287,312	1,085,625	1,278,327	1,048,168
Acceptances and endorsements	18	15,244,619	11,477,672	15,244,619	11,477,672
Funds from real estate bills, mortgage, credit and similar		15,242,678	11,446,947	15,242,678	11,446,947
Securities issued abroad		1,941	30,725	1,941	30,725
Borrowings	17a	-	40,056	-	40,056
Foreign borrowings		-	40,056	-	40,056
Domestic onlendings - Official institutions	17b	1,413,879	1,955,119	1,413,879	1,958,359
National Treasury		5,114	-	5,114	-
BNDES		476,057	786,457	476,057	786,457
FINAME		932,708	1,168,662	932,708	1,171,902
Derivative financial instruments	7d	1,836,499	1,077,423	1,835,811	1,077,423
Other liabilities		6,756,687	6,143,996	9,572,632	10,764,942
Tax and social security	19a	-	-	9,083	8,171
Securities clearing accounts		41,947	74,608	48,088	90,882
Subordinated debts	19b	3,047,168	2,918,483	3,047,168	2,918,483
Debt instruments eligible to capital	19c	3,248,846	2,899,307	3,248,846	2,899,307
Sundry	19d	418,726	251,598	3,219,447	4,848,099
DEFERRED INCOME		32,855	32,087	33,427	32,185
SHAREHOLDERS' EQUITY		9,373,595	8,867,550	9,373,595	8,867,550
Capital		8,130,372	8,130,372	8,130,372	8,130,372
Domestic	22a	8,130,372	8,130,372	8,130,372	8,130,372
Capital reserves	22b	372,120	372,120	372,120	372,120
Profit reserves	22c	1,050,098	425,579	1,050,098	425,579
Equity valuation adjustments	22e	(178,995)	(60,521)	(178,995)	(60,521)
Non-Controlling Interests		-	-	-	-
TOTAL LIABILITIES		92,998,601	89,449,723	101,821,397	93,518,925

See the accompanying notes to the financial statements.

Banco Votorantim S.A.
STATEMENT OF INCOME

Years ended December 31, 2018 and 2017 and six month
period ended December 31, 2018

(In thousands of Reais, unless otherwise stated)

	Note	Bank			Consolidated		
		2H2018	2018	2017	2H2018	2018	2017
FINANCIAL INTERMEDIATION INCOME		2,914,800	6,270,179	8,954,778	5,735,079	11,948,869	14,010,514
Loan operations	9b	558,688	1,299,775	1,439,529	4,146,255	8,302,521	7,562,780
Lease operations	9h	-	-	-	101,188	204,115	158,609
Income from securities	7b	2,439,565	4,756,500	7,337,512	1,311,690	2,460,524	4,133,702
Income from derivative financial instruments	7d9	(130,049)	(4,876)	51,800	(521,246)	(658,531)	(217,371)
Income from exchange foreign operations	10b	21,813	181,803	106,252	21,813	181,803	106,252
Income from compulsory deposits	8b	24,783	36,977	19,685	24,783	36,977	19,685
Assigned financial assets	9j.1	-	-	-	650,596	1,421,460	2,246,857
FINANCIAL INTERMEDIATION EXPENSES		(2,602,736)	(5,973,627)	(8,845,006)	(3,777,137)	(8,347,496)	(10,963,089)
Deposits and securities sold under repurchase agreements	16d	(2,450,164)	(5,385,239)	(7,519,422)	(2,289,921)	(4,999,538)	(6,462,585)
Borrowings and onlendings	17c	(73,073)	(370,235)	(251,665)	(73,073)	(369,634)	(253,028)
Lease operations	9h	-	-	-	(82,172)	(163,092)	(129,750)
Assigned financial assets	9j.1	-	(2,094)	(145,626)	(357,147)	(800,737)	(1,532,700)
Allowance for loan losses	9f	(79,499)	(216,059)	(928,293)	(974,824)	(2,014,495)	(2,585,026)
GROSS INCOME (LOSS) FROM FINANCIAL INTERMEDIATION		312,064	296,552	109,772	1,957,942	3,601,373	3,047,425
OTHER OPERATING INCOME/EXPENSES		415,752	792,140	400,559	(841,730)	(1,697,176)	(1,879,592)
Service income	20a	107,636	200,418	208,972	261,116	503,339	478,020
Income from banking fees	20b	292	593	717	443,918	871,062	840,441
Personnel expenses	20c	(146,050)	(248,204)	(355,693)	(532,460)	(1,085,553)	(1,094,894)
Other administrative expenses	20d	(107,896)	(211,960)	(217,529)	(686,829)	(1,264,528)	(1,144,324)
Tax expenses	23c	(14,226)	(36,034)	(71,972)	(192,912)	(383,566)	(395,327)
Share of earnings (losses) in equity-method investments	13a	438,688	934,629	858,294	197,965	360,635	285,006
Other operating income	20e	152,153	180,039	53,783	85,228	149,422	155,337
Other operating expenses	20f	(14,845)	(27,341)	(76,013)	(417,756)	(847,987)	(1,003,851)
OPERATING INCOME		727,816	1,088,692	510,331	1,116,212	1,904,197	1,167,833
NON-OPERATING INCOME	21	(32,106)	(37,095)	1,840	(70,561)	(75,548)	3,220
Non-operating income		183	192	4,885	7,627	8,949	18,004
Non-operating expenses		(32,289)	(37,287)	(3,045)	(78,188)	(84,497)	(14,784)
INCOME (LOSS) BEFORE TAXES AND CONTRIBUTIONS		695,710	1,051,597	512,171	1,045,651	1,828,649	1,171,053
INCOME TAX AND SOCIAL CONTRIBUTION	23a	(100,265)	67,433	124,274	(387,342)	(596,196)	(424,783)
PROFIT SHARING - EMPLOYEES AND MANAGEMENT		(45,314)	(57,860)	(54,216)	(108,178)	(171,283)	(164,041)
NON-CONTROLLING INTERESTS		-	-	-	-	-	-
NET INCOME		550,131	1,061,170	582,229	550,131	1,061,170	582,229
EARNINGS PER SHARE - R\$							
Earnings per share - R\$	22d	5.22	10.07	5.52			
Number of shares (thousand lot)	22a	105,391,473	105,391,473	105,391,473			

See the accompanying notes to the financial statements

Banco Votorantim S.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Years ended December 31, 2018 and 2017 and six month period ended December 31, 2018

(In thousands of Reais, unless otherwise stated)

Bank and Consolidated EVENTS	Note	Capital	Capital reserves	Profit reserves		Adjustments to equity value	Retained earnings	Total
		Realised capital		Legal	Other reserves			
Balances at 12.31.2016		7,826,980	372,120	70,499	303,392	(147,101)	-	8,425,890
Effects of adjust from inicial application of Resolution CMN nº 4.512/2016	22f	-	-	-	-	-	(116,551)	(116,551)
Capital increase	22a	303,392	-	-	(303,392)	-	-	-
Equity valuation adjustments	22e	-	-	-	-	86,580	-	86,580
Net income for the period		-	-	-	-	-	582,229	582,229
Allocations:								
Legal reserve		-	-	23,285	-	-	(23,285)	-
Dividends	22d	-	-	-	-	-	(110,598)	(110,598)
Special profit reserve		-	-	-	331,795	-	(331,795)	-
Balances at 12.31.2017		8,130,372	372,120	93,784	331,795	(60,521)	-	8,867,550
Changes in the period		303,392	-	23,285	28,403	86,580	-	441,660
Balances at 06.30.2018		8,130,372	372,120	107,227	331,795	151,593	255,468	9,348,575
Equity valuation adjustments	22e	-	-	-	-	(330,588)	-	(330,588)
Net income for the period		-	-	-	-	-	550,131	550,131
Allocations:								
Legal reserve		-	-	27,506	-	-	(27,506)	-
Dividends	22d	-	-	-	-	-	(194,523)	(194,523)
Special profit reserve		-	-	-	583,570	-	(583,570)	-
Balances at 12.31.2018		8,130,372	372,120	134,733	915,365	(178,995)	-	9,373,595
Changes in the period		-	-	27,506	583,570	(330,588)	(255,468)	25,020
Balances at 12.31.2017		8,130,372	372,120	93,784	331,795	(60,521)	-	8,867,550
Effect of adjust from initial application of the new accounting criteria of FIP's recognition of the quota's change:	22f	-	-	-	-	242,128	(242,128)	-
Equity valuation adjustments	22e	-	-	-	-	(360,602)	-	(360,602)
Net income for the period		-	-	-	-	-	1,061,170	1,061,170
Allocations:								
Legal reserve		-	-	40,949	-	-	(40,949)	-
Dividends	22d	-	-	-	-	-	(194,523)	(194,523)
Special profit reserve		-	-	-	583,570	-	(583,570)	-
Balances at 12.31.2018		8,130,372	372,120	134,733	915,365	(178,995)	-	9,373,595
Changes in the period		-	-	40,949	583,570	(118,474)	-	506,045

Earnings per Share are disclosed in the Statement of Income.
See the accompanying notes to the financial statements.

Banco Votorantim S.A.

STATEMENT OF CASH FLOWS

Years ended December 31, 2018 and 2017 and six month period ended December 31, 2018

(In thousands of Reals, unless otherwise stated,

	Note	Bank			Consolidated		
		2H2018	2018	2017	2H2018	2018	2017
Cash flows from operating activities							
Income before income and social contribution taxes		695,710	1,051,597	512,171	1,045,651	1,828,649	1,171,053
Adjustments to Income before income and social contribution taxes		(258,336)	(935,282)	(423,750)	805,990	1,443,006	1,891,609
Allowance for loan losses	9f	79,499	216,059	928,293	974,824	2,014,495	2,585,026
Depreciation and amortization	20d	31,502	55,574	37,331	49,047	88,965	61,414
Income from appraisal of recoverable value of assets	21	5,368	5,368	(460)	37,972	37,972	(1,390)
Share of earnings (losses) in equity-method investments	21	25,250	25,250	-	25,250	25,250	-
Exchange variation of investments abroad	13a	(438,688)	(934,629)	(858,294)	(197,965)	(360,635)	(285,006)
(Income) Loss on disposal of assets	7d.9	(9,346)	(268,500)	(19,863)	(9,346)	(268,500)	(20,888)
Provision (Reversal) to devaluation of other assets	21	1,494	2,108	(271)	5,389	8,928	5,268
Provisão (Reversão) para desvalorização de outros valores e bens	21	(942)	3,137	(3,606)	(3,785)	(1,459)	(5,889)
Expenses (Reversal) with civil, labor and tax provisions	26e.1	(11,797)	(5,868)	35,830	(135,723)	(64,153)	123,645
Effect of changes in foreign exchange rates on cash and cash		72,858	(74,065)	(13,313)	68,502	(78,421)	(13,368)
Interest income and foreign exchange losses of securities available for	7b	148,961	245,962	62,148	148,961	245,962	62,148
Interest income from securities held to maturity		(137,103)	(179,531)	(592,610)	(137,103)	(179,531)	(592,610)
Other operating income and expenses		(25,417)	(26,119)	524	(20,057)	(25,834)	(27,392)
Other non-operating income and expenses		-	-	545	-	-	705
Other adjustments		25	(28)	(4)	24	(33)	(54)
Adjusted income before income and tax social contribution		437,374	116,315	88,421	1,851,641	3,271,655	3,062,662
Changes in assets/liabilities		(436,505)	(12,802,246)	(10,323,948)	1,515,223	(7,474,451)	(6,215,805)
(Increase) decrease in interbank investments		4,406,723	(6,147,122)	(1,932,358)	7,952,927	1,119,622	2,452,863
Increase (decrease) in trading securities and derivative financial		(7,076,498)	(6,820,091)	3,441,192	(9,175,830)	(8,961,899)	3,590,909
(Increase) decrease in interbank accounts		5,933	14,465	(36,157)	325,684	242,337	1,113,397
(Increase) Decrease in compulsory deposits at the Central Bank of Brazil		774,773	(507,815)	326,495	774,773	(507,815)	326,495
(Increase) Decrease in loan operations		804,353	1,151,438	1,315,409	(1,476,665)	(2,800,130)	(2,740,502)
(Increase) Decrease in lease operations		-	-	-	49,886	53,227	(120,191)
(Increase) /decrease in other receivables, net of deferred taxes		(95,852)	(573,877)	(1,443,646)	(456,246)	(1,224,799)	(757,034)
(Increase) decrease in other assets		17,618	(2,919)	111,181	41,049	59,421	275,565
Income and social contribution taxes paid		-	-	(28,332)	(136,721)	(294,954)	(143,397)
(Decrease) increase in deposits		(626,844)	3,430,925	(709,866)	(550,675)	3,581,703	3,925,615
(Decrease) increase in money market repurchase commitments		(1,604,030)	(6,389,340)	(12,377,468)	2,716,168	(897,021)	(9,936,460)
(Decrease) Increase in acceptances and endorsements		3,531,862	3,479,694	2,282,504	4,152,965	6,126,469	2,282,504
(Decrease) increase in liabilities from borrowings and onlendings		(136,365)	(79,275)	(1,140,825)	(136,365)	(87,248)	(1,141,226)
(Decrease) Increase in other obligations		(431,101)	(359,097)	(126,614)	(2,558,996)	(3,884,606)	(5,338,978)
(Decrease) increase in deferred income		(7,077)	768	(5,463)	(6,731)	1,242	(5,365)
CASH GENERATED (USED) BY OPERATING ACTIVITIES		869	(12,685,931)	(10,235,527)	3,366,864	(4,202,796)	(3,153,143)
Cash flows from investing activities							
(Acquisition / increase) of securities available for sale		(3,155,825)	(3,554,688)	(10,281,698)	(3,047,275)	(3,652,543)	(4,869,614)
(Acquisition / increase) of securities held to maturity		-	-	(127,390)	-	-	(127,390)
(Acquisition) of property for use		(13,189)	(25,500)	(39,866)	(22,381)	(40,891)	(41,993)
(Acquisition) of intangible		(67,973)	(95,510)	(87,001)	(85,828)	(147,942)	(93,715)
(Acquisition / increase) of investments		(908,681)	(1,163,716)	(16,637)	(931,483)	(1,186,518)	(3,025)
Disposal/Decrease, maturity of securities available for sale		3,454,470	8,871,132	20,981,620	636,473	2,593,898	7,998,732
Maturity of securities held to maturity		393,497	4,624,661	297,268	393,497	4,624,661	1,135,785
Disposal of property for use		118	1,658	2,799	3,760	5,448	4,304
Disposal/Decrease of investments		101,867	889,267	1,059,879	11,757	270,911	24,438
Disposal of intangible assets		-	9	201	-	483	201
Dividends received / Interest on own capital ⁽¹⁾		856,393	1,474,686	118,415	339,882	339,882	-
NET CASH GENERATED (USED) BY INVESTING ACTIVITIES		660,677	11,021,999	11,907,590	(2,701,598)	2,807,389	4,027,723
Cash flows from financing activities							
Dividends paid	28e	(175,664)	(286,262)	(101,131)	(175,664)	(286,262)	(101,131)
(Decrease) Increase in obligations due to subordinated debts	28e	(116,606)	166,266	(1,958,151)	(116,606)	166,266	(1,958,151)
(Decrease) Increase in capital and debt instruments	28e	97,833	349,539	1,730,363	97,833	349,539	1,730,363
CASH GENERATED (USED) BY FINANCING ACTIVITIES		(194,437)	229,543	(328,919)	(194,437)	229,543	(328,919)
Net variation for cash and cash equivalents		467,109	(1,434,389)	1,343,144	470,829	(1,165,864)	545,661
Beginning of the period		1,160,728	2,915,303	1,558,846	1,164,961	2,654,731	2,095,702
Effect of changes in foreign exchange rates on cash and cash equivalents		(72,858)	74,065	13,313	(68,502)	78,421	13,368
End of the period	5	1,554,979	1,554,979	2,915,303	1,567,288	1,567,288	2,654,731
Increase in cash and cash equivalents		467,109	(1,434,389)	1,343,144	470,829	(1,165,864)	545,661

⁽¹⁾ Amounts net of taxes.

See the accompanying notes to the financial statements.

Banco Votorantim S.A.
STATEMENT OF VALUE ADDED

Years ended December 31, 2018 and 2017 and six month period ended December 31, 2018

(In thousands of Reais, unless otherwise stated)

	Note	Bank						Consolidated					
		2H2018		2018		2017		2H2018		2018		2017	
Income		3,048,431		6,370,734		8,215,784		5,062,200		10,534,662		11,898,655	
Financial operations income		2,914,800		6,270,179		8,954,778		5,735,079		11,948,869		14,010,514	
Service income and banking fees	20a / 20b	107,928		201,011		209,689		705,034		1,374,401		1,318,461	
Allowance for loan losses	9f	(79,499)		(216,059)		(928,293)		(974,824)		(2,014,495)		(2,585,026)	
Other income (expenses)	20e / 20f / 21	105,202		115,603		(20,390)		(403,089)		(774,113)		(845,294)	
Financial intermediation expenses ⁽¹⁾		(2,523,237)		(5,757,568)		(7,916,713)		(2,802,313)		(6,333,001)		(8,378,063)	
Inputs acquired from third parties		(72,106)		(146,589)		(160,787)		(612,136)		(1,125,393)		(1,026,049)	
Water, electricity and gas	20d	(962)		(1,461)		(2,264)		(5,384)		(8,966)		(8,444)	
Outsourced services	20d	(920)		(1,424)		(1,150)		(8,055)		(15,106)		(13,358)	
Communications	20d	(503)		(976)		(1,390)		(30,120)		(62,696)		(68,569)	
Data processing	20d	(26,745)		(62,413)		(74,129)		(144,619)		(245,428)		(204,433)	
Transportation	20d	(617)		(1,219)		(1,164)		(7,614)		(15,043)		(15,146)	
Surveillance and security services	20d	(566)		(1,246)		(2,381)		(1,080)		(2,200)		(3,112)	
Specialized technical services	20d	(19,429)		(36,040)		(39,973)		(229,081)		(420,143)		(379,139)	
Financial system services	20d	(11,626)		(20,231)		(13,400)		(47,868)		(99,996)		(96,545)	
Advertising and publicity	20d	(556)		(1,437)		(1,095)		(26,089)		(44,594)		(20,670)	
Judicial and notary public fees	20d	(1,901)		(4,932)		(6,365)		(43,785)		(83,314)		(93,887)	
Other	20d	(8,281)		(15,210)		(17,476)		(68,441)		(127,907)		(122,746)	
Gross added value		453,088		466,577		138,284		1,647,751		3,076,268		2,494,543	
Amortization/depreciation expenses	20d	(31,502)		(55,574)		(37,331)		(49,047)		(88,965)		(61,414)	
Net added value produced by the Entity		421,586		411,003		100,953		1,598,704		2,987,303		2,433,129	
Added value received as transfer		438,688		934,629		858,294		197,965		360,635		285,006	
Share of earnings (losses) in equity-method investments	13a	438,688		934,629		858,294		197,965		360,635		285,006	
Added value payable		860,274		1,345,632		959,247		1,796,669		3,347,938		2,718,135	
Distributed added value		860,274		1,345,632		959,247		1,796,669		3,347,938		2,718,135	
Personnel		175,594		258,248		357,941		582,528		1,113,406		1,117,952	
Salaries, fees and labor demands		112,778		158,739		257,086		388,066		759,996		771,528	
Profit sharing - Employees and Management		45,314		57,860		54,216		171,283		171,283		164,041	
Benefits and training programs		12,639		24,033		26,074		65,046		127,442		127,632	
FGTS		4,843		17,576		20,532		21,218		54,645		54,296	
Other charges		20		40		33		20		40		455	
Taxes, rates and contributions		130,261		16,417		(334)		638,364		1,123,192		961,093	
Federal		125,096		6,190		(9,849)		605,914		1,058,672		888,045	
State		65		76		15		482		856		17,106	
Municipal		5,100		10,151		9,500		31,968		63,664		55,942	
Third-party capital remuneration		4,288		9,797		19,411		25,646		50,170		56,861	
Rental	20d	4,288		9,797		19,411		25,646		50,170		56,861	
Remuneration of own capital		550,131		1,061,170		582,229		550,131		1,061,170		582,229	
Dividends		194,523		194,523		110,598		194,523		194,523		110,598	
Retained earnings		355,608		866,647		471,631		355,608		866,647		471,631	

⁽¹⁾ Excludes the allowance for losses.
See the accompanying notes to the financial statements.

Notes to the Individual and Consolidated Financial Statements

1. THE CONGLOMERATE AND ITS OPERATIONS

Banco Votorantim S.A. ("Banco Votorantim", "Conglomerate" or "Consolidated") is a private company which, operating as a Multiple Bank, develops banking activities in authorized categories, including commercial banking, investment banking and foreign exchange operation portfolios.

Through its subsidiaries, the Institution also carries out activities in the areas of consumer credit, leasing, administration of investment funds and credit cards, securities brokerage and distribution and any other activities in which institutions that are part of the National Financial System are permitted to engage.

Transactions are conducted in the context of a set of institutions that operate in an integrated manner in the financial market, including in relation to risk management, and certain transactions have the joint participation or the intermediation of member institutions, which form an integral part of the financial system. The benefits of the services provided between these institutions and the costs of the operational and administrative structure, are absorbed based on the practicality and reasonableness of the allocation of benefits and costs, jointly or individually.

2. CORPORATE RESTRUCTURING

By Private Instrument of Amendment of the Articles of Incorporation of Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda. meeting of Votorantim - Corretora de Títulos e Valores Mobiliários Ltda., held on January 31, 2018, Banco Votorantim SA, controller of both, approved the merger of Votorantim CTVM into Votorantim Asset, in accordance with the Protocol and Justification of Incorporation between them. The merged net assets were valued at book value on December 31, 2017, the transaction's base date, in the amount of R\$ 266,791; adding up the equity variations occurring between the base date of the appraisal report and the date of the merger. The merger is justified by the discontinuation of the activities of Votorantim CTVM and the object identity among the companies involved and represents the improvement of the corporate structure of the Conglomerate, rationalizes its operations, simplifies administration, facilitates accounting and financial procedures; minimizes administrative expenses, leading to the optimization of its assets and results. As a result, Votorantim CTVM had its legal personality extinguished and Votorantim Asset became the successor, on a universal basis, of all its rights and obligations. The merger will imply an increase of Votorantim Asset's Capital Stock in the amount of R\$ 190,763, through the issuance of 19,076,313,565 new shares with a par value of R\$ 0.01, to be attributed to Votorantim CTVM's shareholders, replacing to its shares in this company. In addition to the amendment to the Capital Stock clause, Votorantim Asset's articles of association will

We present below the equity balances at December 31, 2017 of Votorantim CTVM incorporated by Votorantim Asset:

Assets: R\$ 386,995

Liabilities: R\$ 120,204

Shareholder's equity: R\$ 266,791

3. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were prepared based on the accounting guidelines derived from Brazilian Corporation Law and the rules and instructions of the National Monetary Council (CMN), the Central Bank of Brazil (BACEN), and are presented in accordance with the Accounting Plan for Institutions in the National Financial System (COSIF) highlighting the ones related to the Conglomerate.

The preparation of the financial statements in accordance with accounting practices adopted in Brazil, applicable to financial institutions, requires that Management use its judgment in determining and recording accounting estimates, when applicable. Significant assets and liabilities subject to these estimates includes: the residual value of property, plant and equipment for use, allowance for loan losses, deferred tax assets, provision for labor, tax and civil claims, valuation of financial instruments and other provisions. Definitive values of transactions involving these estimates are recognized only upon settlement.

In the preparation of consolidated financial statements, intercompany transactions, and any unrealised income and expenses arising from intercompany transactions, and intercompany balances, including interest held by one company in another, were eliminated, net of tax effects. Interest held by non-controlling shareholders in the shareholders' equity of the subsidiaries and in income were highlighted in consolidated financial statements. The lease transactions were classified as a financial lease, and the reclassified amounts under leased property, plant and equipment to the caption lease transactions including the excess and/or insufficient depreciation, less residual value received in advance. These consolidated financial statements do not include the consolidation of the exclusive investment funds and of the credit receivable investment funds and non-financial subsidiaries in conformity with the consolidation rules established by the CMN for the purposes of the Financial Conglomerate. The book balances of the overseas direct subsidiaries, which are prepared in accordance with International Financial Reporting Standards (IFRS), were translated into Reais, using the foreign currency quotation on the closing date of the period, and were adjusted to conform to the accounting policies described in Note 4. The exchange variation of the operations in the Country of the branch and of the subsidiary companies abroad was distributed on the lines of the statement of income, according to the respective assets and liabilities which originated them. The result of exchange variation of foreign investments are presented in the "Income from derivative financial instruments" with the purpose of eliminating the effect of hedging against the exchange rate fluctuations of these investments.

The National Monetary Council (CMN) approved the following pronouncements of Accounting Pronouncements Committee (CPC) which were fully applied by the Bank, as applicable: CPC 00 (R1) - Basic Conceptual Pronouncement, CPC 01 (R1) - Impairment of assets, CPC 03 (R2) - Statement of cash flows, CPC 05 (R1) - Related party disclosures, CPC 10 (R1) - Share-based payment, CPC 23 - Accounting Policies, Change in Accounting Estimates and Correction of Errors, CPC 24 - Subsequent events, CPC 25 - Provisions, contingent assets and liabilities and CPC 33 (R1) - Employee Benefits.

The Conglomerate applies pronouncement CPC 09 - Statement of value added, which is not in conflict with the rules of the Central Bank of Brazil, as provided for in the prevailing regulations.

The Consolidated Financial Statements were authorized for issue by Executive Board on February 07, 2019.

Shareholding interest included in the Consolidated Financial Statements, by business segment:

	Activity	12.31.2018	12.31.2017
		Interest %	
Banking segment - Domestic			
BV Financeira S.A. Crédito, Financiamento e Investimento ⁽¹⁾	Financial	100.00%	100.00%
BV Leasing Arrendamento Mercantil S.A. ⁽¹⁾	Lease	100.00%	100.00%
Votorantim Corretora de Títulos e Valores Mobiliários Ltda. ⁽¹⁾⁽²⁾	Brokerage house	-	99.99%
Fund management segment			
Votorantim Asset Management Distribuidora de TVM Ltda. ⁽¹⁾	Asset Management	99.99%	99.99%
Banking segment - Foreign			
Banco Votorantim Securities Inc. ⁽¹⁾⁽³⁾	Asset Management	-	-
Votorantim Securities (UK) Limited ⁽¹⁾⁽⁴⁾	Asset Management	-	-

⁽¹⁾ Financial subsidiaries.

⁽²⁾ Votorantim Corretora de Títulos e Valores Mobiliários Ltda. was merged into Votorantim Asset Management Distribuidora de TVM Ltda on January 31, 2018, as described in Note 2.

⁽³⁾ Banco Votorantim Securities Inc. was extinguished on December 28, 2017.

⁽⁴⁾ Votorantim Securities (UK) Limited was extinguished on October 16, 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by Banco Votorantim were consistently applied to all periods presented in these consolidated financial statements and have been applied consistently by all entities of the Conglomerate.

a) Statement of income

Revenues and expenses are recognized on an accrual basis in the period earned or incurred. Transactions that were carried out with floating financial charges are adjusted on a pro rata basis, based on the variation of the respective agreed-on indices; and transactions with fixed financial charges are recorded at redemption value, rectified by unrecognized income or unrecognized expenses corresponding to the future period. Transactions indexed to foreign currencies are adjusted at the reporting sheet date at the current rate criteria.

b) Functional and presentation currency

The functional currency, which is the currency of the principal economic environment in which an entity operates, is the Real for all Conglomerate entities. In the Consolidated Financial Statements the presentation currency is also the

c) Measurement at present value

Financial assets and liabilities are presented at present value as a result of application of accrual regime for recognition of respective interest revenues and expenses.

Non-contractual obligations, mainly represented by provisions for lawsuits and legal obligations whose disbursement date is unknown and not under control of the Conglomerate, are measured at present value, as they are initially recognized at estimated disbursement value on evaluation date and are adjusted on a monthly basis.

d) Cash and cash equivalents

Cash and cash equivalents comprise domestic and foreign currency, money market repurchase commitments - own portfolio, interbank accounts or relations and investments in foreign currency, with original maturities of 90 days or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

e) Interbank investments

Interbank investments are shown at cost of investment or acquisition, plus income accrued up to the reporting date and adjusted for reserve for losses, as applicable.

Interbank investments that are subject to market risk hedging are valued at their fair value using consistent and verifiable criteria. The fair value adjustments of these operations are recorded in the same line as the financial instrument, contra entry to income from derivative financial instruments.

f) Securities

Securities are recorded at the amount effectively paid, net of reserve for losses, and classified into three different categories based on Management's intent:

Trading securities: Securities acquired for the purpose of being actively and frequently negotiated. Subsequent to initial recognition, trading securities are measured at fair value with changes therein recognized in profit or loss;

Securities available for sale: Securities that may be traded at any time, though are not acquired for the purpose of being actively and frequently negotiated. Subsequent to initial recognition, securities available for sale are measured at fair value with changes therein recognized in a separate account in shareholders' equity, net of taxes; and

Securities held to maturity: Securities acquired with the positive intent and financial capacity to hold to maturity. Held-to-maturity securities are initially recognized at cost plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. For securities reclassified to this category, the fair value adjustment is recognized. For securities reclassified to this category, the fair value adjustment is incorporated to cost, and is recorded prospectively

The methodology of adjustment to fair value was established in compliance with consistent and verifiable criteria, which take into consideration the average price of trading on the date of calculation, or, in the absence thereof, the daily basis adjustment of forward market transactions disclosed by external sources, or the probable net realizable value determined by pricing models, using interest rate future value curves, exchange rates, price and currency indexes. The determination of fair value takes into consideration the credit risk of the issuer (credit spread

Income on securities, regardless of the category, is accrued pro rata, based on the variation of the index and on the agreed-upon interest rates, by the compounding or straight-line method, up to the date of maturity or of the final sale of the security, and is recognized directly in profit or loss.

Losses on securities classified as available for sale and as held to maturity that are not temporary losses are directly recognized in profit or loss and now comprise the new asset cost basis.

Upon disposal, difference determined between sales value and acquisition cost adjusted by earnings and other than temporary impairment losses, are considered as the transaction result and is accounted for on transaction date as Income or Loss of securities.

The Conglomerate adopted in the semester ended June 30, 2018 a new accounting standard for recognition of changes in investment fund quotas. Prior to the change in the criterion, the variation of quotas was always treated as income produced by the funds, with their recognition in the result of the period in "Income from securities". Following guidelines of the Central Bank of Brazil, the quota variation was treated as an adjustment to fair value for funds with the following characteristics:

- Funds in which the updated balance of the quotas is not available for redemption (realization) in the short term, that is, when the redemption of quotas occurs only in the liquidation or closure of the fund; and
- Funds in which there is a forecast of payment of dividends, as a form of remuneration of its quotaholders in the course of the fund's business.

g) Derivative financial instruments

Derivative financial instruments are valued at fair value at the reporting date. Changes in value are recorded in the income or expense accounts of the respective financial instruments.

The fair value adjustment methodology of derivative financial instruments was established based on consistent and verifiable criteria, considering the average price of trading on the date of calculation, or, in the absence thereof, conventional and proven methodologies and pricing models that reflect the net realizable value. The fair value considers the credit risk of the counterparty (Credit valuation adjustment).

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in the fair value of financial assets or liabilities are considered hedging instruments and are classified according to their nature as either:

Market risk hedge: changes in the fair values of the financial instruments and the corresponding hedged items are recognized in profit or loss; and

For object items that were discontinued from the market risk hedge relationship and remain recorded in the statement of financial position, as in the case of credit contracts assigned with substantial retention of risks and benefits, when applicable, the fair value adjustment is recognized in the result for the remaining term of the operations.

Cash flow hedge: For financial instruments classified in this category, the effective portion of changes in fair value is recorded in a separate account of Shareholders' equity, net of tax effects. The effective portion is that portion for which the variation in the fair value of the hedging instrument directly offsets the change in fair value of the hedged item, considering transaction accumulated effect. Other variations in these instruments are recognized in profit or loss for the period.

For the object items that were discontinued from the cash flow hedge ratio and remain recorded in the statement of financial position, the accumulated reserve in shareholders' equity is immediately transferred to the income for the

h) Loan and lease operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for loan losses

Loans and lease operations, advances on foreign exchange contracts and other receivables with loan characteristics are classified according to Management's assessment regarding the level of risk, taking into consideration the current economic environment, past experience and risks specifically related to the respective operation, the counterparty and guarantors, periods of delinquency, and economic group in accordance with the parameters established by CMN, which requires the classification of the portfolio into nine risk levels, ranging from AA (minimum risk) to H (maximum risk), as well as the classification of transactions with delinquency of more than 14 days as non-performing loans. In relation to the delinquency period for operations with a term of over thirty-six (36) months, a double counting of days is adopted over intervals of delinquency defined for the nine levels risks to retail operations. For wholesale operations, a double counting days for the intervals of delinquency is also permitted, according to the internal assessment.

Interest from credit transactions overdue for more than 59 days is recognized as income only when effectively received, regardless of risk level.

Operations with a risk level H continue in this status for 180 days, at which time they are written off against the existing provision and controlled in off-balance sheet accounts.

Renegotiated operations are maintained, at a minimum, at the level at which they were initially rated on the date of renegotiation. Renegotiations of credit transactions that had been previously written off against provisions are rated as level H and any gains from renegotiation are recognized in profit or loss when effectively received.

The allowance for loan losses, considered sufficient by Management, complies with the requirement established by CMN Resolution 2,682/1999 (Note 9e).

Loan and lease operations that are hedged against market risk are stated at fair value using consistent and verifiable criterion. Adjustments to these transactions from fair value adjustment valuations are recorded in credit and lease transactions, as a contra-entry to "Income from derivative financial instruments".

Financial assets assigned consider the transfer level of risks and benefits of assets transferred to other entity:

- When financial assets are transferred to another entity, but there is no substantial transfer of the risks and benefits related to the transferred assets, assets remain on the Company's statement of financial position. The income and expenses arising from these operations are recognized in an accrual basis accordingly to the remaining period of these operations; and
- When all the risks and benefits related to assets are substantially transferred to an entity, assets are derecognized.

i) Outros assets

Assets not for own use

The assets not for own use are (i) adjudicated, received in payment or otherwise received for settlement or amortization of debts; and (ii) properties built by investees and intended for sale.

The value of the assets is recorded considering the following criteria:

- Assets with a financed amount in excess of R\$ 50,100.00 reais are recorded at the value obtained through a technical report from a third party company and not attached to the Conglomerate;
- Assets with a financed amount between R\$ 50,100.00 and R\$ 25,550.00 are recorded by the value obtained through a technical report; and
- Assets with a financed amount of less than R\$ 25,550.00 are recorded for the average balance obtained in the sales of the last 6 months, taking into account the characteristics of the asset.

When applicable, a allowance for depreciation is applied to the recoverable value.

Prepaid expenses

These expenses refer to the application of payments made in advance, for which the benefits or the services will occur in subsequent periods. Prepaid expenses are recorded at cost and amortized as incurred.

Beginning January 2, 2015, in compliance with requirements of CMN Resolution no. 4,294/2013, and in accordance with permission provided for in BACEN Circular Letter no. 3,738/2014, two thirds of the remuneration relating to 2015 origination of credit or lease transactions by correspondents are recorded in assets, and the remaining portion is recognized in profit or loss for the period upon origination. As of January 1, 2016, the portion recorded in assets was reduced to one third of the remuneration of operations originated in 2016.

The operations generated as from January 1, 2017, have the remuneration fully recognized as an expense.

Assets recorded pursuant to permission provided for in BACEN Circular Letter no. 3,738/2014 are amortized on a straight-line basis over the maximum period of 36 months.

Beginning as of January 1, 2020, all amounts recorded in assets and related to remuneration of correspondents in Brazil will be immediately written off, with contra-entry in the appropriate expense account for the period.

j) Permanent assets

Investments: investments in subsidiaries and associates with significant influence or interest of 20% or more in the voting capital are accounted for by the equity method based on the shareholders' equity in the subsidiary. Financial statements of subsidiaries abroad are conformed to accounting criteria in force in Brazil and translated into Brazilian Reais in accordance with prevailing law, and their effects are recognized in profit or loss. Other permanent investments are valued at cost of acquisition, less provision for impairment, as applicable.

Property for use: property, plant and equipment is valued at acquisition cost less depreciation, which is calculated on a straight-line basis using the following annual rates in accordance with estimated useful lives of assets. Due to this practice, the following annual depreciation rates are used: depreciable value (corresponding to the acquisition cost less the residual value, if any): vehicles - 20%, data processing systems - 20% and other items - 10 % (Note 14). The residual value of these assets is reviewed annually or when there are significant changes in the assumptions used.

Intangible: intangible assets corresponds to the expenditure in software intended for the maintenance of the Institution. Intangible assets have defined useful lives and primarily relates to softwares (Note 15). Amortization is calculated by the straight-line method, based on the period over which the benefit is generated and is levied on the amortizable amount (corresponding to the acquisition cost less the residual value, when applicable), as of the date of availability of the intangible asset for use and is recorded under Other administrative expenses - Amortization (Note 20d). The residual value of these assets is reviewed annually or when there are significant changes in the

k) Impairment of non-financial assets - Impairment

The Conglomerate assesses periodically, if there is any sign that an asset may be impaired. If so, the Institution estimates the asset's recoverable value, which is the greater of: i) the asset's fair value less costs to sell; and ii) the asset's value in use.

If the asset's recoverable value is lower than its carrying value, the asset's carrying value is reduced to its recoverable value through a provision for impairment losses that is recognized in Statement of Income, in Other Administrative Expenses or Other Operating Expenses, according to the nature of the asset.

Methodologies applied to the evaluation of the recoverable value of non-financial assets:

Investments: the methodology for determining the recoverable value of investments accounted for by the equity method is based on evaluation of equity in investees, their business plans and invested amounts' return capacity. A provision for impairment loss is recognized in profit or loss in the period when the carrying value of an investment, exceeds its recoverable value.

Intangible assets: Software - software is developed internally and according to the Conglomerate's needs. This development process is in compliance with the Bank investment policy which aims the modernization and adequacy to new technologies and business requirements. As there are no similar items in the market and also because of the high cost to implement metrics that permit determining the value in use, testing of software recoverability is comprised of the evaluation of its utility for the Institution such that when the software no longer has future economic benefits, the recoverable value of the intangible asset is adjusted.

Impairment loss recognized to adjust these assets' recoverable value is stated in respective notes.

l) Employee benefits

Recognition, measurement and disclosure of employee benefits (short and long-term) are conducted in accordance with criteria defined in CPC 33 (R1) - Benefits to employees, approved by the CMN Resolution No. 4,424/2015. In accordance with the accrual regime, this pronouncement requires that an entity recognize a liability as a contra-entry to the net income of the period when the employee provides services in exchange for benefits to be paid in the future.

The Conglomerate has a variable compensation program eligible for its officers and employees. Amounts to be paid that are adjusted according to the grace period (from one to a maximum of four years) and to the characteristics of each benefit are recorded under "Other sundry obligations - Provision for payments" as a contra entry to caption "Personnel expenses - Proceeds". Program details are disclosed in Note 25.

m) Deposits and money market repurchase commitments

Deposits and money market repurchase commitments are stated at the amounts of the liabilities and consider, when applicable, the charges enforceable up to the reporting date, recognized on a "pro rata" daily basis.

Costs incurred in issuing securities or other forms of funding that are included as transaction costs are recognized in the income statement on an accrual basis for the term of the original transactions.

Funding that is subject to market risk hedging is valued at its fair value using consistent and verifiable criteria. The valuation adjustments to fair value of these operations are recorded in the same line as the financial instrument, in contra-entry to income from derivative financial instruments.

n) Taxes

Taxes are calculated based on rates shown in the chart below:

Taxes	Current rates
Income tax (15% + 10% additional)	25%
Social contribution on net income – CSLL (1)	20%
PIS / PASEP	0.65%
Contribution for Social Security Funding - COFINS	4%
Service tax (ISS) - ISSQN	From 2% to 5%

⁽¹⁾ Rate applicable to financial companies, from September 01, 2015 (the rate was 15% until August 31, 2015). Beginning as of January 2019, the rate will return to 15%.

Deferred tax assets and deferred tax liabilities are recognized through the application of prevailing tax rates on respective bases. For recognition, maintenance and write-off of deferred tax assets, the criteria established in CMN Resolution no. 3,059/2002, as amended by CMN Resolutions no. 3,355/2006 and 4,192/2013, are followed, supported by a study on realization capacity.

The tax credits arising from the increase of the Social Contribution rate from 15% to 20% were recognized in the amount sufficient for consumption until the end of the new tax rate, so that the respective balances on December 31, 2018 already reflect the aliquot of 15% applicable as of January 1, 2019, according to Law no. 13,169/2015.

Deferred income tax is recognized at the subsidiary BV Leasing, calculated at the rate of 25%, on the adjustment of excess of depreciation of the lease portfolio of subsidiary BV Leasing.

o) Provisions, contingent assets and liabilities and legal obligations

Recognition, measurement and disclosure of provisions, contingent assets and liabilities and of legal obligations are conducted in accordance with criteria defined in CPC 25 - Provisions, Contingent Liabilities and Contingent Assets, approved by the CMN Resolution 3,823/2009 (Note 26).

Contingent assets are not recognized in the Financial Statements, since they may be a result that can never be realized. However, when the realization of the gain is practically certain, then the related asset is not a contingent asset and its recognition is performed in the Financial Statements.

Contingent liabilities are recognized when, based on the opinion of legal counsel and Management, the risk of loss of a lawsuit or administrative proceeding is considered probable, with a probable outflow of financial resources for the settlement of obligations and when the sums involved are reasonably estimable. Contingent liabilities rated as possible losses are not recognized and are only be disclosed in notes; those rated "remote" do not require provision or

Legal obligations comprise lawsuits related to tax obligations, where the subject being contested is the legality or constitutionality of such obligations, which, regardless of the probability of success, are recognized in full in the consolidated financial statements.

p) Guarantees and sureties

The financial guarantees provided, which require contractually defined payments, as a result of non-payment of the obligation by the debtor on the due date, such as: guarantee, guarantee, co-obligation, or other obligation that represents a guarantee of compliance with third parties' financial obligations, are recorded and controlled in off-balance sheet accounts.

When the obligation value is subject to exchange variation or to any other type of adjustment, balances of these accounts are adjusted at the reporting date.

Income for the period from provided guarantee and sureties commissions not yet received, are accounted for on a monthly basis in "Commissions for Co-obligations Receivable, as a contra entry to Income from Provided Guarantees.

Commissions received in advance are accounted for under advanced income in group deferred income, on a monthly basis at the accrual system.

In line with the requirements of CMN Resolutions 2,682/1999 and 4,512/2016, the constitution of a provision for losses in the provision for financial guarantees to customers, takes into account:

- The sector of performance, competitive and regulatory environment, stock control and management, as well as financial solidity, being these variables captured through the qualitative and quantitative rating models, as well as;
- In the case of guarantees given on the behalf of customers involved in legal or administrative proceedings, the likelihood that the customer will be required to make a payment under the final ruling.

The effects of the adjustments by the initial application of CMN Resolution 4,512/2016, which occurred on January 1, 2017, which resulted in the constitution of a liability provision, were recorded as a contra entry to the retained earnings account, net of tax effects.

The financial guarantees provided are shown in Other Liabilities - Sundry (Note 19d) under subitem:

- Provision for financial guarantees provided, with the application of CMN Resolution 4,512/2016.

q) Others assets and liabilities

Other assets and liabilities are stated at realizable values, including, when applicable, monetary and exchange variations (on a pro rata basis) and a reserve for losses, as necessary. Liabilities are stated at known measurable amounts plus, as applicable, monetary charges, inflation adjustments and foreign exchange variation on a pro rata

5. CASH AND CASH EQUIVALENTS

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Cash and due from banks	189,565	268,484	201,874	296,335
Cash and due from banks in national currency	2,269	912	13,132	2,402
Cash and due from banks in foreign currency	187,296	267,572	188,742	293,933
Interbank funds applied ⁽¹⁾	1,365,414	2,646,819	1,365,414	2,358,396
Money market repurchase - commitments - Sales pending settlement - own portfolio	881,055	1,198,511	881,055	1,458,881
Interbank accounts or relations	145,135	1,119,949	145,135	571,156
Investments in foreign currency	339,224	328,359	339,224	328,359
Total	1,554,979	2,915,303	1,567,288	2,654,731

⁽¹⁾ Refer to transactions with original maturities of 90 days or less from the acquisition date and are subject to an insignificant risk change in fair value.

6. INTERBANK INVESTMENTS

a) Breakdown

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Money market repurchase commitments	12,098,856	13,370,148	12,098,856	13,370,148

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Sales pending settlement - Own portfolio	2,277,689	1,289,971	3,122,957	2,860,576
Financial Treasury Bills - LFT	59,264	-	59,264	-
National Treasury Bills - LTN	229,598	56,442	229,598	353,007
National Treasury Notes - NTN	1,892,918	1,233,529	2,738,186	2,507,569
Brazilian Foreign Debt Securities	95,909	-	95,909	-
Sale pending settlement - Financed operations	8,181,241	7,479,112	7,335,973	5,908,507
Financial Treasury Bills - LFT	1,481,286	1,506,540	1,481,286	1,506,540
National Treasury Bill - LTN	4,097,249	2,350,344	4,097,249	2,053,779
National Treasury Notes - NTN	2,602,706	3,622,228	1,757,438	2,348,188
Sale pending settlement - Short position	1,639,926	4,601,065	1,639,926	4,601,065
National Treasury Bill - LTN	1,207,914	3,143,084	1,207,914	3,143,084
National Treasury Notes - NTN	432,012	1,457,981	432,012	1,457,981
Interbank deposit investments	32,559,108	26,422,099	898,221	1,739,533
Total	44,657,964	39,792,247	12,997,077	15,109,681
Current assets	28,637,099	30,204,204	12,901,168	15,108,170
Non-current assets	16,020,865	9,588,043	95,909	1,511

b) Income from interbank investments

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Income from money market repurchase commitments	470,475	1,034,081	1,677,704	470,479	1,034,087	1,677,704
Own portfolio	60,137	133,485	149,886	60,137	229,498	399,240
Financed Operations	339,592	707,331	1,187,400	339,596	611,324	938,046
Short position	70,746	193,265	340,418	70,746	193,265	340,418
Income from interbank deposits	1,110,282	2,147,395	2,484,205	9,993	36,369	92,455
Total	1,580,757	3,181,476	4,161,909	480,472	1,070,456	1,770,159

7. SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

a) Securities

In the Statement of Financial position, securities classified in the “Trading securities” category are presented as Current Assets, regardless of the maturity terms.

a.1) Breakdown of the portfolio by category, type of paper and maturity term

Bank	12.31.2018								12.31.2017		
	Fair value					Total			Total		
	Maturity in days	Without maturity	From 0 to 30 days	From 31 to 180 days	From 181 to 360 days	Over 360 days	Cost	Fair value	Fair value adjustment	Cost	Fair value
1 – Trading securities	61	193,981	140,822	1,568,736	6,434,960	8,289,734	8,338,560	48,826	1,749,510	1,752,330	2,820
Government bonds	-	193,981	140,822	1,568,736	6,402,542	8,259,049	8,306,081	47,032	1,727,404	1,730,083	2,679
Financial Treasury Bills	-	-	-	-	4,825	4,824	4,825	1	74	74	-
National Treasury Bills	-	-	6,804	1,568,736	4,577,031	6,121,701	6,152,571	30,870	781,624	783,952	2,328
National Treasury Notes	-	193,981	134,018	-	1,820,686	2,132,524	2,148,685	16,161	945,630	945,980	350
Brazilian Foreign Debt Securities	-	-	-	-	-	-	-	-	76	77	1
Private securities	61	-	-	-	32,418	30,685	32,479	1,794	22,106	22,247	141
Shares	61	-	-	-	-	51	61	10	43	215	172
Eurobonds	-	-	-	-	181	190	181	(9)	806	755	(51)
Debentures	-	-	-	-	32,237	30,444	32,237	1,793	21,257	21,277	20
2 – Securities available for sale	10,539	84,015	540,639	173,046	13,461,346	14,477,745	14,269,585	(208,160)	20,268,044	20,141,417	(126,627)
Government bonds	-	-	298,677	-	8,041,700	8,247,407	8,340,377	92,970	5,804,652	5,860,184	55,532
Financial Treasury Bills	-	-	73,491	-	4,373,233	4,446,088	4,446,724	636	2,945,126	2,947,822	2,696
National Treasury Bills	-	-	-	-	39,574	37,542	39,574	2,032	-	-	-
National Treasury Notes	-	-	225,186	-	1,998,455	2,130,747	2,223,641	92,894	1,509,312	1,521,981	12,669
Brazilian Foreign Debt Securities	-	-	-	-	1,630,438	1,633,030	1,630,438	(2,592)	1,350,214	1,390,381	40,167
Private securities	10,539	84,015	241,962	173,046	5,419,646	6,230,338	5,929,208	(301,130)	14,463,392	14,281,233	(182,159)
Debentures ⁽¹⁾	-	23,347	111,915	112,290	4,158,302	4,706,147	4,405,854	(300,293)	11,799,287	11,606,021	(193,266)
Promissory notes	-	-	3,648	3,648	15,095	22,467	22,391	(76)	20,154	20,149	(5)
Shares ⁽²⁾	10,539	-	-	-	-	11,882	10,539	(1,343)	18,455	14,973	(3,482)
Shares in investment funds ⁽³⁾	-	-	-	-	273,596	255,067	273,596	18,529	1,531,745	1,531,745	-
Rural Product Notes - Commodities ⁽⁴⁾	-	4,947	46,592	50,542	242,723	361,606	344,804	(16,802)	292,754	275,064	(17,690)
Eurobonds	-	-	-	-	246,707	246,099	246,707	608	337,107	341,079	3,972
Financial Bills	-	-	-	-	53,039	52,894	53,039	145	109,238	109,221	(17)
Floating Rate Notes	-	55,721	79,807	6,566	179,339	319,168	321,433	2,265	-	-	-
Certificate of Real Estate Receivables	-	-	-	-	165,915	169,702	165,915	(3,787)	337,547	365,880	28,333
Agribusiness Receivables Certificate	-	-	-	-	84,930	85,306	84,930	(376)	17,105	17,101	(4)
3 – Securities held to maturity	-	-	150,418	1,260,851	743,318	2,067,932	2,154,587	86,655	6,513,061	6,657,170	144,109
Government bonds	-	-	150,418	1,260,851	743,318	2,067,932	2,154,587	86,655	6,513,061	6,657,170	144,109
National Treasury Bills	-	-	-	1,260,851	-	1,218,882	1,260,851	41,969	4,569,922	4,668,605	98,683
National Treasury Notes	-	-	150,418	-	743,318	849,050	893,736	44,686	1,943,139	1,988,565	45,426
Total (1 + 2 + 3)	10,600	277,996	831,879	3,002,633	20,639,624	24,835,411	24,762,732	(72,679)	28,530,615	28,550,917	20,302

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Consolidated	12.31.2018								12.31.2017			
	Maturity in days	Fair value					Total			Total		
		Without maturity	From 0 to 30 days	From 31 to 180 days	From 181 to 360 days	Over 360 days	Cost	Fair value	Fair value adjustment	Cost	Fair value	Fair value adjustment
1 – Trading securities	61	2,548,514	140,822	1,568,736	6,436,274	10,645,877	10,694,407	48,530	1,754,067	1,756,888	2,821	
Government bonds	-	2,548,514	140,822	1,568,736	6,403,856	10,615,192	10,661,928	46,736	1,731,961	1,734,641	2,680	
Financial Treasury Bills	-	-	-	-	6,139	6,138	6,139	1	4,631	4,632	1	
National Treasury Bills	-	2,354,533	6,804	1,568,736	4,577,031	8,476,530	8,507,104	30,574	781,624	783,952	2,328	
National Treasury Notes	-	193,981	134,018	-	1,820,686	2,132,524	2,148,685	16,161	945,630	945,980	350	
Brazilian Foreign Debt Securities	-	-	-	-	-	-	-	-	76	77	1	
Private securities	61	-	-	-	32,418	30,685	32,479	1,794	22,106	22,247	141	
Shares	61	-	-	-	-	51	61	10	43	215	172	
Eurobonds	-	-	-	-	181	190	181	(9)	806	755	(51)	
Debentures	-	-	-	-	32,237	30,444	32,237	1,793	21,257	21,277	20	
2 – Securities available for sale	12,147	84,015	545,312	173,046	12,501,483	13,452,651	13,316,003	(136,648)	12,916,494	12,812,746	(103,748)	
Government bonds	-	-	303,350	-	9,369,820	9,507,997	9,673,170	165,173	6,974,143	7,096,094	121,951	
Financial Treasury Bills	-	-	78,164	-	4,382,688	4,460,215	4,460,852	637	2,975,290	2,977,982	2,692	
National Treasury Bills	-	-	-	-	349,088	332,578	349,088	16,510	263,857	282,656	18,799	
National Treasury Notes	-	-	225,186	-	3,007,606	3,082,174	3,232,792	150,618	2,384,782	2,445,075	60,293	
Brazilian Foreign Debt Securities	-	-	-	-	1,630,438	1,633,030	1,630,438	(2,592)	1,350,214	1,390,381	40,167	
Private securities	12,147	84,015	241,962	173,046	3,131,663	3,944,654	3,642,833	(301,821)	5,942,351	5,716,652	(225,699)	
Debentures ⁽¹⁾	-	23,347	111,915	112,290	1,852,945	2,400,790	2,100,497	(300,293)	2,821,343	2,628,078	(193,265)	
Promissory notes	-	-	3,648	3,648	15,095	22,467	22,391	(76)	20,154	20,149	(5)	
Shares ⁽²⁾	10,539	-	-	-	-	11,882	10,539	(1,343)	457,504	410,481	(47,023)	
Shares in investment funds ⁽³⁾	1,608	-	-	-	290,970	274,740	292,578	17,838	1,549,599	1,549,599	-	
Rural Product Notes - Commodities ⁽⁴⁾	-	4,947	46,592	50,542	242,723	361,606	344,804	(16,802)	292,754	275,064	(17,690)	
Eurobonds	-	-	-	-	246,707	246,099	246,707	608	337,107	341,079	3,972	
Financial Bills	-	-	-	-	53,039	52,894	53,039	145	109,238	109,221	(17)	
Floating Rate Notes	-	55,721	79,807	6,566	179,339	319,168	321,433	2,265	-	-	-	
Certificate of Real Estate Receivables	-	-	-	-	165,915	169,702	165,915	(3,787)	337,547	365,880	28,333	
Agribusiness Receivables Certificate	-	-	-	-	84,930	85,306	84,930	(376)	17,105	17,101	(4)	
3 – Securities held to maturity	-	-	150,418	1,260,851	743,318	2,067,932	2,154,587	86,655	6,513,061	6,657,170	144,109	
Government bonds	-	-	150,418	1,260,851	743,318	2,067,932	2,154,587	86,655	6,513,061	6,657,170	144,109	
National Treasury Bills	-	-	-	1,260,851	-	1,218,882	1,260,851	41,969	4,569,922	4,668,605	98,683	
National Treasury Notes	-	-	150,418	-	743,318	849,050	893,736	44,686	1,943,139	1,988,565	45,426	
Total (1 + 2 + 3)	12,208	2,632,529	836,552	3,002,633	19,681,075	26,166,460	26,164,997	(1,463)	21,183,622	21,226,804	43,182	

The fair value considers the prudential adjustment of credit risk spread, fulfilling the provision in Article 8 of the CMN Resolution no. 4,277/2013 of the Brazilian Central Bank

The securities classified as "Held to maturity" are recorded at cost in accordance with BACEN Circular No. 3,068/2001. For purposes of presentation, these operations are adjusted to fair value.

(1) The cost of the Debentures includes a provision for losses in the amount of R\$ 1,138,857 (R\$ 929,311 on December 31, 2017) contra entry the Income from securities.

(2) The cost value of the Shares includes a provision for losses in the amount of R\$ 82,864 (R\$ 74,745 on December 31, 2017) contra entry the Income from securities. The fair value of the shares represents the quotation disclosed by B3 - Brasil, Bolsa, Balcão.

(3) The cost value of the Shares in investments funds includes a provision for losses in the amount of R\$ 21,711 (R\$ 12,397 on December 31, 2017) contra entry the income from securities. In October 2018 the liquidation of BVIA FIF occurred.

(4) The cost of the Rural Product Notes also considers the provision for losses in the amount of R\$ 57,030 (R\$ 38,047 em 31 dezembro de 2017) on December 31, 2017) contra entry the Income from securities.

a.2) Composition of portfolio by caption in the statement of financial position and maturity term

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Maturity in days	12.31.2018								12.31.2017		
	Fair value					Total			Total		
	Without maturity	From 0 to 30 days	From 31 to 180 days	From 181 to 360 days	Over 360 days	Cost	Fair value	Fair value adjustment	Cost	Fair value	Fair value adjustment
Bank											
By portfolio	10,600	277,996	831,879	3,002,633	20,639,624	24,835,411	24,762,732	(72,679)	28,530,615	28,550,917	20,302
Own portfolio	93,464	702,942	224,917	189,326	7,233,183	8,568,319	8,443,832	(124,487)	7,394,022	7,335,841	(58,181)
Subject to repurchase clause	-	-	606,962	2,794,055	14,011,705	17,362,514	17,412,722	50,208	22,087,470	22,165,199	77,729
Subject to guarantees provided	-	-	-	57,572	149,068	205,040	206,640	1,600	103,623	104,377	754
Provision for impairment of securities	(82,864)	(424,946)	-	(38,320)	(754,332)	(1,300,462)	(1,300,462)	-	(1,054,500)	(1,054,500)	-
Consolidated											
By portfolio	12,208	2,632,529	836,552	3,002,633	19,681,075	26,166,460	26,164,997	(1,463)	21,183,622	21,226,804	43,182
Own portfolio	95,072	3,057,475	224,917	189,367	8,021,984	11,577,951	11,588,815	10,864	14,217,804	14,177,216	(40,588)
Subject to repurchase clause	-	-	606,962	2,794,014	11,976,152	15,403,341	15,377,128	(26,213)	7,571,923	7,638,059	66,136
Subject to guarantees provided	-	-	4,673	57,572	437,271	485,630	499,516	13,886	448,395	466,029	17,634
Provision for impairment of securities	(82,864)	(424,946)	-	(38,320)	(754,332)	(1,300,462)	(1,300,462)	-	(1,054,500)	(1,054,500)	-

a.3) Composition of portfolio by category and maturity term in years

Maturity in years	12.31.2018						12.31.2017		
	Fair value					Total		Total	
	Without maturity	Falling due, up to 1 year	Falling due - From 1 to 5 years	Falling due from 5 to 10 years	Falling due for more than 10 years	Cost	Fair value	Cost	Fair value
Bank									
By category	10,600	4,112,508	12,459,013	7,774,803	405,808	24,835,411	24,762,732	28,530,615	28,550,917
Trading securities	61	1,903,539	6,049,326	353,030	32,604	8,289,734	8,338,560	1,749,510	1,752,330
Securities available for sale	10,539	797,700	5,845,689	7,342,061	273,596	14,477,745	14,269,585	20,268,044	20,141,417
Securities held to maturity	-	1,411,269	563,998	79,712	99,608	2,067,932	2,154,587	6,513,061	6,657,170
Consolidated									
By category	12,208	6,471,714	13,344,637	5,913,256	423,182	26,166,460	26,164,997	21,183,622	21,226,804
Trading securities	61	4,258,072	6,050,640	353,030	32,604	10,645,877	10,694,407	1,754,067	1,756,888
Securities available for sale	12,147	802,373	6,729,999	5,480,514	290,970	13,452,651	13,316,003	12,916,494	12,812,746
Securities held to maturity	-	1,411,269	563,998	79,712	99,608	2,067,932	2,154,587	6,513,061	6,657,170

a.4) Summary of the portfolio by statement of financial position caption

	12.31.2018			12.31.2017		
	Book value			Book value		
	Current	Non-Current	Total	Current	Non-Current	Total
Bank						
By portfolio	10,514,550	14,161,527	24,676,077	7,397,668	21,009,140	28,406,808
Own portfolio	2,571,538	5,870,381	8,441,919	876,623	6,459,218	7,335,841
Subject to repurchase commitment	8,433,164	8,896,410	17,329,574	6,552,996	15,468,548	22,021,544
Subject to guarantees provided	55,978	149,068	205,046	80,841	23,082	103,923
Provision for impairment of securities	(546,130)	(754,332)	(1,300,462)	(112,792)	(941,708)	(1,054,500)
Consolidated						
By portfolio	12,892,821	13,185,521	26,078,342	7,816,746	13,265,949	21,082,695
Own portfolio	5,489,219	6,097,681	11,586,900	6,499,230	7,666,845	14,166,075
Subject to repurchase commitment	7,872,949	7,421,032	15,293,981	1,313,104	6,192,441	7,505,545
Subject to guarantees provided	76,783	421,140	497,923	117,204	348,371	465,575
Provision for impairment of securities	(546,130)	(754,332)	(1,300,462)	(112,792)	(941,708)	(1,054,500)

a.5) Summary of the portfolio by category

By category	12.31.2018		12.31.2017	
Bank				
1 – Trading securities	8,338,560	34%	1,752,330	6%
2 – Securities available for sale	14,269,585	58%	20,141,417	71%
3 – Securities held to maturity	2,067,932	8%	6,513,061	23%
Book value of portfolio	24,676,077	100%	28,406,808	100%
Fair value adjustment of category three	86,655		144,109	
Fair value of portfolio	24,762,732		28,550,917	
Consolidated				
1 – Trading securities	10,694,407	41%	1,756,888	8%
2 – Securities available for sale	13,316,003	51%	12,812,746	61%
3 – Securities held to maturity	2,067,932	8%	6,513,061	31%
Book value of portfolio	26,078,342	100%	21,082,695	100%
Fair value adjustment of category three	86,655		144,109	
Fair value of portfolio	26,164,997		21,226,804	

The Bank and Conglomerate, in fulfilling the provision of Article 8 of Circular 3,068/01, of the Central Bank of Brazil, declares that it has the necessary financial capacity and intention to hold to maturity the securities classified in the “securities held to maturity” category, in the amount of R\$ 2,067,932 (R\$ 6,513,061 on December 31, 2017), representing 8% of the total securities in the Bank and Conglomerated (23% in the Bank and 31% in the Conglomerate on December 31, 2017).

b) Income from securities

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Interbank investments (Note 6b)	1,580,757	3,181,476	4,161,909	480,472	1,070,456	1,770,159
Fixed income securities	791,775	1,478,486	3,000,077	708,390	1,253,759	2,123,547
Securities abroad	47,022	78,040	108,554	47,022	78,040	108,573
Variable income securities	2,051	(26,949)	(18,023)	57,004	11,174	51,781
Investments in investment funds	11,953	28,580	83,938	12,795	30,228	78,582
Other	6,007	16,867	1,057	6,007	16,867	1,060
Total ⁽¹⁾	2,439,565	4,756,500	7,337,512	1,311,690	2,460,524	4,133,702

⁽¹⁾ Includes provision for losses in the amount of R\$ 245,962 on December 31, 2018 (R\$ 62,148 on December 31, 2017).

c) Reclassifications of securities

There was no reclassifications of Securities between categories on December 31, 2018 and 2017, in accordance with BACEN Circular 3068/2001.

d) Derivative financial instruments

The Conglomerate uses Derivative Financial Instruments to manage its positions on a consolidated basis and to fulfill the needs of its clients, classifying its own positions as necessary for hedging (of market risk and cash flow) or trading, both with approval limits in the Company. The hedging strategy for asset protection, which is approved by Management, is in line with the macroeconomic scenario analyses.

In the options market, assets or long positions have the Conglomerate as the holder, while liability or short positions have the Conglomerate as the seller.

The models employed in derivative risk management are periodically reviewed, and decision making is based on the best risk/return ratios, with likely losses being estimated following an analysis of macroeconomic scenarios.

The Conglomerate has tools and systems that are adequate to manage derivative financial instruments. Negotiation of new derivatives, standardized or not, depends on prior risk analysis. Subsidiaries' risk evaluation is carried out on an individual basis and its management is carried out on a consolidated basis.

The Conglomerate uses statistical methodologies and simulations to measure the risk of its positions, including with derivatives, using value at risk and sensitivity models and stress analysis.

Risks

The principal risks inherent in derivative financial instruments deriving from the Bank and its subsidiaries' businesses are credit risk, market risk, liquidity risk and operational risk.

Credit risk is defined as the possibility of losses associated with: (a) Non-compliance by the counterparty (the borrower, the guarantor or the issuer of securities or securities acquired), of its obligations under the terms agreed upon; (b) Devaluation, reduction of income and expected gains on financial instruments arising from the deterioration of the credit quality of the counterparty, the intervening party or the mitigating instrument; (c) Restructuring of financial instruments; or (d) Costs of recovery of exposures of problematic assets.

Exposure to credit risk in futures contracts is minimized due to the daily financial settlement. Swap contracts registered with CETIP are subject to credit risk in case that the counterparty is not able or willing to comply with its contractual obligations, while swap contracts registered with B3 are not subject to the same risk, considering that Conglomerate's transactions in this stock exchange have the same guarantor.

Market risk is defined as the possibility of financial losses arising from variations in the fair value of exposures held by a Financial Institution. These financial losses may be due to variations in interest rates, exchange rates and prices of shares and commodities.

Liquidity risk is defined as:

- The possibility of not being able to effectively honor expected and unexpected current and future obligations, including those deriving from binding guarantees, without affecting its daily operations and without incurring significant losses; and
- The possibility that the Bank may not be able to trade a position at the market price due to its large size in relation to the usually traded volume, or due to market discontinuity.

Operational risk is defined as the possibility of occurrence of losses resulting from external events or from failure, deficiency or inadequacy of internal processes, people or systems.

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d.1) Breakdown of derivative financial instruments portfolio by index

By index	Bank						Consolidated					
	12.31.2018			12.31.2017			12.31.2018			12.31.2017		
	Nominal value	Cost	Fair value	Nominal value	Cost	Fair value	Nominal value	Cost	Fair value	Nominal value	Cost	Fair value
1 - Futures contracts												
Purchase commitments	12,558,774	-	-	17,826,525	-	-	12,558,774	-	-	17,843,228	-	-
Interbank deposits	4,548,448	-	-	7,735,621	-	-	4,548,448	-	-	7,752,324	-	-
Currencies	1,529,616	-	-	349,271	-	-	1,529,616	-	-	349,271	-	-
Index	808,978	-	-	296,084	-	-	808,978	-	-	296,084	-	-
Foreign currency coupon	5,671,732	-	-	9,330,268	-	-	5,671,732	-	-	9,330,268	-	-
Other	-	-	-	115,281	-	-	-	-	-	115,281	-	-
Sales commitments	62,241,381	-	-	45,260,613	-	-	73,532,303	-	-	61,157,633	-	-
Interbank deposits	32,944,451	-	-	27,299,529	-	-	44,235,373	-	-	43,196,549	-	-
Currencies	785,407	-	-	120,421	-	-	785,407	-	-	120,421	-	-
Index	906,173	-	-	36,815	-	-	906,173	-	-	36,815	-	-
Libor	19,951,973	-	-	11,074,453	-	-	19,951,973	-	-	11,074,453	-	-
Foreign currency coupon	7,558,820	-	-	6,647,677	-	-	7,558,820	-	-	6,647,677	-	-
Other	94,557	-	-	81,718	-	-	94,557	-	-	81,718	-	-
2 - Forward transactions												
Asset position	1,740,433	1,740,433	1,740,620	177,111	177,111	177,101	1,740,433	1,740,433	1,740,620	177,111	177,111	177,101
Currency term	44,172	44,172	44,172	-	-	-	44,172	44,172	44,172	-	-	-
Government bond term	1,696,261	1,696,261	1,696,448	177,111	177,111	177,101	1,696,261	1,696,261	1,696,448	177,111	177,111	177,101
Liability position	1,740,433	(1,740,433)	(1,738,817)	177,111	(177,111)	(177,078)	1,740,433	(1,740,433)	(1,738,817)	177,111	(177,111)	(177,078)
Currency term	44,172	(44,172)	(42,817)	-	-	-	44,172	(44,172)	(42,817)	-	-	-
Government bond term	1,696,261	(1,696,261)	(1,696,000)	177,111	(177,111)	(177,078)	1,696,261	(1,696,261)	(1,696,000)	177,111	(177,111)	(177,078)
3 - Option contracts⁽¹⁾												
Purchase - Long position	5,613,979	339,754	257,723	2,547,030	113,040	49,890	5,613,979	339,754	257,723	2,547,030	113,040	49,890
Foreign currency	3,477,738	269,067	229,120	2,058,350	99,971	37,398	3,477,738	269,067	229,120	2,058,350	99,971	37,398
Flexible options	1,716,241	66,126	25,079	462,680	9,516	6,958	1,716,241	66,126	25,079	462,680	9,516	6,958
Shares	420,000	4,561	3,524	26,000	3,553	5,534	420,000	4,561	3,524	26,000	3,553	5,534
Sale - Long position	49,838,721	554,438	527,585	5,396,182	318,952	214,572	49,838,721	554,438	527,585	5,534,451	424,654	344,417
Foreign currency	6,610,525	296,473	254,301	2,452,325	165,236	127,044	6,610,525	296,473	254,301	2,452,325	165,236	127,044
Interbank deposits	39,570,000	4,702	7,119	-	-	-	39,570,000	4,702	7,119	-	-	-
Flexible options	3,658,196	253,263	266,165	2,912,607	151,345	86,928	3,658,196	253,263	266,165	2,912,607	151,345	86,928
Shares	-	-	-	31,250	2,371	600	-	-	-	169,519	108,073	130,445
Purchase - Short position	8,500,508	(537,044)	(503,167)	5,721,001	(211,954)	(230,310)	8,500,508	(537,044)	(503,167)	5,721,001	(211,954)	(230,310)
Foreign currency	4,200,788	(276,161)	(258,522)	2,333,850	(48,008)	(48,833)	4,200,788	(276,161)	(258,522)	2,333,850	(48,008)	(48,833)
Flexible options	3,861,720	(258,699)	(243,255)	3,358,151	(161,651)	(178,932)	3,861,720	(258,699)	(243,255)	3,358,151	(161,651)	(178,932)
Shares	438,000	(2,184)	(1,390)	29,000	(2,295)	(2,545)	438,000	(2,184)	(1,390)	29,000	(2,295)	(2,545)

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By index	Bank						Consolidated					
	12.31.2018			12.31.2017			12.31.2018			12.31.2017		
	Nominal value	Cost	Fair value	Nominal value	Cost	Fair value	Nominal value	Cost	Fair value	Nominal value	Cost	Fair value
Sale - Short position	33,519,956	(306,905)	(309,644)	2,479,198	(149,748)	(161,516)	33,519,956	(306,905)	(309,644)	2,479,198	(149,748)	(161,516)
Foreign currency	5,693,838	(241,503)	(246,325)	2,178,488	(140,391)	(143,637)	5,693,838	(241,503)	(246,325)	2,178,488	(140,391)	(143,637)
Interbank deposits	26,380,000	(1,819)	-	-	-	-	26,380,000	(1,819)	-	-	-	-
Flexible options	1,446,118	(63,583)	(63,319)	269,210	(7,318)	(17,122)	1,446,118	(63,583)	(63,319)	269,210	(7,318)	(17,122)
Shares	-	-	-	31,500	(2,039)	(757)	-	-	-	31,500	(2,039)	(757)
4 - Swaps contracts ⁽¹⁾												
Asset position	15,183,125	1,424,978	1,736,132	10,937,748	1,059,447	1,334,065	11,273,787	1,389,101	1,653,235	10,937,748	1,059,447	1,334,065
Interbank deposits	2,652,911	217,223	192,197	3,571,848	577,465	491,268	2,455,256	211,001	173,730	3,571,848	577,465	491,268
Foreign currency	3,270,415	793,530	620,734	2,996,422	276,211	282,967	3,270,415	793,530	620,734	2,996,422	276,211	282,967
Pre fixed	7,083,278	143,005	544,632	2,124,943	31,679	246,099	3,371,595	113,350	480,202	2,124,943	31,679	246,099
IPCA	2,110,651	268,695	375,910	2,109,170	169,139	301,457	2,110,651	268,695	375,910	2,109,170	169,139	301,457
IGPM	15,000	1,418	1,401	35,000	4,513	5,516	15,000	1,418	1,401	35,000	4,513	5,516
Libor	50,870	1,107	1,258	22,527	84	288	50,870	1,107	1,258	22,527	84	288
Other	-	-	-	77,838	356	6,470	-	-	-	77,838	356	6,470
Liability position	7,066,339	(1,103,210)	(1,400,943)	7,730,092	(780,543)	(1,087,924)	6,148,560	(1,101,160)	(1,397,682)	7,730,092	(780,543)	(1,087,924)
Interbank deposits	955,978	(53,620)	(20,365)	1,992,651	(124,361)	(50,738)	377,021	(52,955)	(19,750)	1,992,651	(124,361)	(50,738)
Foreign currency	2,280,353	(378,772)	(259,062)	2,156,826	(164,290)	(146,999)	2,280,353	(378,772)	(259,062)	2,156,826	(164,290)	(146,999)
Pre fixed	1,096,968	(67,688)	(358,086)	732,263	(33,620)	(257,260)	758,146	(66,303)	(355,440)	732,263	(33,620)	(257,260)
IPCA	2,054,996	(533,670)	(689,317)	2,303,017	(426,736)	(598,421)	2,054,996	(533,670)	(689,317)	2,303,017	(426,736)	(598,421)
IGPM	-	-	-	40,000	(14,189)	(15,768)	-	-	-	40,000	(14,189)	(15,768)
Libor	678,044	(69,460)	(71,241)	495,335	(16,663)	(18,239)	678,044	(69,460)	(71,241)	495,335	(16,663)	(18,239)
Other	-	-	(2,872)	10,000	(684)	(499)	-	-	(2,872)	10,000	(684)	(499)
5 - Other derivatives financial instruments												
Asset position	8,060,281	143,619	130,208	5,512,285	179,589	130,225	8,060,281	143,619	130,208	5,512,285	179,589	130,225
Non Deliverable Forward - Foreign currency ⁽¹⁾	8,058,344	143,619	130,190	5,494,091	180,073	130,105	8,058,344	143,619	130,190	5,494,091	180,073	130,105
Credit derivatives ⁽²⁾	-	-	-	18,194	(484)	120	-	-	-	18,194	(484)	120
Other	1,937	-	18	-	-	-	1,937	-	18	-	-	-
Liability position	1,596,197	(118,626)	(114,905)	3,573,906	(35,733)	(44,398)	1,596,197	(118,626)	(114,905)	3,573,906	(35,733)	(44,398)
Non Deliverable Forward - Foreign currency ⁽¹⁾	1,478,016	(113,028)	(111,129)	3,573,906	(35,733)	(44,398)	1,478,016	(113,028)	(111,129)	3,573,906	(35,733)	(44,398)
Credit derivatives ⁽²⁾	118,181	(5,598)	(3,776)	-	-	-	118,181	(5,598)	(3,776)	-	-	-
Total Assets (1 + 2 + 3 + 4 + 5)	92,995,313	4,203,222	4,392,268	42,396,881	1,848,139	1,905,853	89,085,975	4,167,345	4,309,371	42,551,853	1,953,841	2,035,698
Total Liabilities (1 + 2 + 3 + 4 + 5)	112,924,381	(3,806,218)	(4,067,476)	64,764,810	(1,355,089)	(1,701,226)	123,297,524	(3,804,168)	(4,064,215)	80,661,830	(1,355,089)	(1,701,226)

⁽¹⁾ The fair value for swap operations, options and non deliverable forward - foreign currency considers the credit risk of the counterparty (Credit valuation adjustment).

⁽²⁾ The presentation of credit derivatives by position (active or passive) takes into account the respective fair value of each contract

d.2) Breakdown of derivative financial instruments by maturity date (nominal value)

Maturity in days	Bank						Consolidated					
	From 0 to 30	From 31 to 180	From 181 to 360	Over 360	12.31.2018	12.31.2017	From 0 to 30	From 31 to 180	From 181 to 360	Over 360	12.31.2018	12.31.2017
Future contracts	10,434,610	19,228,815	11,476,341	33,660,389	74,800,155	63,087,138	10,434,610	21,437,524	13,708,398	40,510,545	86,091,077	79,000,861
Forward contracts	1,740,433	-	-	-	1,740,433	177,111	1,740,433	-	-	-	1,740,433	177,111
Option contracts	70,810,321	4,428,434	1,686,889	20,547,520	97,473,164	16,143,411	70,810,321	4,428,434	1,686,889	20,547,520	97,473,164	16,281,680
Swap contracts	1,429,361	3,527,223	3,010,653	14,282,227	22,249,464	18,667,840	478,414	3,073,133	1,875,772	11,995,028	17,422,347	18,667,840
Credit derivatives	-	-	-	118,181	118,181	18,194	-	-	-	118,181	118,181	18,194
<i>Non Deliverable Forward - Foreign currency</i>	1,127,151	3,846,754	924,465	3,637,990	9,536,360	9,067,997	1,127,151	3,846,754	924,465	3,637,990	9,536,360	9,067,997
Other	-	-	-	1,937	1,937	-	-	-	-	1,937	1,937	-
Total	85,541,876	31,031,226	17,098,348	72,248,244	205,919,694	107,161,691	84,590,929	32,785,845	18,195,524	76,811,201	212,383,499	123,213,683

d.3) Breakdown of derivative financial instruments Portfolio by negotiation place and counterparty (nominal value on December 31, 2018)

	Futures	Terms	Options	Swap	Credit derivatives	Non Deliverable Forward	Other
Bank							
B3	74,800,155	-	86,857,988	-	-	-	-
Over-the-counter (CETIP)	-	1,740,433	10,615,176	22,249,464	118,181	9,536,360	1,937
Financial institutions	-	1,740,433	-	17,256,005	118,181	3,525,642	1,937
Client	-	-	10,615,176	4,993,459	-	6,010,718	-
Consolidated							
B3	86,091,077	-	86,857,988	-	-	-	-
Over-the-counter (CETIP)	-	1,740,433	10,615,176	17,422,347	118,181	9,536,360	1,937
Financial institutions	-	1,740,433	7,266,890	12,428,889	118,181	3,525,642	1,937
Client	-	-	3,348,286	4,993,458	-	6,010,718	-

d.4) Breakdown of credit derivative financial instruments portfolio

	12.31.2018			12.31.2017		
	Nominal value	Cost	Fair value	Nominal value	Cost	Fair value
Bank and Consolidated						
Credit Swap						
Long position - Received risk	118,181	(5,598)	(3,776)	18,194	(484)	120
Short position - Transferred risk	-	-	-	-	-	-
By index						
Asset position - Pre fixed	-	-	-	18,194	(484)	120
Liability position - Pre fixed	118,181	(5,598)	(3,776)	-	-	-

For received risk transactions, credit limits are approved both for client risk and counterparty risk, according to the credit committee's levels and forums. Credit limits are assigned to the underlying exposure at derivative reference value, considering amounts deposited in guarantee.

To transfer risk, transaction is conducted in a trading portfolio with a sovereign risk client. In this case, future possible exposure is considered to assign the counterparty limit. The credit derivative financial instruments portfolio impacted Portion Referring to Weighed Exposures per Risk Factor (PRMR) for determination of the Bank's Basel ratio of R\$ 1,178 (R\$ 1,862 on December 31, 2017).

d.5) Breakdown of margin given in guarantee of operations with derivative financial instruments and other transactions settled in clearing or providers of clearing and settlement services

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Financial Treasury Bills - LFT	112,333	13,923	112,333	19,140
National Treasury Notes - NTN	-	-	-	312,017
National Treasury Bills - LTN	55,979	55,478	318,597	55,478
Shares in investment funds - B3	32,249	30,307	48,379	45,467
Other	44,435	22,342	44,435	22,342
Total	244,996	122,050	523,744	454,444

d.6) Breakdown of derivatives portfolio for hedging

Hedge transactions were evaluated as effective, in accordance with provisions of BACEN Circular Letter no. 3,082/2002, and hedge effectiveness varies from 80% to 125%. For loans operations, the risk level is considered in the risk assessment of the fair value and consequently considered in the effectiveness calculation metric.

Market risk hedge

The Conglomerate, in order to protect itself against fluctuations in its financial instruments' interest and exchange rates, contracted derivatives to offset risks deriving from exposures to fair value variations.

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Market risk hedge				
Hedge instruments				
Assets	-	3,040,459	-	3,170,303
Future	-	3,040,459	-	3,040,459
Options	-	-	-	129,844
Liabilities	7,746,427	14,730,913	19,037,349	30,482,345
Future	7,746,427	14,730,913	19,037,349	30,482,345
Hedged itens				
Assets	4,235,788	8,235,401	15,809,400	24,484,219
Interbank funds applied	3,598,021	6,675,740	3,598,021	6,675,740
Securities	-	-	-	70,329
Loan operations	637,767	1,559,661	12,211,379	17,738,150
Liabilities	-	2,869,143	-	2,869,143
Subordinated debt	-	2,869,143	-	2,869,143

In the year ended December 31, 2018, some operations are no longer classified as Market risk hedge. The balance corresponding to the adjustment to the fair value of the hedged item existing at the closing date of the accounting hedge was deferred for the contractual term of those operations whose effect on the result for the year ended December 31, 2018 was R\$ 720 net of for tax purposes, presented under "Income from derivative financial

Cash flow hedge

To protect the future cash flows of payments against exposure to variable interest rate (CDI), the Conglomerate traded DI Future contracts at B3.

To protect the cash flow of future disbursements on securities issued abroad against exposure to exchange rate risk (USD), the Conglomerate has traded over-the-counter Swap contracts recorded in B3.

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	Bank and Consolidated	
	12.31.2018	12.31.2017
Cash flow hedge		
Hedge instruments		
Assets	153,792	-
Swap ⁽¹⁾	153,792	-
Liabilities	15,196,206	4,265,317
Swap	-	9,389
Future	15,196,206	4,255,928
Hedged itens		
Liabilities	16,459,816	5,264,962
Perpetual bonus - Instrument of debts eligible for Capital	1,169,442	-
Interbank deposits	883,047	-
Financial bills	13,601,311	4,012,491
Subordinated debt - Instrument of debts eligible for Capital	806,016	1,252,471

⁽¹⁾ The nominal value of the swap is R\$ 970, 620 on December 31, 2018.

In the year ended December 31, 2018, some operations were no longer classified as Cash flow hedge, which generated income in the period of R\$ (29,286) net of tax effects, presented under the caption "Income from derivative

d.7) Gains and losses on the results from hedge instruments and hedged itens result

Market risk hedge

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Losses from hedged Items	(402,425)	(998,723)	(575,693)	(446,072)	(1,152,806)	(659,717)
Gains from hedge instruments	403,228	998,360	573,722	447,267	1,153,907	656,584
Net effect	803	(363)	(1,971)	1,195	1,101	(3,133)
Losses from hedged Items	496,704	978,863	1,270,018	1,301,101	2,329,552	3,373,052
Gains from hedge instruments	(499,258)	(979,178)	(1,278,720)	(1,301,874)	(2,326,250)	(3,369,298)
Net effect	(2,554)	(315)	(8,702)	(773)	3,302	3,754

Cash flow hedge

Bank and Consolidated	12.31.2018		12.31.2017	
	Effective portion accumulated	Ineffective portion accumulated	Effective portion accumulated	Ineffective portion accumulated
Hedge instruments				
Future DI	(135,266)	(58)	(48,842)	(23)
Swap	(30,757)	(3,965)	(3,485)	(4,659)
Total	(166,023)	(4,023)	(52,327)	(4,682)

The effective portion is recognized in Shareholders' Equity in equity valuation adjustments and the ineffective portion is recognized in the statement of income in financial intermediation income - income from derivative financial

As of December 31, 2018, the fair value adjustment of the effective portion, in the amount of R\$ (113,696) (R\$ (25,756) as of December 31, 2017) was recognized in Shareholders' Equity and ineffective portion, in the amount of R\$ 659 (R\$ (4,667) as of December 31, 2017) was recognized in "Income from derivative financial instruments".

Net gains of tax effects relating to cash flow hedges that the Conglomerate expects to recognize in income over the next 12 months totaling R\$ 50,736 (loss of R\$ 13,088 as of December 31, 2017).

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d.8) Derivative financial instruments breakdown into current and non-current

	Bank					
	12.31.2018			12.31.2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Assets						
Term Operations	1,740,620	-	1,740,620	177,101	-	177,101
Options market	60,105	725,203	785,308	193,601	70,861	264,462
Swap contracts	257,990	1,478,142	1,736,132	322,977	1,011,088	1,334,065
Credit derivatives	-	-	-	112	8	120
Non Deliverable Forward - Foreign currency	125,375	4,815	130,190	129,848	257	130,105
Other	-	18	18	-	-	-
Total	2,184,090	2,208,178	4,392,268	823,639	1,082,214	1,905,853
Liabilities						
Term Operations	(1,738,817)	-	(1,738,817)	(177,078)	-	(177,078)
Options market	(80,025)	(732,786)	(812,811)	(277,941)	(113,885)	(391,826)
Swap contracts	(330,611)	(1,070,332)	(1,400,943)	(135,693)	(952,231)	(1,087,924)
Credit derivatives	-	(3,776)	(3,776)	-	-	-
Non Deliverable Forward - Foreign currency	(81,524)	(29,605)	(111,129)	(33,091)	(11,307)	(44,398)
Total	(2,230,977)	(1,836,499)	(4,067,476)	(623,803)	(1,077,423)	(1,701,226)

	Consolidated					
	12.31.2018			12.31.2017		
	Current	Non-Current	Total	Current	Non-Current	Total
Assets						
Term Operations	1,740,620	-	1,740,620	177,101	-	177,101
Options market	60,105	725,203	785,308	323,446	70,861	394,307
Swap contracts	246,868	1,406,367	1,653,235	322,977	1,011,088	1,334,065
Credit derivatives	-	-	-	112	8	120
Non Deliverable Forward - Foreign currency	125,375	4,815	130,190	129,848	257	130,105
Other	-	18	18	-	-	-
Total	2,172,968	2,136,403	4,309,371	953,484	1,082,214	2,035,698
Liabilities						
Term Operations	(1,738,817)	-	(1,738,817)	(177,078)	-	(177,078)
Options market	(80,025)	(732,786)	(812,811)	(277,941)	(113,885)	(391,826)
Swap contracts	(328,038)	(1,069,644)	(1,397,682)	(135,693)	(952,231)	(1,087,924)
Credit derivatives	-	(3,776)	(3,776)	-	-	-
Non Deliverable Forward - Foreign currency	(81,524)	(29,605)	(111,129)	(33,091)	(11,307)	(44,398)
Total	(2,228,404)	(1,835,811)	(4,064,215)	(623,803)	(1,077,423)	(1,701,226)

d.9) Income from derivative financial instruments

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Swap	313,976	104,377	261,092	223,358	24,748	260,986
Term	1,210	1,780	(239)	1,210	1,780	(239)
Options	43,509	(358,519)	32,612	(14,614)	(382,660)	79,533
Future	(352,266)	(696,927)	(156,126)	(706,433)	(1,066,970)	(709,568)
Credit derivatives	4,147	4,723	18,377	4,147	4,723	18,377
Fair value adjustment of hedged credit transactions	(11,853)	1,909	(26,232)	99,858	(177,933)	210,199
Non Deliverable Forward - Foreign currency	(138,150)	669,181	(97,547)	(138,150)	669,181	(97,547)
Credit Linked Notes	32	100	-	32	100	-
Exchange variation on investments abroad	9,346	268,500	19,863	9,346	268,500	20,888
Total	(130,049)	(4,876)	51,800	(521,246)	(658,531)	(217,371)

d.10) Hedge accounting

Bank	Object of hedge			Hedge instruments		
	12.31.2018		12.31.2017	Derivative	12.31.2018	12.31.2017
	Fair value	Unrealized gain (loss)	Fair value		Fair value	Fair value
Purchase and sale commitment hedge/ fixed rate	3,598,021	714	6,675,740	Future DI	4,160,704	9,153,055
Loan operations hedge / fixed rate / exchange variation / Libor	637,767	(8,128)	1,559,661	Future DI Future DDI Future Libor	192,150 - 3,393,573	252,165 854,542 4,471,151
Subordinated debt hedge / exchange variation / IGP-M	-	-	2,869,143	Future DDI	-	3,040,459
Hedge of Financial Bills and Subordinated Debt / Cash flow / pre-fixed rate	16,459,816	106,053	5,264,962	Future DI Swap	15,196,206 1,417,103	4,255,928 1,263,056

Consolidated	Object of hedge			Hedge instruments		
	12.31.2018		12.31.2017	Derivative	12.31.2018	12.31.2017
	Fair value	Unrealized gain (loss)	Fair value		Fair value	Fair value
Purchase and sale commitment hedge/ fixed rate	3,598,021	714	6,675,740	Future DI	4,160,704	9,153,055
Securities hedge / fixed rate variation	-	-	70,329	Options	-	129,844
Loan operations hedge / fixed rate / exchange variation / Libor	12,211,379	260,796	17,738,150	Future DI Future DDI Future Libor	11,483,072 - 3,393,573	16,003,597 854,542 4,471,151
Subordinated debt hedge / exchange variation / IGP-M	-	-	2,869,143	Future DDI	-	3,040,459
Hedge of Financial Bills and Subordinated Debt / Cash flow / pre-fixed rate	16,459,816	106,053	5,264,962	Future DI Swap	15,196,206 1,417,103	4,255,928 1,263,056

8. INTERBANK ACCOUNTS

a) Reserve requirements

	Bank and Consolidated	
	12.31.2018	12.31.2017
Compulsory deposits at the Central Bank of Brazil	521,889	14,074
Compulsory deposits on demand deposits	12	12,038
Compulsory deposits on time deposits	519,643	-
Compulsory deposits on microfinance transactions	2,234	2,036
Total	521,889	14,074
Current assets	521,889	14,074

b) Income from compulsory deposits

	Bank and Consolidated		
	2H2018	2018	2017
Credits linked to Central Bank of Brazil	24,783	36,977	19,685
Requirement on time deposits	24,783	36,977	19,685
Total	24,783	36,977	19,685

9. LOAN AND LEASE OPERATIONS

a) Portfolio by modality

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Loan operations	8,124,106	9,624,218	45,258,105	44,450,146
Loan and discounted notes	3,260,975	3,928,102	6,294,494	7,514,680
Financings	4,359,811	5,087,797	33,250,457	28,012,257
Rural and agribusiness financing	440,231	461,067	440,231	461,067
Real estate financing agreements	63,089	147,252	63,089	147,252
Loan operations linked to assignments (Note 9j.1) ⁽¹⁾	-	-	5,209,834	8,314,890
Other receivables with credit assignment characteristics	3,570,824	2,817,895	5,028,319	3,983,817
Credit card operations (Note 11)	-	-	1,453,910	1,163,889
Advances on exchanges contracts ⁽²⁾	573,325	322,256	573,325	322,256
Guarantees and sureties paid	1,351	-	1,351	-
Trade and credit receivables (Note 11)	2,996,148	2,495,639	2,999,733	2,497,672
Lease operations	-	-	191,718	245,053
Total loan portfolio	11,694,930	12,442,113	50,478,142	48,679,016
Allowance for loan losses	(1,250,029)	(1,446,758)	(3,630,864)	(3,674,236)
(Allowance for loan losses)	(490,339)	(711,714)	(2,847,761)	(2,917,543)
(Allowance for other receivables losses) ⁽³⁾	(759,690)	(735,044)	(782,504)	(755,292)
(Allowance for lease losses)	-	-	(599)	(1,401)
Total loan portfolio, net of provisions	10,444,901	10,995,355	46,847,278	45,004,780

⁽¹⁾ Credit transactions assigned with substantial retention of the risks and benefits of the financial asset that is the transaction object

⁽²⁾ Advances on exchange contracts are recorded as a reducer of the "Other Liabilities" - (Advances on exchange contracts) account plus accrued interest receivable from advances granted under Other receivables - Foreign exchange portfolio (Note 10a) and other related credits, recorded under Other receivables - Sundry (Note

⁽³⁾ Includes provision for losses on operations under homologated judicial reorganization.

b) Income from loan and lease operations

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Loan operations	558,688	1,299,775	1,439,529	4,146,255	8,302,521	7,562,780
Loan and discounted notes	196,795	392,962	514,066	764,554	1,573,976	1,822,097
Financings	257,127	573,041	576,565	3,048,551	5,933,437	4,917,133
Rural and agribusiness financing	17,966	35,639	38,829	17,966	35,639	38,829
Real estate financing agreements	3,056	6,610	25,348	3,056	6,610	25,348
Recovery of loan written off as loss	110,286	316,830	283,431	331,139	765,544	747,844
Financing in foreign currency	(26,617)	(25,349)	225	(26,617)	(25,349)	225
Guarantees and sureties paid	20	20	503	20	20	503
Other	55	22	562	7,586	12,644	10,801
Income from lease (Note 9h)	-	-	-	19,016	41,023	28,859
Total ⁽¹⁾	558,688	1,299,775	1,439,529	4,165,271	8,343,544	7,591,639

⁽¹⁾ Credit transactions linked to assignments are not included. Considering such assets, income from Consolidated loan and lease operations as of December 31, 2018 would total R\$ 9,765,004 (R\$ 9,838,496 as of December 31, 2017)

c) Loan portfolio by sector of economic activity

Bank	12.31.2018	%	12.31.2017	%
Public sector	456,981	3.90%	466,398	3.76%
Government	456,981	3.90%	466,398	3.76%
Public administration	456,981	3.90%	466,398	3.76%
Private sector	11,246,077	96.09%	11,922,738	96.24%
Individual ⁽¹⁾	249,730	2.13%	340,098	2.75%
Legal entity	10,996,347	93.96%	11,582,640	93.49%
Animal agribusiness	406,668	3.47%	320,753	2.59%
Vegetable agribusiness	164,974	1.41%	232,444	1.88%
Specific construction activities	24,678	0.21%	47,013	0.38%
Automotive	52,400	0.45%	14,632	0.12%
Wholesale commerce and sundry industries	4,588,931	39.21%	4,131,739	33.35%
Retail business	1,222,608	10.45%	1,028,580	8.30%
Heavy construction	997	0.01%	25,290	0.20%
Electric power	134,752	1.15%	379,107	3.06%
Real estate	111,881	0.96%	200,995	1.62%
Financial institutions and services	758,832	6.48%	762,515	6.15%
Wood and furniture	12,616	0.11%	6,325	0.05%
Mining and Metallurgy	13,270	0.11%	191,336	1.54%
Paper and pulp	89,135	0.76%	317,608	2.56%
Chemical	54,535	0.47%	511,693	4.13%
Services	2,219,829	18.97%	1,947,148	15.72%
Telecommunications	214,058	1.83%	35,189	0.28%
Textile and apparel	57,959	0.50%	70,392	0.57%
Transportation	670,883	5.73%	884,605	7.14%
Other activities	197,341	1.68%	475,276	3.85%
Total	11,703,058	100.00%	12,389,136	100.00%
(+/-) Adjustment to fair value ⁽²⁾	(8,128)		52,977	
Total fair value of loan portfolio	11,694,930		12,442,113	

Consolidated	12.31.2018	%	12.31.2017	%
Public sector	456,981	0.91%	466,398	0.97%
Government	456,981	0.91%	466,398	0.97%
Public administration	456,981	0.91%	466,398	0.97%
Private sector	49,760,365	99.09%	47,759,971	99.03%
Individual ⁽¹⁾	37,648,162	74.97%	35,081,687	72.74%
Legal entity	12,112,203	24.12%	12,678,284	26.29%
Animal agribusiness	409,860	0.82%	324,242	0.67%
Vegetable agribusiness	170,109	0.34%	238,242	0.49%
Specific construction activities	58,266	0.12%	74,594	0.15%
Automotive	59,244	0.12%	22,870	0.05%
Wholesale commerce and sundry industries	4,666,677	9.29%	4,218,220	8.75%
Retail business	1,384,945	2.76%	1,203,639	2.50%
Heavy construction	2,555	0.01%	26,755	0.06%
Electronics	85	0.00%	71	0.00%
Electric power	136,077	0.27%	380,570	0.79%
Real estate	116,506	0.23%	206,878	0.43%
Financial institutions and services	761,407	1.52%	763,317	1.58%
Wood and furniture	20,109	0.04%	15,427	0.03%
Mining and Metallurgy	14,464	0.03%	192,768	0.40%
Paper and pulp	89,712	0.18%	318,610	0.66%
Chemical	55,022	0.11%	512,317	1.06%
Services	2,575,443	5.13%	2,399,214	4.97%
Telecommunications	216,443	0.43%	37,757	0.08%
Textile and apparel	64,634	0.13%	77,945	0.16%
Transportation	933,395	1.86%	1,186,712	2.47%
Other activities	377,250	0.73%	478,136	0.99%
Total	50,217,346	100.00%	48,226,369	100.00%
(+/-) Adjustment to fair value ⁽²⁾	260,796		452,647	
Total fair value of loan portfolio	50,478,142		48,679,016	

⁽¹⁾ Includes loans operations of the agribusiness sectors and other sectors of economic activity made with individuals.

⁽²⁾ Refers to fair value adjustment of loan operations that are the object of market risk hedge

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d) Loan portfolio per risk level and maturity

Bank	AA	A	B	C	D	E	F	G	H	12.31.2018	12.31.2017
Performing loans											
Falling due installments	4,502,813	4,059,386	1,159,949	323,994	148,415	56,466	195,083	693,235	281,499	11,420,840	12,020,737
From 01 to 30	1,432,013	231,985	84,757	286	1,845	1,615	2,983	-	3,530	1,759,014	1,486,720
From 31 to 60	499,623	209,802	119,121	3,338	1,468	6,481	7,760	-	812	848,405	561,374
From 61 to 90	473,378	193,919	102,984	10,030	1,996	207	892	1,017	818	785,241	541,844
From 91 to 180	297,711	585,064	150,015	19,599	17,085	3,898	10,550	714	11,222	1,095,858	1,067,463
From 181 to 360	531,191	702,993	395,939	32,579	17,895	8,799	22,100	1,277	7,627	1,720,400	1,909,548
Over 360 days	1,268,897	2,135,623	307,133	258,162	108,126	35,466	150,798	690,227	257,490	5,211,922	6,453,788
Installments overdue	636	2,096	-	21	-	-	25,078	-	4,727	32,558	30,313
Up to 14 days	636	2,096	-	21	-	-	25,078	-	4,727	32,558	30,313
Subtotal	4,503,449	4,061,482	1,159,949	324,015	148,415	56,466	220,161	693,235	286,226	11,453,398	12,051,050
Non-performing loans											
Falling due installments	-	-	175	119	4,825	26,377	4,666	124,090	29,180	189,432	217,813
From 01 to 30	-	-	22	-	388	753	368	319	1,446	3,296	2,819
From 31 to 60	-	-	22	-	683	615	363	304	219	2,206	4,031
From 61 to 90	-	-	22	-	-	616	361	647	70	1,716	17,347
From 91 to 180	-	-	65	119	1,025	1,791	1,084	912	772	5,768	12,333
From 181 to 360	-	-	44	-	2,050	4,277	2,169	1,520	5,125	15,185	22,473
Over 360 days	-	-	-	-	679	18,325	321	120,388	21,548	161,261	158,810
Installments overdue ⁽¹⁾	-	-	-	41	9,618	2,671	20,698	19,677	7,523	60,228	120,273
From 01 to 14	-	-	-	-	-	816	396	2,819	71	4,102	1,804
From 15 to 30	-	-	-	-	-	-	-	-	58	58	9,198
From 31 to 60	-	-	-	41	4,272	868	399	557	1,134	7,271	10,751
From 61 to 90	-	-	-	-	5,346	287	-	559	2,447	8,639	9,105
From 91 to 180	-	-	-	-	-	700	19,903	15,742	2,602	38,947	6,835
From 181 to 360	-	-	-	-	-	-	-	-	1,211	1,211	80,557
Over 360 days	-	-	-	-	-	-	-	-	-	-	2,023
Subtotal	-	-	175	160	14,443	29,048	25,364	143,767	36,703	249,660	338,086
Total	4,503,449	4,061,482	1,160,124	324,175	162,858	85,514	245,525	837,002	322,929	11,703,058	12,389,136
(+/-) Adjustment to fair value ⁽²⁾										(8,128)	52,977
Total fair value adjustment loan portfolio										11,694,930	12,442,113

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Consolidated	AA	A	B	C	D	E	F	G	H	12.31.2018	12.31.2017
Performing loans											
Falling due installments	4,604,170	21,111,321	8,125,996	7,605,973	535,762	133,526	230,434	745,157	372,165	43,464,504	42,278,976
From 01 to 30	1,444,573	1,418,710	332,981	259,627	17,880	4,916	4,882	2,609	9,223	3,495,401	3,146,270
From 31 to 60	511,806	1,150,337	387,797	281,856	18,755	9,969	9,715	2,941	6,744	2,379,920	2,037,601
From 61 to 90	485,346	1,052,761	353,321	268,867	17,255	3,426	2,700	3,798	6,210	2,193,684	1,891,290
From 91 to 180	329,127	2,981,595	873,877	768,407	61,827	13,226	15,718	8,456	26,247	5,078,480	4,876,615
From 181 to 360	566,768	4,679,760	1,710,072	1,396,895	98,014	35,593	31,200	14,334	31,786	8,564,422	8,387,776
Over 360 days	1,266,550	9,828,158	4,467,948	4,630,321	322,031	66,396	166,219	713,019	291,955	21,752,597	21,939,424
Installments overdue	2,694	1,356,283	103,042	122,327	30,138	3,002	28,174	1,182	13,707	1,660,549	1,370,469
Up to 14 days	2,694	1,356,283	103,042	122,327	30,138	3,002	28,174	1,182	13,707	1,660,549	1,370,469
Subtotal	4,606,864	22,467,604	8,229,038	7,728,300	565,900	136,528	258,608	746,339	385,872	45,125,053	43,649,445
Non-performing loans											
Falling due installments	-	-	816,837	976,462	427,758	284,229	252,427	347,269	629,202	3,734,184	3,231,438
From 01 to 30	-	-	45,875	54,688	23,123	13,746	12,460	12,466	38,137	200,495	178,538
From 31 to 60	-	-	55,551	53,107	23,199	13,756	12,612	12,412	36,829	207,466	177,830
From 61 to 90	-	-	52,687	45,489	20,929	12,441	11,464	11,696	33,043	187,749	174,609
From 91 to 180	-	-	117,377	126,775	57,831	34,970	32,400	31,487	91,610	492,450	445,571
From 181 to 360	-	-	193,178	214,316	96,563	60,166	55,979	52,303	152,592	825,097	723,446
Over 360 days	-	-	352,169	482,087	206,113	149,150	127,512	226,905	276,991	1,820,927	1,531,444
Installments overdue ⁽¹⁾	-	-	112,987	178,932	144,403	106,161	120,664	125,768	569,194	1,358,109	1,345,486
From 01 to 14	-	-	1,686	21,808	11,284	7,031	6,093	7,856	16,499	72,257	64,567
From 15 to 30	-	-	111,301	77,777	45,716	22,777	17,509	12,049	34,126	321,255	311,974
From 31 to 60	-	-	-	79,347	29,391	15,721	15,105	13,624	41,722	194,910	184,967
From 61 to 90	-	-	-	-	58,012	13,566	11,839	12,751	40,466	136,634	139,326
From 91 to 180	-	-	-	-	-	47,066	70,118	79,488	116,288	312,960	268,740
From 181 to 360	-	-	-	-	-	-	-	-	312,136	312,136	373,888
Over 360 days	-	-	-	-	-	-	-	-	7,957	7,957	2,024
Subtotal	-	-	929,824	1,155,394	572,161	390,390	373,091	473,037	1,198,396	5,092,293	4,576,924
Total	4,606,864	22,467,604	9,158,862	8,883,694	1,138,061	526,918	631,699	1,219,376	1,584,268	50,217,346	48,226,369
(+/-) Adjustment to fair value ⁽²⁾										260,796	452,647
Total fair value adjustment loan portfolio										50,478,142	48,679,016

⁽¹⁾ For transactions with unelapsed terms greater than 36 months, delayed periods are counted double, as permitted by CMN Resolution no. 2,682/1996

⁽²⁾ Refers to fair value adjustment of loan operations that are the object of market risk hedge.

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e) Allowance for loan losses by risk levels

Risk level	% Provision	12.31.2018				12.31.2017			
		Value of operations	Minimum provision required	Additional provision ⁽¹⁾	Existing provision	Value of operations	Minimum provision required	Additional provision ⁽¹⁾	Existing provision
Bank									
AA	0.00%	4,503,449	-	-	-	3,918,576	-	-	-
A	0.50%	4,061,482	(20,307)	-	(20,307)	3,017,547	(15,087)	-	(15,087)
B	1.00%	1,160,124	(11,601)	-	(11,601)	2,747,718	(27,477)	-	(27,477)
C	3.00%	324,175	(9,725)	-	(9,725)	607,680	(18,231)	-	(18,231)
D	10.00%	162,858	(16,286)	-	(16,286)	570,497	(57,050)	(13,042)	(70,092)
E	30.00%	85,514	(25,655)	-	(25,655)	113,493	(34,048)	-	(34,048)
F	50.00%	245,525	(122,763)	-	(122,763)	112,295	(56,147)	-	(56,147)
G	70.00%	837,002	(585,901)	(134,863)	(720,764)	701,726	(491,209)	(134,863)	(626,072)
H	100.00%	322,929	(322,928)	-	(322,928)	599,604	(599,604)	-	(599,604)
Total		11,703,058	(1,115,166)	(134,863)	(1,250,029)	12,389,136	(1,298,853)	(147,905)	(1,446,758)
(+/-) Adjustment to fair value ⁽²⁾		(8,128)				52,977			
Total fair value adjustment of loan operations		11,694,930				12,442,113			
Consolidated									
AA	0.00%	4,606,864	-	-	-	3,998,522	-	-	-
A	0.50%	22,467,604	(112,338)	-	(112,338)	20,624,749	(103,125)	-	(103,125)
B	1.00%	9,158,862	(91,589)	-	(91,589)	9,667,964	(96,680)	-	(96,680)
C	3.00%	8,883,694	(266,511)	-	(266,511)	8,452,437	(253,572)	-	(253,572)
D	10.00%	1,138,061	(113,807)	-	(113,807)	1,609,685	(160,969)	(13,042)	(174,011)
E	30.00%	526,918	(158,075)	-	(158,075)	583,446	(175,034)	-	(175,034)
F	50.00%	631,699	(315,850)	-	(315,850)	473,150	(236,574)	-	(236,574)
G	70.00%	1,219,376	(853,563)	(134,863)	(988,426)	1,053,464	(737,425)	(134,863)	(872,288)
H	100.00%	1,584,268	(1,584,268)	-	(1,584,268)	1,762,952	(1,762,952)	-	(1,762,952)
Total		50,217,346	(3,496,001)	(134,863)	(3,630,864)	48,226,369	(3,526,331)	(147,905)	(3,674,236)
(+/-) Adjustment to fair value ⁽²⁾		260,796				452,647			
Total fair value adjustment of loan operations		50,478,142				48,679,016			

⁽¹⁾ New additional provisions were constituted, whose increase in risk level is not applicable.

⁽²⁾ Refers to fair value adjustment of loan operations that are the object of market risk hedge.

f) Changes in the allowance for loan losses

It is comprised of loan and lease operations and other receivables with loan characteristics.

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Opening balance	1,315,105	1,446,758	1,369,080	3,622,464	3,674,236	3,671,220
Reinforcement / (reversal)	79,499	216,059	928,293	974,824	2,014,495	2,585,026
Minimum provision required	89,870	229,101	780,388	985,195	2,027,537	2,437,121
Additional provisional	(10,371)	(13,042)	147,905	(10,371)	(13,042)	147,905
Write-offs to losses	(144,575)	(412,788)	(850,615)	(966,424)	(2,057,867)	(2,582,010)
Closing balance	1,250,029	1,250,029	1,446,758	3,630,864	3,630,864	3,674,236

g) Lease portfolio by maturity

Consolidated	12.31.2018	12.31.2017
Up to 1 year ⁽¹⁾	138,194	145,472
From 1 to 5 years	53,524	99,581
Total presente value ⁽²⁾	191,718	245,053

⁽¹⁾ Includes the amount related to overdue installments.

⁽²⁾ Includes the trade and credit receivables presented under "Other receivables".

h) Net income from Lease operations

Consolidated	2H2018	2018	2017
Income from Lease operations	101,188	204,115	158,609
Financial leases	93,659	183,958	132,700
Profit on sale of leased assets	4,463	12,329	13,868
Recovery of loans written off as loans	3,066	7,828	12,041
Expenses from lease operations	(82,172)	(163,092)	(129,750)
Financial leases	(82,172)	(163,092)	(129,220)
Loss on disposal of leased assets	-	-	(530)
Total	19,016	41,023	28,859

i) Concentration of Loan operations

	12.31.2018	% of portfolio	12.31.2017	% of portfolio
Bank				
Largest debtor	674,314	5.76%	674,314	5.44%
10 largest debtors	3,352,681	28.65%	3,619,824	29.22%
20 largest debtors	4,664,988	39.86%	5,011,363	40.45%
50 largest debtors	7,035,881	60.12%	7,537,220	60.84%
100 largest debtors	8,950,614	76.48%	9,803,709	79.13%
Consolidated				
Largest debtor	674,314	1.34%	674,314	1.40%
10 largest debtors	3,352,681	6.68%	3,619,824	7.51%
20 largest debtors	4,664,988	9.29%	5,011,363	10.39%
50 largest debtors	7,037,941	14.01%	7,617,591	15.80%
100 largest debtors	9,027,102	17.98%	9,984,079	20.70%

j) Information on loan assignments

j.1) Assignments with co-obligation

Transfers of financial assets to related parties (consumer loans) were undertaken, with a substantial retention of the risks and benefits by the Institution.

	12.31.2018		12.31.2017	
	Financial assets subject to sale	Liability related to obligation assumed ⁽¹⁾	Financial assets subject to sale	Liability related to obligation assumed ⁽¹⁾
Financial institutions - related parties	5,209,834	5,913,555	8,314,890	9,445,296
Total	5,209,834	5,913,555	8,314,890	9,445,296

⁽¹⁾ Recorded in caption "Other liabilities - Sundry - Bond transactions linked to disposals (Note 19d).

In the Conglomerate, in the year ended December 31, 2018, the income from assigned financial assets totaled R\$ 1,421,460 (R\$ 2,246,857 in the year ended December 31, 2017) and expenses on the liabilities with assigned financial assets totaled R\$ 800,737 (R\$ 1,532,700 in the year ended December 31, 2017). In the Bank, there were no income from assigned financial assets and expenses on the liabilities with assigned financial assets totaled R\$ 2,094 (R\$ 145,626 in the year ended December 31, 2017).

j.2) Assignments without co-obligation of credits previously written off as loss

In the Conglomerate, in the year ended December 31, 2018, the income from assigned financial assets previously written off as losses totaled R\$ 81,216 (R\$ 13,991 in the year ended December 31, 2017), which were recognized in income for the period in "Income from loan operations".

k) Changes on credit renegotiated

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Opening balance	2,251,244	2,289,815	2,935,495	5,390,610	5,671,132	6,765,372
Signings	668,767	1,373,913	2,601,094	1,435,976	2,962,820	4,547,480
(Receiving) and accrual of interest, net	(746,718)	(1,388,062)	(2,890,115)	(1,647,209)	(3,199,138)	(4,972,006)
Written off as losses	(144,511)	(246,884)	(356,659)	(293,201)	(548,638)	(669,714)
Closing balance	2,028,782	2,028,782	2,289,815	4,886,176	4,886,176	5,671,132

l) Supplementary information

I.1) Recovered amounts, written-off as loss

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Loan operations (note 9b)	110,286	316,830	283,431	331,139	765,544	747,844
Lease operations (note 9h)	-	-	-	3,066	7,828	12,041
Foreign exchange portfolio (note 10b)	1,405	8,047	32,100	1,405	8,047	32,100
Total	111,691	324,877	315,531	335,610	781,419	791,985

I.2) Other information

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Credit contracted to be released	343,001	397,858	2,572,470	2,432,083
Guarantees provided	5,539,972	4,861,733	5,539,972	4,861,733

10. FOREIGN EXCHANGE PORTFOLIO

a) Breakdown

Bank and Consolidated	12.31.2018	12.31.2017
Other receivables		
Purchased foreign exchange to be settled	714,887	452,795
Receivables from foreign exchange sales	177,460	208,295
(Advances in domestic/foreign currency received)	-	(2,847)
Earnings receivable from granted advances	11,773	6,856
Total	904,120	665,099
Current assets	904,120	665,099
Other liabilities		
Sold foreign exchange to be settled	(177,301)	(208,791)
Liabilities for foreign exchange purchases	(692,107)	(441,748)
(Advances on exchange contracts)	561,552	315,197
Total	(307,856)	(335,342)
Current liabilities	(307,856)	(335,342)
Net foreign exchange portfolio	596,264	329,757
Memorandum Accounts		
Credits opened for imports	112,601	80,235

b) Income from foreign exchange operations

	Bank and Consolidated		
	2H2018	2018	2017
Foreign exchange income	1,025,442	1,791,457	1,073,526
Recovery of loans written off as loss	1,405	8,047	32,100
Foreign exchange expenses	(1,005,034)	(1,617,701)	(999,374)
Income from foreign exchange operations	21,813	181,803	106,252

11. OTHER RECEIVABLES - SUNDRY

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Deferred tax assets (Note 23e)	3,180,032	2,905,675	6,837,265	7,214,885
Deposits in guarantee - Contingency (Note 26g)	120,769	107,457	659,217	633,121
Deposits in guarantee - Other	65	56	72	63
Credit card operations (Note 9a)	-	-	1,453,910	1,163,889
Operations under Court-Ordered Reorganization approved (Note 9a)	808,538	758,091	810,461	760,124
Trade and credit receivables ⁽¹⁾ (Note 9a)	2,187,610	1,737,548	2,189,272	1,737,548
Taxes and contributions recoverable	51,961	40,960	325,628	180,166
Debtors for purchase of assets	55,218	50,646	55,218	50,646
Awards on credits linked to transactions acquired through assignment	11,080	11,542	11,080	11,542
Sundry domestic debtors	34,658	37,910	107,242	161,486
Receivables from associated companies ⁽²⁾	170,363	1,020,919	-	-
Other	16,066	13,349	25,297	25,888
Total	6,636,360	6,684,153	12,474,662	11,939,358
Current assets	2,944,702	3,533,246	5,621,977	5,080,073
Non-current assets	3,691,658	3,150,907	6,852,685	6,859,285

⁽¹⁾ Includes operations contracted with institutions not included in the financial system, resulting from the acquisition of receivables from commercial transactions, without co-obligation from the originator institution.

⁽²⁾ In the Bank, includes amounts receivable related do the capital reduction of the Investee BV Financeira, whose financial settlement occurred in the first six month period of 2018.

12. OTHER ASSETS

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Assets not for own use	65,195	69,754	149,349	161,095
Vehicles and alike	2,322	2,202	85,601	92,443
Real estate	62,827	65,791	63,702	66,025
Machinery and equipment	46	1,761	46	2,627
Materials inventories	-	-	-	282
Subtotal	65,195	69,754	149,349	161,377
(Provision for devaluation)	(24,890)	(21,973)	(41,025)	(42,703)
Prepaid expenses	20,769	15,619	38,302	94,842
Insurance costs	2,561	2,057	5,472	5,585
Data processing expenses	11,822	9,615	12,202	10,650
Commission for intermediation of operations ⁽¹⁾	-	-	12,365	72,287
Financial system service expenses	2,580	2,570	2,778	2,685
Specialized technical service expenses	2,465	1,309	2,806	2,328
Other	1,341	68	2,679	1,307
Total	61,074	63,400	146,626	213,516
Current assets	60,764	63,146	136,019	150,894
Non-current assets	310	254	10,607	62,622

⁽¹⁾ Refer to the amounts deferred for costs associated with loan transactions granted incurred in its origin.

Credit transactions originated prior to January 02, 2015, pursuant to the terms of CMN Resolution no. 4,294/2013 and in compliance with permission provided for in BACEN Circular Letter no. 3,738/2014, had remuneration paid to correspondents recognized in assets, corresponding to the amount of R\$ 11,016 on December 31, 2018 (R\$ 62,166 on December 31, 2017).

13. INVESTMENTS

a) Changes in interest in subsidiaries

	Book balance	Dividends/ Other events	Equity in income subsidiaries	Book balance	Equity in income subsidiaries
	12.31.2017	Changes in 2018		12.31.2018	2017
Domestic	3,181,974	(425,384)	934,629	3,691,219	872,887
Consolidated	2,512,189	(1,243,639)	573,994	1,842,544	587,881
BV Financeira S.A. – Crédito, Financiamento e Investimento	1,130,677	(999,535)	573,626	704,768	549,979
BV Leasing Arrendamento Mercantil S.A.	1,012,767	(22,635)	(7,608)	982,524	17,469
Votorantim CTVM Ltda. ⁽¹⁾	267,182	(268,326)	1,144	-	1,842
Votorantim Asset DTVM Ltda. ⁽¹⁾	101,563	46,857	6,832	155,252	18,591
Non Consolidated	669,785	818,255	360,635	1,848,675	285,006
Votorantim Corretora de Seguros S.A.	495,641	(310,576)	294,940	480,005	261,158
BV Investimentos Alternativos e Gestão de Recursos S.A.	140,322	(20,071)	16,010	136,261	6,804
Promotiva S.A.	33,822	(8,161)	20,516	46,177	17,044
Atenas SP 02 Empreendimentos Imobiliários Ltda ⁽²⁾	-	248,417	(444)	247,973	-
BV Empreendimentos e Participações S.A. ⁽³⁾	-	908,646	29,613	938,259	-
Abroad	-	-	-	-	(14,593)
Consolidated	-	-	-	-	(14,593)
Banco Votorantim Securities ⁽⁴⁾	-	-	-	-	(13,215)
Votorantim Securities (UK) Limited ⁽⁵⁾	-	-	-	-	(1,378)
Total interest in subsidiaries	3,181,974	(425,384)	934,629	3,691,219	858,294

⁽¹⁾ Votorantim Corretora de Títulos e Valores Mobiliários Ltda. was merged into Votorantim Asset Management Distribuidora de TVM Ltda on January 31, 2018, as described in Note 2.

⁽²⁾ In May 2018, Banco Votorantim received for payment, shares of Atenas SP 02 Empreendimentos Imobiliários. Includes goodwill to be amortized in the amount of R\$ 43,409.

⁽³⁾ In October 2018, as a result of the liquidation of BVIA FIP, BV Empreendimentos e Participações SA was directly controlled by Banco Votorantim S.A.

⁽⁴⁾ Banco Votorantim Securities Inc. was extinguished on December 28, 2017.

⁽⁵⁾ Votorantim Securities (UK) Limited was extinguished on October 16, 2018.

b) Summary financial information of non-consolidated ownership in the Consolidated Financial Statements

	Payment through statutory reserve ⁽¹⁾		Payment through net income period		Total
	Dividends	Interest on own capital	Dividends	Interest on own capital	
Domestic					
Consolidated	100,964	21,500	502,404	79,000	703,868
BV Financeira S.A. – Crédito, Financiamento e Investimento	-	-	493,219	61,500	554,719
BV Leasing Arrendamento Mercantil S.A.	9,300	21,500	9,185	-	39,985
Votorantim Asset DTVM Ltda.	91,664	-	-	17,500	109,164
Non Consolidated	190,924	-	88,528	-	279,452
Votorantim Corretora de Seguros S.A..	186,075	-	70,047	-	256,122
BV Investimentos Alternativos e Gestão de Recursos S.A.	4,849	-	13,608	-	18,457
Promotiva S.A.	-	-	4,873	-	4,873
Amounts received in advance	291,888	11,500	583,673	69,000	956,061
Amounts received	-	10,000	7,259	10,000	27,259
Total	291,888	21,500	590,932	79,000	983,320

⁽¹⁾ Payment related to prior year net income.

c) Summary financial information of consolidated ownership in the Consolidated Financial Statements

Balances at 12.31.2018	Capital	Adjusted shareholder's equity	Net income/(loss) 2018	Number of Common Shares (in thousands)	Ownership interest %
Domestic					
Votorantim Asset DTVM Ltda. ^{(1) (2)}	122,774	155,252	7,976	12,277,389	99.99%
BV Financeira S.A. – Crédito, Financiamento e Investimento ⁽³⁾	500,403	704,768	573,626	3,080	100.00%
BV Leasing Arrend. Merc. S.A. ⁽⁴⁾	932,512	982,524	(7,608)	510	100.00%

⁽¹⁾ Includes the net income of Votorantim CTVM as of the date of the merger, as described in note 2

⁽²⁾ Adjusted Shareholders' Equity includes the allocation of interest on capital in the amount of R\$ 17,500. The net income for the year includes the respective allocation of interest on shareholders' equity.

⁽³⁾ The adjusted Shareholders' Equity includes the allocation of dividends and interest on capital in the amount of R\$ 493,219 and R\$ 61,500, respectively. The net income for the year includes the respective allocation of interest on shareholder's.

⁽⁴⁾ Adjusted Shareholders' Equity includes the allocation of dividends in the amount of R\$ 9,185.

d) Summary financial information of non-consolidated ownership in the Consolidated Financial Statements

	12.31.2018					12.31.2017		
	BV Empreendimentos e Participações S.A. ⁽²⁾	Atenas SP 02 Empr. Imob. Ltda ⁽²⁾	Votorantim Corretora de Seguros S.A.	BV Invest. Alternativos e Gestão de Recursos S.A.	Promotiva S.A.	Votorantim Corretora de Seguros S.A.	BV Invest. Alternativos e Gestão de Recursos S.A.	Promotiva S.A.
Total assets	1,110,739	226,469	647,426	138,894	83,410	633,351	142,697	60,477
Total liabilities	1,110,739	226,469	647,426	138,894	83,410	633,351	142,697	60,477
Liabilities	172,480	21,905	173,919	2,633	37,992	199,737	3,989	30,702
Shareholder's equity ⁽¹⁾	938,259	204,564	473,507	136,261	45,418	433,614	138,708	29,775
Net income in the period	29,613	(444)	294,940	16,010	20,516	261,158	6,804	17,044

⁽¹⁾ Shareholders' Equity includes the allocation of net income for the year ended December 31, 2018.

⁽²⁾ The net income corresponds to the period from which these entities were invested directly by Banco Votorantim.

e) Other investments

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Investments via tax incentives	14,369	14,332	96,883	93,753
Shares and quotas	180	180	181	180
Other	5	5	1,757	1,757
Total	14,554	14,517	98,821	95,690
(Accumulated impairment)	(9,512)	(3,940)	(64,279)	(23,896)

14. PROPERTY FOR USE

	12.31.2017	2018		12.31.2018		
	Book balance	Changes	Depreciation	Cost	Accumulated depreciation	Book balance
Bank						
Facilities	36,508	7,532	(8,904)	80,911	(45,775)	35,136
Furniture and equipment in use	7,504	317	(2,026)	28,293	(22,498)	5,795
Communication system	1,926	1,899	(996)	11,428	(8,599)	2,829
System data processing	23,288	13,879	(8,609)	94,410	(65,852)	28,558
Security system	62	71	(24)	2,475	(2,366)	109
Transportation system	234	173	(99)	591	(283)	308
Total	69,522	23,871	(20,658)	218,108	(145,373)	72,735
Consolidated						
Facilities	62,225	14,629	(15,672)	136,330	(75,148)	61,182
Furniture and equipment in use	11,580	4,669	(4,201)	45,574	(33,526)	12,048
Communication system	1,990	1,898	(1,012)	16,103	(13,227)	2,876
System data processing	30,287	14,031	(12,082)	148,025	(115,789)	32,236
Security system	147	74	(43)	2,632	(2,454)	178
Transportation system	234	174	(99)	870	(561)	309
Total	106,463	35,475	(33,109)	349,534	(240,705)	108,829

15. INTANGIBLE ASSETS

a) Breakdown

	12.31.2018				12.31.2017			
	Cost	Accumulated amortization	Accumulated impairment	Book balance	Cost	Accumulated amortization	Accumulated impairment	Book balance
Bank								
Software acquired	27,367	(20,559)	-	6,808	27,089	(16,774)	-	10,315
Use licenses	96,615	(54,632)	-	41,983	50,526	(28,549)	-	21,977
Softwares internally developed	197,664	(14,185)	(18,422)	165,057	147,659	(9,262)	(17,426)	120,971
Total	321,646	(89,376)	(18,422)	213,848	225,274	(54,585)	(17,426)	153,263
Consolidated								
Software acquired	30,145	(22,577)	-	7,568	29,867	(18,205)	-	11,662
Use licenses	155,678	(108,412)	-	47,266	109,064	(75,864)	-	33,200
Sales rights agreements	11,774	(11,024)	-	750	5,000	(5,000)	-	-
Softwares internally developed	246,342	(24,130)	(18,607)	203,605	151,624	(11,288)	(17,612)	122,724
Brands and patents	1,000	-	(1,000)	-	1,000	-	(1,000)	-
Total	444,939	(166,143)	(19,607)	259,189	296,555	(110,357)	(18,612)	167,586

b) Changes

	12.31.2017	Exercício/2018				12.31.2018
	Book value	Acquisitions	Write-off	Amortization	Impairment	Book value
Bank						
Software acquired	10,315	313	-	(3,820)	-	6,808
Use licences	21,977	46,188	(9)	(26,173)	-	41,983
Softwares internally developed	120,971	50,004	-	(4,923)	(995)	165,057
Total	153,263	96,505	(9)	(34,916)	(995)	213,848
Consolidated						
Software acquired	11,662	315	(1)	(4,408)	-	7,568
Use licences	33,200	47,187	(482)	(32,639)	-	47,266
Sales rights agreements	-	6,774	-	(6,024)	-	750
Softwares internally developed	122,724	94,661	-	(12,785)	(995)	203,605
Total	167,586	148,937	(483)	(55,856)	(995)	259,189

c) Amortization estimate on December 31, 2018

	2019	2020	2021	2022	2023	As from 2024	Total
Bank							
Amounts to be amortized	43,275	53,732	33,594	33,234	30,656	19,357	213,848
Consolidated							
Amounts to be amortized	63,553	68,644	43,745	33,234	30,656	19,357	259,189

16. DEPOSITS AND MONEY MARKET REPURCHASE COMMITMENTS

a) Deposits

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Demand deposits	146,807	99,267	144,460	94,633
Individuals	21,534	37,469	21,534	37,469
Legal entities	122,911	57,148	122,911	57,148
Associated companies	2,347	4,634	-	-
Institutions of the financial system	15	16	15	16
Interbank deposits	2,313,508	2,530,645	1,976,280	2,048,368
Time deposits	9,964,215	6,363,693	9,964,215	6,360,251
Local currency	9,709,086	6,062,103	9,709,086	6,058,661
Foreign currency	255,129	301,590	255,129	301,590
Total	12,424,530	8,993,605	12,084,955	8,503,252
Current liabilities	10,265,370	7,070,533	9,925,795	6,580,180
Non-current liabilities	2,159,160	1,923,072	2,159,160	1,923,072

b) Segregation of Time Deposits by Maturity

	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	12.31.2018	12.31.2017
Bank								
Demand deposits	146,807	-	-	-	-	-	146,807	99,267
Interbank accounts or relations	-	652,736	217,902	1,323,263	119,607	-	2,313,508	2,530,645
Time deposits	-	2,107,114	7,140,811	700,139	10,912	5,239	9,964,215	6,363,693
Total	146,807	2,759,850	7,358,713	2,023,402	130,519	5,239	12,424,530	8,993,605
Consolidated								
Demand deposits	144,460	-	-	-	-	-	144,460	94,633
Interbank accounts or relations	-	315,508	217,902	1,323,263	119,607	-	1,976,280	2,048,368
Time deposits	-	2,107,114	7,140,811	700,139	10,912	5,239	9,964,215	6,360,251
Total	144,460	2,422,622	7,358,713	2,023,402	130,519	5,239	12,084,955	8,503,252

c) Money market repurchase commitments

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Own portfolio	17,596,876	22,004,257	15,632,701	15,211,806
Private securities - Debentures ⁽¹⁾	2,290,743	9,622,588	2,290,738	9,290,025
Financial Treasury Bills	3,026,728	2,908,165	3,026,728	1,892,958
National Treasury Bills	7,147,627	5,376,483	7,147,627	1,665,685
National Treasury Notes	3,704,048	2,950,425	1,739,878	1,216,239
Private securities - Other	1,427,730	1,146,596	1,427,730	1,146,899
Third-party portfolio	8,362,069	7,486,409	7,451,928	5,912,225
National Treasury Bills	4,186,998	2,347,851	4,186,998	2,051,912
Financial Treasury Bills	1,480,874	1,506,221	1,480,874	1,506,221
National Treasury Notes	2,694,197	3,632,337	1,784,056	2,354,092
National Treasury Notes	1,755,269	4,612,888	1,755,269	4,612,888
Total	27,714,214	34,103,554	24,839,898	25,736,919
Current liabilities	26,426,902	33,017,929	23,561,571	24,688,751
Non-current liabilities	1,287,312	1,085,625	1,278,327	1,048,168

⁽¹⁾ Includes repurchase commitments with debentures issued by the subsidiaries, in accordance with BACEN Resolution No. 4,527/2016.

d) Deposits and securities sold under repurchase agreements

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Money Market Funding Expenses	(356,614)	(686,618)	(929,284)	(343,429)	(659,937)	(749,909)
Time Deposits	(276,443)	(524,789)	(541,938)	(276,424)	(524,660)	(541,639)
Interbank accounts or relations	(80,171)	(161,829)	(387,346)	(67,005)	(135,277)	(208,270)
Expenses with money market repurchase commitments	(955,714)	(1,900,677)	(3,738,299)	(751,767)	(1,475,928)	(2,860,837)
Own portfolio	(468,597)	(916,376)	(2,284,382)	(239,372)	(455,188)	(1,493,031)
Third-party portfolio	(336,638)	(715,404)	(1,178,702)	(361,916)	(751,843)	(1,092,591)
Free portfolio	(150,479)	(268,897)	(275,215)	(150,479)	(268,897)	(275,215)
Expenses with Fund Raising from Acceptance and Issuance of Securities	(926,457)	(1,642,460)	(2,458,588)	(983,346)	(1,708,189)	(2,458,588)
Real estate credit bills	(14,368)	(31,934)	(53,127)	(14,368)	(31,934)	(53,127)
Agribusiness Credit Bills	(57,619)	(118,132)	(192,298)	(57,619)	(118,132)	(192,298)
Financial bills	(836,582)	(1,630,408)	(2,275,906)	(836,582)	(1,630,408)	(2,275,906)
Financial lease bills	-	-	-	(56,889)	(65,729)	-
Issue of securities abroad	(10,617)	152,722	76,265	(10,617)	152,722	76,265
Structured operations certificates	-	(329)	(534)	-	(329)	(534)
Other	(7,271)	(14,379)	(12,988)	(7,271)	(14,379)	(12,988)
Expenses with Subordinated Debts Abroad	(211,379)	(1,155,484)	(393,251)	(211,379)	(1,155,484)	(393,251)
Total ⁽¹⁾	(2,450,164)	(5,385,239)	(7,519,422)	(2,289,921)	(4,999,538)	(6,462,585)

⁽¹⁾ Includes the exchange variation effects of the corresponding liabilities.

17. BORROWINGS AND ONLENDINGS

a) Borrowings

Bank and Consolidated	Up to 90 days	From 91 to 360 days	12.31.2018	12.31.2017
Abroad	995,758	974,950	1,970,708	1,127,677
Raised from foreign banks	981,692	973,913	1,955,605	1,095,193
Exports	-	-	-	7,581
Imports	14,066	1,037	15,103	24,903
Total	995,758	974,950	1,970,708	1,127,677
Current liabilities			1,970,708	1,087,621
Non-current liabilities			-	40,056

b) Onlendings

Domestic - Official institutions

Programs	Remuneration p.a. ⁽¹⁾	Bank		Consolidated	
		12.31.2018	12.31.2017	12.31.2018	12.31.2017
National Treasury		115,396	45,429	115,396	45,429
Fixed rate	From 5,10% to 7,50% p.a.	111,061	45,429	111,061	45,429
Variable rate	Selic	4,335	-	4,335	-
BNDES		636,882	1,364,330	636,882	1,364,330
Fixed rate	From 0,70% to 7,00% p.a.	151,745	264,726	151,745	264,726
Variable rate	From 1,50% to 10,01% p.a. + IPCA From 0,90% to 4,00% p.a. + TJLP From 2,28% to 2,38% p.a. + Selic	450,614	1,063,593	450,614	1,063,593
Exchange rate variation	From 1,30% to 3,00% p.a. + exchange variation	34,523	36,011	34,523	36,011
FINAME		1,251,348	1,516,173	1,251,348	1,524,146
Fixed rate	Up 8,50% p.a.	994,108	1,323,642	994,108	1,331,615
Variable rate	From 0,50% to 5,50% p.a. + TJLP From 1,42% to 2,33% p.a. + IPCA From 1,70% to 2,61% p.a. + SELIC	255,126	190,442	255,126	190,442
Exchange rate variation	From 1,70% to 2,00% p.a. + exchange variation	2,114	2,089	2,114	2,089
Total		2,003,626	2,925,932	2,003,626	2,933,905
Current liabilities		589,747	970,813	589,747	975,546
Non-current liabilities		1,413,879	1,955,119	1,413,879	1,958,359

⁽¹⁾ The remuneration rates refers to the operations on December 31, 2018.

c) Expenses with liabilities from borrowings and onlendings

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Borrowing expenses	(10,778)	(241,217)	(116,731)	(10,778)	(241,217)	(116,731)
Expenses with Onlendings	(67,688)	(152,469)	(201,652)	(67,688)	(151,868)	(203,015)
National Treasury	(2,481)	(4,113)	(4,192)	(2,481)	(4,113)	(4,192)
BNDES	(29,981)	(76,645)	(119,140)	(29,981)	(76,044)	(119,140)
FINAME	(35,226)	(71,711)	(78,320)	(35,226)	(71,711)	(79,683)
Expenses with Obligations to foreign bankers	5,393	23,451	66,718	5,393	23,451	66,718
Total ⁽¹⁾	(73,073)	(370,235)	(251,665)	(73,073)	(369,634)	(253,028)

⁽¹⁾ Includes foreign exchange variation on Loans and Onlendings abroad.

18. ACCEPTANCES AND ENDORSEMENTS

FUNDING	Currency	Amount issued	Remuneration p.a. ⁽¹⁾	Funding date	Maturity	Bank	
						12.31.2018	12.31.2017
Real estate credit note funds						450,432	660,338
Fixed rate	R\$	1,340	From 8,38% to 15,04% p.a.	2016	2021	1,497	2,128
Variable rate	R\$	381,476	From 91,00% to 97,00% Interbank Deposit	2015	2021	446,469	655,412
Variable rate	R\$	2,150	From 2,60% to 4,43% p.a. + IPCA	2017	2021	2,466	2,798
Agribusiness credit bills						1,778,267	2,190,501
Fixed rate	R\$	17,201	From 7,01% to 15,44% p.a.	2015	2021	19,712	29,239
Variable rate	R\$	1,625,797	From 90,00% to 97,00% p.a. Interbank Deposit	2009	2022	1,757,673	2,130,673
Variable rate	R\$	834	From 3,91% to 5,99% p.a. + IPCA	2016	2021	882	30,589
Financial bills						24,804,176	20,617,260
Fixed rate	R\$	314,656	From 7,51% to 17,63% p.a.	2012	2024	374,850	341,541
Variable rate	R\$	22,322,610	From 0,34% to 0,57% a.a + Interbank Deposit	2013	2022	23,908,963	19,781,328
Variable rate	R\$	457,456	From 101,50% to 107,50% Interbank Deposit				
Variable rate	R\$	457,456	From 3,71% to 9,44% p.a. + IPCA	2012	2023	519,433	493,259
Variable rate	R\$	679	From 7,02% to 7,43% p.a. + IGP-M	2016	2019	930	1,132
Securities issued abroad						531,737	607,307
Fixed rate	R\$	74,095	From 5,10% to 19,09% p.a.	2012	2020	71,494	35,236
Variable rate	R\$	9,565	From 84,98% to 91,98% Interbank Deposit	2018	2019	9,618	-
Exchange rate variation	USD	118,398	Up 5,53% p.a. + exchange variation	2012	2020	450,625	572,071
Certificates of Structured Operations						-	9,512
Fixed rate	R\$	-	From 8,98% to 10,64% p.a.	2017	2018	-	9,512
Total						27,564,612	24,084,918
Current liabilities						12,319,993	12,607,246
Non-current liabilities						15,244,619	11,477,672

⁽¹⁾ The remuneration rates refers to the operations on December 31, 2018.

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Year ended on December 31, 2018
Amounts in thousand of Reais, unless when indicated

FUNDING	Currency	Amount issued	Remuneration p.a. ⁽¹⁾	Funding date	Maturity	Consolidated	
						12.31.2018	12.31.2017
Financial lease bills						2,646,775	-
Variable rate	R\$	2,612,284	From 99,00% to 102,80% Interbank Deposit	2018	2019	2,646,775	-
Real estate credit note funds						450,432	660,338
Fixed rate	R\$	1,340	From 8,38% to 15,04% p.a.	2016	2021	1,497	2,128
Variable rate	R\$	381,476	From 91,00% to 97,00% do DI	2015	2021	446,469	655,412
Variable rate	R\$	2,150	From 2,60% to 4,43% p.a. + IPCA	2017	2021	2,466	2,798
Agribusiness credit bills						1,778,267	2,190,501
Fixed rate	R\$	17,201	From 7,01% to 15,44% p.a.	2015	2021	19,712	29,239
Variable rate	R\$	1,625,797	From 90,00% to 97,00% p.a. Interbank Deposit	2009	2022	1,757,673	2,130,673
Variable rate	R\$	834	From 3,91% to 5,99% p.a. + IPCA	2016	2021	882	30,589
Financial bills						24,804,176	20,617,260
Fixed rate	R\$	314,656	From 7,51% to 17,63% p.a.	2012	2024	374,850	341,541
Variable rate	R\$	22,322,610	From 0,34% to 0,57% a.a + Interbank Deposit	2013	2022	23,908,963	19,781,328
Variable rate	R\$	457,456	From 101,50% to 107,50% Interbank Deposit	2012	2023	519,433	493,259
Variable rate	R\$	679	From 3,71% to 9,44% p.a. + IPCA	2016	2019	930	1,132
Securities issued abroad						531,737	607,307
Fixed rate	R\$	74,095	From 7,02% to 7,43% p.a.+ IGP-M	2012	2020	71,494	35,236
Variable rate	R\$	9,565	From 5,10% to 19,09% p.a.	2018	2019	9,618	-
Exchange rate variation	USD	118,398	Up 5,53% p.a. + exchange variation	2012	2020	450,625	572,071
Certificates of Structured Operations						-	9,512
Fixed rate	R\$	-	From 8,98% to 10,64% p.a.	2017	2018	-	9,512
Total						30,211,387	24,084,918
Current liabilities						14,966,768	12,607,246
Non-current liabilities						15,244,619	11,477,672

⁽¹⁾ The remuneration rates refers to the operations on December 31, 2018.

19. OTHER LIABILITIES

a) Tax and social security

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Income tax and social contribution payable	-	1,105	5,746	12,248
Provision for taxes and contributions on income	-	5,321	65,138	169,619
Taxes and contributions payable	29,651	26,578	83,896	77,657
Deferred tax liabilities (Note 23d)	1,480	27,141	137,456	208,816
Total	31,131	60,145	292,236	468,340
Current liabilities	31,131	60,145	283,153	460,169
Non-current liabilities	-	-	9,083	8,171

b) Subordinated debts

Funding	Amount issued	Remuneration p.a. ⁽¹⁾	Funding year	Maturity	Bank and Consolidated	
					12.31.2018	12.31.2017
Subordinated debt					3,028,573	2,866,616
Exchange rate variation	USD 740.319	7,38% p.a. + exchange variation	2013	2020	3,028,573	2,866,616
Subordinated financing bills					56,176	51,867
Variable rate	1,800	119,00% Interbank Deposit	2016	2023	2,307	2,751
Variable rate	28,933	From 7,10% to 7,86% a.a. + IPCA	2010	2020	53,869	49,116
Total					3,084,749	2,918,483
Current liabilities					37,581	-
Non-current liabilities					3,047,168	2,918,483

⁽¹⁾ The remuneration rates refers to the operations on December 31, 2018.

c) Debt instruments eligible as capital

Funding	Amount issued	Remuneration p.a. ⁽¹⁾	Fundig year	Maturity	Bank and Consolidated	
					12.31.2018	12.31.2017
Subordinated financing bills					2,085,609	1,908,710
Variable rate	1,004,426	From 1,24% to 2,16% p.a. + In From 111,00% to 120,00% Inte	2014	2024	1,350,037	1,256,359
Variable rate	324,732	From 5,72% to 9,31% p.a. + IF	2013	2030	541,456	481,988
Fixed rate	103,200	From 11,03% to 17,98% p.a.	2015	2024	157,264	136,107
Variable rate	27,500	117,50% SELIC	2016	2023	36,852	34,256
Funding	Amount issued	Remuneration p.a. ⁽¹⁾	Fundig year			
Perpetual Bonus ⁽²⁾					1,163,237	990,597
Fixed rate	USD 300.000	8,25% p.a.	2017		1,163,237	990,597
Total					3,248,846	2,899,307
Non-current liabilities					3,248,846	2,899,307

⁽¹⁾ The remuneration rates refers to the operations on December 31, 2018.

⁽²⁾ On November 30, 2017, the issuance abroad of USD 300,000 was made with semi-annual interest payments.

The bonds have a redemption option on the initiative of the Bank as of Dec. 2022 or in each subsequent half-yearly interest payment, provided that it has previously been authorized by the Central Bank of Brazil (BACEN).

d) Sundry

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Obligations from transactions linked to assignments (Note 9j.1) ⁽¹⁾	-	-	5,913,555	9,445,296
Liabilities for acquisition of assets and rights	4,760	670	5,096	677
Provision for unsettled payments	267,630	322,811	586,858	564,943
Provisions for civil claims (Note 26e1)	10,487	12,893	292,870	311,724
Provisions for labor claims (Note 26e1)	185,390	190,720	948,919	1,011,356
Provisions for tax claims (Note 26e1) ⁽²⁾	25,414	19,980	87,785	64,420
Amounts payable to associated companies	397	1,012	394	132
Sundry creditors - abroad	20,880	703	20,880	703
Provision for losses - Other risks	621	948	9,419	14,497
Sundry domestic creditors	5,644	4,228	149,597	184,109
Credit card operations	-	-	94,132	75,512
Provision for restructurings	21,287	27,434	32,874	56,937
Provision for financial guarantees provided	288,063	309,092	288,063	309,092
Other	21	22	21	22
Total	830,594	890,513	8,430,463	12,039,420
Current liabilities	411,868	638,915	5,211,016	7,191,321
Non-current liabilities	418,726	251,598	3,219,447	4,848,099

⁽¹⁾ Refers to liabilities regarding sales or transfers of financial assets with substantial retention of the risks and benefits.

⁽²⁾ Includes legal obligations (Note 26h).

20. OTHER OPERATING INCOME/ EXPENSES

a) Service income

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Fund management	-	-	-	71,317	149,214	127,037
Collection	10,952	16,632	3,815	5,417	11,097	3,815
Commissions on placing of securities	27,928	49,497	47,680	34,118	56,327	59,700
Brokerage of Stock Exchange transactions	-	-	-	1,466	3,328	14,208
Income from custody services	667	3,404	5,229	8,798	17,259	6,600
Income from guarantees provided	51,967	100,181	111,198	51,967	100,181	111,198
Credit card transactions	-	-	-	55,559	104,835	86,285
Insurance brokerage commission	-	-	-	14,310	26,217	24,122
Financial advisory services	6,096	17,383	30,332	6,096	17,383	30,332
Other services	10,026	13,321	10,718	12,068	17,498	14,723
Total	107,636	200,418	208,972	261,116	503,339	478,020

b) Income from banking fees

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Master file registration	-	-	-	213,311	423,367	424,987
Funds transfer	186	360	337	186	360	337
Appraisal of assets	-	-	-	151,140	294,810	286,958
Income from credit card	-	-	-	78,626	151,094	126,244
Other	106	233	380	655	1,431	1,915
Total	292	593	717	443,918	871,062	840,441

c) Personnel expenses

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Fees and retainer fee (Note 24)	(2,757)	(8,035)	(9,224)	(9,361)	(18,153)	(15,549)
Benefits	(11,363)	(22,170)	(24,587)	(60,588)	(120,938)	(123,533)
Social charges	(20,633)	(65,432)	(72,533)	(79,348)	(198,115)	(195,734)
Salary	(86,651)	(103,972)	(204,513)	(289,062)	(509,944)	(524,559)
Labor claims	(23,370)	(46,732)	(43,349)	(89,643)	(231,899)	(231,420)
Training	(1,276)	(1,863)	(1,487)	(4,458)	(6,504)	(4,099)
Total	(146,050)	(248,204)	(355,693)	(532,460)	(1,085,553)	(1,094,894)

d) Other administrative expenses

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Water, energy and gas	(456)	(803)	(1,849)	(2,651)	(5,056)	(5,020)
Rental	(4,288)	(9,797)	(19,411)	(25,646)	(50,170)	(56,861)
Communications	(503)	(976)	(1,390)	(30,120)	(62,696)	(68,569)
Maintenance and preservation of assets	(1,092)	(1,933)	(3,425)	(8,676)	(15,972)	(16,855)
Material	(506)	(658)	(415)	(2,733)	(3,910)	(3,424)
Data processing	(26,745)	(62,413)	(74,129)	(144,619)	(245,428)	(204,433)
Promotions and public relations	(1,752)	(2,279)	(1,678)	(9,324)	(14,347)	(10,377)
Advertising and publicity	(556)	(1,437)	(1,095)	(26,089)	(44,594)	(20,670)
Publications	(49)	(417)	(395)	(71)	(1,891)	(729)
Insurance	(593)	(1,075)	(1,017)	(2,368)	(4,419)	(3,692)
Financial system services	(11,626)	(20,231)	(13,400)	(47,868)	(99,996)	(96,545)
Outsourced services	(920)	(1,424)	(1,150)	(8,055)	(15,106)	(13,358)
Surveillance and security services	(566)	(1,246)	(2,381)	(1,080)	(2,200)	(3,112)
Specialized technical services	(19,429)	(36,040)	(39,973)	(229,081)	(420,143)	(379,139)
Transportation	(617)	(1,219)	(1,164)	(7,614)	(15,043)	(15,146)
Traveling	(1,047)	(1,990)	(2,650)	(4,814)	(9,360)	(8,574)
Judicial and notary public fees	(1,901)	(4,932)	(6,365)	(43,785)	(83,314)	(93,887)
Amortization	(20,597)	(34,916)	(19,268)	(31,076)	(55,856)	(32,247)
Depreciation	(10,905)	(20,658)	(18,063)	(17,971)	(33,109)	(29,167)
Other	(3,748)	(7,516)	(8,311)	(43,188)	(81,918)	(82,519)
Total	(107,896)	(211,960)	(217,529)	(686,829)	(1,264,528)	(1,144,324)

e) Other operating income

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Recovery of charges and expenses	-	-	-	1,761	3,173	2,120
Restatement of judicial deposits	3,470	6,164	5,849	21,552	38,321	31,486
Monetary inflation indexation	245	1,982	3,516	352	2,124	5,767
Reversal of provision for losses - Other risks	1,533	3,772	622	(3,827)	3,487	30,625
Reversal of provision for losses - Financial guarantees provi	23,884	22,347	-	23,884	22,347	-
Reversal of provision - Tax claims	-	-	-	-	-	2,776
Countervailing fines	15,322	33,288	36,893	15,322	33,288	36,893
Reimbursement of operating costs	(372)	935	-	12,236	20,410	13,908
Interest on own capital	100,500	100,500	-	-	-	-
Other	7,571	11,051	6,903	13,948	26,272	31,762
Total ⁽¹⁾	152,153	180,039	53,783	85,228	149,422	155,337

⁽¹⁾ Income and expenses of the same type are presented at the net amount determined in each period.

f) Other operating expenses

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Costs associated with the production - Business partners ⁽¹⁾	(328)	(570)	(92)	(283,414)	(570,483)	(617,025)
Costs associated with the production - Other expenses	(1,003)	(1,816)	(1,932)	(6,434)	(16,978)	(18,819)
Tax claims	(3,532)	(5,435)	(960)	(13,856)	(24,611)	-
Civil claims	-	-	(9,320)	(59,538)	(131,700)	(223,172)
Provisions - Financial guarantees provided	-	-	(42,636)	-	-	(42,636)
Expenses with interest (REFIS joining and PERT)	-	-	(1,146)	(125)	(239)	(3,233)
Other	(9,982)	(19,520)	(19,927)	(54,389)	(103,976)	(98,966)
Total ⁽²⁾	(14,845)	(27,341)	(76,013)	(417,756)	(847,987)	(1,003,851)

⁽¹⁾ Refers mainly to commissions on loans originated by the partners and trade agreements with retailers.

⁽²⁾ Income and expenses of the same type are presented at the net amount determined in each period.

21. NON-OPERATING INCOME

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Non-operating income	183	192	4,885	7,627	8,949	18,004
Income on disposal of assets	-	-	271	-	-	-
Rental income	-	-	433	-	-	433
Reversal of impairment allowance of other assets	-	-	3,606	3,785	1,459	5,889
Reversal of provision for losses with tax incentives	-	-	460	-	-	1,390
Other non-operating income	183	192	115	3,842	7,490	10,292
Non-operating expenses	(32,289)	(37,287)	(3,045)	(78,188)	(84,497)	(14,784)
Loss on disposal of assets	(1,494)	(2,108)	-	(5,389)	(8,928)	(5,268)
Allowance for losses with tax incentives	(5,368)	(5,368)	-	(37,972)	(37,972)	-
Capital losses	-	-	-	(8,481)	(10,947)	(8,535)
Devaluation of other assets	942	(3,137)	-	-	-	-
Allowance for losses on equity investments ⁽¹⁾	(25,250)	(25,250)	-	(25,250)	(25,250)	-
Other non-operating expenses	(1,119)	(1,424)	(3,045)	(1,096)	(1,400)	(981)
Total ⁽²⁾	(32,106)	(37,095)	1,840	(70,561)	(75,548)	3,220

⁽¹⁾ Refers to shareholdings received by payment.

⁽²⁾ Income and expenses of the same type are presented at the net amount determined in each period.

22. SHAREHOLDER'S EQUITY

a) Capital

Capital of Banco Votorantim S.A., fully subscribed and paid-in, in the amount of R\$ 8,130,372 (R\$ 8,130,372 on December 31, 2017) is represented by 105,391,472,816 nominative shares, of which 86,229,386,840 are common shares with no par value and 19,162,085,976 nominative preferred shares with no par value.

At the Extraordinary Shareholders' Meeting held on April 26, 2017, decided and approved the increase of Capital Stock through incorporation of the special profit reserve in the amount of R\$ 303,392, without issuance of new shares, approved by Central Bank of Brazil on May 26, 2017.

b) Capital reserve

Capital reserve is recognized from goodwill on subscription of shares, in the amount of R\$ 372,120.

c) Profit reserve

Legal reserve

Composed mandatorily of 5% of the period's net income, up to the limit of 20% of Capital. The Legal Reserve may cease to be funded when jointly with Capital Reserves it exceeds 30% of Capital. The Legal Reserve may be employed only in a capital increase or to offset losses.

Statutory reserve for expansion

The law and the Bylaws allow management, at the end of the period, to propose that the portion of the profit not destined to the Legal Reserve and not distributed, if any, be allocated to "Statutory Reserve for Expansion", in order to meet the investments for business expansion. In addition, the reserve balance may also be used to pay dividends.

d) Dividends

Shareholders are assured a minimum mandatory dividend equal to 25% of net income of the year, less the Legal Reserve.

Management proposes to distribute the net income in the amount of R\$ 194,523 referring to the year ended December 31, 2018 (R\$ 110,598 in the year ended December 31, 2017).

On December 13, 2018, the shareholder's approved the payment of prepaid dividends in the amount of R\$ 175,664 paid on December 14, 2018.

Bank	2018	2017
	Value (R\$ thousands)	Value (R\$ thousands)
Net income for the period	1,061,170	582,229
Effects of adjust from inicial application of Resolution CMN nº 4,512/2016 ⁽¹⁾	-	(116,551)
Effect of adjust from initial application of the new accounting criteria of FIP's recognition of the quota's changes ⁽¹⁾	(242,128)	-
Legal reserve	(40,949)	(23,285)
Calculation basis	778,093	442,393
Mandatory minimum dividend	194,523	110,598
Proposed value	194,523	110,598
Prepaid payment	175,664	-
% on the basis of calculation	25%	25%

⁽¹⁾ Adjustments calculated in the basis of dividend calculation, as established by Bacen Circular No. 1,273/1987.

Bank	2018		2017	
	Value (R\$ thousands)	Value per lot of one thousand shares - R\$	Value (R\$ thousands)	Value per lot of one thousand shares - R\$
Net income for the period	1,061,170	10.07	582,229	5.52
Dividends	194,523	1.85	110,598	1.05

e) Equity valuation adjustments

Bank and Consolidated	2H2018			
	Opening balance ⁽²⁾	Changes	Tax effect	Closing balance
Securities	128,701	(324,564)	116,482	(79,381)
Banco Votorantim ⁽¹⁾	117,941	(376,479)	136,252	(122,286)
Subsidiaries	10,760	51,915	(19,770)	42,905
Cash flow hedge	22,892	(207,645)	85,139	(99,614)
Banco Votorantim	22,892	(207,645)	85,139	(99,614)
Total	151,593	(532,209)	201,621	(178,995)

Bank and Consolidated	2018				2017			
	Opening balance	Changes ⁽²⁾	Tax effect ⁽²⁾	Closing balance	Opening balance	Changes	Tax effect	Closing balance
Securities	(31,741)	(67,297)	19,657	(79,381)	(132,487)	183,550	(82,804)	(31,741)
Banco Votorantim ⁽¹⁾	(58,532)	(90,094)	26,340	(122,286)	(142,042)	152,211	(68,701)	(58,532)
Subsidiaries	26,791	22,797	(6,683)	42,905	9,555	31,339	(14,103)	26,791
Cash flow hedge	(28,780)	(113,696)	42,862	(99,614)	(14,614)	(25,756)	11,590	(28,780)
Banco Votorantim	(28,780)	(113,696)	42,862	(99,614)	(14,614)	(25,756)	11,590	(28,780)
Total	(60,521)	(180,993)	62,519	(178,995)	(147,101)	157,794	(71,214)	(60,521)

⁽¹⁾ Includes agency abroad.

⁽²⁾ Includes the effect of adjustments to the initial application of the new accounting criteria for recognition of the variation of FIP quotas.

e) Accumulated profits

On July 28, 2016, CMN Resolution No. 4,512 was issued, which provides for accounting procedures applicable to the evaluation and registration of a provision for financial guarantees provided. The standard requires the constitution of a provision to cover losses associated with financial guarantees provided in any form. The effects of the adjustments resulting from the initial application of this Resolution were recorded as a contra entry to the accumulated profit and loss account by the net amount of tax effects at January 1, 2017 in the amount of R\$ (116,551).

On June 30, 2018, the Conglomerate adopted a new accounting standard for recognition of changes in investment fund quotas. Prior to the change in the criterion, the variation of quotas was always treated as income produced by the funds, with their recognition in the result of the period in "Income from securities". Following Bacen's guidelines, the quota variation was treated as an adjustment to fair value, for funds with certain characteristics, as described in note 4f. The adjustments for the initial application of this new accounting criteria, with effect from January 1, 2018, resulted in the constitution of a reserve of equity valuation adjustments for investments in FIP quotas, contra entry to the retained earnings, net of tax effects, in the amount of R\$ (242,128). These adjustments were included in the dividend calculation basis for the year ended December 31, 2018, as established by Bacen Circular No. 1,273/1987.

23. TAXES

a) Income Tax and Social Contribution Expenses

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Current amounts	(166)	(166)	(2,937)	82,141	(64,234)	(171,877)
IR & CSLL in Brazil - Current	-	-	(5,321)	80,001	(65,786)	(169,619)
IR & CSLL in Brazil - Previous year	(166)	(166)	2,384	2,140	1,552	(2,258)
Deferred amounts	(100,099)	67,599	127,211	(469,483)	(531,962)	(252,906)
Deferred tax liabilities	(144,738)	(128,331)	24,765	(187,144)	(75,913)	(27,895)
Fair value adjustment	(144,738)	(128,331)	24,765	(187,144)	(75,913)	(27,895)
Deferred tax assets	44,639	195,930	102,446	(282,339)	(456,049)	(225,011)
Tax losses/negative basis of CSLL	320,801	432,501	(47,210)	350,434	409,327	(109,966)
Temporary differences	49,930	(96,951)	135,501	(390,510)	(674,167)	(133,934)
Fair value adjustment	(326,092)	(139,620)	14,155	(242,263)	(191,209)	18,889
Total	(100,265)	67,433	124,274	(387,342)	(596,196)	(424,783)

b) Reconciliation of IR and CSLL charges

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Income (loss) before taxes and contributions	695,710	1,051,597	512,171	1,045,651	1,828,649	1,171,053
Total IR charges (25% rate) and CSLL (20% until December 2018 and 15% from January 2019)	(313,070)	(473,220)	(230,477)	(470,543)	(822,891)	(526,973)
Equity in the earnings of subsidiaries	216,938	440,112	432,871	89,084	162,285	(21,408)
Charges on employees' profit sharing	20,391	26,036	24,396	48,679	77,076	73,817
Other amounts	(24,524)	74,505	(102,516)	(54,562)	(12,666)	49,781
Income tax and social contribution in the period	(100,265)	67,433	124,274	(387,342)	(596,196)	(424,783)

c) Tax expenses

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Cofins	(4,477)	(16,579)	(46,110)	(134,060)	(266,871)	(265,554)
ISSQN	(4,201)	(7,798)	(7,517)	(29,946)	(59,036)	(54,731)
PIS	(738)	(2,705)	(7,493)	(21,795)	(43,377)	(43,215)
Other	(4,810)	(8,952)	(10,852)	(7,111)	(14,282)	(31,827)
Total	(14,226)	(36,034)	(71,972)	(192,912)	(383,566)	(395,327)

d) Deferred tax liabilities

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Fair value adjustment	1,480	27,141	137,456	208,816
Total deferred tax	1,480	27,141	137,456	208,816
Income tax	925	15,078	85,910	116,009
Social contribution	555	12,063	51,546	92,807

e) Deferred tax assets (Recognised)

Bank	12.31.2017	2018		12.31.2018 ⁽¹⁾
	Book balance	Net changes in the period		Book balance
		Constitution	Write-off	
Temporary differences	2,547,758	1,067,253	(1,227,161)	2,387,850
Allowance for loan losses	1,571,540	45,429	(224,621)	1,392,348
Liability provisions	659,771	70,312	(539,010)	191,073
Fair value adjustment ⁽²⁾	299,175	399,738	(462,693)	236,220
Other provisions	17,272	551,774	(837)	568,209
CSLL tax loss/negative basis	357,917	461,807	(27,542)	792,182
Total deferred tax assets recognized	2,905,675	1,529,060	(1,254,703)	3,180,032
Income tax	1,768,416	946,350	(736,421)	1,978,345
Social contribution	1,137,259	582,710	(518,282)	1,201,687

Consolidated	12.31.2017	2018		12.31.2018 ⁽¹⁾
	Book balance	Net changes in the period		Book balance
		Constitution	Write-off	
Temporary differences	6,160,090	1,729,347	(2,518,056)	5,371,381
Allowance for loan losses	4,374,793	793,835	(1,509,977)	3,658,651
Liability provisions	1,283,894	142,006	(649,402)	776,498
Fair value adjustment ⁽²⁾	475,014	241,820	(356,364)	360,470
Other provisions	26,389	551,686	(2,313)	575,762
CSLL tax loss/negative basis	1,054,795	438,632	(27,543)	1,465,884
Total deferred tax assets recognized	7,214,885	2,167,979	(2,545,599)	6,837,265
Income tax	4,533,781	1,348,350	(1,442,582)	4,439,549
Social contribution	2,681,104	819,629	(1,103,017)	2,397,716

⁽¹⁾ In the year ended December 31, 2018, the amount of R\$ 156,105 (of the total of R\$ 236,220) in the Bank, and R\$ 5,317 (of the total of R\$ 360,470) in the Consolidated is the deferred tax asset arising from fair value adjustment of securities classified as available for sale, recorded in Shareholder's equity.

⁽²⁾ The amounts corresponding to the changes of deferred tax asset arising from adjustments to fair value of securities available for sale, recorded in Shareholder's equity account in the year ended December 31, 2018 is R\$ 76,665 of the total R\$ (62,955) in the Bank and R\$ 104,987 of the total R\$ (114,544) in the Consolidated.

Realization estimate

The realization estimate of deferred tax assets is supported by in the technical study prepared as at December 31,

	Bank		Consolidated	
	Nominal value	Present value	Nominal value	Present value
In 2019	648,939	624,306	2,096,984	2,017,383
In 2020	232,547	214,296	1,488,787	1,371,941
In 2021	220,038	193,428	466,937	410,470
In 2022	209,585	175,303	351,776	294,237
In 2023	307,375	244,270	577,785	459,165
As from of 2024	1,561,548	993,577	1,854,996	1,208,148
Total deferred tax assets	3,180,032	2,445,180	6,837,265	5,761,344

In the year ended December 31, 2018, deferred tax assets were realized in the Bank totaling R\$ 673,732 (R\$ 695,352 in the year ended December 31, 2017), equal to 80% (83% in the year ended December 31, 2017) of the respective use projection for the year ended December 31, 2018, which was included in the technical study prepared on December 31, 2017.

Realization of nominal values for deferred tax assets

	Bank		Consolidated	
	Tax losses/Social contribution on net income to offset ⁽¹⁾	Intertemporal Differences ⁽²⁾	Tax losses/Social contribution on net income to offset ⁽¹⁾	Intertemporal Differences ⁽²⁾
In 2019	6%	25%	5%	38%
In 2020	10%	7%	10%	25%
In 2021	11%	5%	13%	5%
In 2022	12%	5%	14%	3%
In 2023	8%	10%	10%	8%
As from of 2024	53%	48%	48%	21%

⁽¹⁾ Projected consumption linked to the capacity to generate IRPJ and CSLL taxable amounts in subsequent periods.

⁽²⁾ The consumption capacity arises from movements in provisions expectation of reversals, write-offs and uses).

f) Deferred tax asset (Not recognised)

On December 31, 2018 and December 31, 2017 there was no deferred tax assets not recognised.

24. RELATED PARTIES

Costs of salaries and other benefits granted to key management personnel of Banco Votorantim, comprising the Board, Audit Committee, Board of Directors and Fiscal Council:

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Fees and retainer fee	2,757	8,035	9,224	9,361	18,153	15,549
Bonuses	-	33,923	28,820	977	49,476	40,466
Social charges	1,898	14,099	12,062	2,859	20,054	16,639
Total	4,655	56,057	50,106	13,197	87,683	72,654

The Conglomerate does not provide post-employment benefits to key management personnel.

The Conglomerate did not grant loans to key Management personnel in the period.

The balances of accounts relating to transactions between consolidated companies of the Bank are eliminated in the Consolidated Financial Statements and also take into consideration the lack of risk. The shareholders of the Institution are Banco do Brasil Conglomerate and Votorantim Conglomerate (main companies that are part of the Votorantim Conglomerate are: Votorantim Finanças, Votorantim Cimentos, Votorantim Metais, Votorantim Siderurgia, Votorantim Energia, Fibria and Citrosuco) .

The Conglomerate carries out banking transactions with related parties, such as current account deposits (not remunerated), remunerated deposits, money market repurchase commitments, derivative financial instruments and assignment of credit transaction portfolios. There are also service agreements.

These transactions are carried out under terms and conditions similar to those performed with third parties where applicable, prevailing at the transaction dates. These transactions do not involve extraordinary default risks.

The Conglomerate, through its subsidiary BV Financeira, carried out credit assignments with a related party, with substantial risk retention. In the year ended December 31, 2018 the sum of present values totaled R\$ 2,611,133 (R\$ 3,511,983 in the year ended December 31, 2017). The net result of credit assignments, considering income and expenses of the assignments with substantial retention of risks and benefits is presented in the table below under "Income from interest, provision of services and other income".

Banco Votorantim S.A.
Consolidated Financial Statements
Year ended on December 31, 2018
Amounts in thousand of Reais, unless when indicated

	12.31.2018						
	Banco do Brasil Conglomerate	Votorantim S.A	Financial subsidiaries (1)	Non-financial subsidiaries (2)	Key management personnel (3)	Other (4)	Total
Assets							
Cash and due from banks	603	-	-	-	-	-	603
Interbank investments	1,504,537	-	31,660,887	-	-	557,278	33,722,702
Securities and derivative financial instruments	-	5,806	2,388,254	10,503	-	549,890	2,954,453
Other assets	153,367	10,155	228,988	27,865	232	-	420,607
							-
Liabilities							
Demand deposits	(336)	(2,537)	(1,176)	(1,252)	(25)	(356)	(5,682)
Time Deposits	(9,032)	(531,856)	-	(73,988)	(1,788)	-	(616,664)
Interbank accounts	-	-	(337,228)	-	-	-	(337,228)
Money market repurchase commitments	(139,820)	(4,901)	(2,874,429)	-	(3,518)	-	(3,022,668)
Acceptances and endorsements	(121,725)	(354,106)	-	-	(2,306)	-	(478,137)
Derivative financial instruments	(35,933)	(7,492)	(3,261)	-	-	(270,040)	(316,726)
Other liabilities	(6,080,398)	-	(237)	-	-	-	(6,080,635)
							-
2H2018							
Income (loss)							
Income from interest, provision of services and other income	332,465	18	1,346,917	-	-	24,984	1,704,384
Derivative financial instruments	(4,292)	(9,366)	90,617	10,503	-	429,411	516,873
Fund raising, administrative expenses and other	(24,409)	(33,822)	(217,151)	(16,646)	(359)	-	(292,387)
							-
2018							
Income (loss)							
Income from interest, provision of services and other income	700,018	34	2,566,191	-	-	55,204	3,321,447
Derivative financial instruments	(30,476)	3,990	79,626	10,503	-	578,406	642,049
Fund raising, administrative expenses and other	(46,735)	(71,296)	(451,560)	(35,726)	(997)	-	(606,314)
							-
12.31.2017							
	Banco do Brasil Conglomerate	Votorantim S.A	Financial subsidiaries (1)	Non-financial subsidiaries (2)	Key management personnel (3)	Other (4)	Total
Assets							
Cash and due from banks	1,032	-	-	-	-	-	1,032
Interbank investments	1,506,540	-	24,682,565	-	-	572,376	26,761,481
Securities and derivative financial instruments	950	477	8,977,943	-	-	1,562,587	10,541,957
Other assets	248,844	7,926	1,021,190	-	324	313	1,278,597
							-
Liabilities							
Demand deposits	(283)	(3,957)	(2,389)	(560)	(13)	(210)	(7,412)
Time Deposits	(100,321)	(395,063)	(3,441)	(582,618)	(453)	-	(1,081,896)
Interbank accounts	-	-	(482,276)	-	-	-	(482,276)
Money market repurchase commitments	(275,290)	(319,408)	(8,367,044)	-	(6,459)	-	(8,968,201)
Acceptances and endorsements	-	(420,744)	-	-	(12,573)	-	(433,317)
Derivative financial instruments	(5,940)	(798)	-	-	-	(177,563)	(184,301)
Other liabilities	(9,594,953)	-	(29,700)	-	-	-	(9,624,653)
							-
2017							
Income (loss)							
Income from interest, provision of services and other income	1,011,368	-	3,136,754	-	-	140,787	4,288,909
Derivative financial instruments	(4,612)	(2,923)	-	-	-	16,040	8,505
Fund raising, administrative expenses and other	(36,992)	(196,599)	(1,056,992)	(36,509)	(1,234)	-	(1,328,326)
							-

(1) Companies listed in Note 3, identified in item (1). Does not include operation between subsidiaries.

(2) It includes Promotiva S.A., BVIA - BV Investimentos e Participações de Gestão de Recursos S.A. and Votorantim Corretora de Seguros S.A. In 2018, includes BV Empreendimentos e Participações S.A. and Atenas SP 02 Empreendimentos Imobiliários Ltda.

(3) Board of Directors, Executive Board, Audit Committee, Fiscal Council and family members (spouse, children and stepchildren) of key management personnel, as well as all companies in which the key management personnel has participation.

(4) Includes BVIA FIP (until October 2018, due to its liquidation) and Votorantim Expertise Multimercado.

25. EMPLOYEE BENEFITS

There are no post-employment benefits such as: pensions, other retirement benefits, post-employment life insurance and medical care, other long-term benefits to employees, including long service leave and other leaves, jubilee or other benefits per years of service, share-based remuneration and rescission of contract benefits.

Variable compensation program

The Long-Term and Short-Term Compensation Programs: Conditional Variable Incentive, Long-Term Incentive and Virtual Share Repurchase Program approved by the Board of Directors on May 10, 2012 were valid until 2016, with effect until 2021.

In the first semester of 2017, the Conglomerate implemented the new Variable Compensation Program. The directors and employees of the Conglomerate are eligible for the program. This program was approved by the Board of Directors on March 09, 2017.

The Conglomerate also has a long-term incentive plan that aims to: (i) attract, motivate and retain talent; (ii) alignment of the interests of the officers and employees with the objectives and interests of the shareholders; (iii) generation of results and sustainable creation of value; And (iv) creating a long-term vision:

ILP plan: a four-year plan consisting of the granting of an incentive based on the performance of each year. All employees of the Conglomerate are eligible for the plan.

In the year ended December 31, 2018 were recognized in the result, under Personnel Expenses - Salary R\$ 119,098 (R\$ 156,391 in the year ended December 31, 2017) in relation to long-term incentives transactions. These incentives in general become a right between one and in not more than four years as of the granting date.

In the Consolidated the following payments were made to employees related to the Long-Term Remuneration

Program Year	2H2018	2018	2017
2012	-	-	40,382
2013	-	36,403	66,284
2014	-	42,028	76,612
2015	-	31,205	9,686
2016	-	2,466	235
2017	-	29	-
Total	-	112,131	193,199

On December 31, 2018, the Conglomerate recorded under caption "Other liabilities - Other - Sundry - Provision for unsettled payments", in the amount of R\$ 294,771 (R\$ 335,403 on December 31, 2017).

Virtual share value is calculated at least on a quarterly basis and is based on the Conglomerate's income and on entries directly made to Shareholders' equity accounts, as determined by prevailing accounting practices. From this change in Shareholders' Equity value, non-recurring movements will be excluded, individually evaluated and submitted to the Remuneration Committee, which will decide on its exclusion or not from Shareholders' equity calculation basis to value virtual share.

Changes in virtual shares

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Opening quantity	28,471,834	52,685,745	59,475,878	40,273,897	70,388,083	78,561,466
New	7,943,376	17,966,429	29,305,527	10,258,664	23,123,061	37,026,827
Paid	-	(33,869,685)	(34,871,258)	-	(42,442,767)	(43,741,331)
Expired	(38,768)	(406,047)	(1,224,402)	(38,768)	(574,584)	(1,458,879)
Closing quantity	36,376,442	36,376,442	52,685,745	50,493,793	50,493,793	70,388,083

26. CONTINGENT ASSETS AND LIABILITIES AND LEGAL, TAX AND SOCIAL SECURITY OBLIGATIONS

a) Contingent assets

Contingent assets are not recognized in the Consolidated Financial Statements in accordance with CMN Resolution 3,823/2009.

b) Labor lawsuits

The Conglomerate is the defendant in labor lawsuits mostly filed by former employees. Provisions for probable losses represent several claims, such as: Indemnities, overtime, working time exemption, supplement per function and representation, among other matters.

c) Tax lawsuits

The Conglomerate is subject, to inspections made by tax authorities, to questionings related to taxes, which may eventually generate assessments, for example: composition of the IRPJ/CSLL tax basis (deductibility); and discussion related to the levy of taxes, upon occurrence of certain economic facts. Most lawsuits deriving from tax assessments refer to ISS, IRPJ, CSLL, PIS/COFINS and Employer Social Security Contributions. Some of them are guaranteed, when necessary, by escrow deposits made to suspend payment of taxes under discussion.

d) Civil lawsuits

Basically refer to indemnity actions whose natures are as follows: challenge on contracts' total effective cost; review on contract conditions and charges; and fees.

e) Provision for labor, tax and civil lawsuits - Probable

The Conglomerate recognized a provision for labor, tax and civil lawsuits with "probable" risk of loss, classified by individual methodology or on a collective basis, according to the nature and/or value of the process.

The estimates of outcome and financial effect are determined by the nature of the actions, by the judgment of the entity's Management, by the opinion of the legal counsel, based on the process elements, supplemented by the experience and complexity of similar claims.

The provision for labor, tax and civil lawsuits that was set up to cover the losses estimated, are considered sufficient by the Conglomerate's Management.

e.1) Changes in provisions for tax, civil and labor claims classified as probable

	Bank			Consolidated		
	2H2018	2018	2017	2H2018	2018	2017
Tax claims						
Opening balance	3,528	3,483	7,648	50,555	42,964	52,812
Additions	4,186	4,186	1,490	13,473	20,201	11,313
Reversal of provision	-	-	(1,105)	(3,137)	(3,137)	(3,266)
Write-offs due to payment	(2,432)	(2,432)	(4,906)	(2,481)	(2,485)	(19,551)
Inflation indexation	69	114	356	1,692	2,559	1,656
Closing balance	5,351	5,351	3,483	60,102	60,102	42,964
Civil claims						
Opening balance	10,326	12,893	5,545	303,293	311,724	302,241
Additions	442	1,290	3,855	117,861	170,601	113,460
Reversal of provision	(457)	(3,627)	(846)	(127,473)	(170,408)	(82,379)
Write-offs due to payment	(158)	(696)	(227)	(34,808)	(66,282)	(73,932)
Inflation indexation ⁽¹⁾	334	627	4,566	33,997	47,235	52,334
Closing balance ⁽²⁾	10,487	10,487	12,893	292,870	292,870	311,724
Labor claims						
Opening balance	199,171	190,720	158,073	1,083,766	1,011,356	887,345
Additions	40,150	67,301	65,339	169,845	308,512	356,330
Reversal of provision	(21,367)	(40,332)	(26,272)	(93,554)	(158,703)	(164,984)
Write-offs due to payment	(43,554)	(62,604)	(29,999)	(250,218)	(355,802)	(158,967)
Inflation indexation	10,990	30,305	23,579	39,080	143,556	91,632
Closing balance ⁽³⁾	185,390	185,390	190,720	948,919	948,919	1,011,356
Total Labor, Tax and Civil claims	201,228	201,228	207,096	1,301,891	1,301,891	1,366,044

⁽¹⁾ It includes monetary adjustments and the effects of remeasurement of "unit prices", which compose the methodology for calculating losses.

⁽²⁾ In August 2018, new variables were incorporated into the mass valuation model, providing greater precision in risk measurement.

⁽³⁾ In October 2017 the risk measurement criteria were improved, so that the mass valuation model was incorporated into the model that includes risk inputs with greater granularity, as well as the effects of judicial settlements.

e.2) Estimated schedule of disbursements on December 31, 2018

	Bank			Consolidated		
	Tax	Civil	Labor	Tax	Civil	Labor
Up to 5 years	5,139	10,487	185,390	54,291	292,870	948,919
From 5 to 10 years	212	-	-	5,811	-	-
Total	5,351	10,487	185,390	60,102	292,870	948,919

Uncertain lawsuit duration and the possibility of changes in prior court judgments make disbursement schedule and values uncertain.

f) Contingent liabilities - Possible

Amounts shown in the chart below represent estimated disbursement value in case the Bank receives a negative judgement. Claims are classified as possible when there are no elements that permit concluding final lawsuit outcome and when likelihood of loss is lower than probable and higher than remote.

Balances of contingent liabilities classified as possible

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Tax claims ⁽¹⁾	540,033	615,714	1,248,122	1,048,142
Civil claims ⁽²⁾	15,411	13,694	132,905	103,302
Labor claims ⁽³⁾	130,426	226,356	385,503	614,406
Total	685,870	855,764	1,766,530	1,765,850

⁽¹⁾ Basically refer to:

Description of the main possible causes - Taxes	Consolidated	
	12.31.2018	12.31.2017
INSS on Profit Sharing PLR	392,188	144,713
IRPJ - FINOR	64,471	62,478
ISS	9,827	11,981
INSS on Profit Sharing PLR - Nassau Branch	44,884	43,663
PIS/COFINS on demutualization	41,674	40,608
IRPJ on undue offset of tax loss - Gratuities to statutory officers	22,147	21,667
IRPJ/CSLL - Deduction Allowance for loan losses (PDD) 2008	111,216	108,648
Infringement Fine (non-homologation of DCOMP)	88,095	84,193
CSLL - Exclusion of interests of oreign government securities	58,242	146,416
IRPJ/CSLL - Assessment notice: improper exclusion of goodwill on acquisition of securities of foreign governments	23,451	22,869
IRRF from remittances abroad: impossibility of compensation	35,923	34,629
PF e BNCSLL: excess compensation AB 2012	67,606	65,794
IRPJ/CSLL on JCP cumulatively distributed	136,834	133,563
Other	151,563	126,920
Total	1,248,122	1,048,142

⁽²⁾ Refers, basically, to collection actions.

⁽³⁾ Refers to actions mostly brought by former employees claiming compensation, overtime pay, working hours, extra pay associated with certain jobs, and representation costs, and others.

In October 2017 the risk measurement criteria were improved, so that the mass valuation model was incorporated into the model that includes risk inputs with greater granularity, as well as the effects of judicial settlements.

g) Deposits as collateral

Balances of escrow deposits recognized for contingencies

	Bank		Consolidated	
	12.31.2018	12.31.2017	12.31.2018	12.31.2017
Tax claims	75,847	69,134	143,145	110,935
Civil claims	9,942	9,704	195,502	199,881
Labor claims	34,980	28,619	320,570	322,305
Total	120,769	107,457	659,217	633,121

h) Legal obligations

The Conglomerate maintains the amount of R\$ 27,683 (R\$ 21,456 on December 31, 2017) with the Bank being registred Bank the amount of R\$ 20,063 (R\$ 16,497 on December 31, 2017) recorded in specific Legal Obligations account and the discussion about on a Declaratory Action in which it is intended to offset the impact of the ISS on revenues arising guarantee and other guarantees provided, as well as to obtain the restitution of the amounts paid in the last five years, whose provisioned amount is R\$ 18,590 (R\$ 15,310 on December 31, 2017).

The other actions refers to PIS LC 07/70, ISS Deduction in the PIS and COFINS calculation basis and APF - Accident Protection Factor.

i) Public civil lawsuits

Conglomerate has contingent liabilities involving public civil actions in which, based on the opinion of the legal advisors and Management's judgment, the risk of loss is considered possible. Due to their current stage of completion, measurement of amounts involved in these lawsuits could not be determined safely.

Main themes discussed in these lawsuits refer to collection of tariffs and issues involving payroll credit to INSS retirees and pensioners.

27. RISK AND CAPITAL MANAGEMENT

a) Risk management process

The integrated risk-management approach includes adopting instruments to ensure that material risks incurred by the Conglomerate. This approach aims to organize the decision process and define the mechanisms that establish risk appetite and risk level that is acceptable and compatible with the volume of capital available, in line with the business strategy adopted.

The consolidation of risks covers material exposures inherent to the Conglomerate's business lines. The exposures are mainly grouped into the following risk categories: market, credit and liquidity. This consolidation process is carried out through a structured process which includes the mapping and calculation of the total values at risk.

The levels of risk exposure are monitored through a risk limit framework, incorporated into the Conglomerate's daily activities by means of an organized management and control process which assigns functional responsibilities to the areas involved. Senior Management gets involved by following up and performing actions that are necessary for risk management.

Financial return is calculated by processes that permit the monitoring of managerial earnings in different business lines, consistent with established budgets and in accordance with accounting income.

In sum, the Conglomerate follows the following principles in its integrated risk management process:

- Consolidated risk vision;
- Compatibility between levels of exposure to risks, authorized limits and expected financial return;
- Job segregation between business areas, risk control, audit and operational processing;
- Adoption of risk calculation methodologies based on the market practices; and
- Involvement of Senior Management.

In accordance with Resolution No. 4,557 of the National Monetary Council (CMN), the Conglomerate has institutional structures and policies for the management of operational risk, market risk, credit risk and liquidity risk approved by the Board of Directors. The basic principles observed in management and control were established in accordance with current regulations and market practices.

b) Credit risk

Credit Risk is defined as the possibility of occurrence of losses associated to:

- Non-compliance by the counterparty (the borrower, the guarantor or the issuer of securities or securities acquired), from its obligations under the terms agreed upon;
- Devaluation, reduction of remuneration and expected gains in financial instruments arising from the deterioration of the credit quality of the counterparty, the intervening party or the mitigating instrument;
- Restructuring of financial instruments; or
- Costs of recovery of exposures of problematic assets.

c) Liquidity risk

Liquidity risk is defined as:

- Possibility of the Institution not being able to effectively honor expected and unexpected current and future obligations, including those deriving from guarantee binding, without affecting its daily operations and without incurring significant losses; and
- Possibility that the Institution may not be able to trade a position at market price due to its large size in relation to the usually traded volume, or due to market discontinuity.

d) Operational risk

Operational risk is defined as the possibility of occurrence of losses resulting from external events or from failure, deficiency or inadequacy of internal processes, people or systems.

This definition includes the Legal Risk associated with inadequacies or deficiencies in contracts signed by the Conglomerate, penalties for noncompliance with legal provisions and indemnities for damages to third parties arising from the activities developed by the Conglomerate. Operational risk events include:

- Internal and external fraud;
- Labor claims and poor workplace safety;
- Inadequate practices regarding customers, products and services;
- Damage to physical assets owned or in use by the Conglomerate;
- Situations that lead to the disruption of the activities of the Conglomerate;
- Failures in information technology (IT) systems, processes or infrastructure;
- Failure to execute, comply with deadlines or manage the activities of the Conglomerate.

e) Market risk

Market risk is defined as the possibility of financial losses arising from variations in the fair value of exposures held by a financial institution. These financial losses may be generated based on the impact of the variation of risk factors, such as interest rates, exchange rate parities, stock and commodity prices, among others.

f) Capital management

Following the regulations of BACEN and in accordance with the recommendations of the Basel Committee on Banking Supervision, the Institution employs prudential guidelines of capital management in a consolidated manner aiming at the efficient and sustainable management of its resources and contributing to promote the stability of the National Financial System.

In accordance with Resolutions no. 3,988 and no. 4,557, of National Monetary Council (CMN) the institution has structure and policies for capital management approved by the Board of Directors, in compliance with the internal process for evaluation of capital Adequacy (ICAAP), contemplating the following items:

- Capital management through a continuous process of planning, evaluating, controlling and monitoring the capital needed to deal with the relevant risks;
- Documented policies and strategies;
- Specific forums to compose strategies and manage the use of capital;
- Capital Plan for three years, including Capital targets and projections, main funding sources and Capital contingency plan;
- Stress tests and their impacts on Capital;
- Managerial reports to the Senior Management (Executive Board and Board of Directors);
- Evaluation of Capital Adequacy in the Regulatory and Economic View; and
- Report to the regulator regarding capital management, through the Statement of Operational Limits and Annual Report of Internal capital adequacy assessment process (ICAAP).

Capital Adequacy (Regulatory view)

At the Institution, capital is managed in order to ensure adequacy within regulatory limits and to establish a strong capital base, enabling the Institution to develop business and transactions in accordance with its strategic plan.

Aiming at assessing capital adequacy to address associated risks and compliance with regulatory operational limits, the institution annually prepares a Capital Plan considering growth projections for the loan portfolio and other operations and assets.

Monthly after the calculation of the Referential Equity (PR) and Required Capital, management reports for monitoring the capital allocated to risks and capital ratios (Basel, Level I and Principal) are published for the areas involved.

Capital ratios

Capital ratios are calculated according to the criteria set by CMN Resolutions 4,192/2013 and 4,193/2013, which refer to the calculation of Reference Equity (PR) and the calculation of the minimum requirements of PR, Level I, Principal Capital and or Additional Principal Capital, respectively.

In October 2013, onwards the set of rules that implemented in Brazil the recommendations of the Basel Committee on Banking Supervision related to the Capital structure of financial institutions, known as Basel III, came into effect. The adopted rules address the following matters:

- I new methodology to determine regulatory capital, which continues to be divided into Levels I and II, Level I being comprised of Main Capital (less Prudential Adjustments) and Supplementary Capital;
- II new methodology to determine requirements to maintain capital, adopting minimum PR, Level I and Main Capital requirements, and introducing the Additional Main Capital.

The CMN Resolution no. 4,192/2013 defines the following items relating to prudential adjustments to be deducted from Reference Equity:

- (i) goodwill paid on acquisition of investments based on expected future income net of deferred tax liabilities;
- (ii) intangible assets formed as from October 2013;
- (iii) actuarial assets related to defined benefit pension plans net of related deferred tax liabilities associated to them;
- (iv) non-controlling interest;
- (v) direct or indirect investments higher than 10% of capital of entities similar to non-consolidated financial institutions and of insurance and reinsurance firms, capitalization organizations and open pension plan entities (higher and of insurance and reinsurance firms, capitalization organizations and open pension plan entities (higher
- (vi) deferred tax assets deriving from temporary differences that depend from future income generation or tax revenues for their realization;
- (vii) deferred tax assets from depreciation excess tax loss;
- (viii) deferred tax assets deriving from tax losses and social contribution on net income negative basis. As of December 31, 2018, the Conglomerate began to consider the effects of the application of CMN Resolution No. 4,680 / 2017, which authorized financial institutions to no longer deduct from Principal Capital (in the proportion of at least 50% up to June 30, 2020, and 100% up to December 31, 2020) the tax credits of tax loss carryforwards arising from positions held in foreign currency carried out with the purpose of providing hedge for their participation in

In accordance with CMN Resolution no. 4,192/2013, deductions referring to prudential adjustments will be carried out gradually, at 20% p.a. from 2014 to 2018, except for deferred assets and funding instruments issued by financial institutions, which are already being fully deducted since October 2013.

Consolidation scope used as the basis to verify operating limits and also considers the Financial Conglomerate, and the Prudential Conglomerate beginning as of January 1, 2015, as defined in CMN Resolution no. 4,280/2013.

For comparison purposes, Basel Ratio information is presented for Prudential Conglomerate:

Banco Votorantim S.A.
Consolidated Financial Statements
Year ended on December 31, 2018
Amounts in thousand of Reais, unless when indicated

Basel ratio	12.31.2018	12.31.2017
PR - Reference Equity	9,358,228	9,233,158
Tier I	8,058,151	6,758,636
Complementary Capital	1,163,237	-
Common Equity	6,894,914	6,758,636
Shareholders' equity ⁽¹⁾	9,473,209	8,618,574
Prudential adjustments ⁽⁷⁾	(2,578,295)	(1,859,938)
Other	(2,577,903)	(1,859,258)
Adjustment to fair value	(392)	(680)
Tier II	1,300,077	2,474,522
Subordinated debts eligible as capital	1,300,077	2,474,522
Subordinated debts authorized pursuant to CMN Resolution no. 4,192/2013	1,296,820	1,521,133
Subordinated debts authorized pursuant to rules prior to CMN Resolution no. 4,192/2013 ⁽²⁾	3,257	953,389
Funding sources abroad	-	940,433
Funds raised with Financing Bills	3,257	12,956
Risk-weighted assets (RWA)	59,452,545	59,409,716
Credit risk (RWACPAD)	52,202,224	52,083,037
Market risk (RWAMPAD)	1,653,699	1,937,099
Operational risk (RWAOPAD)	5,596,622	5,389,580
Minimum Required Regulatory Capital ⁽³⁾	5,127,782	5,495,399
Minimum Required Capital ⁽⁴⁾	2,675,365	2,673,437
Tier I Minimum Required Reference Equity ⁽⁵⁾	3,567,153	3,564,583
Regulatory Capital determined to cover interest rate risk of transactions not classified in trading portfolio (RBAN)	316,602	162,651
Margin on Minimum Required Regulatory Capital	4,230,447	3,737,760
Margin on Minimum Required Capital	4,219,550	4,085,199
Margin on Minimum Required Tier I Regulatory Capital	4,490,999	3,194,053
Margin on Minimum Required Regulatory Capital including RBAN and ACP ⁽⁶⁾	1,684,375	2,089,866
Common Equity Index (CP / RWA)	11.60%	11.37%
Tier I Capital Index (Tier I / RWA)	13.55%	11.37%
Basel Ratio (PR / RWA)	15.74%	15.53%

⁽¹⁾ According to article art. 4º, paragraph 2 of CMN Resolution No. 4,192/2013, the values related to the adjustments to market value of the derivative financial instruments used for hedge of cash flow of protected items that do not have their mark-to-market adjustments recorded in the accounts do not compose the base calculated for purposes of determining the Reference Equity. The values reported include these adjustments.

⁽²⁾ They consider the effects of the application of CMN Resolution 4,680/2017, which authorized financial institutions to no longer deduct from the Principal Capital (in the proportion of at least 50% until June 30, 2011 and 100% up to December 31, 2020) the tax credits for losses tax liabilities arising from positions held in foreign currency held with the purpose of providing hedge for its participation in investments abroad.

⁽³⁾ The balance of the Subordinated Debt instruments issued prior to CMN Resolution No. 4,192 / 2013 was considered with the application of the reducers established in art. 27 of that Resolution.

⁽⁴⁾ Corresponds to the application of the "F" factor to RWA amount, being "F" equal to:

- a. 9.25% of RWA, from January 1, 2017 to December 31, 2017.
- b. 8.625% of RWA, from January 1, 2018 to December 31, 2018.
- c. 8% of RWA, as from January 1, 2019

⁽⁵⁾ It represents at least 4.5% of RWA.

⁽⁶⁾ It represents at least 6% of RWA.

⁽⁶⁾ Additional Principal Capital (ACP) corresponding to the Additional Conservation and Complementary Countercyclical.

On November 30, 2017, the Bank issued a perpetual bond issue in the amount of USD 300,000, which was approved by the Central Bank of Brazil (BACEN), and now includes Level I of the Reference of March 2018, further strengthening the Conglomerate's Capital structure. If perpetual bond was already part of Complementary Capital as of December 31, 2017, the indices would be as follows:

	12.31.2017
Common Equity Index (CP / RWA)	11.37%
Tier I Capital Index (Tier I / RWA)	13.04%
Basel Ratio (PR / RWA)	17.20%

Prudential Adjustments deducted from Common Equity:

	12.31.2018	12.31.2017
Prudential Adjustment I - Goodwill paid	(43,409)	-
Prudential Adjustments II - Intangible assets	(259,189)	(133,765)
Prudential Adjustments VII Deferred tax assets and Intertemporal differences	(909,820)	(881,658)
Prudential Adjustments VIII - Deferred tax assets of Tax losses/negative basis of CSLL	(1,365,485)	(843,835)
Prudential Adjustments XV - Understatement - Resolution 4,277/13 Adjustments	(392)	(680)
Total	(2,578,295)	(1,859,938)

g) Fixed asset ratio

The property, plant and equipment indexrequired ratio of the Prudential Conglomerate amounted to 20.82% (18.65% on December 31, 2017) and determined in accordance with CMN Resolutions No. 4,192/2013 and No. 2,669/1999.

	12.31.2018	12.31.2017
Fixed assets limit	4,679,115	4,616,579
Value of fixed assets limit position	1,948,636	1,720,395
Value of margin or insufficiency	2,730,479	2,896,184

In compliance with the Brazilian Central Bank (BACEN) Circular 3,678/2013 and 3,716/2014, Conglomerate maintains additional information on its risk and capital management process available in the website: www.bancovotorantim.com.br/ri.

28. OTHER INFORMATION

a) Commitments undertaken due to funding from international financial institutions

The Conglomerate is a borrower of short-term loans from international financial institutions, who in certain cases may require compliance with financial ratios (financial covenants). When required, the financial ratios are calculated based on the financial information prepared in accordance with Brazilian law and standards of the Central Bank of Brazil (BACEN). On December 31, 2018 the Conglomerate did not have operations with these characteristics.

b) Information about branches and subsidiaries abroad

	12.31.2018	12.31.2017
Current and non-current assets	6,082,774	4,858,933
Banco Votorantim S.A. - Nassau Branch	6,082,774	4,833,144
Others subsidiaries	-	25,789
Total Assets	6,082,774	4,858,933
Current and non-current liabilities	(4,133,208)	(3,242,980)
Banco Votorantim S.A. - Nassau Branch	(4,133,208)	(3,217,191)
Others subsidiaries	-	(25,789)
Shareholders' equity	(1,949,566)	(1,615,953)
Banco Votorantim S.A. - Nassau Branch	(1,949,566)	(1,615,953)
Total Liabilities	(6,082,774)	(4,858,933)

	2H2018	2018	2017
Income (loss)	43,358	107,835	97,294
Banco Votorantim S.A. - Nassau Branch	43,358	107,835	112,885
Others subsidiaries	-	-	(15,591)

c) Insurance coverage

The Conglomerate contracts insurance coverage for assets subject to risks for amounts considered to be sufficient to cover eventual claims, considering the nature of its activity.

Insurance in force on December 31, 2018

Covered risk	Covered values	Award amount
Insurance Guarantee - Guarantee for legal proceedings	980,524	6,692
Real estate insurance for properties in use of relevant third parties	180,777	82

d) Agreements for offset and settlement of liabilities in the scope of the National Financial System

Agreements were executed for the offset and settlement of receivables and payables pursuant to CMN Resolution No. 3,263/2005, the purpose of which is to enable the offsetting of credits and debits maintained with the same counterparty, and in which the maturity dates of receivables and payables can be advanced to the date in event of default by one of the parties occurs or in case of the bankruptcy of the debtor.

e) Reconciliation of equity transactions with cash flows arising from financing activities

Bank and Consolidated	Liabilities			Shareholder's equity		Total
	Subordinated debts	Debt instruments eligible for capital	Dividends	Capital	Capital and profit reserves	
Balance at 06.30.2018	3,201,355	3,151,013	-	8,130,372	811,142	15,293,882
Proceeds from the allocation of income	-	-	175,664	-	611,076	786,740
Dividends paid	-	-	(175,664)	-	-	(175,664)
Liquidation	(328,816)	(57,969)	-	-	-	(386,785)
Transfer	-	-	-	-	-	-
Interest expenses	195,703	142,377	-	-	-	338,080
Exchange variation	22,506	5,700	-	-	-	28,206
Other	(5,999)	7,725	-	-	-	1,726
Total changes in financing cash flows	(116,606)	97,833	-	-	611,076	592,303
Variations without cash effects	-	-	18,859	-	-	18,859
Dividends to be distributed	-	-	18,859	-	-	18,859
Balance at 12.31.2018	3,084,749	3,248,846	18,859	8,130,372	1,422,218	15,905,044

Bank and Consolidated	Liabilities			Shareholder's equity		Total
	Subordinated debts	Debt instruments eligible for capital	Dividends	Capital	Capital and profit reserves	
Balance at 12.31.2017	2,918,483	2,899,307	110,598	8,130,372	797,699	14,856,459
Proceeds from the allocation of income	-	-	175,664	-	624,519	800,183
Dividends paid	-	-	(286,262)	-	-	(286,262)
Liquidation	(535,680)	(113,535)	-	-	-	(649,215)
Transfer	(625)	625	-	-	-	-
Interest expenses	304,626	277,027	-	-	-	581,653
Exchange variation	455,000	170,040	-	-	-	625,040
Other	(57,055)	15,382	-	-	-	(41,673)
Total changes in financing cash flows	166,266	349,539	(110,598)	-	624,519	1,029,726
Variations without cash effects	-	-	18,859	-	-	18,859
Dividends to be distributed	-	-	18,859	-	-	18,859
Balance at 12.31.2018	3,084,749	3,248,846	18,859	8,130,372	1,422,218	15,905,044

Bank and Consolidated	Liabilities			Shareholder's equity		Total
	Subordinated debts	Debt instruments eligible for capital	Dividends	Capital	Capital and profit reserves	
Balance at 12.31.2016	4,876,634	1,168,944	101,131	7,826,980	746,011	14,719,700
Proceeds from the allocation of income	-	-	-	303,392	51,688	355,080
Dividends paid	-	-	(101,131)	-	-	(101,131)
Funds from new funding	600	1,560,831	-	-	-	1,561,431
Liquidation	(232,188)	(2,091,248)	-	-	-	(2,323,436)
Transfer	(1,952,379)	1,952,379	-	-	-	-
Interest expenses	201,391	301,515	-	-	-	502,906
Exchange variation	39,616	13,920	-	-	-	53,536
Other	(15,191)	(7,034)	-	-	-	(22,225)
Total changes in financing cash flows	(1,958,151)	1,730,363	(101,131)	303,392	51,688	26,161
Variations without cash effects	-	-	110,598	-	-	110,598
Dividends to be distributed	-	-	110,598	-	-	110,598
Balance at 12.31.2017	2,918,483	2,899,307	110,598	8,130,372	797,699	14,856,459

BOARD OF DIRECTORS

Alexei De Bona - Accountant - CRC PR-036459/O-3
