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Banco Cooperativo do Brasil S.A. - Bancoob

***Parent company and consolidated
financial statements at
December 31, 2017
and independent auditor's report***





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Independent auditor's report

To the Board of Directors and Shareholders
Banco Cooperativo do Brasil S.A. - Bancoob

Opinion

We have audited the accompanying parent company financial statements of Banco Cooperativo do Brasil S.A. ("Bank"), which comprise the balance sheet as at December 31, 2017 and the statements of income, changes in equity and cash flows for the six-month period and year then ended, as well as the accompanying consolidated financial statements of Banco Cooperativo do Brasil S.A. - Bancoob and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2017 and the consolidated statements of income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Cooperativo do Brasil S.A. - Bancoob and of Banco Cooperativo do Brasil S.A. - Bancoob and its subsidiaries as at December 31, 2017, and the parent company financial performance and cash flows for the six-month period and year then ended, as well as the consolidated financial performance and cash flows, for the year then ended, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank.

Basis for opinion

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

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

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

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

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



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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our



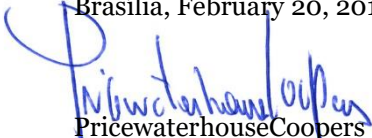
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opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Brasília, February 20, 2018


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Guilherme Naves Valle
Contador CRC 1MG070614/O-5

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Banco Cooperativo do Brasil S.A.
- BANCOOB

Consolidated financial statements

December 31, 2017

Banco Cooperativo do Brasil S.A - Bancoob

Financial Statements

at December 31, 2017

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1. Economic scenario

The political instability that continued throughout the year did not prevent the Brazilian economy from growing, albeit at a gradual pace, from the first quarter of 2017. The low inflation for the period allowed the SELIC rate to be reduced to its lowest historical level.

Significant national structural progress was achieved in 2017, particularly in terms of the approval of the labor reform by Brazilian Congress, which adjusts the legislation to the new labor relations, reducing the legal insecurity that has always haunted employers, and promoting an increase in formal employment relationships. The Long Term Rate (TLP) was adopted as a replacement for the Long Term Interest Rate (TJLP) as the index for loan agreements, with a focus on National Bank for Economic and Social Development (BNDES) credit facilities.

Brazilian GDP increased by 0.6% up to the third quarter, and the projections indicate an expansion of 1.0% by the end of the year. On the supply side, the agricultural sector stood out as a highlight until the third quarter, with accumulated growth of 14.5%, an effect of a bumper grain crop. Industrial GDP decreased by 0.9%, but the manufacturing industry started to show signs of recovery after a long downturn. The extraction industry performed solidly (+5.9%), while the civil construction sector remained a negative influence on the results for the year (-6.1%). The service industry recorded a decrease up to the third quarter, although the losses lessened consistently.

On the demand side, a positive highlight was provided by household consumption, which grew by 0.4% in the first three quarters of the year, achieving an increase of 2.2% in the third quarter compared to 3Q16. Investments in capital formation continued to show a downturn trend, decreasing by 3.6% accumulated in the third quarter, but also recording reduced losses. It is worth mentioning that, in 2016, the gross fixed capital investment had dropped by 10.3% compared to 2015. In Brazilian balance of trade, the quantities exported and imported grew throughout 2017, with accumulated variations of 4.0% and 3.9%, respectively.

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The recovery of consumption was among the key drivers sustaining the resumption of the economic activity in 2017. Others included the release of resources from dormant accounts of the Government Severance Indemnity Fund for Employees (FGTS) in the first semester, the unexpectedly sharp fall in inflation, and the continued offering of credit to individuals at reduced interest rates. In addition, the labor market showed signs of stabilization throughout the year. This scenario contributed to boosting consumer confidence in the economy in 2017, as confirmed by the index on the topic published by the Getúlio Vargas Foundation (FGV), which increased from 73.1 points in December 2016 to 86.4 points in December 2017. In this context, retail sales started to improve. In the period between January and November, the restricted index recorded an increase of 1.9% compared with the same period in 2016, while the broad index, which includes vehicles and construction materials, increased by 3.7%. This positive rhythm was intensified in the second half of the year, and the annual variations in November reached 5.9% (restricted index) and 8.7% (broad index).

The labor market began a slow recovery in 2017, as it is generally the last indicator to respond to economic cycles. After reaching a peak of 13.7% in March, the unemployment rate gradually decreased over the following months, reaching 12.0% in November. However, as a good portion of the decrease can be explained by seasonal factors, and the unemployment rate with seasonal adjustments decreased from 13.0% in January to 12.7% in November, corresponding to a significant increase in job placements from December 2016 to November 2017 - a total of 1.4 million people, most still working off the books, such as in self-employment. On the other hand, this increase in job placements was offset by the return of workers to the labor force, resulting in an increase in the economically active population (PEA), at virtually the same magnitude, and a slight drop in the unemployment rate.

Inflation was another highlight in 2017, with the slowdown in the Amplified Consumer Price Index (IPCA), which decreased from 6.29% in 2016 to 2.95% in 2017, a rate which was lower than the target for the year. Although most of this decrease was caused by an unexpected fall in food prices, the price of services did fall from 6.5% to 4.5%. The positive impact of lower food prices and the high level of idleness in the economy were coupled with a well-conducted economic policy, which redefined the expected inflation rates and the valuation of local assets,

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including the Brazilian currency (the Real). Given this favorable inflationary context, the Brazilian Central Bank managed to continue the process of making the currency more flexible, by reducing the SELIC rate at all of the meetings held in 2017, reaching 7.0% at the year end.

Brazilian foreign accounts remained in a rather comfortable position. The trade surplus totaled US\$ 67.1 billion in 2017, a record achieved through the increase in both exports (+17,6% to US\$ 217.8 billion) and imports (+9.6% to US\$ 150.7 billion). That indicates that the positive international scenario, the bumper grain crop and the recovery of internal consumption have led the Brazilian trade to recover. This high trade balance has allowed the deficit on current transactions to be reduced to approximately US\$ 10 billion or 0.5% of GDP. This amount was largely overcome by direct investments in the country, which exceeded US\$ 70 billion, strengthening the favorable scenario for Brazilian foreign accounts.

On the other hand, the public accounts remained the main risk factor for the Brazilian economy. The balance of these accounts improved over the year, through the slight recovery of income and the adoption of contingency measures on the expenditure side. Tax collections started to increase in the second half of the year, with the expectation of achieving a real growth rate of 1.0% at the end of the year. The primary deficit totaled R\$ 78.2 billion in the period between January and November, allowing the projection, at the end of the year, an amount much lower than the target of R\$ 159 billion. If the primary deficit is confirmed to be slightly below 2.0% of GDP in 2017, this will represent a significant improvement in relation to 2016 (2.6% of GDP). The nominal deficit also maintained a slight downward trend, due to the improvement of the primary deficit and the gradual reduction of interest expenses. In the twelve month period ended November 2017, the nominal deficit reached 8.45% of GDP, lower than the level at the end of 2016 (9.0% of GDP). In turn, gross debt continued to increase, reaching 74.4% of GDP in November, compared to 69.9% at the end of 2016.

During 2017, Brazilian assets performed positively in the markets, despite the turbulent political scenario. The recovery of the economy and the fall in interest rates in Brazil was coupled with growing optimism in the global economy, which boosted the risk appetite and improved the value of assets from emerging countries. In this context, the Bovespa Index

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(Ibovespa) recorded a year-end a positive variation of 26.9%, breaking the historical record set in 2008, at 76,402 points. The fluctuations in exchange rates were expressive in 2017, upward trend triggered in November 2016 by the election of Donald Trump in the USA, started to be reversed in the first months of the year, and the lowest exchange rate for 2017 was achieved in February, at R\$ 3.06/US\$. The pressures on the exchange rate, which lessened during the second half of the year, heightened again in December, when the rate reached R\$ 3.31/US\$, pushed higher by the approval of US tax reform, and the postponement of social security reform in Brazil. It is worth noting that the broadly positive Brazilian external accounts scenario, which includes official international reserves exceeding US\$ 380 billion, has helped prevent excessive volatility in exchange rates.

A positive atmosphere prevailed in the global scenario, in view of the strengthening of the growth experienced by the main regions. The United States economic scenarios speeded up economic growth in 2017, when GDP should have reached 2.3% (1.5% in 2016). The strong consumption data, stimulated by a warmed-up labor market, was followed by the resumption of investments. The Eurozone economic recovery spread across the continent, hitting its highest level since 2007. Japan recorded the highest expansion rate in four years. China surprised by increasing its rate of growth from 6.7% in 2016 to 6.9% in 2017. Despite the improvement in the global economy, inflationary pressure was not significant, enabling the central banks to maintain a policy of gradual currency adjustments. The United States was responsible for the higher number of adjustments, since on three different occasions the Federal Reserve increased the interest rate from 1.25% to 1.50% at the end of the year.

Nevertheless, the international scenario also brought less favorable news, among which geopolitical tensions should be highlighted, as well as increasing hostilities involving North Korea. Concerns were also raised about the difficulties in the Brexit negotiations and the lack of consensus regarding a majority government in Germany. Finally, the hostile attitude of the Trump government became a recurrent factor driving instability.

In short, 2017 was marked by a positive economic environment both in Brazil and abroad. Political risks were on spotlight in Brazil during the year but did not prevent a scenario of

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greater confidence from prevailing, in view of the perception of recovery in the Brazilian economy and a favorable global scenario.

2. Bancoob

Founded in 1996, Banco Cooperativo do Brasil S/A (Bancoob) is a multi-service bank that is part of Sistema de Cooperativas de Crédito do Brasil (Sicoob), and is controlled by the entities affiliated with the System. Currently, the Group is comprised of Bancoob DTVM, Cabal Brasil, Ponta Administradora de Consórcios and Sicoob Seguradora, as well as the sponsored foundation Sicoob Previ. Specializing in the provision of services to Sicoob unions and their partner systems, the Bank contribute by aggregating competitiveness factors to those entities, providing a portfolio with a number of different financial solutions, which includes credit, management of third party resources, credit cards, consortia, acquiring products, private pension plans and insurance.

In 2017, the return on average equity for the year corresponded to 123.89% of the average Interbank Deposit Certificate (CDI) variation for the period, and the profit totaled R\$ 174.6 million, a growth of 7% compared to 2016.

Total deposits amounted to R\$ 30.9 billion, increasing by 20.19% compared to 2016. The balance of savings deposits totaled R\$ 3.9 billion, recording growth of 22.89%. The lending operations (including interbank onlending) increased by 2.18%, totaling R\$ 10 billion.

As a result of its solid growth path, the Bank's Long Term National Rating was raised to "AA" by Fitch Ratings, reflecting the quality of its assets, proper operational results, and the maintenance of a good liquidity level. Likewise, the bank's risk rating at Riskbank was raised to "BRLP2 - Low Risk for Long Term 2"

In line with Sicoob's Strategic Planning, in 2017 Bancoob commenced its insurance operations through Sicoob Seguradora de Vida e Previdência S/A, and improved the Reward Program of Sicoobcard (credit card), by offering the credit union members the ability to exchange credit card points for investment in the credit union, or enrollment in the Sicoob Previ pension plan. The Bank launched the Sicoob DI-Referenced Fund, another investment

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option offered to the credit union members, which is made directly available through digital channels, and the Real Estate Investment Fund, aimed at credit unions.

For the first time, the Bank promoted the National Sales Campaign (CNV), covering the entire system, which significantly expanded the sale of products and, consequently, increased the growth of service revenue. This new composition of revenue makes Bancoob more resilient and robust for the coming years.

3. Performance

At the end of 2017, Bancoob's consolidated assets totaled R\$ 43.72 billion, up 27.28% on the amount recorded for the previous year, with the following items being particularly noteworthy:

a. Short term interbank investments and marketable securities

Short term interbank investments and securities amounted to R\$ 26.18 billion in 2017, comprised mainly of federal government securities (LFTs, LTNs and NTNs), which accounted for 84.53% of the total amount.

b. Lending operations

The loan portfolio totaled R\$ 10.04 billion, up 2.18% compared to 2016. As regards the breakdown of the loan portfolio, the credit lines contracted using funds from Agribusiness Credit Bills (LCAs) stood out, growing by 197.80%. Growth was also recorded for Rural Savings Accounts, Compulsory Funds, BNDES/FINAME, and the Constitutional Financing Fund for the Mid-West of Brazil (FCO).

The payroll-deductible loan portfolio, (relating to the National Institute of Social Security (INSS) and traditional modalities) totaled R\$ 651 million, increasing by 28.1% when compared to 2016.

c. Card operations

The card issuance segment, which closed the year with 1.5 million cards with built-in limits, recorded increased financial movements in its portfolio, reaching R\$ 23.39 billion, or an increase of 42% compared to the previous year.

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The expansion of the card base through partner cooperative systems was responsible for approximately 19% of this increase.

d. Deposits

In 2017, total consolidated deposits reached R\$ 30.9 billion, an increase of 20.19% compared to 2016, reflecting the confidence placed in Bancoob as the manager of Sicoob's cash.

The Cooperative Savings Account closed the year with a total of R\$ 3.9 billion, up 22.89% compared to 2016

e. Services

Bancoob provided services related to document custody, microfilming, tracking of documents, and real-time surveys, among others. A total of 310,586,274 documents were processed during the year, an increase of 17.15% compared to the previous year.

f. New agreements

In 2017, new corporate agreements for the collection of barcoded invoices/payment slips and setting up of direct debits were added to Sicoob's portfolio, which closed the year with 538 signed partnership agreements. It is worth mentioning the agreements entered into with public utility companies, the state finance department, insurance companies and a number of other companies, such as such as Companhia Riograndense de Saneamento (CORSAN RS), the Finance Department of the State of Maranhão (SEFAZ MA), the Water and Sewage Superintendence of São Paulo (SAECIL SP), ALGAR Telecom, Sicoob Seguradora, Ponta Consórcios, Copel Telecomunicações PR, the Autonomous Municipal Water and Sewage Service of Timbó – State of Santa Catarina (SAMAE SC), the Water and Sewage Department of Linhares – State of Espírito Santo (SAAE ES), the Municipal Government of Aparecida de Goiânia – State of Goiás, the Municipal Government of Praia Grande - State of São Paulo, the Municipal Government of Araraquara, state of São Paulo, the Municipal Government of Unaí - State of Minas Gerais, the Water and Sewage Department of Santa Bárbara - State of São Paulo (DAE SP), and Unimed Palmas and Araguaína, State of Tocantins.

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4. Risk management

a. Operational risk

The operational risk management guidelines are set out in Sicoob's Institutional Policy for Operational Risk Management, approved by the Executive Board and the Board of Directors.

The operational risk management process consists of a qualitative assessment of operational risks through stages involving the identification, evaluation and treatment of risks.

Operational losses are reported to the Internal Control Department, which interacts with the managers of the respective areas and formally reviews the causes for these losses, the adequacy of the controls in place, and the need to improve processes, which may include the implementation of new controls.

The results are submitted to the Executive Board, the Board of Directors and the Statutory Board.

The capital allocation methodology used to compute the portion of operational risk (RWAopad) is the Basic Indicator Approach (BIA).

In compliance with CMN Resolutions 3,380/2006 and BACEN Circular Letter 3,678/2013, a report describing the operational risk management framework and the risk management report - Tier III are available on Bancoob's website (www.bancoob.com.br).

b. Market and liquidity risks

Bancoob has adopted the following policies: Institutional Policy for Financial Centralization Management, Institutional Policy for Liquidity Risk Management, and Institutional Policy for Market Risk Management. These policies set standardized procedures, metrics and actions to be followed by all the entities within Sicoob.

Bancoob's market and liquidity risk management framework is consistent with the nature of its operations and the complexity of the products and services offered, as well as with the extension of the exposure to risks.

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The Institutional Policy for Market Risk Management requires the adoption of the following procedures:

- a) Use of Value at Risk (VaR) to measure market risk;
- b) Analysis of mismatches to assess the impact on the financial margin;
- c) Maximum limit on exposure to market risk;
- d) Periodic back testing performed on market risk calculation models;
- e) Different scenarios simulating losses in stress situations; and
- f) Contingency plans.

The Institutional Policy for Liquidity Risk Management requires the adoption of the following procedures:

- a) Minimum liquidity limit;
- b) 90-day cash flow forecast;
- c) Different scenarios simulating losses in stress situations; and
- d) Liquidity contingency plan.

The systems, models and procedures are periodically reviewed by internal audit teams. The results presented in audit reports are used to improve market and liquidity risk management.

In compliance with CMN Resolutions 3,464/2007 and 4,090/2012 and with BACEN Circular Letters 3,678/2013 and 3,748/2015, a report describing the market and liquidity risk management framework and the risk management report - Tier III are available on Bancoob's website (www.bancoob.com.br).

c. Credit Risk

Bancoob's credit risk management is linked to the Institutional Policy for Credit Risk Management, which defines consistent procedures, metrics and actions for all Sicoob's entities.

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As the entity responsible for the credit risk management of the group companies and the sponsored foundation, in accordance with Article 9 of CMN Resolution 3,721/2009, Bancoob standardizes its processes, establishes methodologies to assess the risk posed by clients and operations, and monitors the loan portfolios.

Credit risk arises from the uncertainty regarding a counterparty's ability to honor its commitments. In order to mitigate credit risk, Bancoob makes use of risk analysis and rating models based on quantitative and qualitative data, to support the risk calculation process and the establishment of credit limits for borrowers, with a view to maintaining the high quality of its portfolio. Bancoob performs periodic testing of its models, ensuring that they are consistent with the economic and financial condition of borrowers. It also monitors defaults on the portfolio and the respective ratings assigned to the operations in accordance with CMN Resolution 2,682/1999.

The credit risk management framework establishes the following:

- a) Proper validation of systems, models and internal procedures;
- b) Estimation (based on consistent and prudent criteria) of losses associated with credit risk, and the comparison of the estimated amounts with the amounts of the losses actually incurred;
- c) Procedures for the monitoring of loan portfolios;
- d) Procedures for the recovery of receivables;
- e) Systems, routines and procedures to identify, measure, assess, monitor, report, control and mitigate the exposure to credit risk;
- f) Periodic submission of management information for the entities that comprise Sicoob;
- g) Area responsible for the calculation and projection of the regulatory capital required, and adequate level for the provision for loan losses;
- h) Models to assess the credit risk of clients, in accordance with the public that is taking out loans, which take into consideration the specific characteristics of the borrowers, as well as industry and macroeconomic matters;

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- i) Portfolio-based credit limits for each client and overall credit limits by portfolio; and
- j) Model to assess the impact on the provision for loan losses, the regulatory capital and the Basel ratio, in an extreme credit risk scenario.

Internal credit risk management standards include the organizational and regulatory structure, risk rating models for borrowers and operations, overall and individual limits, use of computer systems and systems-based monitoring to validate the models and the compliance of processes.

Credit granting and credit risk management processes are clearly segregated, and the organizational structure involved ensures specialization, mandate and rationality.

The systems, models and procedures are periodically reviewed by internal audit teams. The results presented in the audit reports are used to improve the credit risk management process.

In compliance with CMN Resolution 3,721/2009 and BACEN Circular Letter 3,678/20133, a report detailing the credit risk management framework and the risk management report - Tier III are available on Bancoob's website (www.bancoob.com.br).

5. Capital management framework

Bancoob's capital management complies with the guidelines included in Sicoob's Institutional Policy for Capital Management, with which Bancoob formally complied, as decided by the Executive Board and the Board of Directors.

In addition to a specific capital plan, which sets out the capital targets and projections considering strategic objectives over a minimum period of three years, the main sources and a contingency plan, Bancoob has a set of methodologies in place that enables the identification and evaluation of significant risks to its operations, with a view to maintaining a compatible level of capital.

Additionally, simulations of severe events and extreme market conditions are performed, and their results and their impacts on the capital framework are submitted to the Executive Board and the Board of Directors.

The capital management process is reviewed annually by the Internal Audit function.

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In compliance with CMN Resolution 3,988/2011, a report detailing the capital management framework is available on Bancoob's website (www.bancoob.com.br).

6. Equity and profit for the year

At December 31, 2017, the consolidated equity totaled R\$ 1.57 billion, representing an increase of 16.58% compared to the previous year.

Consolidated profit for the year amounted to R\$ 176.35 million, with an annualized return on average equity of 13.01%.

7. Acknowledgments

We would like to thank our shareholders for placing their trust in our management; Sicoob Confederation and the central and individual credit unions, for their cooperation to the achievement of Sicoob's goals, our external partners for their confidence in the solutions offered by the Bancoob Group, and the employees of the Bank and its subsidiaries for their dedication and commitment.

The Management.

Banco Cooperativo do Brasil S.A. – Bancoob

Balance sheet at December 31
(In thousands of reais)

(A free translation of the original in Portuguese)

	BANK		CONSOLIDATED	
	2017	2016 (Restated)	2017	2016 (Restated)
Assets				
Current assets	29,176,697	21,080,481	29,270,297	21,110,517
Available funds (Note 5)	12,142	9,458	12,167	9,832
Short term interbank investments (Note 6)	14,120,051	9,266,901	14,120,051	9,266,901
Money market investments	12,299,616	7,618,319	12,299,616	7,618,319
Investments in interbank deposits	1,820,435	1,648,582	1,820,435	1,648,582
Marketable securities (Note 7)	1,707,896	1,166,937	1,741,338	1,179,366
Own portfolio	1,380,699	861,344	1,414,141	873,773
Subject to repurchase agreements	3,017	25,141	3,017	25,141
Linked to the provision of guarantees	324,180	280,452	324,180	280,452
Interbank accounts (Note 20(a))	9,657,000	7,882,400	9,686,524	7,882,400
Payments and receipts pending settlement	3,264,791	1,990,129	3,294,315	1,990,129
Receivables linked to the Brazilian Central Bank	1,226,829	485,742	1,226,829	485,742
Interbank onlending	5,173,503	5,409,657	5,173,503	5,409,657
(-) Provision for losses on interbank onlending	(8,195)	(3,200)	(8,195)	(3,200)
Correspondents	72	72	72	72
Lending operations (Note 8)	945,877	852,514	945,877	852,514
Lending operations - private sector	958,630	867,768	958,630	867,768
(-) Provision for loan losses	(12,753)	(15,254)	(12,753)	(15,254)
Other receivables	2,694,815	1,869,489	2,724,799	1,886,244
Income receivable	12,611	23,184	22,270	27,152
Sundry receivables (Note 20(b))	2,696,985	1,846,305	2,717,310	1,859,092
(-) Provision for loan losses	(14,781)	-	(14,781)	-
Other assets	38,916	32,782	39,541	33,260
Other assets	2,621	492	2,621	492
Prepaid expenses	36,295	32,290	36,920	32,768
Non-current assets	14,497,326	13,246,736	14,449,172	13,239,888
Long term receivables				
Short term interbank investments (Note 6)	-	5,006	-	5,006
Investments in interbank deposits	-	5,006	-	5,006
Marketable securities (Note 7)	10,321,655	9,533,649	10,322,451	9,563,595
Own portfolio	6,529,665	6,698,992	6,530,461	6,728,938
Subject to repurchase agreements	612,153	138,803	612,153	138,803
Linked to the Brazilian Central Bank	40,288	-	40,288	-
Linked to the provision of guarantees	3,139,549	2,695,854	3,139,549	2,695,854
Interbank accounts	1,577,677	1,518,182	1,577,677	1,518,182
Interbank onlending	1,581,015	1,521,304	1,581,015	1,521,304
(-) Provision for loan losses	(3,338)	(3,122)	(3,338)	(3,122)
Lending operations (Note 8)	2,348,389	2,045,876	2,348,389	2,045,876
Lending operations - private sector	2,370,458	2,060,765	2,370,458	2,060,765
(-) Provision for loan losses	(22,069)	(14,889)	(22,069)	(14,889)
Other receivables	65,056	17,116	65,756	17,817
Sundry receivables (Note 20(b))	65,087	27,607	65,787	28,308
(-) Provision for loan losses	(31)	(10,491)	(31)	(10,491)
Investments	102,435	75,250	32,472	29,826
Equity interests in associates and subsidiaries (Note 10)	102,235	75,050	32,272	29,626
Other investments	200	200	200	200
Property and equipment (Note 11)	79,205	48,299	92,515	52,758
Properties in use	75,592	55,914	75,592	55,914
Other property and equipment in use	31,031	15,469	51,312	25,161
(-) Accumulated depreciation	(27,418)	(23,084)	(34,389)	(28,317)
Intangible assets (Note 12)	2,909	3,358	9,912	6,828
Software	9,180	9,043	22,046	16,934
(-) Accumulated amortization	(6,271)	(5,685)	(12,134)	(10,106)
Total assets	43,674,023	34,327,217	43,719,469	34,350,405

Banco Cooperativo do Brasil S.A. – Bancoob

Balance sheet at December 31
(In thousands of reais)

(A free translation of the original in Portuguese)

Liabilities and equity	BANK		CONSOLIDATED	
	2017	2016	2017	2016
		(Restated)		(Restated)
Current liabilities	37,501,877	29,361,282	37,618,965	29,419,807
Deposits (Note 13)	8,187,258	23,605,970	28,198,428	23,596,251
Demand deposits	46,337	25,361	40,008	22,623
Savings deposits	3,891,630	3,166,740	3,891,630	3,166,740
Interbank deposits	24,212,221	20,390,839	24,212,221	20,390,839
Time deposits	37,070	23,030	29,473	16,049
Other deposits	-	-	25,096	-
Repurchase agreement obligations (Note 14)	2,662,404	1,343,538	2,662,404	1,343,538
Own portfolio	614,264	163,565	614,264	163,565
Third party portfolio	2,048,140	1,179,973	2,048,140	1,179,973
Funds from the acceptance of bills of exchange, real estate and mortgage notes, and debentures (Note 15)	337,070	183,702	337,070	183,702
Agribusiness credit notes	337,070	183,702	337,070	183,702
Interbank accounts (Note 20(a))	2,260,248	1,619,390	2,260,254	1,619,390
Receipts and payments pending settlement	2,260,248	1,619,390	2,260,254	1,619,390
Interdepartmental accounts	12,526	6,199	12,526	6,199
Third party funds in transit	12,526	6,199	12,526	6,199
Onlending in Brazil - official institutions (Note 16)	1,192,051	881,289	1,192,051	881,289
National Treasury	-	23	-	23
Banco do Brasil - FCO	13,263	9,516	13,263	9,516
BNDES	269,995	276,811	269,995	276,811
Brazilian Central Bank	479,438	165,765	479,438	165,765
FINAME	153,761	173,953	153,761	173,953
Funcafé	275,594	255,221	275,594	255,221
Other payables	2,850,320	1,721,194	2,956,232	1,789,438
Collection of taxes and similar charges	8,591	10,148	8,591	10,148
Social and statutory charges	17,935	16,996	18,148	17,183
Taxes and social security charges (Note 20(e))	201,431	143,327	224,322	156,723
Sundry payables (Note 20(f))	2,622,363	1,550,723	2,705,171	1,605,384
Non-current liabilities	4,612,913	3,628,186	4,534,033	3,586,914
Deposits (Note 13)	2,782,833	2,156,501	2,703,808	2,114,938
Interbank deposits	2,406,720	1,869,051	2,406,720	1,869,051
Time deposits	376,113	287,450	297,088	245,887
Funds from the acceptance of bills of exchange, real estate and mortgage notes and debentures (Note 15)	683	219	683	219
Agribusiness credit notes	683	219	683	219
Onlending in Brazil - official institutions (Note 16)	1,825,320	1,469,079	1,825,320	1,469,079
Banco do Brasil - FCO	41,295	42,428	41,295	42,428
BNDES	1,162,588	919,743	1,162,588	919,743
FINAME	533,007	490,285	533,007	490,285
Funcafé	88,430	16,623	88,430	16,623
Other payables	4,077	2,387	4,222	2,678
Taxes and social security charges (Note 20(e))	-	86	41	236
Sundry payables (Note 20(f))	4,077	2,301	4,181	2,442
Deferred income	79	69	79	69
Prepaid income	79	69	79	69

Banco Cooperativo do Brasil S.A. – Bancoob

Balance sheet at December 31
(In thousands of reais)

(A free translation of the original in Portuguese)

Equity (Note 18)	<u>1,559,154</u>	<u>1,337,680</u>	<u>1,566,392</u>	<u>1,343,615</u>
Capital	1,319,242	1,164,179	1,319,242	1,164,179
Capital increase	40,000	-	40,000	-
Capital reserve	45	45	45	45
Revenue reserve	197,108	178,072	197,108	178,072
Adjustment to market value - marketable securities	2,818	(4,590)	2,818	(4,590)
Treasury shares	(59)	(26)	(59)	(26)
Non-controlling interest	-	-	7,238	5,935
Total liabilities and equity	<u>43,674,023</u>	<u>34,327,217</u>	<u>43,719,469</u>	<u>34,350,405</u>

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

Banco Cooperativo do Brasil S.A. – Bancoob

Statement of income

Year ended December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

(A free translation of the original in Portuguese)

	BANK		CONSOLIDATED		
	2 nd six month period	Year		Year	
	2017	2017	2016	2017	2016
Income from financial intermediation	1,574,414	3,314,217	3,242,448	3,317,025	3,248,916
Lending operations (Note 8(h))	470,363	957,408	964,576	957,408	964,576
Gains (losses) on marketable securities (Note 7(c))	1,085,731	2,325,161	2,258,025	2,327,969	2,264,493
Gains (losses) on compulsory investments	18,320	31,648	19,847	31,648	19,847
Expenses on financial intermediation	(1,358,280)	(2,909,599)	(2,888,330)	(2,903,465)	(2,884,636)
Money market funding transactions (Note 13(b))	(1,297,356)	(2,801,209)	(2,804,416)	(2,795,440)	(2,800,720)
Borrowing and onlending (Note 16(b))	(46,308)	(85,819)	(72,728)	(85,819)	(72,729)
(-) Provision for loan losses (Note 8(g))	(14,616)	(22,571)	(11,186)	(22,206)	(11,187)
Gross profit from financial intermediation	216,134	404,618	354,118	413,560	364,280
Other operating income (expenses)	(82,173)	(89,889)	(56,812)	(77,430)	(53,778)
Income from services provided (Note 20(g))	459,543	722,154	425,199	853,975	492,467
Income from bank fees (Note 20(g))	31	61	77	61	77
Personnel expenses (Note 20(h))	(52,349)	(99,619)	(90,739)	(140,031)	(121,359)
Administrative expenses (Note 20(i))	(112,557)	(251,988)	(236,960)	(278,862)	(279,760)
Taxes	(77,820)	(133,741)	(87,585)	(152,620)	(99,187)
Equity in the results of subsidiaries (Note 10)	22,020	30,929	13,970	4,932	281
Other operating income (Note 20(j))	106,661	315,919	253,009	320,433	258,173
Other operating expenses (Note 20(k))	(427,702)	(673,604)	(333,783)	(685,318)	(304,470)
Operating result	133,961	314,729	297,306	336,130	310,502
Non-operating result (Note 20(l))	(911)	(879)	576	(879)	582
Result before taxation and profit sharing	133,050	313,850	297,882	335,251	311,084
Income tax and social contribution (Note 9)	(53,317)	(130,286)	(126,037)	(149,771)	(137,441)
Income tax (Note 9(d))	(50,255)	(94,410)	(70,510)	(107,214)	(77,333)
Social contribution (Note 9(d))	(42,355)	(77,988)	(58,230)	(84,697)	(62,858)
Deferred tax assets (Note 9(d))	39,293	42,112	2,703	42,140	2,750
Employee profit sharing (Note 22(e))	(5,572)	(8,922)	(8,621)	(9,135)	(8,830)
Profit for the six month period/year	74,161	174,642	163,224	176,345	164,813
Number of shares:	741,656,681	741,656,681	638,829,146		
Earnings per thousand shares - R\$	99.99	235.48	255.50		

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

Banco Cooperativo do Brasil S.A. – Bancoob

Statement of changes in equity (In thousands of reais)

(A free translation of the original in Portuguese)

	Share capital	Capital increase	(-) Unpaid share capital	Capital reserve	Revenue reserve	Adjustment to market value	Retained earnings	Treasury shares	Total
At 31 December, 2015	893,832	-	-	45	130,678	(1,371)	-	(26)	1,023,158
Capital increase (Note 18(a))	-	156,583	(156,583)	-	-	-	-	-	-
Payment of capital	-	-	156,583	-	-	-	-	-	156,583
Approval of capital increase	270,347	(156,583)	-	-	-	-	-	-	113,764
Dividends proposed in previous years (Note 18(d))	-	-	-	-	(108,077)	-	-	-	(108,077)
Carrying value adjustments - securities available for sale	-	-	-	-	-	(3,219)	-	-	(3,219)
Profit for the year	-	-	-	-	-	-	163,224	-	163,224
Proposed allocations:									
Legal reserve	-	-	-	-	8,161	-	(8,161)	-	-
Revenue reserve	-	-	-	-	147,310	-	(147,310)	-	-
Proposed dividends (Note 18(d))	-	-	-	-	-	-	(7,753)	-	(7,753)
At December 31, 2016	1,164,179	-	-	45	178,072	(4,590)	-	(26)	1,337,680
Changes in the year	270,347	-	-	-	47,394	(3,219)	-	-	314,522
At December 31, 2016	1,164,179	-	-	45	178,072	(4,590)	-	(26)	1,337,680
Capital increase (Note 18(a))	155,063	40,000	-	-	-	-	-	-	195,063
Proposed dividends from previous years	-	-	-	-	(147,310)	-	-	-	(147,310)
Carrying value adjustments - securities available for sale	-	-	-	-	-	7,408	-	-	7,408
Treasury shares	-	-	-	-	-	-	-	(33)	(33)
Profit for the period	-	-	-	-	-	-	174,642	-	174,642
Proposed allocations:									
Legal reserve	-	-	-	-	8,732	-	(8,732)	-	-
Revenue reserve	-	-	-	-	157,614	-	(157,614)	-	-
Proposed dividends (Note 18(d))	-	-	-	-	-	-	(8,296)	-	(8,296)
At December 31, 2017	1,319,242	40,000	-	45	197,108	2,818	-	(59)	1,559,154
Changes in the year	155,063	40,000	-	-	19,036	7,408	-	(33)	221,474
At June 30, 2017	1,319,242	-	-	45	126,470	2,947	-	(26)	1,448,678
Capital increase (Note 18(a))	-	195,063	(155,063)	-	-	-	-	-	40,000
Payment of capital	-	(155,063)	155,063	-	-	-	-	-	-
Carrying value adjustments - securities available for sale	-	-	-	-	-	(129)	-	-	(129)
Treasury shares	-	-	-	-	-	-	-	(33)	(33)
Profit for the period	-	-	-	-	-	-	74,161	-	74,161
Proposed allocations:									
Legal reserve	-	-	-	-	3,708	-	(3,708)	-	-
Revenue reserve	-	-	-	-	66,930	-	(66,930)	-	-
Proposed dividends (Note 18(d))	-	-	-	-	-	-	(3,523)	-	(3,523)
At December 31, 2017	1,319,242	40,000	-	45	197,108	2,818	-	(59)	1,559,154
Changes in the year	-	40,000	-	-	70,638	(129)	-	(33)	110,476

Banco Cooperativo do Brasil S.A. – BANCOOB

Statement of cash flow At December 31, 2017

(All amounts in thousands of reais)

(A free translation of the original in Portuguese)

	BANK			CONSOLIDATED	
	2nd six month period	Year		Year	
	2017	2017	2016	2017	2016
Cash flow from operating activities					
Adjusted profit	130,680	315,477	300,399	366,253	329,185
Profit before income tax and social contribution	133,050	313,850	297,882	335,251	311,084
Provision for loan losses	14,616	22,571	11,186	22,571	11,186
Depreciation and amortization	3,151	5,416	4,253	8,594	6,046
Equity in the results of subsidiaries	(22,020)	(30,929)	(13,970)	(4,932)	(281)
Goodwill on equity interests in subsidiaries	884	1,887	2,303	1,887	2,303
Interest on sales of property and equipment	-	-	(2,917)	-	(2,917)
Provision for tax, labor and civil contingencies	999	2,682	1,662	2,882	1,764
Increase (decrease) in short term interbank investments	449,291	405,389	(637,931)	405,389	(637,931)
Increase in marketable securities	(660,826)	(1,321,556)	(2,281,073)	(1,313,420)	(2,316,806)
Increase in interbank and interdepartmental accounts	(8,460,208)	(8,494,008)	(247,639)	(8,523,525)	(247,639)
Increase (decrease) in lending operations	6,636,614	6,510,509	(597,891)	6,510,509	(597,891)
Increase (decrease) in other receivables	1,880,570	1,239,028	(1,774,114)	1,225,831	(1,776,187)
Increase in other assets	(1,834)	(6,134)	(6,058)	(6,281)	(6,533)
Increase in deposits	858,285	5,207,620	6,896,608	5,191,047	6,858,419
Increase in repurchase agreement obligations	1,030,692	1,318,866	103,639	1,318,866	103,639
Increase (decrease) in funds from the acceptance of bills of exchange, real estate and mortgage notes and debentures	(113,136)	153,832	149,199	153,832	149,199
Increase in borrowing and onlending operations	606,467	667,003	324,817	667,003	324,817
Increase (decrease) in other payables	(1,024,347)	(661,725)	1,372,148	(644,131)	1,422,614
Income tax and social contribution paid	(84,689)	(84,689)	(60,605)	(84,689)	(70,140)
Change in deferred income	44	10	(5)	10	(5)
Net cash inflow (outflow) from operating activities	1,247,603	5,249,622	3,541,494	5,266,694	3,534,741
Cash flow from investment activities					
Acquisition of equity interests	-	-	(16,000)	-	-
Dividends received from associates	-	1,858	1,042	-	-
Disposal of property and equipment in use	-	22	170	39	172
Disposal of intangible assets	194	194	-	194	-
Purchases of property and equipment	(34,455)	(35,333)	(720)	(45,936)	(5,995)
Purchases of intangible assets	(234)	(757)	(2,002)	(5,733)	(4,564)
Net cash inflow (outflow) from investment activities	(34,495)	(34,016)	(17,510)	(51,436)	(10,387)
Cash flow from financing activities					
Increase in share capital	40,000	195,063	270,347	195,063	270,347
Share buyback	(33)	(33)	-	(33)	-
Payment of dividends	-	(154,418)	(113,765)	(154,418)	(113,765)
Net cash inflow (outflow) from financing activities	39,967	40,612	156,582	40,612	156,582
Net increase (decrease) in cash and cash equivalents	1,253,075	5,256,218	3,680,566	5,255,870	3,680,936
Changes in cash and cash equivalents					
Net increase (decrease) in cash and cash equivalents (Note 4)	1,253,075	5,256,218	3,680,566	5,255,870	3,680,936
At the beginning of the period	11,058,682	7,055,539	3,374,973	7,055,913	3,374,977
At the end of the period	12,311,757	12,311,757	7,055,539	12,311,783	7,055,913

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

Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements
at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

1 Operations

Banco Cooperativo do Brasil S.A. Banco Cooperativo do Brasil S.A. ("Bancoob", the "Institution" or the "Bank") is a multi-service bank established pursuant to Resolution 2,193 of August 31, 1995, of the National Monetary Council ("CMN"). The Bank was authorized to operate by the Brazilian Central Bank the (the "Central Bank" or "BACEN") on July 21, 1997 and started its operations on September 1, 1997.

On March 29, 2016, the Brazilian Central Bank authorized Bancoob to operate in the real estate loan segment, and the Bank started carrying out these operations on April 1, 2016, becoming a multi-service cooperative bank.

Bancoob was created to provide financial, technical and operational services to credit unions pursuant to Article 88 of Law 5,764/71, and is controlled by the central credit unions which, together with the individual credit unions, comprise Sistema de Cooperativas de Crédito do Brasil (Sicoob).

The central credit unions also established Confederação Nacional das Cooperativas do Sicoob Ltda. - ("Sicoob Confederation") to provide representation and supervision services, standardize operational procedures, implement the internal control system, and provide information technology services.

The main services rendered by Bancoob include the provision of bank reserve accounts and the clearing of checks and other paperwork are to be highlighted.

The mismatch between current assets and current liabilities, in the parent company and consolidated balance sheet at December 31, 2017, totaling R\$ 8.32 billion and 8.35 billion, respectively, does not pose any risk to the System in view of the following facts: i) approximately 71.20% and 71.44% of non-current assets in the parent company and consolidated balance sheet, respectively, consist of highly liquid federal government securities; ii) most of the Bank's funding is in the form of interbank deposit certificates from the credit unions, which are the Bank's shareholders, and iii) tests conducted periodically indicate the stability/renewal of short term liabilities.

2 Presentation of the parent company and consolidated financial statements

The parent company and consolidated financial statements (the "financial statements") are the responsibility of Management, and have been prepared based on the accounting guidelines established by the Brazilian Corporation Law, as well as the standards and instructions issued by the National Monetary Council ("CMN") and the Brazilian Central Bank.

Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

The consolidated financial statements include not only the Bank's accounting balances, but also those of Bancoob Distribuidora de Títulos e Valores Mobiliários Ltda., Ponta Administradora de Consórcios Ltda, Cabal Brasil Ltda., and Bancoob Participações em Seguridade S.A. In the consolidated financial statements, equity interests, as well as intercompany receivables and payables, and revenue and expenses, have been eliminated.

The Joint Executive Board of Bancoob submitted these financial statements to the Board of Directors, which approved them on February 20, 2017.

3 Summary of significant accounting practices

a. Accounting estimates

The preparation of financial statements in accordance with the accounting practices adopted in Brazil requires Management to use its judgment to determine and record accounting estimates, where applicable. Significant items subject to the application of estimates and assumptions include the valuation of the recoverable amounts of property and equipment and intangible assets, the provision for loan losses, the estimated realization of tax assets, the provision for cash outflows in connection with tax, labor and civil contingencies, and the valuation of securities and derivative financial instruments. The settlement amounts of the transactions may differ from the estimated amounts presented in the financial statements due to inaccuracies inherent in the process of their determination. The Bank reviews accounting estimates and assumptions on a half-yearly basis.

b. Determination of results

The results of operations are determined on the accruals basis of accounting.

c. Foreign currency

Monetary assets denominated in foreign currency were translated into Brazilian Reais at the exchange rate in effect on the balance sheet date, and currency translation differences were recorded in the statement of income for the period.

d. Cash and cash equivalents

Cash and cash equivalents represent cash in local currency and foreign currency, and short term interbank investments whose maturities at the investment date are equal to or lower than 90 days and are subject to an immaterial risk of changes in fair value, which are used by Bancoob to manage its short term obligations.

Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

e. Short term interbank investments and repurchase agreement obligations

Short term interbank investments are stated at the amount of the investment or acquisition, plus income earned up to the balance sheet date. It should be highlighted that these operations are backed by federal government and corporate securities.

f. Marketable securities

Where applicable, securities are classified based on a set of criteria for the registration and valuation of securities portfolios, defined by BACEN Circular Letter 3,068/2001, in accordance with Management's intentions for them, into three specific categories, in compliance with the following recognition criteria:

- i. Trading securities** - securities acquired to be frequently and actively traded, adjusted to market value with a corresponding entry to profit or loss for the period;
- ii. Available-for-sale securities** - securities that are not classified as "trading securities" or "held-to-maturity securities". These securities are adjusted to market value, and the results of the adjustment, net of tax effects, is recorded in a separate account in equity. Gains and losses, where applicable, are recognized in the statement of income.
- iii. Held-to-maturity securities** - securities acquired to be held to maturity, based on financial capacity studies, accounted for at acquisition cost plus any income earned.

The methodology for the marking-to-market of securities was established in compliance with consistent and verifiable criteria, which take into consideration the average trading price on the day of the calculation or, in the absence thereof, pricing models that reflect the probable net realizable value.

Income from securities, irrespective of the category in which they are classified, is accrued on a daily *pro rata* basis, under the exponential or straight line method, based on the return clauses and acquisition costs distributed over the term of the investment and recognized directly in the statement of income for the year.

When available-for-sale securities are sold, the difference between the selling price and the initial acquisition cost, adjusted for accrued income, is considered the result of the transaction and recognized on the transaction date within "Gains or losses on securities".

Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

g. Derivative financial instruments

In compliance with BACEN Circular Letter 3,082/01, derivative financial instruments are valued at market value at least at the time of preparation of the monthly trial balances and balance sheets. Any appreciation or depreciation is recognized directly in revenue or expense accounts for the respective derivative financial instruments.

The methodology for the marking-to-market of securities was established in compliance with consistent and verifiable criteria, which take into consideration the average trading price on the day of calculation, or, in the absence thereof, pricing models that reflect the probable net realizable value in accordance with the characteristics of the derivative.

h. Provision for loan losses

The provision for loan losses is calculated based on Management's judgment concerning the risk level, considering the analysis and risk rating of the borrower and transaction, in compliance with the parameters established by CMN Resolution 2,682/99. This Resolution requires a periodic analysis of the loan portfolio, as well as the classification of its operations into nine levels, of which "AA" is the lowest risk level and "H" is the highest risk level.

Income from lending operations overdue for more than 60 days, irrespective of their risk level, is only recognized in profit or loss after it has been received.

Operations classified in risk level "H" are transferred to the offsetting account, with the corresponding debit entry to the provision account, only six months after their classification into this risk level. Renegotiated operations are maintained in the same risk level in which they were classified prior to the renegotiation, and operations which had been previously recorded as losses start to be classified under risk level "H". Renegotiated operations are only transferred to the lowest risk level category after significant amortization has occurred, or when new relevant facts justify a change in their risk classification. Any gains arising from renegotiations are only recognized as income when effectively received. The provision for loan losses, which is considered sufficient by Management, complies with the minimum requirement established in the aforementioned Resolution, as shown in Note 8(g).

i. Investments

Investments are recorded at their acquisition costs, and equity interests in subsidiaries and associates are accounted for based on the equity method.

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Notes to the financial statements
at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

j. Property and equipment

Property and equipment are recorded at their acquisition, formation or construction costs, including interest and other capitalized financial charges. Depreciation is calculated on a straight line basis, in accordance with the following annual rates, based on the useful lives of the assets: properties in use - 4.70%; equipment in use - 10%; vehicles and data processing equipment - 20%.

Other expenditure is capitalized only when there is an increase in the economic benefits related to the respective asset. Any other type of expenditure is recognized in the statement of income as an expense as incurred.

Impairment of Assets - a loss is recognized in the event there is clear evidence that the assets are not stated at their recoverable amounts.

k. Intangible assets

These correspond to the rights acquired to intangible assets that are maintained or used in the Bank's operations. Intangible assets with defined useful lives are usually amortized on a straight line basis over an estimated period of economic benefit. Intangible assets include software acquired from third parties and are amortized at an annual rate of 20%. Intangible assets are also reviewed for impairment on an annual basis.

l. Other current and non-current assets

These are stated at their net realizable values.

m. Deposits and money market funding

Funds arising from deposits are stated at the amount raised, plus any accrued income, on a daily *pro rata* basis.

n. Borrowing and onlending operations

These are stated at their known or determinable amounts, including accrued charges and monetary variations, net of the corresponding unrecognized expenses, when applicable.

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Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

o. Private pension plan

The private pension plan established by Bancoob is of the defined contribution type, and the monthly contributions to the plan are recognized as an expense in the statement of income for the year.

p. Income tax and social contribution

The provision for income tax was computed at the rate of 15%, plus a 10% surtax, and the provision for social contribution was computed at the rate of 15% up to August. From September, in accordance with the amendment to Law 7,689/88, it started to be computed at 20% on the taxable income calculated as established by the prevailing tax laws.

Tax assets were calculated in accordance with the aforementioned tax rates and are recognized based on the expected generation of future taxable income, over a maximum period of ten years, pursuant to CMN Resolution 3,059/2002 as amended by Resolution 3,355/06. The expected generation of future taxable income is supported by a technical study prepared by Management and updated on a half-yearly basis.

q. Contingent assets, liabilities and legal obligations

Provisions are recognized in the balance sheet when Bancoob has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of funds will be required to settle the obligation. The provisions are recorded based on the best estimates of the risk involved.

Contingent assets and liabilities - The recognition, measurement and disclosure of provisions and contingent assets and liabilities is carried out in accordance with CMN Resolution 3,823/2009, which requires financial institutions and other institutions authorized to operate by BACEN, to comply with Technical Pronouncement CPC 25, issued by the Accounting Pronouncements Committee ("CPC"), as follows:

- **Contingent assets** - Contingent assets are not accounted for, except when there are real guarantees or unappealable court decisions in which a favorable outcome is virtually certain. Contingent assets for which a favorable outcome is classified as probable are only disclosed in the notes to the financial statements.
- **Contingent liabilities** - Contingent liabilities are recognized based on the opinion of the legal advisors, the nature of the lawsuits, similarities with previous lawsuits and the complexity of the lawsuits, when the risk of an unfavorable outcome is classified as probable, generating an outflow of funds to settle the

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Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

obligation, and where the amounts involved can be measured reliably. The lawsuits for which an unfavorable outcome is classified as possible are only disclosed in the notes to the financial statements when they are considered material on a stand-alone basis.

- **Legal obligations** - These are obligations that derive from a contract, through implicit or explicit terms, a law or another operation of law, which should be recognized by Bancoob.

r. Other current and non-current liabilities

These are stated at their known or estimated amounts including, when applicable, the corresponding charges and monetary variations incurred.

s. Technical Pronouncements - CPCs

The Brazilian Central Bank has approved the adoption of the following Technical Pronouncements issued by the CPC, which were applied to the financial statements:

- CPC 00 (R1) – Basic Conceptual Pronouncement;
- CPC 01 (R1) – Impairment of Assets;
- CPC 03 (R2) – Statement of Cash Flow;
- CPC 05 (R1) – Related Party Disclosures;
- CPC 10 (R1) – Share-based Payments;
- CPC 23 - Accounting Policies, Changes in Accounting Estimates and Correction of Errors;
- CPC 24 - Events After the Reporting Period;
- CPC 25 – Provisions, Contingent Liabilities and Contingent Assets; and
- CPC 33 (R1) – Employee Benefits.

The other Technical Pronouncements issued by the CPC will be applied after their adoption has been approved by the Brazilian Central Bank.

Banco Cooperativo do Brasil S.A. – BANCOOB

Statement of cash flow

At December 31, 2017

(All amounts in thousands of reais)

(A free translation of the original in Portuguese)

4 Breakdown of cash and cash equivalents

Cash and cash equivalents, presented in the statement of cash flow, are broken down as follows:

	BANK		CONSOLIDATED	
	2017	2016	2017	2016
Cash				
Available funds (Note 5)	12,142	9,458	12,167	9,832
Local currency	235	508	260	882
Foreign currency	11,907	8,950	11,907	8,950
Cash equivalents				
Short term interbank investments (up to 90 days)	12,299,615	7,046,081	12,299,616	7,046,081
Total	12,311,757	7,055,539	12,311,783	7,055,913

5 Available Funds

	BANK		CONSOLIDATED	
	2017	2016	2017	2016
Local currency	235	508	260	882
Foreign currency	11,907	8,950	11,907	8,950
Total	12,142	9,458	12,167	9,832

Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements
at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

6 Short term interbank investments

a. Breakdown of short term interbank investments

	BANK					CONSOLIDATED			
	Maturity					Total	Total	Total	Total
	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 12 months	2017	2016	2017	2016
Investments in repurchase agreements	1,050,735	11,248,881	-	-	-	12,299,616	7,618,319	12,299,616	7,618,319
Resales pending settlement - own resources	1,050,735	9,200,337	-	-	-	10,251,072	6,439,588	10,251,072	6,439,588
Resales pending settlement - third party resources	-	2,048,544	-	-	-	2,048,544	1,178,731	2,048,544	1,178,731
Investments in interbank deposits	84,747	289,006	490,105	956,577	-	1,820,435	1,653,588	1,820,435	1,653,588
Total	1,135,482	11,537,887	490,105	956,577	-	14,120,051	9,271,907	14,120,051	9,271,907
Current						14,120,051	9,266,901	14,120,051	9,266,901
Non-current						-	5,006	-	5,006

b. Income from short term interbank investments

- Classified in the statement of income as profit or loss arising from transactions with marketable securities.

	BANK		
	2 nd six month period		
	2017	2017	2016
Investments in repurchase agreements			
- Own resources	482,080	935,151	711,773
- Third party resources	63,931	131,675	135,779
Sub-total	546,011	1,066,826	847,552
- Investments in interbank deposits	68,920	173,927	126,676
Total	614,931	1,240,753	974,228

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Notes to the financial statements
at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

7 Marketable securities and derivative financial instruments

a. Marketable securities

Securities are classified as "available for sale", "trading" and "held to maturity". Their market value is calculated as follows:

- i.** For federal government securities (LTNs, LFTs and NTNs), the index disclosed by the Brazilian Association of Capital and Financial Markets Institutions (ANBIMA) is used;
- ii.** Investment funds (FIDC) – subordinated shares - the latest price disclosed by the fund's administrator for the subordinated shares which represents the fair value of the fund's net assets is used; and
- iii.** Private securities are marked to market periodically, using an in-house methodology that first considers the prices available in liquid markets. Alternatively, fair values are calculated using a method that considers the average spreads (for similar private securities) adopted for the own portfolio, in accordance with the size of the issuer.

Securities, including derivative financial instruments and short term interbank investments, are under the custody of CBLC, CETIP, SELIC or BM&FBOVESPA, except for investment fund shares, for which records are kept by the respective administrators.

Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

The amortized cost (including income earned) and the market values of marketable securities were as follow:

BANK	Carrying amount						Total 2017			Total 2016		
	With no defined maturity	Maturity					Curve value	Market value	Unrealized gains (losses)	Curve value	Market value	Unrealized gains (losses)
		Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 12 months						
I - Available-for-sale securities	38,977	20,295	285,043	131,632	1,224,379	10,321,655	12,017,200	12,021,981	4,781	10,583,090	10,575,488	(7,602)
Own portfolio												
Financial Treasury Bills (LFT)	-	-	133,292	-	517,256	5,524,123	6,174,980	6,174,671	(309)	5,600,781	5,592,176	(8,605)
Funds	38,977	-	-	-	-	-	38,977	38,977	-	11,433	11,433	-
Financial Bills (LF)	-	20,295	69,309	131,632	462,368	1,005,542	1,684,399	1,689,146	4,747	1,853,284	1,857,632	4,348
Total	38,977	20,295	202,601	131,632	979,624	6,529,665	7,898,356	7,902,794	4,438	7,465,498	7,461,241	(4,257)
Subject to repurchase agreements												
Financial Treasury Bills (LFT)	-	-	3,017	-	-	612,153	615,529	615,170	(359)	139,302	139,065	(237)
Total	-	-	3,017	-	-	612,153	615,529	615,170	(359)	139,302	139,065	(237)
Linked to the Brazilian Central Bank												
Financial Treasury Bills (LFT)	-	-	-	-	-	40,288	40,301	40,288	(13)	-	-	-
Total	-	-	-	-	-	40,288	40,301	40,288	(13)	-	-	-
Linked to the provision of guarantees												
Financial Bills (LF)	-	-	72,676	-	58,863	361,782	491,348	493,321	1,973	411,260	411,737	477
Financial Treasury Bills (LFT)	-	-	6,749	-	185,892	2,777,767	2,971,666	2,970,408	(1,258)	2,567,030	2,563,445	(3,585)
Total	-	-	79,425	-	244,755	3,139,549	3,463,014	3,463,729	715	2,978,290	2,975,182	(3,108)
II - Trading securities	7,570	-	-	-	-	-	7,568	7,570	2	2,203	2,213	10
Own portfolio												
Financial Bills (LF)	2,437	-	-	-	-	-	2,434	2,437	3	2,203	2,213	10
Financial Treasury Bills (LFT)	5,133	-	-	-	-	-	5,134	5,133	(1)	-	-	-
Total	7,570	-	-	-	-	-	7,568	7,570	2	2,203	2,213	10
III - Held-to-maturity securities	-	-	-	-	-	-	-	-	-	122,885	122,797	(88)
Own portfolio												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	96,882	96,813	(69)
Total	-	-	-	-	-	-	-	-	-	96,882	96,813	(69)
Subject to repurchase agreements												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	24,879	24,861	(18)
Total	-	-	-	-	-	-	-	-	-	24,879	24,861	(18)
Linked to the provision of guarantees												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	1,124	1,123	(1)
Total	-	-	-	-	-	-	-	-	-	1,124	1,123	(1)
Total securities	46,547	20,295	285,043	131,632	1,224,379	10,321,655	12,024,768	12,029,551	4,783	10,708,178	10,700,498	(7,690)

Current
Non-current

1,707,896
10,321,655
9,533,649
1,166,937

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Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

The amortized cost (including income earned) and the market values of marketable securities were as follow:

CONSOLIDATED	Carrying amount						Total 2017			Total 2016		
	Maturity						Curve value	Market value	Unrealized gains (losses)	Curve value	Market value	Unrealized gains (losses)
	With no defined maturity	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 12 months						
I - Available-for-sale securities	45,820	20,404	285,440	157,725	1,224,379	10,322,451	12,051,438	12,056,219	4,781	10,583,090	10,617,863	34,773
Own portfolio												
Financial Treasury Bills (LFT)	-	-	133,292	26,093	517,256	5,524,123	6,201,073	6,200,764	(309)	5,600,781	5,615,898	15,117
Bank Deposit Certificates (CDB)	-	-	-	-	-	796	796	796	-	-	5,644	5,644
Funds	45,820	-	-	-	-	-	45,820	45,820	-	11,433	17,863	6,430
Debentures	-	109	397	-	-	-	506	506	-	-	6,579	6,579
Financial Bills (LF)	-	20,295	69,309	131,632	462,368	1,005,542	1,684,399	1,689,146	4,747	1,853,284	1,857,632	4,348
Total	45,820	20,404	202,998	157,725	979,624	6,530,461	7,932,594	7,937,032	4,438	7,465,498	7,503,616	38,118
Subject to repurchase agreements												
Financial Treasury Bills (LFT)	-	-	3,017	-	-	612,153	615,529	615,170	(359)	139,302	139,065	(237)
Total	-	-	3,017	-	-	612,153	615,529	615,170	(359)	139,302	139,065	(237)
Linked to the Brazilian Central Bank												
Financial Treasury Bills (LFT)	-	-	-	-	-	40,288	40,301	40,288	(13)	-	-	-
Total	-	-	-	-	-	40,288	40,301	40,288	(13)	-	-	-
Linked to the provision of guarantees												
Financial Bills (LF)	-	-	72,676	-	58,863	361,782	491,348	493,321	1,973	411,260	411,737	477
Financial Treasury Bills (LFT)	-	-	6,749	-	185,892	2,777,767	2,971,666	2,970,408	(1,258)	2,567,030	2,563,445	(3,585)
Total	-	-	79,425	-	244,755	3,139,549	3,463,014	3,463,729	715	2,978,290	2,975,182	(3,108)
II - Trading securities	7,570	-	-	-	-	-	7,568	7,570	2	2,203	2,213	10
Own portfolio												
Financial Bills (LF)	2,437	-	-	-	-	-	2,434	2,437	3	2,203	2,213	10
Financial Treasury Bills (LFT)	5,133	-	-	-	-	-	5,134	5,133	(1)	-	-	-
Total	7,570	-	-	-	-	-	7,568	7,570	2	2,203	2,213	10
III - Held-to-maturity securities	-	-	-	-	-	-	-	-	-	122,885	122,797	(88)
Own portfolio												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	96,882	96,813	(69)
Total	-	-	-	-	-	-	-	-	-	96,882	96,813	(69)
Subject to repurchase agreements												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	24,879	24,861	(18)
Total	-	-	-	-	-	-	-	-	-	24,879	24,861	(18)
Linked to the provision of guarantees												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	1,124	1,123	(1)
Total	-	-	-	-	-	-	-	-	-	1,124	1,123	(1)
Total securities	53,390	20,404	285,440	157,725	1,224,379	10,322,451	12,059,006	12,063,789	4,783	10,708,178	10,742,873	34,685
Current							1,741,338			1,179,366		
Non-current						10,322,451		9,563,595				

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Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

b. Breakdown of marketable securities

	BANK		CONSOLIDATED	
	2017	2016	2017	2016
Market value of available-for-sale securities	12,021,981	10,575,488	12,056,219	10,617,863
Market values of trading securities	7,570	2,213	7,570	2,213
Adjusted curve value of held-to-maturity securities	-	122,885	-	122,885
Total	12,029,551	10,700,586	12,063,789	10,742,961

In 2017, there were no reclassifications of securities between the categories.

At December 31, 2017, Bancoob's securities linked to the provision of guarantees totaled R\$ 3,463,729 (2016 – R\$ 2,976,306), distributed as follows:

- R\$ 2,181,893 (2016 – R\$ 2,134,229) as collateral for funding operations;
- R\$ 1,258,145 (2016 - R\$ 818,556) as collateral for credit card transactions.

c. Results from marketable securities

	2 nd six month period	BANK		CONSOLIDATED	
	2017	2017	2016	2017	2016
Income from fixed-income securities	469,467	1,082,489	1,281,540	1,085,207	1,287,708
Income from investment funds	2,471	5,338	5,536	5,428	5,836
Adjustments to market value	3	3	-	3	-
Income from short term interbank investments (Note 6(b))	614,931	1,240,753	974,228	1,240,753	974,228
Expenses related to securities	(1,141)	(3,422)	(3,279)	(3,422)	(3,279)
Total	1,085,731	2,325,161	2,258,025	2,327,969	2,264,493

8 Lending operations

a. Breakdown of the loan portfolio

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(All amounts in thousands of reais unless otherwise stated)

	BANK AND CONSOLIDATED	
	2017	2016
Interbank onlending	6,754,518	6,930,961
Loans and discounted bills	940,295	787,227
Financing	603,642	623,614
Rural and agroindustrial financing	1,779,112	1,517,305
Real estate financing	6,039	387
Other receivables	2,443,943	1,682,098
Sub-total	12,527,549	11,541,592
(-) Provision for loan losses	<u>(11,533)</u>	<u>(6,322)</u>
(-) Provision for loan losses	<u>(34,822)</u>	<u>(30,143)</u>
(-) Provision for other receivables	<u>(14,756)</u>	<u>(10,461)</u>
Total	12,466,438	11,494,666
Current	8,540,280	7,930,477
Non-current	3,926,158	3,564,189

On July 31, 2017, for the adequacy of the accounting records, transfers of rural credit operations were reclassified to lending operations.

The increase in lending operations in the period arose mainly from the greater demand for credit by the participants of Sicoob.

Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements
at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

b. Breakdown of the portfolio by type and risk level

	BANK AND CONSOLIDATED										
Lending operations	AA	A	B	C	D	E	F	G	H	12/31/2017	12/31/2016
Loans and discounted notes	8,401	814,205	72,140	34,127	4,056	1,036	806	480	5,044	940,295	787,227
Financing	-	274,112	230,488	85,669	7,871	3,472	308	244	1,478	603,644	623,614
Rural and agroindustrial financing	151	1,530,444	199,002	41,562	4,265	3,251	175	149	113	1,779,112	1,517,305
Interbank onlending	4,856,233	1,673,360	179,636	45,123	166	-	-	-	-	6,754,518	6,930,961
Real estate financing	-	5,503	536	-	-	-	-	-	-	6,039	387
Total	4,864,785	4,297,624	681,802	206,481	16,358	7,759	1,289	873	6,635	10,083,606	9,859,494
Other receivables	64	2,330,889	77,374	29,254	4,055	1,757	41	37	472	2,443,943	1,682,098
Grand Total	4,864,849	6,628,513	759,176	235,735	20,413	9,516	1,330	910	7,107	12,527,549	11,541,592
Provision for loan losses	-	33,142	7,592	7,072	2,041	2,855	665	637	7,107	61,111	46,926
Total provisions at 12/31/2017, net	4,864,849	6,595,371	751,584	228,663	18,372	6,661	665	273	-	12,466,438	-
Total provisions at 12/31/2016, net	6,807,925	4,166,348	335,880	167,927	11,497	2,702	2,146	241	-	-	11,494,666

Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements
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(All amounts in thousands of reais unless otherwise stated)

c. Breakdown of the provision for loan losses by type

	BANK AND CONSOLIDATED									
Lending operations	A	B	C	D	E	F	G	H	12/31/2017	12/31/2016
Loans and discounted notes	4,071	721	1,024	406	311	403	336	5,044	12,316	17,819
Financing	1,370	2,305	2,570	787	1,042	154	171	1,478	9,877	8,105
Rural and agroindustrial financing	7,653	1,990	1,247	426	975	88	104	113	12,596	4,217
Interbank onlending	8,366	1,797	1,353	17	-	-	-	-	11,533	6,322
Real estate financing	28	5	-	-	-	-	-	-	33	2
Total	21,488	6,818	6,194	1,636	2,328	645	611	6,635	46,355	36,465
Other receivables	11,654	774	878	405	527	20	26	472	14,756	10,461
Grand Total	33,142	7,592	7,072	2,041	2,855	665	637	7,107	61,111	46,926

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Notes to the financial statements
at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

d. Breakdown of the portfolio by maturity range and risk level

d1. Ordinary lending operations

BANK AND CONSOLIDATED											
	AA	A	B	C	D	E	F	G	H	12/31/2017	12/31/2016
1 to 30 days	177,119	274,022	22,981	10,377	3,195	278	54	14	230	488,270	455,346
31 to 60 days	206,425	195,709	23,612	5,526	369	129	20	12	41	431,843	462,059
61 to 90 days	245,433	330,425	23,215	8,080	460	210	15	4	60	607,902	531,990
91 to 180 days	1,073,295	1,054,408	127,545	26,947	1,520	617	50	16	267	2,284,665	2,098,376
91 to 360 days	2,124,577	2,365,854	161,945	60,643	3,022	2,093	81	59	657	4,718,931	4,275,912
Over 360 days	1,038,000	2,393,650	380,377	110,605	7,814	4,882	189	123	2,059	3,937,699	3,563,094
Total	4,864,849	6,614,068	739,675	222,178	16,380	8,209	409	228	3,314	12,469,310	11,386,777

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(All amounts in thousands of reais unless otherwise stated)

d2. Extraordinary lending operations

	BANK AND CONSOLIDATED										
	AA	A	B	C	D	E	F	G	H	12/31/2017	12/31/2016
Past-due installments											
1 to 30 days	-	9,720	13,817	566	94	42	20	16	93	24,368	43,215
31 to 60 days	-	-	58	7,522	69	28	21	19	75	7,792	19,529
61 to 90 days	-	-	-	39	2,112	36	25	19	85	2,316	4,700
91 to 180 days	-	-	-	22	42	292	216	158	263	993	1,173
91 to 360 days	-	-	-	-	-	10	14	16	1,170	1,210	1,314
Over 360 days	-	-	-	-	-	-	-	-	113	113	417
	-	9,720	13,875	8,149	2,317	408	296	228	1,799	36,792	70,347
Falling due Installments											
1 to 30 days	-	132	205	185	46	22	19	19	93	721	8,028
31 to 60 days	-	94	169	169	43	22	19	15	114	644	4,220
61 to 90 days	-	103	168	161	44	22	19	15	88	620	4,946
91 to 180 days	-	282	487	471	126	62	54	42	256	1,780	16,087
91 to 360 days	-	528	1,054	952	338	284	168	125	366	3,816	32,079
Over 360 days	-	3,586	3,543	3,470	1,119	487	346	238	1,077	13,866	19,107
	-	4,725	5,626	5,408	1,716	899	625	454	1,994	21,447	84,468
Total	-	14,445	19,501	13,557	4,033	1,307	921	682	3,793	58,239	154,815

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Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

e. Breakdown of the portfolio by industry and maturity

	BANK AND CONSOLIDATED							2017	2016
	Past-due	Falling due					Over		
		Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 15 years	15 years		
Rural	-	930,376	4,556,532	1,913,144	623,978	509,600	-	8,533,630	8,448,267
Financial intermediaries	1,729	18,313	38,909	50,758	5,210	669	-	115,588	196,056
Individuals	18,581	105,105	272,194	305,878	131,547	7,981	-	841,286	683,076
Other services	6,271	49,882	133,947	227,973	134,995	33,995	-	587,063	531,708
Housing	-	73	221	591	583	2,654	1,917	6,039	387
Total	26,581	1,103,749	5,001,803	2,498,344	896,313	554,899	1,917	10,083,606	9,859,494

f. Concentration of lending operations

	BANK AND CONSOLIDATED			
	2017	%	2016	%
10 largest debtors	2,667,945	26.46	2,889,109	29.30
50 next largest debtors	2,531,355	25.10	2,547,721	25.84
100 next largest debtors	1,471,164	14.59	1,463,462	14.85
Other	3,413,142	33.85	2,959,202	30.01
Total	10,083,606	100.00	9,859,494	100.00

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(All amounts in thousands of reais unless otherwise stated)

g. Changes in the provision for loan losses

g1. Provision for loan losses - Lending operations

	BANK AND CONSOLIDATED		
	2 nd six month period	Year	
	2017	2017	2016
Balance at the beginning of the year	38,226	36,465	36,535
Constitution (reversal) of provision for loan losses - lending operations	11,533	11,533	6,322
Constitution (reversal) of provision for loan losses	69	6,746	1,939
Lending operations written off as losses	(3,473)	(8,389)	(8,331)
Balance at the end of the year	<u>46,355</u>	<u>46,355</u>	<u>36,465</u>

The loans renegotiated in 2017 totaled R\$ 123,433 million (2016 - R\$ 99,842 million) and related to non-performing contracts of Payroll Deductible Loans, Rural Credit and Loan transactions.

Of the total loans written off during the year, R\$ 4,723 (2016 - R\$ 1,351) was recovered.

g2. Provision for loan losses - Other receivables with loan characteristics

	2 nd six month period	BANK AND CONSOLIDATED	
	2017	2017	2016
Balance at the beginning of the year	11,780	10,461	7,532
Constitution of the provision for loan losses	<u>2,976</u>	<u>4,295</u>	<u>2,929</u>
Balance at the end of the year	<u>14,756</u>	<u>14,756</u>	<u>10,461</u>

g3. Guarantees provided

Provisions are recorded for guarantees provided and not yet honored, subject to the same criteria established by Resolution 2,682/99. In 2017, a provision of R\$ 59 (2016 - R\$41) was recorded for these accounts.

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h. Income from lending operations

	BANK AND CONSOLIDATED		
	2 nd six month period	Year	
	2017	2017	2016
Income from lending operations (a)	296,158	615,209	659,083
Loans and discounted bills	94,020	182,234	151,961
Financing	26,893	55,227	62,913
Rural and agroindustrial financing	49,563	99,727	89,245
Income from housing financing	224	288	24
Sub-total	466,858	952,685	963,226
Recovery of credits written-off as losses	3,505	4,723	1,350
Total	470,363	957,408	964,576

It should be noted that Note 20(k) describes the balance of commission on lending operations that followed the ordinary credit granting process adopted by Sicoob.

9 Tax credits, income tax and social contribution on net income

Tax credits

At December 31, 2017, Bancoob had individual and consolidated tax credits recorded under "Other receivables" (Note 20(b) amounting to R\$ 74,024 (2016 – R\$ 36,140) and R\$ 74,256 (2016 – R\$ 36,073), respectively, which arose from temporary differences between the accounting and the taxable results.

a. Breakdown

Nature and origin	BANK AND CONSOLIDATED				BANK AND CONSOLIDATED			
	2017				2016			
	Income tax	Social contribution (*)	Income tax	Social contribution (*)	Income tax	Social contribution	Income tax	Social contribution
Provision for loan losses	64,384	64,384	64,384	64,384	50,092	50,092	50,092	50,092

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Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

Civil and labor contingencies	3,668	3,668	3,668	3,668	2,260	2,260	2,260	2,260
Adjustment to market value - securities	1,941	1,941	1,941	1,941	12,427	12,427	12,427	12,427
Profit sharing	9,164	9,164	9,377	9,377	8,773	8,773	8,959	8,959
Commission on SIPAG Acceleration Program	1,816	1,816	1,816	1,816	-	-	-	-
Government Severance Indemnity Fund for Employees ("FGTS") - 50% - Executive Board Billion Awarded Campaign	1,067	1,067	1,357	1,357	854	854	1,086	1,086
Provisions for the national sales campaign	-	-	-	-	1,172	1,172	1,172	1,172
Card bonus	5,751	5,751	5,751	5,751	-	-	-	-
Legal fees	84,085	84,085	84,085	84,085	7,258	7,258	7,258	7,258
Other provisions	1,518	1,518	1,518	1,518	2,518	2,518	2,518	2,518
	4,949	4,949	4,961	4,961	300	300	333	333
Amount	178,343	178,343	178,858	178,858	85,654	85,654	86,105	86,105
Tax rates	25%	20%	25%	20%	25%	20%	25%	20%
Tax credits recognized	44,586	29,438	44,715	29,541	21,413	14,727	21,526	14,817

(*) At December 31, 2017, the Social Contribution tax credit was recognized on temporary differences at the rate of 20% up to December 2018, and at the rate of 15% from January 2019, in accordance with Law 13,169/15.

b. Changes

	BANK		CONSOLIDATED		BANK		CONSOLIDATED	
	2017				2016			
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
At December 31								
Deferred tax assets	21,413	14,727	21,527	14,817	16,410	13,128	16,497	13,198
Deferred tax liabilities	(1,209)	(809)	(1,209)	(809)	-	-	-	-
	<u>20,204</u>	<u>13,918</u>	<u>20,318</u>	<u>14,008</u>	<u>16,410</u>	<u>13,128</u>	<u>16,497</u>	<u>13,198</u>
Adjustment to profit (loss)	25,794	16,318	25,809	16,331	2,520	183	2,546	204
Tax credits recognized	30,454	26,195	30,548	26,272	9,265	7,411	9,377	7,501
Tax credits derecognized	(4,659)	(9,876)	(4,739)	(9,940)	(6,745)	(7,228)	(6,831)	(7,297)
Changes in deferred taxes	(1)	(1)	(1)	(1)	-	-	-	-
Adjustments to equity (securities)	(3,093)	(1,871)	(3,093)	(1,871)	3,692	2,225	3,692	2,225
Tax credits recognized	2,829	2,833	2,827	2,833	5,005	4,005	5,005	4,005

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Tax credits derecognized	(5,450)	(4,440)	(5,449)	(4,440)	(2,522)	(2,589)	(2,522)	(2,589)
Changes in deferred taxes	(472)	(264)	(471)	(264)	1,209	809	1,209	809
Changes	22,701	14,447	22,716	14,460	6,212	2,408	6,237	2,429
At December 31								
Deferred tax assets	44,586	29,438	44,715	29,541	21,413	14,727	21,526	14,817
Deferred tax liabilities	(1,681)	(1,073)	(1,681)	(1,073)	(1,209)	(809)	(1,209)	(809)
	<u>42,905</u>	<u>28,365</u>	<u>43,034</u>	<u>28,468</u>	<u>20,205</u>	<u>13,918</u>	<u>20,317</u>	<u>14,008</u>

c. Expected realization of tax credits

Based on a study conducted by management on the expected generation of future taxable profits, the tax credits will be realized within ten years, distributed as follows:

	2017			
	BANK		CONSOLIDATED	
	Nominal amount	Present value	Nominal amount	Present value
2018	27,846	25,783	28,078	26,000
2019	15,064	13,015	15,064	13,015
2020	14,093	11,255	14,093	11,255
2021	5,777	4,269	5,777	4,269
2022	2,962	2,027	2,962	2,027
2023 to 2027	8,282	5,250	8,282	5,250
Total tax assets	<u>74,024</u>	<u>61,600</u>	<u>74,256</u>	<u>61,816</u>

The present value of tax credits was calculated considering the SELIC rate projected for the realization years.

d. Income tax and social contribution on net income

The reconciliation of the expense calculated by applying the income tax and social contribution rates, and charged to the Statement of Income, is as follows:

BANK	CONSOLIDATED
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Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

	2017		2016		2017		2016	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
Result before taxation and profit sharing	313,850	313,850	297,882	297,882	335,251	335,251	311,084	311,084
Equity in the results of subsidiaries	(30,929)	(30,929)	(13,970)	(13,970)	(4,932)	(4,932)	(281)	(281)
Employee profit sharing	(8,922)	(8,922)	(8,621)	(8,620)	(9,135)	(9,135)	(8,830)	(8,830)
Tax base	273,999	273,999	275,291	275,291	321,184	321,184	301,973	301,973
Tax rate	25%	20%	25%	20%	25%	20%/9%	25%	20%/9%
	<u>68,500</u>	<u>54,800</u>	<u>68,823</u>	<u>55,058</u>	<u>80,296</u>	<u>60,939</u>	<u>75,493</u>	<u>59,375</u>
Tax effects on temporary differences:								
Provision for loan losses	3,583	2,867	1,205	964	3,583	2,867	1,205	964
Provision for contingent liabilities	428	342	(3)	(3)	422	341	(23)	(10)
Other provisions	<u>21,782</u>	<u>17,426</u>	<u>1,318</u>	<u>1,054</u>	<u>22,779</u>	<u>17,791</u>	<u>1,345</u>	<u>1,076</u>
	<u>25,793</u>	<u>20,635</u>	<u>2,520</u>	<u>2,015</u>	<u>26,784</u>	<u>20,999</u>	<u>2,527</u>	<u>2,030</u>
Tax effects on permanent differences	3,168	2,553	1,391	1,157	3,366	2,759	1,697	1,452
Sponsorships	(2,181)	-	(1,395)	-	(2,180)	-	(1,395)	-
Workers' Meal Program (PAT)	(657)	-	(558)	-	(813)	-	(697)	-
Culture Voucher	-	-	(122)	-	-	-	(121)	-
Extension of parental leave	(213)	-	(149)	-	(237)	-	(174)	-
	<u>(3,051)</u>	<u>-</u>	<u>(2,075)</u>	<u>-</u>	<u>(3,230)</u>	<u>-</u>	<u>(2,213)</u>	<u>-</u>
Current income tax and social contribution	94,410	77,988	70,510	58,230	107,214	84,697	77,328	62,857
Income tax and social contribution from prior years	-	-	-	-	-	-	5	1
Total	<u>94,410</u>	<u>77,988</u>	<u>70,510</u>	<u>58,230</u>	<u>107,214</u>	<u>84,697</u>	<u>77,333</u>	<u>62,858</u>

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10 Investments in subsidiaries

In the parent company financial statements, investments in subsidiaries are valued using the equity method and recorded within "Non-current assets - investments". Adjustments arising from equity interests were included under "Equity in the results of subsidiaries". In the consolidated financial statements, investments in subsidiaries are eliminated upon consolidation, except for jointly-controlled subsidiaries.

Description	Base date	Paid-up share capital	Adjusted equity	Profit for the year	Ownership interest %	Number of shares	Equity in the results			Goodwill on investments		Bank		Consolidated	
							2 nd six month period	YEAR		2017	2016	2017	2016	2017	2016
								2017	2016						
Bancoob Distribuidora de Títulos e Valores Mobiliários Ltda. (a)	12/31/2017	2,170	4,996	2,655	99.9994	2,000,000	1,290	2,655	1,166	-	-	5,061	4,263	-	-
Cabal Brasil Ltda. B	12/31/2017	29,666	36,174	6,508	80	29,666,159	2,438	5,206	6,354	7,458	9,345	36,397	33,078	7,458	9,345
Ponta Administradora de Consórcios Ltda. (c)	12/31/2017	6,191	35,354	18,536	99.99	6,191,000	14,335	18,534	5,558	-	-	35,351	16,817	-	-
Bancoob Participações em Seguridade S.A. (d)	12/31/2017	20,000	25,426	4,534	100	20,000,000	3,957	4,534	892	-	-	25,426	20,892	24,814	20,281
Total							22,020	30,929	13,970	7,458	9,345	102,235	75,050	32,272	29,626

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- (a) Administrator and manager of investment funds, with managed assets amounting to R\$ 19,457,638 at December 31, 2017 (R\$ 14,805,650 in 2016);
- (b) Operator of Mastercard, Visa and Cabal credit cards;
- (c) Operator of consortia for the sale of light vehicles, properties and services, with over 77 thousand active participants and a managed portfolio of R\$ 5.5 billion; and
- (d) Bancoob Participações em Seguridade S.A. – Bancoob PAR Seguridade, whose purpose is to hold an interest in an Insurance Company.

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(All amounts in thousands of reais unless otherwise stated)

11 Property and equipment

	BANK					CONSOLIDATED	
	Land	Buildings and improvements	Machinery and equipment	IT equipment	Other	Total	Total
At 31 December, 2015	3,010	43,967	3,000	855	470	51,302	54,546
Acquisition	-	-	234	429	57	720	5,995
Disposal	-	-	(90)	(5)	(75)	(170)	(172)
Depreciation	-	(2,486)	(635)	(325)	(107)	(3,553)	(4,611)
At December 31, 2016	3,010	41,481	2,509	954	345	48,299	52,758
Total cost	3,010	52,904	6,984	7,777	708	71,383	81,075
Accumulated depreciation	-	(11,423)	(4,475)	(6,823)	(363)	(23,084)	(28,317)
Net book value	3,010	41,481	2,509	954	345	48,299	52,758
At December 31, 2016	3,010	41,481	2,509	954	345	48,299	52,758
Acquisition	-	19,678	800	14,692	163	35,333	45,936
Disposal	-	-	-	-	(22)	(22)	(39)
Depreciation	-	(2,794)	(625)	(885)	(101)	(4,405)	(6,140)
At December 31, 2017	3,010	58,365	2,684	14,761	385	79,205	92,515
Total cost	3,010	72,582	7,784	22,470	777	106,623	126,904
Accumulated depreciation	-	(14,217)	(5,100)	(7,709)	(392)	(27,418)	(34,389)
Net book value	3,010	58,365	2,684	14,761	385	79,205	92,515
Annual amortization rates (%)	-	4.70%	10%	20%	10%		

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Notes to the financial statements at December 31, 2017

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12 Intangible assets - Software

	<u>BANK</u>	<u>CONSOLIDATED</u>
At 31 December, 2015	2,056	3,699
Acquisition	2,002	4,564
Disposal	-	-
Amortization	(700)	(1,435)
	<u>3,358</u>	<u>6,828</u>
At December 31, 2016	3,358	6,828
Total cost	9,043	16,934
Accumulated amortization	(5,685)	(10,106)
	<u>3,358</u>	<u>6,828</u>
Net book value	3,358	6,828
At December 31, 2016	3,358	6,828
Acquisition	757	5,732
Disposal	(194)	(194)
Amortization	(1,012)	(2,454)
	<u>2,909</u>	<u>9,912</u>
At December 31, 2017	2,909	9,912
Total cost	9,180	22,046
Accumulated amortization	(6,271)	(12,134)
	<u>2,909</u>	<u>9,912</u>
Net book value	2,909	9,912
Annual amortization rates - %	20%	20%

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(All amounts in thousands of reais unless otherwise stated)

13 Deposits

a. Breakdown

	BANK						CONSOLIDATED					
	2017						2016		2017		2016	
	With no defined maturity	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 12 months	Total	Total	Total	Total	Total	Total
Demand deposits	46,337	-	-	-	-	-	46,337	25,361	40,008	22,623		
Savings deposits	3,891,630	-	-	-	-	-	3,891,630	3,166,740	3,891,630	3,166,740		
Interbank deposits	-	2,384,149	3,822,945	2,759,001	11,870,328	2,356,120	23,192,543	19,203,152	23,192,543	19,203,152		
Rural interbank deposits	-	66,295	420,039	1,510,124	1,379,340	50,600	3,426,398	3,056,738	3,426,398	3,056,738		
Time deposits	-	12,668	1,821	2,764	19,817	376,113	413,183	310,480	326,561	261,936		
Other deposits	-	-	-	-	-	-	-	-	25,096	-		
Total	3,937,967	2,463,112	4,244,805	4,271,889	13,269,485	2,782,833	30,970,091	25,762,471	30,902,236	25,711,189		
(-) Current							28,187,258	23,605,970	28,198,428	23,596,251		
- Non-current							2,782,833	2,156,501	2,703,808	2,114,938		

b. Expenses for money market funding

	BANK		CONSOLIDATED	
	2 nd six month period		2016	
	2017	2017	2017	2016
Savings deposits	100,050	208,094	220,405	220,405
Interbank deposits	1,081,258	2,364,639	2,388,986	2,388,986
Time deposits	15,768	34,995	28,450	24,754
Money market funding	82,754	156,773	151,926	151,926
Other funding expenses	17,526	36,708	14,649	14,649
Total	1,297,356	2,801,209	2,804,416	2,800,720

The changes in savings and interbank deposits relate to the increased demand for these products by the participants of Sicoob.

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at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

14 Repurchase agreement obligations

Maturity

	BANK AND CONSOLIDATED						
	2017					2016	
	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total	Total
Own portfolio	-	606,827	3,861	3,576	-	614,264	163,565
Third party portfolio	1,513,213	534,927	-	-	-	2,048,140	1,179,973
Total	1,513,213	1,141,754	3,861	3,576	-	2,662,404	1,343,538
Current						2,662,404	1,343,538
Non-current						-	-

15 Funds from the acceptance of bills of exchange, real estate and mortgage notes and debentures

	BANK AND CONSOLIDATED						
	2017					2016	
	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 12 months	Total	Total
Agribusiness Credit Notes (LCAs) - floating rate	58,240	84,546	97,372	96,912	683	337,753	183,921
Total	58,240	84,546	97,372	96,912	683	337,753	183,921
Current			337,070	183,702			
Non-current			683	219			

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16 Local onlending

Breakdown of onlending in Brazil

Onlending in Brazil mainly represents funds obtained from the National Bank for Economic and Social Development (BNDES)/Government Agency for Machinery and Equipment Financing (FINAME), the National Treasury, Banco do Brasil and Funcafé, with maturities up to 2030 and bearing finance charges of up to 11.31% p.a.

	BANK CONSOLIDATED						Total	2016
	2017							
	With no defined maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years		
BACEN MCR 6-2 (a)	-	-	479,438	-	-	-	479,438	165,765
National Treasury	-	-	-	-	-	-	-	23
BNDES	-	73,362	196,633	453,457	325,942	383,189	1,432,583	1,196,554
Banco do Brasil/FCO	-	1,853	11,410	21,461	15,194	4,640	54,558	51,944
FINAME	-	29,979	123,782	250,405	180,219	102,383	686,768	664,238
Funcafé	-	123,754	151,840	85,694	2,736	-	364,024	271,844
Total	-	228,948	963,103	811,017	524,091	490,212	3,017,371	2,350,368
(-) Current							1,192,051	881,289
- Non-current							1,825,320	1,469,079

(a) Transfer to Rural Credit Funds to comply with the amount required in BACEN's Rural Credit Manual (MCR) 6-2 and MCR 6-7.

b. Expenses related to local onlending

	BANK AND CONSOLIDATED		
	2 nd six month period	Year	
	2017	2017	2016
National Treasury	1	1	3
BNDES	28,295	53,125	44,055
FINAME	10,145	18,357	13,207
Banco do Brasil - FCO	1,115	2,184	1,635
Other Institutions - Funcafé	6,752	12,152	13,828
Total	46,308	85,819	72,728

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Notes to the financial statements

at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

17 Liabilities, contingencies and legal obligations

Tax-related lawsuits and administrative proceedings to which Bancoob is a party are classified by internal and external legal consultants, taking into consideration the nature and specifics of each lawsuit, as well as the case law from higher courts.

The provisions for lawsuits are measured, recognized and disclosed in accordance with CMN Resolution 3,823/2009, as follow:

- i. A provision is recognized only when: (a) Bancoob has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount of the obligation can be estimated reliably. In the event that any of the above conditions is not met, the provision is not recognized.
- ii. Based on these assumptions, when it is probable that a present obligation exists at the balance sheet date, Bancoob records a provision. When it is not probable that a present obligation exists at the balance sheet date, Bancoob discloses the contingent liability, unless the possibility of an outflow of resources is considered remote.

Management believes that the provision recorded is sufficient to cover any losses arising from the existing lawsuits, as shown below:

a. Legal obligations classified as "probable losses"

Legal obligations classified as probable losses, the amounts of which can be reliably estimated, are provided for and presented according to their nature in the table below, together with the respective changes in the period. Deposits in court are recorded under "Other receivables - sundry".

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Provisions recorded

a.1. Breakdown of balance sheet balances

	BANK				CONSOLIDATED			
	2017		2016		2017		2016	
	Deposits in court	Provisions	Deposits in court	Provisions	Deposits in court	Provisions	Deposits in court	Provisions
Tax	391	386	65	82	391	387	65	83
Labor	706	1,597	571	1,439	824	1,757	597	1,580
Civil	443	2,071	443	821	443	2,109	472	903
Total	1,540	4,054	1,079	2,342	1,658	4,253	1,134	2,566

a.2. Changes in the provisions for lawsuits

	BANK				CONSOLIDATED	
	2017			2016	2017	2016
	Tax	Labor	Civil	Total	Total	Total
Opening balance at December 31	82	1,439	821	2,342	2,274	2,566
Additions	316	1,162	2,295	3,773	2,811	3,853
Utilization	-	(411)	(700)	(1,111)	(1,683)	(1,207)
Reversals	(12)	(593)	(345)	(950)	(1,060)	(959)
Closing balance at December 31	386	1,597	2,071	4,054	2,342	2,566

Nature of lawsuits classified as "probable losses"

- i. **Labor** – these are basically lawsuits filed by employees claiming overtime hours in excess of the regular six-hour workday.
- ii. **Civil** – these relate basically to contractual terms, the recording of clients with credit protection services, and to claims for pain and suffering.

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a.3. Schedule of the expected outflow of economic benefits

Expected realization by year

	Accounting balance	2018	2019	2020
Civil	1,828	914	731	183
Labor	1,558	623	623	312
Lawyer's fees	282	141	85	56
Total	3,668	1,678	1,439	551

Realized percentage by year

	2018	2019	2020
Civil	50%	40%	10%
Labor	40%	40%	20%
Loss of suit fees	50%	30%	20%

b. Contingencies classified as "possible losses"

The lawsuits classified as representing possible losses are not recognized, and are only disclosed when the amount involved is material. The following contingencies are classified as "possible losses": **(i)** civil lawsuits discussing Bancoob's joint liability for deposits made in credit unions; **(ii)** civil lawsuit discussing Bancoob's civil liability for an error made by a credit union; **(iii)** labor lawsuits; **(iv)** tax and social security administrative proceedings (Accident Prevention Factor (FAP), Scholarships (*Bolsa de Estudos*) and Social Integration Program (PIS)); and **(v)** action for annulment of a tax assessment, filed by the Bank, related to the amount deducted from the tax base by Bancoob in 2008. The deduction arose from the compensatory nature of the amount paid by Bancoob, as decided at the Annual General Meeting, in relation to any failure by the Bank to provide the services for which it is responsible.

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Due to uncertainties regarding the determination of the amounts involved in the event of an unfavorable outcome, and in view of the current status of lawsuits classified as representing possible losses, the effects disclosed by Bancoob refer to the original amount, and are not monetarily adjusted.

b.1 Balance of contingent liabilities classified as representing possible losses

	BANK		CONSOLIDATED	
	2017	2016	2017	2016
Labor	9,967	5,565	12,113	5,919
Tax/social security	19,388	143,744	19,388	143,767
Civil	90,586	79,901	96,021	82,357
Total	119,941	229,210	127,522	232,043

18 Equity

a. Share capital

At December 31, 2017, the share capital is comprised of 372,863,484 common shares (2016 – 321,167,553) and 368,793,197 preferred shares (2016 – 317,661,593), totaling 741,656,681 (2016 – 638,829,146) shares, with no par value.

In 2017, share capital was increased by R\$195,063, and in 2016, by R\$113,765.

b. Capital reserve

The balance of R\$45 (2016 - R\$45) relates to the gain on the sale of treasury shares.

c. Revenue reserve

In accordance with its bylaws, Bancoob transferred 5% of the adjusted profit for the period to the revenue reserve, which totaled R\$ 8,732 in 2017 (R\$ 8,161 in 2016). The amount of R\$157,614 (R\$ 147.309 in 2016) was transferred to the "Revenue reserve - other" the allocation of which will be decided at the next general meeting.

Banco Cooperativo do Brasil S.A. – Bancoob

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d. Dividends

Bancoob's shareholders are entitled to mandatory minimum dividends corresponding to 5% of the adjusted profit for the year. In 2017, Bancoob accrued dividends totaling R\$ 8,296, equivalent to R\$ 11.19 per thousand shares (2016 - R\$ 7,753, equivalent to R\$ 12.14 per thousand shares).

e. Adjustments to market value

These are adjustments arising from the marking-to-market of available-for-sale securities, as required by BACEN Circular Letter 3,068/01, net of tax effects. (Note 9(a)).

19 Operational limits - Basel Accord

The net assets of Bancoob's Prudential Conglomerate are consistent with the level of risk posed by its asset framework.

	<u>2017</u>	<u>2016</u>
REFERENCE ASSETS (PR)	1,511,021	1,330,301
PORTION OF OPERATIONAL RISK (9.250%)	756,711	851,580
Risk-Weighted Assets - Credit RWA_{CPAD}	632,825	745,200
Risk-Weighted Assets - Market RWA_{MPAD}	14,685	14,676
Risk-Weighted Assets - Operational - RWA_{OPAD}	109,201	91,704
ADDITIONAL PRINCIPAL CAPITAL (0.1250%)	102,258	53,897
BANKING PORTION - RBAN (3)	15,393	24,012
MINIMUM REQUIRED CAPITAL	874,363	929,489
BASEL INDEX	18.15%	15.03%

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20 Other items in the financial statements

a. Breakdown of interbank relations

a.1 Receivables	BANK		CONSOLIDATED	
	2017	2016	2017	2016
Rights with participants of settlement systems	3,264,791	1,990,129	3,294,315	1,990,129
- Clearing of checks and receivables	276	316	276	316
- Payment transactions (a)	3,264,515	1,989,813	3,294,039	1,989,813
BACEN – MCR 6-2 and 6-7 (b)	479,438	165,766	479,438	165,766
Compulsory reserves in cash with BACEN	44,911	32,656	44,911	32,656
BACEN - Mandatory payments	702,480	287,320	702,480	287,320
Interbank onlending	6,742,985	6,924,639	6,742,985	6,924,639
Correspondents	72	72	72	72
Total	11,234,677	9,400,582	11,264,201	9,400,582
(-) Current	9,657,000	7,882,400	9,686,524	7,882,400
Non-current	1,577,677	1,518,182	1,577,677	1,518,182

(a) The increase in rights with participants of settlement systems relates to the balance of payment transactions, in compliance with the provisions of BACEN Circular Letter 3,828, of June 19, 2017.

(b) Transfer to Rural Credit Funds to comply with the amount required in BACEN's Rural Credit Manual (MCR) 6-2 and MCR 6-7.

a.2 Payables	BANK		CONSOLIDATED	
	2017	2016	2017	2016
Obligations to the participants of settlement systems (a)	2,260,248	12,036	2,260,254	12,036
- Clearing of checks and receivables	24,940	12,036	24,940	12,036
- Payment transactions	2,235,308	-	2,235,314	-
Total	2,260,248	12,036	2,260,254	12,036

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Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

(a) The increase in the rights with participants in settlement systems relates to the balance of payment transactions, in compliance with the provisions of BACEN Circular Letter 3,828 of June 19, 2017.

b. Breakdown of other receivables - sundry

	BANK		CONSOLIDATED	
	2017	2016	2017	2016
Guarantee deposits (Note 17(a))	1,540	1,079	1,658	1,134
Tax credits (Note 9(a))	74,024	36,140	74,256	36,343
Receivables from credit units (a)	7,731	6,012	7,731	6,012
Taxes to be offset	88,648	62,177	107,097	72,602
Notes and credits receivable	8,049	4,227	7,869	4,227
Salary prepayments and advances	4,141	3,713	4,291	3,912
Payments to be reimbursed (b)	62,888	51,035	63,918	51,853
Amounts receivable related to payment transactions (c)	2,443,943	3,671,409	2,443,943	3,671,409
Other	71,108	27,933	72,334	29,721
Total	2,762,072	3,863,725	2,783,097	3,877,213
Current	2,696,985	3,836,118	2,717,310	3,848,905
Non-current	65,087	27,607	65,787	28,308

(a) Relates to banking services performed by Bancoob to the credit union participants in the clearance system, which are settled in the month subsequent to that during which the services are provided;

(b) Relates to the supply of 24-hour automated teller machines; and

(c) Relates to transactions carried out by the holders of Cabal/Mastercard credit cards. The amounts presented are net of the provision for losses on other receivables with the characteristics of credit granting (Note 8).

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c. Other assets

	BANK		CONSOLIDATED	
	2017	2016	2017	2016
Other assets	2,621	492	2,621	492
Prepaid expenses (a)	36,295	32,290	36,920	32,768
Total	<u>38,916</u>	<u>32,782</u>	<u>39,541</u>	<u>33,260</u>
Current	38,916	32,782	39,541	33,260
Non-current	-	-	-	-

(a) Refers mainly to the allocation of the commission on lending operations.

d. Interdepartmental accounts

	BANK AND CONSOLIDATED	
	2017	2016
Concessionaires of public utilities	11,593	5,937
Other agreements	933	262
Total	<u>12,526</u>	<u>6,199</u>
(-) Current	12,526	6,199
- Non-current	-	-

Relates to collections under different agreements.

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e. Tax and social security contributions

	BANK		CONSOLIDATED	
	2017	2016	2017	2016
Provision for income tax	94,410	70,510	107,112	77,119
Provision for social contribution	77,988	58,230	84,697	62,776
Taxes payable on third party services	2,644	1,812	2,836	1,894
Taxes and contributions on salaries	3,333	3,039	4,772	4,207
Deferred taxes and contributions (mark-to-market of securities) (Note 18(e))	2,754	2,017	2,754	2,017
Provision for tax risks (Note 17(a))	-	82	-	83
Other taxes payable	20,302	7,723	22,192	8,863
Total	201,431	143,413	224,363	156,959
Current	201,431	143,327	224,322	156,723
Non-current	-	86	41	236

f. Breakdown of other obligations - sundry

	BANK		CONSOLIDATED	
	2017	2016	2017	2016
Provision for administrative expenses	58,622	46,521	62,469	91,845
Interbank fees to be charged	9,867	1,687	9,867	1,687
Credit card obligations (a)	145,276	1,646,592	145,276	1,646,592
Del Credere provision (b)	24,294	18,025	24,294	18,025
Obligations related to official agreements - INSS	32,069	28,369	32,069	28,369
Amounts payable upon collection	10,196	9,499	10,195	9,499
BNDES amounts to transfer	96	11	96	11
Obligations related to funds received from consortium members (c)	-	-	5,151	4,831
Obligations related to payment transactions (d)	2,244,363	1,406,468	2,283,364	1,406,468
Other	101,657	3,206	136,771	7,853
Total	2,626,440	3,160,378	2,709,352	3,215,180
Current	2,622,363	3,158,077	2,705,171	3,212,738
Non-current	4,077	2,301	4,181	2,442

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- (a) Corresponds to obligations assumed in relation to the Mastercard brand and store owners of the Cabal chain for transactions carried out by card holders.

The reduction in the balance compared to 2016 is due to compliance with the provisions of BACEN Circular Letter 3,828, of 19 June 2017, according to which the balances previously recorded in the group of "Other payables - sundry" started to be recorded under "Interbank relations".

- (b) Relates to payments made to credit unions for the settlement of installments related to BNDES and Funcafé operations, corresponding to 50% of the spread received by the Bank from those government agencies;
- (c) Relates to funds from terminated consortium groups that were not withdrawn by the participants; and
- (d) Relates mainly to payables in connection with Acquiring operations. The increase arises from the higher number of transactions.

g. Income from services rendered and banking fees

	BANK			CONSOLIDATED	
	2 nd six month period	2017	2016	2017	2016
Sicoob Agreement	6,579	12,530	13,707	12,530	13,707
Income from banking fees (a)	18,417	35,512	32,386	35,512	32,386
Income from fund services	1,397	2,749	2,484	2,749	2,484
Income from fund management services	-	-	-	5,210	7,873
Income from consortia management services	-	-	-	73,568	43,435
Income from payment services (b)	219,367	408,859	293,017	446,731	293,017
Income from prepayments of obligations related to payment transactions	157,291	157,291	-	157,297	-
Income from collection services for public utility companies (c)	23,751	50,402	42,528	50,402	42,528
Income from bank fees	31	61	77	61	77
Income from acquiring services	10,661	10,661	16,818	14,418	16,818
Other income - sundry	22,080	44,150	24,259	55,558	40,219
Total	459,574	722,215	425,276	854,036	492,544

- (a) Relates to services provided to Sicoob members that are not classified as banking fees;
- (b) Relates to exchange services, withdrawals, electronic checks, annual card fees, and credit card management services, among others; and

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- (c) Relates to fees charged for collection services provided to public utilities companies.

h. Personnel expenses

	BANK		CONSOLIDATED		
	2 nd six month period	2017	2016	2017	2016
Fees paid to Officers and Directors	4,133	7,523	6,485	11,686	10,228
Salaries (a)	26,911	51,593	48,744	69,309	62,520
Social charges (b)	12,082	23,198	20,844	30,851	26,771
Benefits (c)	7,817	14,969	13,267	24,631	19,694
Training	1,080	1,674	916	1,958	1,080
Interns' compensation	326	662	483	1,596	1,066
Total	52,349	99,619	90,739	140,031	121,359

- (a) Relates mainly to salaries, overtime, and provisions for the 13th month's salary and vacation pay;
- (b) Relates mainly to provisions for National Institute of Social Security (INSS) and Government Severance Indemnity Fund for Employees (FGTS) charges; and
- (c) Relates mainly to healthcare benefits, transportation and meal vouchers provided to employees.

i. Administrative expenses

	BANK		CONSOLIDATED		
	2 nd six month period	2017	2016	2017	2016
Water, electricity and gas	11	23	66	452	446
Communication	10,204	20,301	15,867	26,997	19,683
Maintenance and preservation	130	194	235	677	636
Materials	254	5,297	7,424	5,654	7,819
Data processing	31,668	62,438	55,932	63,936	59,208
Advertising and publicity	17,649	23,572	10,245	8,762	11,089
Financial system services	21,083	68,520	75,558	68,893	76,448
Outsourced services	14,018	37,597	42,752	45,515	70,582
Specialized technical services	8,761	17,911	15,360	18,264	15,629
Depreciation and amortization	3,151	5,417	4,254	8,594	6,049
Travel	1,860	3,552	2,678	4,053	3,131
Other administrative expenses	3,768	7,166	6,589	27,065	9,040
Total	112,557	251,988	236,960	278,862	279,760

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j. Breakdown of other operating income

	BANK		CONSOLIDATED		
	2 nd six month period	2017	2016	2017	2016
Recovery of charges and expenses	2,357	16,043	4,300	16,043	4,300
Income from credit card operations (a)	36,263	73,874	62,569	74,499	62,569
Acquiring operations	62,536	219,482	183,577	219,482	183,577
Other	5,505	6,520	2,562	10,409	7,727
Total	106,661	315,919	253,009	320,433	258,173

(a) The composition of total income from credit card operations should include the information disclosed in Note 20(g).

k. Breakdown of other operating expenses

	BANK		CONSOLIDATED		
	2 nd six month period	2017	2016	2017	2016
Credit card administration expenses	238,401	334,565	150,926	334,550	133,297
Adjustment of INSS tax assets (a)	802	1,901	2,081	1,901	2,081
Expenses for collection fees	16,447	33,564	29,141	33,564	29,141
Commission on lending operations (c)	54,524	98,519	74,204	98,519	74,204
Acquiring operations (d)	108,815	182,589	64,459	182,589	64,459
Other	8,713	22,466	12,972	34,195	1,288
Total	427,702	673,604	333,783	685,318	304,470

(a) The increase in the balance compared to 2016 resulted from the higher volume of transactions, and also from compliance with BACEN Circular Letter 3,828, of 19 June 2017, which defined specific accounts for the recognition of credit card expenses;

(b) Relates to the monetary adjustment at the SELIC rate of INSS funds available but not yet paid to the beneficiary;

(c) Relates to the commissions paid to the credit units for the negotiation of payroll-deductible loans and INSS credits; and

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(d) Relates mainly to commission paid to credit unions regarding the accreditation of new units. The increase corresponds to the base growth.

I. Non-operating income (expense)

	BANK			CONSOLIDATED	
	2 nd six month period	2017	2016	2017	2016
Non-operating income	167	1,203	3,042	1,215	3,048
Non-operating expenses	194	194	163	207	163
Amortization of goodwill - Consórcio Ponta	884	1,887	2,303	1,887	2,303
Total	911	879	576	879	582

21 Related Party Transactions

a. Sicoob System

Bancoob was created, as described in Note 1, to render financial, technical and operational services to the credit unions, pursuant to Article 88 of Law 5,764/71.

The transactions carried out by the Bank with the Sicoob system are shown below:

	2017	2016
Assets	8,588,712	7,048,043
Lending operations	8,548,328	7,015,352
Receivables	7,742	5,654
Prepaid expenses - Credconsignado commission	32,642	27,037
Liabilities	24,359,561	19,701,202
Demand deposits	11,164	7,226
Interbank deposits	23,074,225	18,956,713
Time deposits	86,622	89,550
Repurchase agreements - third party portfolio	1,149,191	621,403
Commission payable - Credconsignado	1,862	1,600
Commission payable - Rural Credit	5,619	-
Payables - <i>Del Credere</i> (Note 20(f))	24,294	18,014
Payables - collection fees for agreements	6,569	6,696
Other provisions	15	-
Income	785,841	688,123
Lending operations	624,262	509,453
Income from services rendered	157,291	177,129
Other operating income	4,288	1,541

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Expenses	2,432,267	2,467,251
Funding	2,169,656	2,270,162
Other operating expenses	262,611	197,089

b. Subsidiaries

	Bancoob DTVM		Bancoob PAR		Cabal		Consórcio Ponta	
	2017	2016	2017	2016	2017	2016	2017	2016
Liabilities	4,271	3,801	512	487	44,338	35,313	43,830	17,339
Demand deposits	3	6	4	2	5,796	2,728	526	8
Time deposits	4,268	3,795	508	485	38,542	26,928	43,304	17,336
Payables	-	-	-	-	-	5,657	-	-
Expenses	163	232	27	31	26,881	19,784	1,409	1,228
Funding expenses	163	232	27	31	1,281	380	1,409	1,102
Administrative expenses	-	-	-	-	25,600	19,404	-	126
Income	-	-	-	-	8	-	242	-
Sundry income	-	-	-	-	8	-	242	-

c. Remuneration of key management personnel

Key management includes directors and officers. The maximum aggregate compensation payable to the Board of Directors and Executive Board is established annually at the General Shareholders' Meeting.

The compensation paid or payable to officers and directors for their services is shown below:

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	BANK			CONSOLIDATED	
	2 nd six month period	2017	2016	2017	2016
Fees	3,272	6,144	5,252	8,972	7,948
Benefits	862	1,835	1,604	3,489	2,714
Charges	803	1,540	1,314	2,228	1,993
Total	4,937	9,519	8,170	14,689	12,655

22 Other information

a. *Agreements for offsetting payables against receivables from the same financial institution*

As established by CMN Resolution 3,263/05, Bancoob has investments in financial institutions that allow it to offset payables against receivables held with these institutions. The amounts receivable and payable are stated in the balance sheet in the line items related to products, under assets and liabilities, respectively. The amounts subject to offsetting are summarized below:

Description	BANK		
	Amount receivable	Amount payable	Net amount
Time deposit/CDI	3,471,295	3,025,105	446,190

Description	BANK		
	Amount receivable	Amount payable	Net amount
Time deposit/CDI	3,035,101	2,656,785	378,316

b. *Insurance*

Bancoob's assets subject to risk are insured at amounts deemed sufficient by management to cover any losses, taking into consideration the nature of its activities.

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c. Guarantees provided

The guarantees provided through financial charges, relating to endorsements and sureties, totaled R\$ 6,456 at December 31, 2017 (2016 – R\$ 5,866). In 2017, a provision in the amount of R\$ 59 was established for these receivables.

d. Employee benefits - Private pension plan

Bancoob sponsors the Sicoob Private Pension Foundation (Sicoob Previ), established in November 2006, which provides its participants and their dependents with pension benefits, in the form of a defined contribution plan, to supplement the benefits provided by the official social security system.

At December 31, 2017, Sicoob Previ had 477 active participants (442 in 2016), whose contributions totaled R\$ 2,912 (R\$ 2,544 in 2016).

e. Profit sharing

Sicoob offers profit sharing to its employees, which is calculated in accordance with the Collective Labor Agreement. In the 2nd six month period and in 2017, the amounts of R\$ 5,572 and R\$ 8,922, respectively (2016 - R\$ 6,203 and R\$ 8,621), and R\$5,681 and R\$9,135 (2016 - R\$ 6,332 and R\$ 8,830) in the consolidated, were recorded within "Provision for profit sharing".

f. Inspections

Accounting, tax and labor records are subject to review by the relevant tax authorities for varying periods, pursuant to the applicable legislation.

g. Bancoob Participações em Seguridade S.A.

Motivated by the opportunities in the insurance market, the broad distribution capacity of Sicoob's service network, and the challenge of meeting the needs of its members, Bancoob established, together with the insurance company Mongeral Aegon, a company called Bancoob Participações em Seguridade S.A., with the aim of creating a life and private pension insurance company.

The new company, called Sicoob Seguradora de Vida e Previdência S/A, was authorized to commence its operations by the Private Insurance Agency (SUSEP), by means of Ordinance 6,620, issued on August 12, 2016 and had its articles of incorporation registered with the Board of Trade on October 5, 2016.

Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

The company started operations in March 2017, with initial capital of R\$ 40 million, and recorded a profit for the year of R\$ 10,635 thousand.

The new company, headquartered in Brasilia (Federal District), has as its purpose providing life insurance and pension plans to the almost four million credit union members of Sicoob in the country. The company is expected to be ranked among the Brazilian 's top ten insurance companies in the next five years.

23 Risk management

a. Operational risk

The operational risk management guidelines are set out in Sicoob's Institutional Policy for Operational Risk Management, approved by the Executive Board and the Board of Directors.

The operational risk management process consists of a qualitative assessment of operational risks through stages involving the identification, evaluation and treatment of risks.

Operational losses are reported to the Internal Control Department, which interacts with the managers of the respective areas and formally reviews the causes of the losses, the adequacy of the controls in place, and the need to improve processes, which may include the implementation of new controls.

The results are submitted to the Executive Board, the Board of Directors and the Statutory Board.

The capital allocation methodology used to compute the portion of operational risk (RWAopad) is the Basic Indicator Approach (BIA).

In compliance with CMN Resolution 3,380/2006 and BACEN Circular Letter 3,678/2013, a report describing the operational risk management framework and the risk management report - Tier III are available on Bancoob's website (www.bancoob.com.br) .

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Notes to the financial statements
at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

b. Market and liquidity risks

Bancoob has adopted the following policies: the Institutional Policy for Financial Centralization Management, the Institutional Policy for Liquidity Risk Management, and the Institutional Policy for Market Risk Management. These policies set the standardized procedures, metrics and actions to be followed by all of the entities that comprise Sicoob.

Bancoob's market and liquidity risk management framework is consistent with the nature of its operations and the complexity of the products and services offered, as well as with the extension of the exposure to risks.

The Institutional Policy for Market Risk Management requires the adoption of the following procedures:

- a) Use of the Value at Risk (VaR) to measure market risk;
- b) Analysis of mismatches to assess the impact on the financial margin;
- c) Maximum limit of exposure to market risk;
- d) Periodic back tests performed on market risk calculation models;
- e) Different scenarios simulating losses in stress situations; and
- f) Contingency plans.

The Institutional Policy for Liquidity Risk Management requires the adoption of the following procedures:

- a) Minimum liquidity limit;
- b) 90-day cash flow forecast;
- c) Different scenarios simulating losses in stress situations; and
- d) Liquidity contingency plan.

Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

The systems, models and procedures are periodically reviewed by internal audit teams. The results presented in the audit reports are used to improve market and liquidity risk management.

In compliance with CMN Resolutions 3,464/2007 and 4,090/2012 and BACEN Circular Letters 3,678/2013 and 3,748/2015, a report describing the market and liquidity risk management framework and the risk management report - Tier III are available on Bancoob's website (www.bancoob.com.br).

c. Credit Risk

Bancoob's credit risk management is linked to the Institutional Policy for Credit Risk Management, which defines consistent procedures, metrics and actions for all the Sicoob entities.

As the entity responsible for the credit risk management of the group companies and the sponsored foundation, in accordance with Article 9 of CMN Resolution 3,721/2009, Bancoob standardizes processes, establishes methodologies to assess the risk posed by clients and operations, and monitors the loan portfolios.

Credit risk arises from uncertainty regarding a counterparty's ability to honor its commitments. In order to mitigate credit risk, Bancoob makes use of risk analysis and rating models based on quantitative and qualitative data, to support the risk calculation process and the establishment of credit limits for borrowers, with a view to maintaining the high quality of its portfolio. Bancoob performs periodic tests on its models, ensuring that they are consistent with the economic and financial condition of borrowers. It also monitors defaults on the portfolio and the respective ratings assigned to the operations in accordance with CMN Resolution 2,682/1999.

The credit risk management framework establishes the following:

- a) Proper validation of systems, models and internal procedures;
- b) Estimation (consistent and prudent criteria) of losses associated with credit risk, and comparison of the estimated amounts with the amounts of the losses actually incurred;

Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

- c) Procedures for the monitoring of loan portfolios;
- d) Procedures for the recovery of receivables;
- e) Systems, routines and procedures to identify, measure, assess, monitor, report, control and mitigate the exposure to credit risk;
- f) Periodic submission of managerial information to the Sicoob entities;
- g) Area responsible for the calculation and projection of the regulatory capital required, and an adequate level of provision for loan losses;
- h) Models to assess the credit risk of clients, in accordance with the public that is taking out loans, which take into consideration the specific characteristics of the borrowers, as well as industry and macroeconomic matters;
- i) Portfolio-based credit limits for each client and overall credit limits by portfolio; and
- j) Model to assess the impact on the provision for loan losses, the regulatory capital and the Basel ratio, in an extreme credit risk scenario.

Internal credit risk management standards include the organizational and regulatory structure, risk rating models for borrowers and operations, overall and individual limits, use of computer systems, and systems-based monitoring to validate models and compliance of processes.

Credit granting and credit risk management processes are clearly segregated, and the organizational structure involved ensures specialization, representation and rationality.

The systems, models and procedures are periodically reviewed by internal audit teams. The results presented in the audit reports are used to improve the credit risk management process.

In compliance with CMN Resolution 3,721/2009 and BACEN Circular Letter 3,678/20133, a report detailing the credit risk management framework and the risk management report - Tier III are available on Bancoob's website (www.bancoob.com.br) .

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Notes to the financial statements
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(All amounts in thousands of reais unless otherwise stated)

24 Capital management framework

Bancoob's capital management complies with the guidelines included in Sicoob's Institutional Policy for Capital Management, to which Bancoob formally adhered, as decided by the Executive Board and Board of Directors.

In addition to a specific capital plan, which sets out capital targets and projections considering strategic objectives over a minimum period of three years, the main sources and a contingency plan, Bancoob has a set of methodologies in place to enable the identification and evaluation of significant risks to its operations, with a view to maintaining a compatible level of capital.

Additionally, severe events and extreme market conditions are simulated, and their results and impacts on the capital framework are submitted to the Executive Board and Board of Directors.

The capital management process is annually reviewed by the Internal Audit function.

In compliance with CMN Resolution 3,988/2011, a report detailing the capital management framework is available on Bancoob's website (www.bancoob.com.br) .

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Banco Cooperativo do Brasil S.A. – Bancoob

Notes to the financial statements
at December 31, 2017

(All amounts in thousands of reais unless otherwise stated)

Board of Directors

Henrique Castilhano Vilares – Chairman
José Salvino de Menezes – Vice Chairman
Geraldo Souza Ribeiro Filho – Vice Chairman
Ivo Azevedo de Brito – Member
Luiz Gonzaga Viana Lage – Member
Miguel Ferreira de Oliveira – Member
Neilson Santos Oliveira – Member
Rui Schneider da Silva – Member

Executive Board

Marco Aurélio Borges de Almada Abreu – CEO
Ênio Meinen – Chief Operations Officer
Marcos Vinicius Viana Borges – Chief Operations Officer
Ricardo Simone Pereira – Chief Financial Officer
Rubens Rodrigues Filho – Chief Risk Officer

Accountant

Primo João Cracco
CRC-SP 149.703/O-S-DF

Summary of the Audit Committee Report - 2nd six-month period of 2017

Introduction

1. The Audit Committee of Bancoob is a statutory body, whose purpose is to advise the Board of Directors on the financial statements, the effectiveness of the internal control system and risk management, and the work performed by internal and independent auditors;
2. Under statutory and regulatory terms, in addition to Banco Cooperativo do Brasil S/A – Bancoob, the activities of the Audit Committee also cover the following companies that comprise the Bancoob Group: Bancoob Distribuidora de Títulos e Valores Mobiliários Ltda. – Bancoob DTVM, Ponta Administradora de Consórcios Ltda. and Cabal Brasil Ltda;
3. The management of Bancoob and of the companies that comprise the Group are responsible for preparing and ensuring integrity of the financial statements, managing risks, maintaining an effective and consistent system of internal controls and ensuring compliance with legal and regulatory standards;
4. The Internal Audit function independently and regularly assesses the risk management activities and the suitability and effectiveness of internal controls in all of the Group's companies;
5. PricewaterhouseCoopers (PwC) is the independent audit firm hired to provide audit services on the financial statements of Bancoob and of the companies that make up the Group. The Independent Auditor is responsible for:
 - a) Expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position of Bancoob and of the Group companies, in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN); and
 - b) Assessing the suitability and quality of the internal control system, in connection with the audit of the financial statements, including the risk management system and compliance with legal and regulatory requirements.

Audi Committee Activities

6. During the second six month period of 2017, in compliance with the legal and regulatory requirements, the Audit Committee:
 - a) Held six regular meetings;
 - b) Acted independently in the performance of its duties, always supported by information received from management, independent auditors, internal auditors and the officers responsible for risk management and internal control management, and also based on its own conclusions arising from direct observation;
 - c) Followed the process of preparation of the financial statements; assessed the relevant aspects, comprehensiveness, compliance and clarity of the notes to

Summary of the Audit Committee Report - 2nd six-month period of 2017

the financial statements; examined the accounting practices adopted, the procedures used for the constitution of provisions and the contents of the independent auditor's on the parent company and consolidated financial statements;

- d) Held meetings with the Executive Board, the Board of Directors and the Statutory Audit Board, suggesting improvements to the relevant functions in situations where opportunities for improvement were identified;
- e) Monitored and evaluated the work performed by the Internal Audit; the Independent Audit conducted by PricewaterhouseCoopers; the management of market, liquidity, credit, operational and environmental risks; money laundering prevention and the management of business continuity; and
- f) Provided management with recommendations, which were included in the minutes of the meetings and filed, remaining available to all management bodies.

Internal control and risk management systems

- 7. At the meetings held with the areas responsible, and through the analysis of the information and documents requested and made available by management, the Audit Committee evaluated aspects relating to the Group's internal control and risk management, and has not identified failures in compliance with the laws, regulations and internal rules that may jeopardize the organization.
- 8. In the second six month period of 2017, no errors, fraud or non-compliance with statutory or regulatory provisions were reported through the communication channels made available to the employees.
- 9. The Audit Committee considers that the internal control system and the risk management processes are appropriate to the size and complexity of the operations of Bancoob and companies comprising the Group. Furthermore, management is continuously striving to improve the systems, processes and procedures.

Independent Audit

- 10. PwC, the contracted independent auditor, presented the results of their work and relevant accounting aspects at the Audit Committee's monthly meetings. No situations were identified that could affect the objectivity and independence of the audit work.
- 11. The Audit Committee considers satisfactory the work carried out by the Independent Audit function, which confirm the Committee's opinion on the integrity of the consolidated financial statements at December 31, 2017.

Internal Audit

- 12. In accordance with the annual planning approved by the Board of Directors, the Internal Audit presented, at the Audit Committee's monthly meetings, the result of the work carried out, which did not identify any residual risks that could affect the

Summary of the Audit Committee Report - 2nd six-month period of 2017

strength and continuity of the operations of Bancoob and the companies comprising the Group.

13. The Audit Committee assesses as positive the scope and quality of the work performed by the Internal Audit team.

Financial Statements

14. The analyses included the procedures for preparation of parent company and consolidated trial balances and balance sheets, notes to the financial statements, and the financial reports disclosed together with the consolidated financial statements.
15. The Audit Committee concludes that the consolidated financial statements at December 31, 2017 were prepared in compliance with legal and regulatory standards, and in accordance with the accounting practices adopted in Brazil, and reflect, in all material respects, the financial position of the Bancoob Group for the period then ended.

Brasília - Federal District, February 15, 2018

Rubens Rodrigues
Filho
Coordinator

Marco Aurélio B. de
Almada Abreu

Marcos Vinicius Viana
Borges

Statutory Audit Board's Opinion

The Statutory Audit Board of Banco Cooperativo do Brasil S/A, in the performance of its legal and statutory duties, having analyzed the consolidated financial statements at December 31, 2017 and 2016, the related Management Report, and the Independent Auditor's Report issued by PricewaterhouseCoopers Auditores Independentes, states that the consolidated financial statements examined presents fairly, in all material respects, the financial position of Banco Cooperativo do Brasil S/A - Bancoob.

Brasília - Federal District, February 20, 2018.

Garibalde Mortoza Junior
Chairman

Fábio Henrique Granja e Barros
Secretary

Clodoaldo Palú
Sitting Board Member

Edemar Fronchetti
Sitting Board Member

Gilberto Alves Moraes
Sitting Board Member