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***Banco Cooperativo do  
Brasil S.A. – Bancoob***  
***Consolidated financial statements  
at June 30, 2018  
and independent auditor's report***



(A free translation of the original in Portuguese)

## **Independent auditor's report**

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

### **Opinion**

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We have audited the accompanying parent company financial statements of Banco Cooperativo do Brasil S.A. – Bancoob ("Institution"), which comprise the balance sheet as at June 30, 2018 and the statements of income, changes in equity and cash flows for the six-month period 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 June 30, 2018 and the consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banco Cooperativo do Brasil S.A. - Bancoob and of Banco Cooperativo do Brasil S.A. - Bancoob and its subsidiaries as at June 30, 2018, and the Institution's financial performance and cash flows, for the six-month period then ended, as well as the consolidated financial performance and cash flows, for the six-month period then ended, in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Brazilian Central Bank (BACEN).

### **Basis for opinion**

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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 Institution 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**

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The Institution'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.



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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 communicate the matter to those charged with governance. We have nothing to report in this regard.

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

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

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Institution'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 Institution 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 Institution and its subsidiaries.

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

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

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

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

- 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 Institution and its subsidiaries.



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- 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 Institution'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 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 Institution 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, August 14, 2018

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Luiz Antonio Fossa  
Contador CRC 1SP196161/O-8

(A free translation of the original in Portuguese)

# **Banco Cooperativo do Brasil S.A. - Bancoob**

Consolidated financial statements

at June 30, 2018

(A free translation of the original in Portuguese)

# Banco Cooperativo do Brasil S.A. - Bancoob

## Consolidated financial statements

at June 30, 2018

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# Banco Cooperativo do Brasil S.A. - Bancoob Management Report

## **1. Macroeconomic scenario**

In Brazil, the first half of 2018 was marked by the resumption of economic activity, although at a slower pace than that expected at the end of 2017. The continuous political turmoil and uncertainty regarding the post-election scenario, which will affect decisions regarding consumption, investment and job creation, have contributed to holding back economic activity.

Brazilian GDP grew by 0.4% in the first quarter of 2018 compared to the last quarter of 2017, a result mainly driven by agricultural activity, since the manufacturing and service industries remained virtually stagnant, recording slight growth of 0.1%. In addition to uncertainty brought about by the electoral scenario, the first six month period of 2018 was impacted by shortages caused by a nationwide truckers' strike, which ended up undermining the still weak recovery of the Brazilian economy. In this sense, despite the historically lowest interest rates and the inflation expectations anchored below the target center, Brazilian GDP is expected to be lower than that recorded for the first quarter of the year.

The truckers' strike started at the end of May significantly impacted various economic sectors. Inflation was promptly affected, but kept under control, which enabled a further reduction in the country's benchmark interest rate (SELIC) and maintained at its lowest historical level. The exchange rate has come under pressure from the half of the semester, driven by the global appreciation of the US Dollar. The weakened political position of the Brazilian President has prevented the government from carrying out the agenda with economic agents, leaving the next activities to be developed from the definition of the political choice, foreseen to August.

The National Financial System's lending operations showed signs of improvement during the period from January to May 2018. Regarding non-earmarked loans, it is noted that the volume of new loans granted to individuals and legal entities increased by 8.0% and 12.6%, respectively, compared to the same period of 2017, which means that lending operations were no longer concentrated on individuals, but also reached companies. In this more favorable context, the delinquency rates continued to fall, reaching 4.1% and 5.0%, respectively, for transactions with individuals and legal

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entities in May. During the same period of 2017, these percentages were 6.0% and 5.9%, respectively.

However, the confidence of consumers and businessmen crumbled over the first six month period. The truckers' strike, motivated particularly by the high prices of fuel and freight, intensified the Brazilian people's dissatisfaction and strengthened the pessimistic attitude to the government and the country's current situation.

Although inflation rates remained within the expected levels over the first six month period, the truckers' strike put high pressure on price indices in June, especially for food products. In addition, the hikes in government regulated prices, such as for fuel and electricity, also increased inflation in the recent period, leading the Amplified Consumer Price Index (IPCA) to reach 2.60% in the first semester, well above the 1.18% recorded for the same period of 2017.

In view of the advanced stage of the monetary easing cycle, the Brazilian Central Bank ended the interest falling process by cutting the SELIC rate to 6.50% in March. Inflation expectations are still below the target, and the slow recovery of the economy, coupled with high unemployment rates, led the Monetary Policy Committee (COPOM) to cut the basic interest rate by 0.50 p.p. at its meetings held in January and March. However, at the meeting held in May, COPOM opted to keep the SELIC rate stable, in view of the increased pressure on exchange rates, partially influenced by changes in the international scenario, and the growing uncertainty regarding the continuity of the reformist agenda.

The government's primary deficit decreased from R\$ 36.6 billion in the period from January to May 2017 to R\$ 16.4 billion in the same period of 2018. From the fiscal viewpoint, however, the situation remains very difficult. Despite the decrease, the public sector consolidated deficit, based on the primary and nominal concepts, was 1.4% and 7.2% of GDP respectively for the twelve month period ended May 2018. In this context, the gross debt/GDP ratio continued to grow, reaching 77% in May, after closing 2017 at 74%.

In the international scenario, concern regarding the worldwide escalation of the trade tensions between the US and China changed the positive outlook that prevailed at the beginning of the year. Still, the strong performance of the major economies, particularly in North America, supported some degree of risk appetite among investors. In line with the United States' strong growth and low unemployment rate, the U.S. Federal Reserve continued the process of adjusting its monetary policy, promoting two new interest rate



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rises in the first six month period of 2018. Accordingly, the Fed Funds rate at the end of the period ranged between 1.75% and 2.00%.

In the markets, the brief period of euphoria was followed by changes to the global scenario beginning in March. The investors started to price in a higher inflation scenario that would compel the Federal Reserve aggressively to tighten its monetary policy, strengthening the US Dollar throughout the world.

In short, the first six month period of 2018 brought a scenario of greater instability in the markets and a lower level of confidence of economic agents. Trade tensions abroad and the fear of higher interest rates in the USA generated a certain caution. In Brazil, the change in the external scenario, along with the greater uncertainty about the post-election environment had a negative weight, particularly stressed by the increasing perception of difficulties faced by political candidates who defend the current economic model. In May, the level of public dissatisfaction, increased by the truckers' strike and its developments, exposed a government unable to deal with the pressures imposed by interest groups and a society that still advocates state intervention in the economy, whether for the granting of subsidies or for the determination and control of prices.

## **2. Bancoob**

Banco Cooperativo do Brasil S/A (“Bancoob” or the “Bank”) is a multi-service bank founded in 1996 to meet the needs of Sistema de Cooperativas de Crédito do Brasil (“Sicoob”) and controlled by the entities affiliated with the System.

Currently, Bancoob Group is comprised of Bancoob DTVM, Cabal Brasil, Ponta Administradora de Consórcios and Sicoob Seguradora, as well as the sponsored foundation Sicoob Previ.

Bancoob provides ten service platforms to Sicoob's credit unions and partner systems, which aggregate the competitiveness of the services and products offered by these financial institutions, through providing different solutions for payments, credit, the management of third party resources, financial centralization, social security, insurance, credit cards, acquiring products, consortia and housing credit facilities. Currently, Bancoob is committed to launching the exchange platform, which will enable the bank to offer all the options available in the market.

The Bank recorded profits of R\$ 133.3 million in the first half of 2018, an increase of 31.27% compared to the same period of the previous year.

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Total deposits amounted to R\$ 32 billion, increasing by 7.52% compared to the previous period. The balance of savings deposits totaled R\$ 4.4 billion, a growth of 31.54% compared to the same period of 2017. Lending operations (including interbank onlending) increased by 8.17%, totaling R\$ 10.8 billion.

The Bank's core activities were generally quite successful. Among the options of the credit platform, the significant increase of 75% in anticipated collections of receivables from acquiring operations, which amounted to R\$2.8 billion in the first half of 2018, compared to R\$ 1.6 billion in the same period of the previous year, should be highlighted. Within the scope of investment products, we emphasize the performance of Agribusiness Credit Notes (LCAs), which increased by 35% compared to the first half of 2017, reaching a balance of R\$ 3.2 billion in June 2018.

In line with its Strategic Planning, Sicoob launched, in the first half of 2018, the financial app Yoou. This digital account, intended for young people, is a modern version of the app *Conta Fácil*, which will be discontinued following the migration of users to the new platform.

### 3. Performance

For the first six month period of 2018, Bancoob's consolidated assets totaled R\$ 47.07 billion, up 15.63% on the amount recorded for the same period of 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\$ 27.92 billion in June 2018, mainly comprised of federal government securities (LFTs, LTNs and NTNs), which accounted for 87.99% of the total amount.

#### ***b. Lending operations and interbank onlending***

The loan portfolio totaled R\$ 10.75 billion, up 8.10% compared to the first six month period of 2017. As regards the breakdown of the loan portfolio, the credit lines contracted using funds from LCAs stood out, growing by 54.13%. The lending operations carried out with funds from Rural Savings Accounts, the Bank's Own Funds, and resources from BNDES/FINAME also recorded growth.

The payroll-deductible loan portfolio (including loans to pensioners and retirees of the National Institute of Social Security (INSS) and under traditional credit facilities) totaled R\$ 734 million in the period, increasing by 28.1% compared to the first six month period of 2017.

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### ***c. Card operations***

Bancoob's card issuance segment, comprising Sicoob's and other cooperative systems' cards, closed the period with 3.59 million cards issued, of which 1.91 million cards had built-in limits. The expansion of the card base through partner cooperative systems represented approximately 23% of total operations.

The volume of purchases made with cards increased by 39% in relation to the first six month period of 2017, totaling R\$ 12.62 billion. The volume of transactions carried out using the credit function only reached R\$ 7.15 billion.

### ***d. Acquiring operations***

As at June 30, 2018, the segment of acquiring operations recorded an increase of 62% in the number of authorized licensees of the Sipag card machine, in comparison with the same period of 2017.

The expansion in Sipag's customer base increased total revenue by R\$ 12.6 billion, representing a growth of 79% in relation to the first six month period of 2017.

### ***e. Deposits***

In the first half of 2018, total consolidated deposits reached R\$ 32 billion, an increase of 7.52% compared to the same period in 2017, reflecting the confidence placed in Bancoob as the manager of Sicoob's cash.

The Cooperative Savings Account closed the period with a total of R\$ 4.47 billion, up 31.54% compared to the same period of 2017.

### ***f. Services***

Bancoob provides services related to document custody, microfilming, the tracking of documents, and real-time surveys, among others. During the first six month period of the year, Bancoob processed a total of 170,656,807 documents, an increase of 16.72% compared to the same period of the previous year.

### ***g. New agreements***

In the first half of 2018, new corporate agreements for the collection of bar-coded invoices/payment slips and direct debits were added to the Bank's portfolio, totaling 571 partnership agreements signed. The portfolio of agreements, which is highly representative of the Brazilian National Financial System, is available to Sicoob's credit unions, as well as to other systems and entities not affiliated with the Bank.

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### 4. Risk and capital management

#### Risk management

Bancoob's risk management framework seeks to identify, measure, evaluate, monitor, report, manage, control and mitigate the risks inherent to its activities based on the policies, strategies, processes and limits established.

The allocation of resources, the definition of responsibilities and processes, and the adoption of best risk management practice makes the Bank's activities more transparent, effective and timely.

Its risk management framework is consistent with the nature of its operations and the complexity of the products and services offered, as well as being proportional to the extent of its exposure to risks.

Bancoob prepares a risk interaction map, which is published in a specific manual, for the purpose of pointing out the existing correlations between the risks.

The risks that are considered relevant, and which are included in the integrated risk management program, are listed below:

- (a) Financial risks: credit risk, market risk, interest rate variation risk and liquidity risk.
- (b) Non-financial risks: operational risk, social and environmental risk, reputational risk, compliance risk, strategy risk, business continuity management (BCM) and anti-money laundering (AML).

The risk management process is segregated, and the organizational structure involved ensures the specialization, representation and rationality, with the proper dissemination of risk management information and the culture across the institution.

The procedures adopted by the Bank ensure timely reporting to the governance bodies of data relating to normal and atypical situations with respect to risk policies, as well as the application of stress tests to evaluate critical situations, which would require the adoption of contingency measures.

Aiming to optimize the delegation and coordination of tasks that are essential to the risk management function, Bancoob has adopted a model of three lines of defense, described below:

- a) First line of defense: management of controls and operations, performed by risk-exposed areas;

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b) Second line of defense: specific areas, responsible for the performance of internal controls, risk management and compliance, in an integrated manner; and

c) Third line of defense: independent assessment by the internal audit function.

The risk culture is spread across the organization through a structured process, based on specific training programs. Information regarding the risk appetite levels set in the Risk Appetite Statement (RAS), policies, strategies and processes related to the integrated management of risks are also disseminated across the Institution.

The Stress Testing Program (STP) inserted into Bancoob's integrated risk management function is intended to identify impacts caused by adverse events and circumstances on the Institution as a whole, or on a specific portfolio, through the application of sensitivity stress tests.

This structure is supported by a department specialized in risk management, segregated from the business units and the internal audit activities. This segregation ensures, in a continuing and integrated manner, that the Institution's risks are managed in accordance with the levels defined in the RAS.

The governance bodies, committees and senior management monitor, on a continuous basis, the risk management indicators and activities, so as to ensure the efficiency and effectiveness of the control model.

The Board of Directors is the body responsible for establishing the guidelines, policies and authority levels for risk management.

The Bank's Risk Committee (Coris) is responsible for supporting the Board of Directors in the performance of its duties.

At the executive level, the Chief Risk Officer (CRO) is responsible for the continuous and integrated management of risks, and these activities are monitored by the Risk Committee.

The internal audit function is in charge of providing an independent assessment of activities, systems, models and procedures developed at the Institution, allowing senior management to evaluate the adequacy of controls, the effectiveness of risk management and compliance with internal standards and regulatory requirements.

In compliance with CMN Resolution 4,557/2017, a report describing the risk and capital management framework and the risk management report - Tier III is available on Bancoob's website [www.bancoob.com.br](http://www.bancoob.com.br).

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## Management report

### **a. Credit risk**

Credit risk arises from uncertainty regarding the counterparty's ability to honor its commitments. Bancoob's credit risk management is linked to the Institutional Policy for Credit Risk Management, which defines consistent procedures, metrics and actions for all of Sicoob's entities.

As the entity responsible for the credit risk management of the Group companies and its sponsored foundation, Bancoob standardizes processes, establishes methodologies to assess the risk posed by counterparties, and monitors the loan portfolios, in accordance with Article 2 of CMN Resolution 4,557/2017.

In order to mitigate its credit risk, Bancoob makes use of risk analysis and ratings 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, as well as the respective ratings assigned to the operations, in accordance with CMN Resolution 2,682/1999.

The credit risk management framework requires the adoption of the following procedures:

- a) Validation of systems, models and internal procedures;
- b) Estimation (using consistent and prudent criteria) of losses associated with credit risk, and comparison between the estimated and actually incurred losses;
- c) Monitoring of loan portfolios;
- d) Identification and treatment of troubled assets;
- e) Systems, routines and procedures to identify, measure, assess, monitor, report, control and mitigate the exposure to credit risk;
- f) Monitoring and reporting of risk appetite limits;
- g) Periodic submission of management information to the governance bodies;
- h) An area responsible for the calculation and projection of the required regulatory capital, and for the adequacy of the provision for loan losses;

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

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

### ***b. Market and interest rate variation risks***

Bancoob has adopted the Market Risk Management Policy, which sets out the procedures, metrics and standardized actions to be followed by all the entities that comprise Sicoob.

Bancoob's framework for managing market and interest rate variation risks is consistent with the nature of its operations and the complexity of the products and services it offers, as well as being proportional to the extent of the exposure to risks.

The management of market and interest variations risks requires the adoption of the following procedures:

- (a) Monitoring, through periodic reports sent to the governance bodies, committees and senior management, addressing at least:
  - a.1) Use of the VaR to measure market risk;
  - a.2) Analysis of mismatches to assess their impact on the financial margin;
  - a.3) Maximum exposure limits to market and interest rate risks;
  - a.4) Periodic back testing performed on models for the calculation of market risk and interest rate variation risk;
  - a.5) Application of stress scenarios;
  - a.6) Definition of contingency plans;
- b) Performance of tests to assess the systems for controlling market risk and interest rate variation risk;

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c) Preparation of reports that allows the timely identification and correction of deficiencies in the control and management of market risk and interest rate variation risk;

d) Existence of a contingency plan containing the strategies to be adopted to ensure the continuity of its business activities and to limit the losses arising from market risk and interest rate variation risk.

Bancoob's market risk management framework is based on best practice and consolidated evaluation models. Market risk is calculated through the use of standard methodologies based on existing risk factors for the instruments in the trading portfolio.

For the market risk portions RWAjur1, RWAjur2, RWAjur3, RWAjur4, RWAcam, RWacom, and RWAacs, Bancoob uses methodologies based on the regulations of the Brazilian Central Bank.

The interest rate valuation risk on the banking portfolio is managed through the use of best practice and consolidated evaluation models. The Bank adopts standardized procedures for the identification of risk factors, the establishment of risk limits, the performance of stress testing and tests for compliance with the risk measurement model (back testing).

The interest rate variation risk on the banking portfolio is calculated through the use of the Value-at-Risk (VaR) method, which measures the maximum loss estimated for a specific time frame, under normal market conditions, given a certain confidence interval.

Stress testing is performed on a monthly basis, with the aim of assessing the possibility of losses resulting from sharp fluctuations in the prices of assets and enabling the adoption of preventive measures.

### ***c. Liquidity risk***

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

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



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The management of liquidity risk requires the adoption of the following procedures:

(a) Monitoring, through periodic reports sent to the governance bodies, committees and senior management, addressing at least the following metrics:

a.1) Minimum liquidity limit;

a.2) Projected cash flow;

a.3) Application of stress scenarios; and

a.4) Definition of contingency plans.

b) Performance of tests to assess the liquidity risk control systems;

c) Preparation of reports to allow the timely identification and correction of deficiencies in the control and management of liquidity risks;

d) The existence of a contingency plan setting out the strategies to be adopted to ensure the continuity of activities and to limit the losses arising from liquidity risks.

In managing the liquidity risk, procedures for the identification of short- and long term risks are adopted, considering possible impacts on the liquidity of Bancoob Group.

Stress testing is performed, for the purpose of identifying any deficiencies and atypical situations that might compromise the liquidity of the Institution.

Liquidity contingency plans are defined and tested.

### ***d. Operational and reputation risks***

The guidelines for managing operational risks 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 that involve the identification, evaluation and treatment of risks.

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

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

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

Reputational risk is managed through the monitoring of communication channels from the Bank (Ombudsman, SAC) and the Brazilian Central Bank (Online Demand Registration System – Citizen Module (RDR), as well as through public channels (“*Reclame Aqui*”) and social networking).

Sicoob and Bancoob monitor, on an ongoing basis, the brands’ exposure and the impact on their reputation of the campaigns carried out.

### ***e. Social and environmental risk***

The guidelines for managing social and environmental risks are set out in Sicoob's Institutional Policy for Social and Environmental Responsibility (PRSA), approved by the Executive Board and the Board of Directors.

For the eligibility of operations, the process of social and environmental risk management includes the evaluation of potential negative social and environmental impacts, as well as in relation to reputational risk, arising from the following situations:

- a) Individuals punished for environmental crime;
- b) Employers caught submitting workers to conditions analogous to slavery or exploiting child labor;
- c) Sectors with greater exposure to social and environmental risk;
- d) Credit lines and borrowing facilities with greater exposure to social and environmental risk; and
- e) The amount of the debt balance of lending operations with greater exposure to social and environmental risk.

### ***f. Compliance risk***

The guidelines for managing compliance risk are set out in the Compliance Policy, approved by the Executive Board and the Board of Directors.

Bancoob has employees dedicated to the implementation of this policy and specific procedures, who also act as consultants in charge of providing the information required for the effective implementation of the compliance process.

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### ***g. Strategy risk***

Bancoob unfolds its strategy of aggregating competitiveness to Sicoob's credit unions by acting as a managing system for retail banking products on the following platforms:

- ✓ Payments;
- ✓ Credit;
- ✓ Management of third party funds;
- ✓ Financial centralization;
- ✓ Social security;
- ✓ Insurance;
- ✓ Credit cards;
- ✓ Acquiring products;
- ✓ Consortia; and
- ✓ Housing credit facility.

### ***h. Business continuity management***

The related guidelines are set out in Sicoob's Institutional Policy for Business Continuity Management, approved by the Executive Board and the Board of Directors.

Business continuity management requires the adoption of the following procedures:

- a) Identification of the possibility of stoppage of activities;
- b) Assessment of the results and consequences (potential impacts) for the entity that may arise from the stoppage of activities;
- c) Definition of the strategy for recovery in the event of incidents;
- d) Planned continuity of operations (assets, including people, processes and systems), including procedures for the periods before, during and after the stoppage; and
- e) Transition between contingency management and the resumption of the normal course of business (at the end of the event).

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## Management report

### *i. Money laundering prevention*

The related guidelines are set out in Sicoob's Institutional Policy for the Prevention of Money Laundering and Terrorism Financing, approved by the Executive Board and the Board of Directors.

Bancoob's Anti-Money Laundering/Terrorism Financing (AML/TF) process has the purpose of detecting atypical behaviors, situations and transactions, through information provided by the System for the Prevention of Money Laundering and Terrorism Financing and Fraud Prevention and Combat.

This process includes the following steps:

- a) Monitoring;
- b) Analysis and due diligence;
- c) Reporting to the Brazilian Council for Financial Activities Control (COAF); and
- d) Issue of managerial reports.

### **Capital management**

The Bank's process for capital management complies with the guidelines included in Sicoob's Institutional Policy for Capital Management, to which Bancoob adhered, as approved by its Board of Directors.

In addition to a specific capital plan, which sets out capital targets and projections taking into account strategic objectives over a minimum timeframe 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 reviewed annually by the Internal Audit function.

In compliance with CMN Resolution 4,557/2017, a report describing the risk and capital management framework and the risk management report - Tier III are available on Bancoob's website [www.bancoob.com.br](http://www.bancoob.com.br).

# Banco Cooperativo do Brasil S.A. - Bancoob Management report

## **5. Equity and profit for the year**

As at June 30, 2018, the consolidated equity totaled R\$ 1.70 billion, representing an increase of 16.80% compared to the first six month period of the previous year.

The consolidated profit for the period amounted to R\$ 133.33 million, with an annualized return on average equity of 13.41%.

### **Acknowledgments**

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

The Management.

# Banco Cooperativo do Brasil S.A. - BANCOOB

Balance sheet at June 30  
(All amounts in thousands of reais)

(A free translation of the original in Portuguese)

Assets	BANK		CONSOLIDATED	
	2018	2017 Restated (Note 3t)	2018	2017 Restated (Note 3t)
<b>Current assets</b>	<b>32,364,012</b>	<b>26,482,634</b>	<b>32,416,011</b>	<b>26,549,816</b>
<b>Available funds (Note 5)</b>	<b>8,761</b>	<b>4,718</b>	<b>8,770</b>	<b>4,732</b>
<b>Short term interbank investments (Note 6)</b>	<b>15,301,140</b>	<b>13,124,618</b>	<b>15,301,140</b>	<b>13,124,618</b>
Money market investments	14,239,777	11,485,409	14,239,777	11,485,409
Investments in interbank deposits	1,061,363	1,639,209	1,061,363	1,639,209
<b>Marketable securities (Note 7)</b>	<b>2,776,688</b>	<b>1,358,958</b>	<b>2,782,511</b>	<b>1,392,162</b>
Own portfolio	2,030,696	862,758	2,036,519	895,962
Subject to repurchase agreements	-	26,514	-	26,514
Linked to the provision of guarantees	745,992	469,686	745,992	469,686
<b>Interbank accounts (Note 20(a))</b>	<b>10,347,860</b>	<b>8,906,268</b>	<b>10,377,663</b>	<b>8,906,268</b>
Payments and receipts pending settlement	3,932,532	3,072,938	3,962,335	3,072,938
Receivables linked to the Brazilian Central Bank	1,349,950	621,158	1,349,950	621,158
Interbank onlending (Note 8)	5,071,761	5,216,959	5,071,761	5,216,959
(-) Provision for losses on interbank onlending (Note 8)	(6,455)	(4,859)	(6,455)	(4,859)
Correspondent banks	72	72	72	72
<b>Lending operations (Note 8)</b>	<b>1,033,709</b>	<b>912,355</b>	<b>1,033,709</b>	<b>912,355</b>
Lending operations - private sector	1,048,023	924,599	1,048,023	924,599
(-) Provision for loan losses	(14,314)	(12,244)	(14,314)	(12,244)
<b>Other receivables</b>	<b>2,846,303</b>	<b>2,138,635</b>	<b>2,861,240</b>	<b>2,172,051</b>
Receivables from guarantees honored	-	12	-	12
Income receivable	15,374	15,764	19,161	19,239
Sundry receivables (Note 21(b))	2,850,404	2,134,638	2,861,554	2,164,579
(-) Provision for losses on other receivables (Note 8)	(19,475)	(11,779)	(19,475)	(11,779)
<b>Other assets</b>	<b>49,551</b>	<b>37,082</b>	<b>50,978</b>	<b>37,630</b>
Other assets	2,480	2,734	2,480	2,734
Prepaid expenses	47,071	34,348	48,498	34,896
<b>Non-current assets</b>	<b>14,690,718</b>	<b>14,193,075</b>	<b>14,652,669</b>	<b>14,155,237</b>
<b>Long term receivables</b>				
<b>Short term interbank investments</b>	<b>15,845</b>	<b>199,074</b>	<b>15,845</b>	<b>199,074</b>
Investments in interbank deposits	15,845	199,074	15,845	199,074
<b>Marketable securities (Note 7)</b>	<b>9,800,088</b>	<b>10,009,896</b>	<b>9,821,754</b>	<b>10,009,896</b>
Own portfolio	5,529,463	6,415,649	5,551,129	6,415,649
Subject to repurchase agreements	1,573,554	37,487	1,573,554	37,487
Linked to the provision of guarantees	2,697,071	3,556,760	2,697,071	3,556,760
<b>Interbank accounts</b>	<b>2,080,630</b>	<b>1,588,562</b>	<b>2,080,630</b>	<b>1,588,562</b>
Interbank onlending (Note 8)	2,083,577	1,591,012	2,083,577	1,591,012
(-) Provision for losses on interbank onlending (Note 8)	(2,947)	(2,450)	(2,947)	(2,450)
<b>Lending operations (Note 8)</b>	<b>2,567,843</b>	<b>2,229,478</b>	<b>2,567,843</b>	<b>2,229,478</b>
Lending operations - private sector	2,592,303	2,248,151	2,592,303	2,248,151
(-) Provision for loan losses	(24,460)	(18,673)	(24,460)	(18,673)
<b>Other receivables</b>	<b>29,101</b>	<b>33,995</b>	<b>29,829</b>	<b>34,737</b>
Sundry receivables (Note 21(b))	33,195	34,026	33,923	34,768
(-) Provision for losses on other receivables (Note 8)	(4,094)	(31)	(4,094)	(31)
<b>Investments (Note 10)</b>	<b>117,924</b>	<b>81,299</b>	<b>35,226</b>	<b>29,804</b>
Equity interests in associates and subsidiaries	117,724	81,099	35,026	29,604
Other investments	200	200	200	200
<b>Property and equipment (Note 11)</b>	<b>76,800</b>	<b>47,385</b>	<b>90,920</b>	<b>54,008</b>
Property in use	75,592	55,914	77,092	55,914
Other property and equipment in use	29,638	16,254	50,870	28,810
(-) Accumulated depreciation	(28,430)	(24,783)	(37,042)	(30,716)
<b>Intangible assets (Note 12)</b>	<b>2,487</b>	<b>3,386</b>	<b>10,622</b>	<b>9,678</b>
Intangible assets	9,233	9,567	24,254	20,877
(-) Accumulated amortization	(6,746)	(6,181)	(13,632)	(11,199)
<b>Total assets</b>	<b>47,054,730</b>	<b>40,675,709</b>	<b>47,068,680</b>	<b>40,705,053</b>

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Balance sheet at June 30

(All amounts in thousands of reais)

(A free translation of the original in Portuguese)

Liabilities and equity	BANK		CONSOLIDATED	
	2018	2017 Restated (Note 3t)	2018	2017 Restated (Note 3t)
<b>Current liabilities</b>	<b>39,930,144</b>	<b>35,142,909</b>	<b>40,028,603</b>	<b>35,219,100</b>
<b>Deposits (Note 13)</b>	<b>28,841,226</b>	<b>27,705,322</b>	<b>28,860,890</b>	<b>27,720,859</b>
Demand deposits	707,286	31,103	705,383	24,004
Savings account deposits	4,446,149	3,380,172	4,446,149	3,380,172
Interbank deposits	23,639,571	24,278,671	23,639,571	24,278,671
Time deposits	48,220	15,376	47,536	14,888
Other deposits	-	-	22,251	23,124
<b>Money market funding (Note 14)</b>	<b>3,708,093</b>	<b>1,631,712</b>	<b>3,708,093</b>	<b>1,631,712</b>
Own portfolio	1,571,561	63,717	1,571,561	63,717
Third party portfolio	2,136,532	1,567,995	2,136,532	1,567,995
<b>Funds from the acceptance of bills of exchange and the issuance of securities (Note 15)</b>	<b>178,762</b>	<b>450,890</b>	<b>178,762</b>	<b>450,890</b>
Funds from real estate, mortgage, credit and similar notes	178,762	450,890	178,762	450,890
<b>Interbank accounts (Note 20(a))</b>	<b>3,048,724</b>	<b>2,427,702</b>	<b>3,048,732</b>	<b>2,427,702</b>
Receipts and payments pending settlement	3,048,724	2,427,702	3,048,732	2,427,702
<b>Interdepartmental accounts</b>	<b>28,832</b>	<b>25,297</b>	<b>28,832</b>	<b>25,297</b>
Third party funds in transit	28,832	25,297	28,832	25,297
<b>Onlending in Brazil - official institutions (Note 16)</b>	<b>1,080,031</b>	<b>736,816</b>	<b>1,080,031</b>	<b>736,816</b>
National Treasury	-	21	-	21
Banco do Brasil - FCO	13,772	11,633	13,772	11,633
BNDES	294,882	246,807	294,882	246,807
Brazilian Central Bank	479,496	165,766	479,496	165,766
FINAME	163,552	157,985	163,552	157,985
Funcafé	128,329	154,604	128,329	154,604
<b>Other payables</b>	<b>3,044,476</b>	<b>2,165,170</b>	<b>3,123,263</b>	<b>2,225,824</b>
Collection of taxes and similar charges	205,671	172,897	205,671	172,897
Social and statutory charges	11,910	9,492	12,032	9,595
Taxes and social security charges (Note 20(e))	127,020	95,076	140,419	103,914
Sundry payables (Note 21(f))	2,699,875	1,887,705	2,765,141	1,939,418
<b>Non-current liabilities</b>	<b>5,432,074</b>	<b>4,084,087</b>	<b>5,338,618</b>	<b>4,030,213</b>
<b>Long term liabilities</b>				
<b>Deposits (Note 13)</b>	<b>3,567,253</b>	<b>2,406,483</b>	<b>3,473,664</b>	<b>2,352,397</b>
Interbank deposits	3,113,871	2,088,070	3,113,871	2,088,070
Time deposits	453,382	318,413	359,793	264,327
<b>Funds from acceptance of bills of exchange and issuance of securities (Note 15)</b>	<b>6,322</b>	<b>-</b>	<b>6,322</b>	<b>-</b>
Funds from real estate, mortgage, credit, and similar notes	6,322	-	6,322	-
<b>Onlending in Brazil - official institutions (Note 16)</b>	<b>1,852,987</b>	<b>1,674,088</b>	<b>1,852,987</b>	<b>1,674,088</b>
National Treasury	-	-	-	-
Banco do Brasil - FCO	36,460	46,265	36,460	46,265
BNDES	1,259,014	1,083,683	1,259,014	1,083,683
FINAME	543,332	527,735	543,332	527,735
Funcafé	14,181	16,405	14,181	16,405
<b>Other payables</b>	<b>5,512</b>	<b>3,516</b>	<b>6,645</b>	<b>3,728</b>
Taxes and social security charges (Note 20(e))	506	3	506	75
Sundry payables (Note 20(f))	5,006	3,513	6,139	3,653

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Balance sheet at June 30

(All amounts in thousands of reais)

(A free translation of the original in Portuguese)

<b>Deferred income</b>	<b>188</b>	<b>35</b>	<b>188</b>	<b>35</b>
Prepaid income	188	35	188	35
<b>Equity (Note 18)</b>	<b>1,692,324</b>	<b>1,448,678</b>	<b>1,700,271</b>	<b>1,455,705</b>
<b>Share capital</b>				
Capital	1,525,152	1,319,242	1,525,152	1,319,242
Capital reserve	51	45	51	45
Revenue reserve	165,821	126,470	165,821	126,870
Adjustment to market value - marketable securities	1,300	2,947	1,300	2,947
(Treasury shares)	-	(26)	-	(26)
Non-controlling interest	-	-	7,947	6,627
<b>Total liabilities and equity</b>	<b>47,054,730</b>	<b>40,675,709</b>	<b>47,068,680</b>	<b>40,705,053</b>

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



# Banco Cooperativo do Brasil S.A. - BANCOOB

## Statement of income

Six-month periods ended June 30

(All amounts in thousands of reais unless otherwise stated) (A free translation of the original in Portuguese)

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
<b>Income from financial intermediation</b>	<b>1,328,975</b>	<b>1,739,803</b>	<b>1,329,738</b>	<b>1,741,498</b>
Lending operations (Note 8(h))	454,222	487,044	454,222	487,044
Gains on marketable securities (Note 7(c))	855,476	1,239,430	856,239	1,241,125
Gains on compulsory investments	12,977	13,329	19,277	13,329
<b>Expenses for financial intermediation</b>	<b>(1,101,740)</b>	<b>(1,551,318)</b>	<b>(1,099,051)</b>	<b>(1,548,430)</b>
Money market funding transactions (Note 13(b))	(1,040,344)	(1,503,852)	(1,037,650)	(1,500,964)
Borrowing and onlending (Note 16(b))	(47,287)	(39,511)	(47,292)	(39,511)
(-) Provision for loan losses (Note 8(g))	(14,109)	(7,955)	(14,109)	(7,955)
<b>Gross profit from financial intermediation</b>	<b>227,235</b>	<b>188,485</b>	<b>230,687</b>	<b>193,068</b>
<b>Other operating income (expenses)</b>	<b>6,766</b>	<b>(7,717)</b>	<b>12,730</b>	<b>(4,305)</b>
Income from services rendered (Note 20(g))	502,663	385,640	572,381	428,163
Income from banking fees (Note 20(g))	29	30	29	30
Personnel expenses (Note 20(h))	(53,558)	(47,270)	(75,081)	(66,222)
Administrative expenses (Note 20(i))	(105,283)	(139,431)	(119,504)	(152,191)
Taxes	(74,724)	(55,920)	(84,204)	(62,775)
Equity in the results of associates and subsidiaries (Note 10)	19,037	8,909	3,780	981
Other operating income (Note 20(j))	137,680	86,227	140,298	88,690
Other operating expenses (Note 20(k))	(419,078)	(245,902)	(424,969)	(240,981)
<b>Operating profit</b>	<b>234,001</b>	<b>180,768</b>	<b>243,417</b>	<b>188,763</b>
<b>Non-operating profit (loss) (Note 20(l))</b>	<b>(142)</b>	<b>32</b>	<b>(140)</b>	<b>20</b>
<b>Profit before taxation and profit sharing</b>	<b>233,859</b>	<b>180,800</b>	<b>243,277</b>	<b>188,783</b>
<b>Income tax and social contribution (Note 9)</b>	<b>(96,097)</b>	<b>(76,969)</b>	<b>(104,691)</b>	<b>(83,757)</b>
Provision for income tax (Note 9(d))	(57,885)	(44,154)	(63,447)	(48,325)
Provision for social contribution (Note 9(d))	(46,672)	(35,632)	(49,715)	(38,241)
Deferred tax credits (Note 9(b))	8,460	2,817	8,471	2,809
<b>Employee profit sharing (Note 22(e))</b>	<b>(5,135)</b>	<b>(3,350)</b>	<b>(5,251)</b>	<b>(3,453)</b>
<b>Profit for the six month period</b>	<b>132,627</b>	<b>100,481</b>	<b>133,335</b>	<b>101,573</b>
<b>Number of shares (Note 18(a)):</b>	<b>829,448,865</b>	<b>722,044,031</b>	<b>829,448,865</b>	<b>722,044,031</b>
<b>Earnings per thousand shares - R\$</b>	<b>159.90</b>	<b>139.16</b>	<b>160.75</b>	<b>140.67</b>

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

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Statement of changes in equity

(All amounts in thousands of reais)

(A free translation of the original in Portuguese)

	Share capital	Increase in share capital	(-) Unpaid share capital	Capital reserve	Revenue reserve	Adjustment to market value	Retained earnings (accumulated deficit)	Treasury shares	Total
<b>As at December 31, 2016</b>	1,164,179	-	-	45	178,072	(4,590)	-	(26)	1,337,680
Increase in share capital (Note 18(a))	155,063	-	-	-	-	-	-	-	155,063
Unrealized capital	-	155,063	(155,063)	-	-	-	-	-	-
Payment of capital	-	(155,063)	155,063	-	-	-	-	-	-
Dividends proposed in previous years (Note 18(d))	-	-	-	-	(147,310)	-	-	-	(147,310)
Carrying value adjustment - securities available for sale	-	-	-	-	-	7,537	-	-	7,537
<b>Profit for the six month period</b>	-	-	-	-	-	-	100,481	-	100,481
<b>Proposed allocations:</b>									
Legal reserve	-	-	-	-	5,024	-	(5,024)	-	-
Revenue reserve	-	-	-	-	90,684	-	(90,684)	-	-
Proposed dividends (Note 18(d))	-	-	-	-	-	-	(4,773)	-	(4,773)
<b>As at June 30, 2017</b>	<b>1,319,242</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>126,470</b>	<b>2,947</b>	<b>-</b>	<b>(26)</b>	<b>1,448,678</b>
<b>Changes in the six month period</b>	155,063	-	-	-	(51,602)	7,537	-	-	110,998
<b>As at December 31, 2017</b>	1,319,242	40,000	-	45	197,108	2,818	-	(59)	1,559,154
Increase in share capital (Note 18(a))	205,910	-	-	-	-	-	-	-	205,910
Unrealized capital	-	125,910	(165,910)	-	-	-	-	-	(40,000)
Payment of capital	-	(165,910)	165,910	-	-	-	-	-	-
Dividends proposed in previous years (Note 18(d))	-	-	-	-	(157,614)	-	-	-	(157,614)
Carrying value adjustment - securities available for sale	-	-	-	-	-	(1,518)	-	-	(1,518)
Acquisitions of own shares	-	-	-	6	-	-	-	59	65
<b>Profit for the six month period</b>	-	-	-	-	-	-	132,627	-	132,627
<b>Proposed allocations:</b>									
Legal reserve	-	-	-	-	6,631	-	(6,631)	-	-
Revenue reserve	-	-	-	-	119,696	-	(119,696)	-	-
Proposed dividends (Note 18(d))	-	-	-	-	-	-	(6,300)	-	(6,300)
<b>As at June 30, 2018</b>	<b>1,525,152</b>	<b>-</b>	<b>-</b>	<b>51</b>	<b>165,821</b>	<b>1,300</b>	<b>-</b>	<b>-</b>	<b>1,692,324</b>
<b>Changes in the six month period</b>	205,910	(40,000)	-	6	(31,287)	(1,518)	-	59	133,170

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

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Statement of cash flow

(All amounts in thousands of reais)

(A free translation of the original in Portuguese)

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
<b>Cash flow from operating activities</b>				
<b>Adjusted profit</b>	<b>235,874</b>	<b>184,796</b>	<b>263,267</b>	<b>202,062</b>
Profit before income tax and social contribution	233,859	180,800	243,277	188,783
Provision for loan losses	14,109	7,955	14,109	7,955
Depreciation and amortization	4,115	2,264	6,821	3,593
Equity in the results of subsidiaries	(19,037)	(8,909)	(3,780)	(981)
Amortization of goodwill on equity interests in subsidiaries	1,026	1,003	1,026	1,003
Provision for tax, labor and civil contingencies	1,802	1,683	1,814	1,709
Decrease (increase) in short term interbank investments	743,228	(43,902)	743,228	(43,902)
Decrease (increase) in marketable securities	(548,743)	(660,731)	(541,994)	(651,560)
(Increase) decrease in interbank and interdepartmental accounts	(389,031)	(33,801)	(389,308)	(33,801)
(Increase) in lending operations	(316,674)	(125,896)	(316,674)	(125,896)
Decrease (increase) in other receivables	(65,147)	(606,268)	(42,914)	(618,986)
Increase (decrease) in other assets	(10,635)	(4,300)	(11,437)	(4,370)
Increase in deposits	1,438,388	4,349,334	1,432,318	4,362,067
Increase (decrease) in repurchase agreement obligations	1,045,689	288,174	1,045,689	288,174
(Decrease) increase in funds from the acceptance of bills of exchange, real estate and mortgage notes and debentures	(152,669)	266,969	(152,669)	266,969
(Decrease) increase in borrowing and onlending	(84,353)	60,536	(84,353)	60,536
Increase in other payables	85,710	362,620	50,842	348,043
Income tax and social contribution paid	(46,647)	(35,479)	(53,850)	(39,471)
Changes in deferred income	109	(34)	109	(34)
<b>Net cash inflow (outflow) from operating activities</b>	<b>1,935,099</b>	<b>4,002,018</b>	<b>1,942,254</b>	<b>4,009,831</b>
<b>Cash flow from investment activities</b>				
Dividends received from associates	2,522	1,858	-	-
Disposals of property and equipment in use	183	22	210	33
Purchases of property and equipment	(1,418)	(877)	(3,940)	(3,783)
Purchases of intangible assets	(53)	(523)	(2,207)	(3,943)
<b>Net cash inflow (outflow) from investment activities</b>	<b>1,234</b>	<b>480</b>	<b>(5,937)</b>	<b>(7,693)</b>
<b>Cash flow from financing activities</b>				
Increase in share capital	165,910	155,063	165,910	155,063
Share buyback	65	-	65	-
Payment of dividends	(165,527)	(154,418)	(165,527)	(154,418)
<b>Net cash inflow (outflow) from financing activities</b>	<b>448</b>	<b>645</b>	<b>448</b>	<b>645</b>
<b>Net increase (decrease) in cash and cash equivalents (Note 4)</b>	<b>1,936,781</b>	<b>4,003,143</b>	<b>1,936,765</b>	<b>4,002,783</b>
Cash and cash equivalents at the beginning of the six month period	12,311,757	7,055,539	12,311,782	7,055,913
Cash and cash equivalents at the end of the six month period	14,248,538	11,058,682	14,248,547	11,058,696

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

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements

at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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## 1 Operations

Banco Cooperativo do Brasil S.A. - Bancoob ("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 "Central Bank" or BACEN) on July 21, 1997 and started 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 under the control of central credit unions which, together with the single credit unions, comprise the Sistema de Cooperativas de Crédito do Brasil ("Sicoob").

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

Among the services rendered by Bancoob, the provision of bank reserve accounts and the clearing of checks and other papers are to be highlighted.

As at June 30, 2018, the mismatch between current assets and current liabilities, in the parent company and consolidated balance sheet, totaling R\$ 7,566,132 and R\$ 7,613,616, respectively, does not pose any risk to the Bank in view of the following: i) approximately 66.71% and 67.03% 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 obtained through interbank deposit certificates from the credit unions which are the shareholders of the Bank, 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 ("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 on the standards and instructions issued by the National Monetary Council ("CMN") and the Brazilian Central Bank.

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 Segurança S.A. In the consolidated financial statements, equity interests, as well as intercompany receivables and payables, revenue and expenses, have been eliminated.

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements

at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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The Joint Executive Board of Bancoob submitted these financial statements to the Board of Directors, which approved them on August 14, 2018.

## **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 the 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 the inaccuracies inherent in their determination process. The Bank reviews the 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 comprise cash in local and foreign currency, and short term interbank investments whose maturities at the investment date are equal to or lower than 90 days, and subject to an immaterial risk of changes in fair value, which are used by Bancoob to manage its short term obligations.

### **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. These operations are backed by federal public securities and private securities.

### **f. Marketable securities**

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

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements

at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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- i. Trading securities** - securities acquired for frequent and active trading, 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, are 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, based on 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 period.

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

### **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 when the monthly trial balances and balance sheets are prepared. Any appreciation or depreciation is recognized directly in income or expense accounts for the respective derivative financial instruments.

The methodology for the marking-to-market of derivative financial instruments 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 of such a price, 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 regarding the risk level, considering the analysis and rating of the borrower and the 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.

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements

at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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Income from lending operations and interbank onlending overdue for more than 60 days, irrespective of their risk level, are only recognized after it has been received.

Operations classified at risk level "H" are transferred to the offsetting account, with a corresponding debit entry into the provision account, only six months after their classification at this risk level. Renegotiated operations are maintained at the same risk level at which they were classified prior to the renegotiation, and operations which had been previously recorded as losses started to be classified at 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 renegotiation are only recognized as income when effectively received. The provision for loan losses, which is considered sufficient by Management, and complies with the minimum requirement established in the aforementioned Resolution, as shown in Note 8(c).

### **i. Investments**

Investments are recorded at acquisition cost, and equity interests in subsidiaries and associates are accounted for under the equity method.

### **j. Property and Equipment**

Property and equipment are recorded at their acquisition, formation or construction cost, 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 asset. Any other type of expenditure is recognized in the statement of income as an expense when it is incurred.

Impairment of assets - A loss is recognized if there is clear evidence that the assets are not stated at their recoverable amounts.

### **k. Intangible assets**

These correspond to rights acquired in intangible assets that are maintained for or used in the Bank's operations. Intangible assets with a defined useful life are usually amortized on a straight line basis over the estimated period of economic benefit.

Intangible assets comprise 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 value.

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements

at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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### **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**

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

### **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 expensed in the statement of income for the period

### **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 2015. From September 2015, in accordance with the amendment to Law 7,689/88, it started to be computed at 20% on the taxable income calculated as established under the prevailing tax laws.

Tax credits 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 3,355/06. 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 and 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, contingent assets and liabilities is carried out in accordance with CMN Resolution 3,823/09, 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 for 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.



# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements

at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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- **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, and an outflow of funds will be required to settle the obligation, and 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 considered material on a standalone 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, where 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 considered in 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;
- CPC 33 (R1) – Employee Benefits.

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



# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements

at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

### 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	
	2018	2017	2018	2017
<b>Cash</b>				
Available funds (Note 5)	8,761	4,718	8,770	4,732
Local currency	375	288	377	301
Bank deposits	-	-	7	-
Non-earmarked reserves	272	-	272	-
Foreign currency	8,114	4,430	8,114	4,431
<b>Cash equivalents</b>				
Short term interbank investments (up to 90 days) (Note 6)	14,239,777	11,053,964	14,239,777	11,053,964
<b>Total</b>	<b>14,248,538</b>	<b>11,058,682</b>	<b>14,248,547</b>	<b>11,058,696</b>

### 5 Available funds

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Local currency	375	288	377	301
Bank deposits	-	-	7	-
Non-earmarked reserves	272	-	272	-
Foreign currency	8,114	4,430	8,114	4,431
<b>Total</b>	<b>8,761</b>	<b>4,718</b>	<b>8,770</b>	<b>4,732</b>

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements

at June 30, 2018

(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 1 year	2018	2017	2018	2017
<b>Investments in repurchase agreements</b>	<u>1,219,102</u>	<u>13,020,675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,239,777</u>	<u>11,485,409</u>	<u>14,239,777</u>	<u>11,485,409</u>
Resales pending settlement - own resources	1,219,102	10,884,827	-	-	-	12,103,929	9,917,289	12,103,929	9,917,289
Resales pending settlement - third party resources	-	2,135,848	-	-	-	2,135,848	1,568,120	2,135,848	1,568,120
<b>Investments in interbank deposits</b>	<u>918,914</u>	<u>4,268</u>	<u>71,174</u>	<u>67,007</u>	<u>15,845</u>	<u>1,077,208</u>	<u>1,838,283</u>	<u>1,077,208</u>	<u>1,838,283</u>
<b>Total</b>	<u><b>2,138,016</b></u>	<u><b>13,024,943</b></u>	<u><b>71,174</b></u>	<u><b>67,007</b></u>	<u><b>15,845</b></u>	<u><b>15,316,985</b></u>	<u><b>13,323,692</b></u>	<u><b>15,316,985</b></u>	<u><b>13,323,692</b></u>
Current						15,301,140	13,124,618	15,301,140	13,124,618
Non-current						15,845	199,074	15,845	199,074

#### b. Income from short term interbank investments

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

	BANK AND CONSOLIDATED	
	2018	2017
<b>Investments in repurchase agreements</b>		
- Own resources	351,388	453,071
- Third party resources	<u>60,650</u>	<u>67,745</u>
<b>Sub-total</b>	<b>412,038</b>	<b>520,816</b>
- Investments in interbank deposits	<u>52,602</u>	<u>105,007</u>
<b>Total</b>	<u><b>464,640</b></u>	<u><b>625,823</b></u>

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements

at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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## **7 Marketable securities and derivative financial instruments**

### **a. Marketable securities**

Securities are classified as "available for sale", "trading" or "held to maturity". Their market value was calculated considering the following parameters:

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

Marketable securities, including derivative financial instruments and short term interbank investments, are under the custody of CBLC, B3 (Brazil, Stock Exchange, OTC) and SELIC, 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 June 30, 2018  
(All amounts in thousands of reais unless otherwise stated)

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

BANK	Carrying amount						Total 2018			Total 2017		
	Without defined maturity	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Curve value	Market value	Unrealized gain (loss)	Curve value	Market value	Unrealized gain (loss)
<b>I - Available-for-sale securities</b>	<b>39,231</b>	-	<b>862,490</b>	<b>401,272</b>	<b>1,468,398</b>	<b>9,800,088</b>	<b>12,569,285</b>	<b>12,571,479</b>	<b>2,194</b>	<b>11,231,718</b>	<b>11,236,749</b>	<b>5,031</b>
<b>Own portfolio</b>												
Financial Treasury Bills (LFT)	-	-	533,705	-	549,542	4,605,014	5,689,706	5,688,261	(1,445)	5,663,300	5,662,439	(861)
Funds	39,231	-	-	-	-	-	39,231	39,231	-	12,019	12,019	-
Financial Bills (LF)	-	-	116,512	360,938	425,471	924,449	1,823,202	1,827,370	4,168	1,494,150	1,499,249	5,099
Total	<b>39,231</b>	-	<b>650,217</b>	<b>360,938</b>	<b>975,013</b>	<b>5,529,463</b>	<b>7,552,139</b>	<b>7,554,862</b>	<b>2,723</b>	<b>7,169,469</b>	<b>7,173,707</b>	<b>4,238</b>
<b>Portfolio subject to repurchase agreements</b>												
Financial Treasury Bills (LFT)	-	-	-	-	-	1,573,554	1,574,097	1,573,554	(543)	37,809	37,782	(27)
Total	-	-	-	-	-	<b>1,573,554</b>	<b>1,574,097</b>	<b>1,573,554</b>	<b>(543)</b>	<b>37,809</b>	<b>37,782</b>	<b>(27)</b>
<b>Linked to the provision of guarantees (Note 7(b))</b>												
Financial Bills (LF)	-	-	20,470	40,334	23,172	321,573	404,307	405,549	1,242	735,218	737,554	2,336
Financial Treasury Bills (LFT)	-	-	191,803	-	470,213	2,375,498	3,038,742	3,037,514	(1,228)	3,289,222	3,287,706	(1,516)
Total	-	-	<b>212,273</b>	<b>40,334</b>	<b>493,385</b>	<b>2,697,071</b>	<b>3,443,049</b>	<b>3,443,063</b>	<b>14</b>	<b>4,024,440</b>	<b>4,025,260</b>	<b>820</b>
<b>II - Trading securities</b>	<b>5,297</b>	-	-	-	-	-	<b>5,298</b>	<b>5,297</b>	<b>(1)</b>	<b>2,334</b>	<b>2,340</b>	<b>6</b>
<b>Own portfolio</b>												
Financial Bills (LF)	5,297	-	-	-	-	-	5,298	5,297	(1)	2,334	2,340	6
Total	<b>5,297</b>	-	-	-	-	-	<b>5,298</b>	<b>5,297</b>	<b>(1)</b>	<b>2,334</b>	<b>2,340</b>	<b>6</b>
<b>III - Held-to-maturity securities</b>	-	-	-	-	-	-	-	-	-	<b>129,765</b>	<b>129,758</b>	<b>(7)</b>
<b>Own portfolio</b>												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	102,360	102,354	(6)
Total	-	-	-	-	-	-	-	-	-	<b>102,360</b>	<b>102,354</b>	<b>(6)</b>
<b>Portfolio subject to repurchase agreements</b>												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	26,219	26,218	(1)
Total	-	-	-	-	-	-	-	-	-	<b>26,219</b>	<b>26,218</b>	<b>(1)</b>
<b>Linked to the provision of guarantees (Note 7b)</b>												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	1,186	1,186	-
Total	-	-	-	-	-	-	-	-	-	<b>1,186</b>	<b>1,186</b>	-
<b>Total securities</b>	<b>44,528</b>	-	<b>862,490</b>	<b>401,272</b>	<b>1,468,398</b>	<b>9,800,088</b>	<b>12,574,583</b>	<b>12,576,776</b>	<b>2,193</b>	<b>11,363,817</b>	<b>11,368,847</b>	<b>5,030</b>
Current								2,776,688		1,358,958		
Non-current								9,800,088		10,009,896		

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements at June 30, 2018  
(All amounts in thousands of reais unless otherwise stated)

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

## CONSOLIDATED

	Carrying amount						Total 2018			Total 2017		
	Without defined maturity	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Curve value	Market value	Unrealized gain (loss)	Curve value	Market value	Unrealized gain (loss)
<b>I - Available-for-sale securities</b>	<b>45,054</b>	-	<b>862,490</b>	<b>401,272</b>	<b>1,468,398</b>	<b>9,821,754</b>	<b>12,596,774</b>	<b>12,598,968</b>	<b>2,194</b>	<b>11,264,922</b>	<b>11,269,953</b>	<b>5,031</b>
<b>Own portfolio</b>												
Financial Treasury Bills (LFT)	-	-	533,705	-	549,542	4,625,531	5,710,223	5,708,778	(1,445)	5,688,367	5,687,506	(861)
Bank Deposit Certificate (CDB)	-	-	-	-	-	1,149	1,149	1,149	-	427	427	-
Funds	45,054	-	-	-	-	-	45,054	45,054	-	18,881	18,881	-
Financial Bills (LF)	-	-	116,512	360,938	425,471	924,449	1,823,202	1,827,370	4,168	1,494,150	1,499,249	5,099
Debentures	-	-	-	-	-	-	-	-	-	848	848	-
<b>Total</b>	<b>45,054</b>	-	<b>650,217</b>	<b>360,938</b>	<b>975,013</b>	<b>5,551,129</b>	<b>7,579,628</b>	<b>7,582,351</b>	<b>2,723</b>	<b>7,202,673</b>	<b>7,206,911</b>	<b>4,238</b>
<b>Portfolio subject to repurchase agreements</b>												
Financial Treasury Bills (LFT)	-	-	-	-	-	1,573,554	1,574,097	1,573,554	(543)	37,809	37,782	(27)
<b>Total</b>	-	-	-	-	-	<b>1,573,554</b>	<b>1,574,097</b>	<b>1,573,554</b>	<b>(543)</b>	<b>37,809</b>	<b>37,782</b>	<b>(27)</b>
<b>Linked to the provision of guarantees (Note 7(b))</b>												
Financial Bills (LF)	-	-	20,470	40,334	23,172	321,573	404,307	405,549	1,242	735,218	737,554	2,336
Financial Treasury Bills (LFT)	-	-	191,803	-	470,213	2,375,498	3,038,742	3,037,514	(1,228)	3,289,222	3,287,706	(1,516)
<b>Total</b>	-	-	<b>212,273</b>	<b>40,334</b>	<b>493,385</b>	<b>2,697,071</b>	<b>3,443,049</b>	<b>3,443,063</b>	<b>14</b>	<b>4,024,440</b>	<b>4,025,260</b>	<b>820</b>
<b>II - Trading securities</b>	<b>5,297</b>	-	-	-	-	-	<b>5,298</b>	<b>5,297</b>	<b>(1)</b>	<b>2,334</b>	<b>2,340</b>	<b>6</b>
<b>Own portfolio</b>												
Financial Bills (LF)	5,297	-	-	-	-	-	5,298	5,297	(1)	2,334	2,340	6
<b>Total</b>	<b>5,297</b>	-	-	-	-	-	<b>5,298</b>	<b>5,297</b>	<b>(1)</b>	<b>2,334</b>	<b>2,340</b>	<b>6</b>
<b>III - Held-to-maturity securities</b>	-	-	-	-	-	-	-	-	-	<b>129,765</b>	<b>129,758</b>	<b>(7)</b>
<b>Own portfolio</b>												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	102,360	102,354	(6)
<b>Total</b>	-	-	-	-	-	-	-	-	-	<b>102,360</b>	<b>102,354</b>	<b>(6)</b>
<b>Portfolio subject to repurchase agreements</b>												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	26,219	26,218	(1)
<b>Total</b>	-	-	-	-	-	-	-	-	-	<b>26,219</b>	<b>26,218</b>	<b>(1)</b>
<b>Linked to the provision of guarantees (Note 7(b))</b>												
Financial Treasury Bills (LFT)	-	-	-	-	-	-	-	-	-	1,186	1,186	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	<b>1,186</b>	<b>1,186</b>	-
<b>Total securities</b>	<b>50,351</b>	-	<b>862,490</b>	<b>401,272</b>	<b>1,468,398</b>	<b>9,821,754</b>	<b>12,602,072</b>	<b>12,604,265</b>	<b>2,193</b>	<b>11,397,021</b>	<b>11,402,051</b>	<b>5,030</b>
Current								2,777,655			1,392,162	
Non-current								9,821,754			10,009,896	

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

### b. Breakdown of marketable securities

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Market value of trading securities	5,297	2,340	5,297	2,340
Market value of available-for-sale securities	12,571,479	11,236,748	12,598,968	11,269,952
Adjusted curve value of held-to-maturity securities	-	129,766	-	129,766
<b>Total</b>	<b>12,576,776</b>	<b>11,368,854</b>	<b>12,604,265</b>	<b>11,402,058</b>

In the first six month period of 2018 and 2017, there were no reclassifications of securities between the categories.

As at June 30, 2018, Bancoob's securities linked to the provision of guarantees totaled R\$ 3,443,063 (R\$ 4,026,446 in 2017), distributed as follows:

- R\$ 2,090,536 (R\$ 3,120,693 in 2017) as collateral for funding operations;
- R\$ 1,333,102 (R\$ 880,790 in 2017) as collateral for credit card transactions.

### c. Result from marketable securities

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Income from fixed-income securities	389,739	613,022	390,471	614,666
Income from investment funds	2,868	2,866	2,899	2,917
Positive adjustment of securities to market value	1	-	1	-
Income from short term interbank investments (Note 6(b))	464,640	625,823	464,640	625,823
Income from derivative financial instruments	-	-	-	-
Expenses related to securities and derivatives	(1,772)	(2,281)	(1,772)	(2,281)
<b>Total</b>	<b>855,476</b>	<b>1,239,430</b>	<b>856,239</b>	<b>1,241,125</b>



# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements  
at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

## 8 Lending operations, interbank onlendings and other receivables with loan characteristics

### a. Breakdown of the loan portfolio

	<u>BANK AND CONSOLIDATED</u>	
	<u>2018</u>	<u>2017</u>
Interbank onlending	7,155,338	6,807,971
Loans and discounted bills	1,064,464	886,105
Financing	640,590	588,523
Rural and agribusiness financing	1,922,311	1,695,266
Real estate financing	12,961	2,854
Other receivables	2,613,121	1,992,765
<b>Sub-total</b>	<b><u>13,408,785</u></b>	<b><u>11,973,484</u></b>
(-) Provision for losses on interbank onlending	(9,402)	(7,309)
(-) Provision for loan losses	(38,774)	(30,917)
(-) Provision for losses on other receivables	(19,477)	(11,779)
<b>Total</b>	<b><u>13,341,132</u></b>	<b><u>11,923,479</u></b>
Current	8,692,236	8,105,368
Non-current	4,648,895	3,818,112

The increase in lending operations and other receivables with credit granting characteristics 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 June 30, 2018

(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	6/30/2018	6/30/2017
Loans and discounted bills	16,753	925,975	66,175	40,712	4,632	3,278	1,154	751	5,034	1,064,464	886,106
Financing	635	260,749	264,047	102,639	5,571	5,054	396	211	1,288	640,590	588,524
Rural and agro-industrial financing	3,396	1,680,460	192,110	35,300	4,855	5,825	149	95	121	1,922,311	1,695,266
Interbank onlending	5,795,535	1,162,631	116,564	80,544	63	-	-	-	-	7,155,337	6,807,971
Real estate financing	-	11,855	1,107	-	-	-	-	-	-	12,962	2,854
<b>Total</b>	<b>5,816,319</b>	<b>4,041,670</b>	<b>640,003</b>	<b>259,195</b>	<b>15,121</b>	<b>14,157</b>	<b>1,699</b>	<b>1,057</b>	<b>6,443</b>	<b>10,795,664</b>	<b>9,980,721</b>
Other receivables	741	2,433,706	113,626	46,438	6,193	11,737	62	36	582	2,613,121	1,992,776
<b>Grand Total</b>	<b>5,817,060</b>	<b>6,475,376</b>	<b>753,629</b>	<b>305,633</b>	<b>21,314</b>	<b>25,894</b>	<b>1,761</b>	<b>1,093</b>	<b>7,025</b>	<b>13,408,785</b>	<b>11,973,497</b>
Provision for loan losses	-	32,377	7,537	9,170	2,131	7,768	880	765	7,025	67,653	50,006
<b>Total provisions at 6/30/2018, net</b>	<b>5,817,060</b>	<b>6,442,999</b>	<b>746,092</b>	<b>296,463</b>	<b>19,183</b>	<b>18,126</b>	<b>881</b>	<b>328</b>	<b>-</b>	<b>13,341,132</b>	<b>-</b>
<b>Total provisions at 6/30/2017, net</b>	<b>6,006,348</b>	<b>5,360,773</b>	<b>339,957</b>	<b>204,578</b>	<b>7,467</b>	<b>2,370</b>	<b>1,695</b>	<b>303</b>	<b>-</b>	<b>-</b>	<b>11,923,491</b>

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements  
at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

## c. Breakdown of provisions for loan losses by type

	BANK AND CONSOLIDATED									
Lending operations	A	B	C	D	E	F	G	H	6/30/2018	6/30/2017
Loans and discounted bills	4,630	662	1,221	463	983	577	526	5,034	14,096	13,378
Financing	1,304	2,640	3,080	557	1,516	198	148	1,288	10,731	8,066
Rural and agro-industrial financing	59	11	-	-	-	-	-	-	70	9,458
Interbank onlending	8,402	1,921	1,059	486	1,748	74	66	121	13,877	7,309
Real estate financing	5,813	1,166	2,417	6	-	-	-	-	9,402	15
<b>Total</b>	<b>20,208</b>	<b>6,400</b>	<b>7,777</b>	<b>1,512</b>	<b>4,247</b>	<b>849</b>	<b>740</b>	<b>6,443</b>	<b>48,176</b>	<b>38,226</b>
Other receivables	12,169	1,137	1,393	619	3,521	31	25	582	19,477	11,780
<b>Grand Total</b>	<b>32,377</b>	<b>7,537</b>	<b>9,170</b>	<b>2,131</b>	<b>7,768</b>	<b>880</b>	<b>765</b>	<b>7,025</b>	<b>67,653</b>	<b>50,006</b>

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements  
at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

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

### **d1. Ordinary lending operations, interbank onlending and other receivables with loan characteristics**

BANK AND CONSOLIDATED											
	AA	A	B	C	D	E	F	G	H	6/30/2018	6/30/2017
1 to 30 days	288,678	273,636	28,137	14,246	2,837	1,326	29	17	195	609,101	508,313
31 to 60 days	451,999	227,016	22,532	11,536	409	702	36	20	29	714,279	709,396
61 to 90 days	570,955	323,722	23,454	12,224	695	1,130	13	3	37	932,233	866,294
91 to 180 days	1,189,934	1,260,307	107,345	43,384	1,945	3,290	37	28	493	2,606,763	2,658,810
181 to 360 days	1,639,635	1,914,065	166,878	80,825	4,721	9,158	72	26	432	3,815,812	3,274,803
Over 360 days	1,675,859	2,457,595	378,625	130,033	6,785	8,480	108	89	1,816	4,659,390	3,830,515
<b>Total</b>	<b><u>5,817,060</u></b>	<b><u>6,456,341</u></b>	<b><u>726,971</u></b>	<b><u>292,248</u></b>	<b><u>17,392</u></b>	<b><u>24,086</u></b>	<b><u>295</u></b>	<b><u>183</u></b>	<b><u>3,002</u></b>	<b><u>13,337,578</u></b>	<b><u>11,848,131</u></b>

# 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)

## d2. Extraordinary lending operations, interbank onlending and other receivables with loan characteristics

### BANK AND CONSOLIDATED

	AA	A	B	C	D	E	F	G	H	6/30/2018	6/30/2017
<b>Installments past-due</b>											
1 to 30 days	-	12,190	18,977	703	78	240	37	33	103	32,361	24,141
31 to 60 days	-	-	58	8,467	67	83	40	24	99	8,838	6,712
61 to 90 days	-	-	-	37	2,134	68	44	22	95	2,400	2,106
91 to 180 days	-	-	-	18	50	133	189	157	330	877	967
181 to 360 days	-	-	-	-	-	32	33	24	983	1,072	1,373
Over 360 days	-	-	-	-	-	1	-	-	39	40	49
	-	<b>12,190</b>	<b>19,035</b>	<b>9,225</b>	<b>2,329</b>	<b>557</b>	<b>343</b>	<b>260</b>	<b>1,649</b>	<b>45,588</b>	<b>35,348</b>
<b>Installments falling due</b>											
1 to 30 days	-	185	292	140	50	38	35	24	172	936	10,144
31 to 60 days	-	122	229	122	51	37	34	22	109	726	3,963
61 to 90 days	-	123	220	114	46	36	33	23	156	751	4,782
91 to 180 days	-	375	679	335	133	111	95	68	364	2,160	14,762
181 to 360 days	-	771	1,382	706	277	227	209	149	409	4,130	47,648
Over 360 days	-	5,270	4,819	2,741	1,035	803	718	365	1,165	16,916	8,719
	-	<b>6,846</b>	<b>7,621</b>	<b>4,158</b>	<b>1,592</b>	<b>1,252</b>	<b>1,124</b>	<b>651</b>	<b>2,375</b>	<b>25,619</b>	<b>90,018</b>
<b>Total</b>	-	<b>19,036</b>	<b>26,656</b>	<b>13,383</b>	<b>3,921</b>	<b>1,809</b>	<b>1,467</b>	<b>911</b>	<b>4,024</b>	<b>71,207</b>	<b>125,366</b>

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

### e. Breakdown of the portfolio by industry and maturity

BANK AND CONSOLIDATED									
	Past-due	Falling due					Total		
		3 months or less	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	From 5 to 15 years	Over 15 years	2018	2017
Rural	-	1,606,649	3,799,599	2,325,113	805,195	541,092	-	9,077,648	8,503,237
Financial intermediaries	816	10,732	36,803	33,394	4,657	422	-	86,824	154,989
Other services	8,288	159,138	602,113	276,185	141,258	31,336	140	1,218,458	895,461
Individuals	23,479	494,299	1,989,781	343,863	151,198	10,273	-	3,012,893	2,416,956
Housing	-	212	570	1,121	1,108	5,021	4,930	12,962	2,854
<b>Total</b>	<b>32,583</b>	<b>2,271,030</b>	<b>6,428,866</b>	<b>2,979,676</b>	<b>1,103,416</b>	<b>588,144</b>	<b>5,070</b>	<b>13,408,785</b>	<b>11,973,497</b>

### f. Concentration of lending operations, interbank onlending and other receivables with loan characteristics

BANK AND CONSOLIDATED				
	2018	%	2017	%
10 largest debtors	2,719,849	20.28	3,036,806	25.36
50 next largest debtors	2,984,849	22.26	2,548,395	21.28
100 next largest debtors	1,726,372	12.87	1,518,638	12.68
Other	5,977,715	44.59	4,869,658	40.68
<b>Total</b>	<b>13,408,785</b>	<b>100.00</b>	<b>11,973,497</b>	<b>100.00</b>

### g. Changes in the provision for loan losses

#### g1. Provision for loan losses - Lending operations and interbank onlending

BANK AND CONSOLIDATED		
	2018	2017
Balance at the beginning of the six month period	46,356	36,465
Constitution	5,293	6,677
Written off as losses	(3,473)	(4,916)
<b>Balance at the end of the six month period</b>	<b>48,176</b>	<b>38,226</b>

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

The credits renegotiated in the first six month period of 2018 totaled R\$ 277.5 million (R\$ 13.69 million in 2017) and related to non-performing contracts for Payroll Deductible Loan, Rural Credit and Loan transactions.

The recovery of loans written off as losses during the first six month period of 2018 totaled R\$ 986 (R\$ 1.27 in 2017).

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

	BANK AND CONSOLIDATED	
	2018	2017
Balance at the beginning of the six month period	14,756	10,461
Constitution	4,721	1,319
<b>Balance at the end of the six month period</b>	<b>19,477</b>	<b>11,780</b>

### **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 the first six month period of 2018, the amount of R\$ 118 (R\$ 47 in 2017) was recorded as a provision for these accounts.

### **h. Income from lending operations**

	BANK AND CONSOLIDATED	
	2018	2017
Income from interbank onlending	272,977	319,781
Loans and discounted bills	97,661	88,214
Financing	27,517	28,334
Rural and agro-industrial financing	54,660	49,434
Income from housing financing	421	64
<b>Sub-total</b>	<b>453,236</b>	<b>485,827</b>
Recovery of credits written-off as losses	986	1,217
<b>Total</b>	<b>454,222</b>	<b>487,044</b>

It is important to highlight that Note 20(i) describes the balances of Commission on Lending Operations that followed the ordinary course of the credit granting process adopted by Sicoob.

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

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

#### Tax credits

As at June 30, 2018, Bancoob had parent company and consolidated tax credits recorded under "Other receivables" (Note 20(b)) amounting to R\$ 82,987 (R\$ 34,911 in 2017) and R\$ 83,230 (R\$ 35,106 in 2017), respectively, related to temporary differences between the accounting and the taxable result.

#### a. Breakdown

	BANK				CONSOLIDATED			
	2018		2017		2018		2017	
	Income tax	Social contribution(*)	Income tax	Social contribution(*)	Income tax	Social contribution(*)	Income tax	Social contribution(*)
Provision for loan losses	75,655	75,655	53,103	53,103	75,655	75,655	53,103	53,103
Civil and labor contingencies	4,925	4,925	3,186	3,186	4,925	4,925	3,186	3,186
Profit sharing	5,136	5,136	3,605	3,605	5,257	5,257	3,708	3,708
Adjustment to market value of securities	3,218	3,218	2,405	2,405	3,218	3,218	2,405	2,405
Government Severance Indemnity Fund for Employees (FGTS) - 50% - Executive Board	1,182	1,182	956	956	1,502	1,502	1,218	1,218
SIPAG Acceleration Program	2,263	2,263	1,241	1,241	2,263	2,263	1,241	1,241
National Sales Campaign (CNV)	10,469	10,469	-	-	10,469	10,469	-	-
Legal fees	1,681	1,681	1,519	1,519	1,681	1,681	1,519	1,519
Card bonus	92,427	92,427	15,840	15,840	92,427	92,427	15,840	15,840
Other provisions	4,163	4,163	1,693	1,693	4,260	4,260	1,762	1,762
Amount	201,119	201,119	83,548	83,548	201,658	201,658	83,982	83,982
Tax rates	25%	20%	25%	20%	25%	20%	25%	20%
Tax credits recognized	<b>50,280</b>	<b>32,707</b>	<b>20,887</b>	<b>14,024</b>	<b>50,414</b>	<b>32,816</b>	<b>20,995</b>	<b>14,111</b>

(\*) The Social Contribution tax credit is recognized on temporary differences at the rate of 20% up to December 2018; from January 2019, the rate will be 15%, pursuant to Law 13,169/15.



# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

### b. Changes

	BANK				CONSOLIDATED			
	2018		2017		2018		2017	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
<b>As at December 30</b>								
Deferred tax assets	44,585	29,438	21,414	14,727	44,715	29,541	21,527	14,817
Deferred tax liabilities	(1,681)	(1,073)	(1,209)	(809)	(1,681)	(1,073)	(1,209)	(809)
	<b>42,904</b>	<b>28,365</b>	<b>20,205</b>	<b>13,918</b>	<b>43,034</b>	<b>28,468</b>	<b>20,318</b>	<b>14,008</b>
<b>Adjustment to profit (loss)</b>	<b>5,376</b>	<b>3,084</b>	<b>1,979</b>	<b>838</b>	<b>5,382</b>	<b>3,089</b>	<b>1,973</b>	<b>836</b>
Tax credits recognized	9,332	13,615	5,297	4,236	9,388	13,658	5,340	4,274
Tax credits derecognized	(3,956)	(10,531)	(3,318)	(3,398)	(4,006)	(10,570)	(3,367)	(3,438)
<b>Adjustment to equity (securities)</b>	<b>648</b>	<b>420</b>	<b>(3,158)</b>	<b>(1,934)</b>	<b>646</b>	<b>421</b>	<b>(3,157)</b>	<b>(1,935)</b>
Tax credits recognized	1,390	1,192	1,781	1,426	1,388	1,193	1,781	1,425
Tax credits derecognized	(1,071)	(1,007)	(4,287)	(2,967)	(1,071)	(1,007)	(4,286)	(2,967)
Changes in deferred taxes	329	235	(652)	(393)	329	235	(652)	(393)
<b>Changes</b>	<b>6,024</b>	<b>3,504</b>	<b>(1,179)</b>	<b>(1,096)</b>	<b>6,028</b>	<b>3,509</b>	<b>(1,184)</b>	<b>(1,099)</b>
<b>As at June 30</b>								
Deferred tax assets	50,280	32,707	20,887	14,024	50,414	32,816	20,995	14,111
Deferred tax liabilities	(1,352)	(838)	(1,861)	(1,202)	(1,352)	(838)	(1,861)	(1,202)
	<b>48,928</b>	<b>31,869</b>	<b>19,026</b>	<b>12,822</b>	<b>49,062</b>	<b>31,978</b>	<b>19,134</b>	<b>12,909</b>

### c. Expected realization of tax credits

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

	BANK		CONSOLIDATED	
	Nominal amount	Present value	Nominal amount	Present value
2018	22,858	22,759	22,902	22,803
2019	15,445	14,228	15,500	14,278
2020	11,292	9,610	11,436	9,733
2021	16,496	12,984	16,496	12,984
2022	4,532	3,299	4,532	3,299
2023 to 2027	12,364	8,325	12,364	8,325
<b>Total tax credits</b>	<b>82,987</b>	<b>71,205</b>	<b>83,230</b>	<b>71,422</b>

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

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

### d. Income tax and social contribution on net income

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

	BANK				CONSOLIDATED			
	2018		2017		2018		2017	
	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution	Income tax	Social contribution
Result before taxation and profit sharing	233,859	233,859	180,800	180,800	243,277	243,277	188,783	188,783
Equity in the results of subsidiaries	(19,037)	(19,037)	(8,910)	(8,910)	(3,780)	(3,780)	(981)	(981)
Employee profit sharing	(5,135)	(5,135)	(3,350)	(3,350)	(5,251)	(5,251)	(3,453)	(3,453)
<b>Tax base</b>	<b>209,687</b>	<b>209,687</b>	<b>168,540</b>	<b>168,540</b>	<b>234,246</b>	<b>234,246</b>	<b>184,349</b>	<b>184,349</b>
<b>Tax rate</b>	<b>25%</b>	<b>20%</b>	<b>25%</b>	<b>20%</b>	<b>25%</b>	<b>20%/9%</b>	<b>25%</b>	<b>20%/9%</b>
	<b>54,422</b>	<b>41,937</b>	<b>42,134</b>	<b>33,708</b>	<b>58,561</b>	<b>45,117</b>	<b>46,088</b>	<b>36,133</b>
Tax effects on temporary differences								
Provision for loan losses	2,818	2,254	763	610	2,818	2,254	763	610
Provision for tax, civil and labor contingencies	344	275	281	225	344	275	281	225
National Sales Campaign (CNV)	1,179	944			1,179	944		
Other provisions	1,034	827	935	748	471	630	1,126	815
	<b>5,375</b>	<b>4,300</b>	<b>1,979</b>	<b>1,583</b>	<b>4,812</b>	<b>4,103</b>	<b>2,170</b>	<b>1,650</b>
Tax effects on permanent differences	557	435	414	341	623	491	530	458
Tax losses to offset	-	-	-	-	-	-	(1)	-
Workers' Meal Program (PAT)	(343)	-	(8)	-	(430)	-	(8)	-
Extension of maternity leave	(106)	-	-	-	(130)	-	-	-
Extension of paternity leave	(20)	-	(53)	-	(30)	-	(56)	-
	<b>(469)</b>	<b>-</b>	<b>(106)</b>	<b>-</b>	<b>(590)</b>	<b>-</b>	<b>(65)</b>	<b>-</b>
Income tax and social contribution payable	<b>57,885</b>	<b>46,672</b>	<b>44,154</b>	<b>35,632</b>	<b>63,406</b>	<b>49,711</b>	<b>48,325</b>	<b>38,241</b>
Income tax and social contribution from prior years	-	-	-	-	41	4	-	-
	<b>57,885</b>	<b>46,672</b>	<b>44,154</b>	<b>35,632</b>	<b>63,447</b>	<b>49,715</b>	<b>48,325</b>	<b>38,241</b>

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements

at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

### 10 Investments

In the parent company's financial statements, investments in subsidiaries are valued based on the equity method and recorded within "Non-current assets - investments". Adjustments arising from equity interests were included within "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	
							2018	2017	2018	2017	2018	2017	2018	2017
Bancoob Distribuidora de Títulos e Valores Mobiliários Ltda. (a)	6/30/2018	2,170	3,745	1,267	99.9994	2,000,000	1,266	1,365	-	-	3,805	3,771	-	-
Cabal Brasil Ltda. B	6/30/2018	36,174	39,710	3,536	80	36,174,099	2,829	2,768	6,433	8,342	38,201	34,843	6,433	8,342
Ponta Administradora de Consórcios Ltda. (c)	6/30/2018	6,191	46,514	11,160	99.99	6,191,000	11,159	4,199	-	-	46,509	21,016	-	-
Bancoob Participações em Seguridade S.A. (d)	6/30/2018	20,000	29,209	3,783	100	20,000,000	3,783	577	-	-	29,209	21,469	28,593	21,262
<b>Total</b>							<b>19,037</b>	<b>8,909</b>	<b>6,433</b>	<b>8,342</b>	<b>117,724</b>	<b>81,099</b>	<b>35,026</b>	<b>29,604</b>

(a) Administrator and manager of investment funds, with managed assets amounting to R\$ 21,606,457 at June 30, 2018 (R\$ 16,473,559 in 2017).

(b) Operator of Mastercard, Visa and Cabal credit cards.

(c) Operator of consortia for the sale of light and heavy vehicles, properties and services, with over 88 thousand active participants and a managed portfolio of R\$ 6.1 billion.

(d) Bancoob Participações em Seguridade S.A. – Bancoob PAR Seguridade, the purpose of which is to hold an interest in an Insurance Company.

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements at June 30, 2018

(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 property and equipment	Total property and equipment
<b>As at December 31, 2016</b>	<b>3,010</b>	<b>41,481</b>	<b>2,509</b>	<b>954</b>	<b>345</b>	<b>48,299</b>	<b>52,758</b>
Acquisitions	-	-	483	241	153	877	3,783
Disposals	-	-	-	-	(22)	(22)	(33)
Depreciation	-	(1,243)	(303)	(172)	(51)	(1,769)	(2,500)
<b>As at June 30, 2017</b>	<b>3,010</b>	<b>40,238</b>	<b>2,689</b>	<b>1,023</b>	<b>425</b>	<b>47,385</b>	<b>54,008</b>
Total cost	3,010	52,904	7,467	8,019	768	72,168	84,724
Accumulated depreciation	-	(12,666)	(4,778)	(6,996)	(343)	(24,783)	(30,716)
<b>Net book value</b>	<b>3,010</b>	<b>40,238</b>	<b>2,689</b>	<b>1,023</b>	<b>425</b>	<b>47,385</b>	<b>54,008</b>
<b>As at December 31, 2017</b>	<b>3,010</b>	<b>58,365</b>	<b>2,684</b>	<b>14,761</b>	<b>385</b>	<b>79,205</b>	<b>92,515</b>
Acquisitions	-	-	753	467	198	1,418	3,940
Disposals	-	-	(182)	(1)	-	(183)	(210)
Depreciation	-	(1,637)	(329)	(1,625)	(49)	(3,640)	(5,325)
<b>As at June 30, 2018</b>	<b>3,010</b>	<b>56,728</b>	<b>2,926</b>	<b>13,602</b>	<b>534</b>	<b>76,800</b>	<b>90,920</b>
Total cost	3,010	72,582	7,579	21,195	864	105,230	127,962
Accumulated depreciation	-	(15,854)	(4,653)	(7,593)	(330)	(28,430)	(37,042)
<b>Net book value</b>	<b>3,010</b>	<b>56,728</b>	<b>2,926</b>	<b>13,602</b>	<b>534</b>	<b>76,800</b>	<b>90,920</b>
<b>Annual depreciation rates (%)</b>	-	<b>4.70%</b>	<b>10%</b>	<b>20%</b>	<b>10%</b>		

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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### 12 Intangible assets

	<u>Software</u>	
	<u>BANK</u>	<u>CONSOLIDATED</u>
<b>As at December 31, 2016</b>	<b>3,358</b>	<b>6,828</b>
Additions	523	3,943
Disposals	-	-
Amortization	(495)	(1,093)
<b>As at June 30, 2017</b>	<b><u>3,386</u></b>	<b><u>9,678</u></b>
Total cost	9,567	20,877
Accumulated amortization	(6,181)	(11,199)
<b>Net book value</b>	<b><u>3,386</u></b>	<b><u>9,678</u></b>
<b>As at December 31, 2017</b>	<b>2,909</b>	<b>9,912</b>
Additions	53	2,207
Disposal	-	-
Amortization	(475)	(1,497)
<b>As at June 30, 2018</b>	<b><u>2,487</u></b>	<b><u>10,622</u></b>
Total cost	9,233	24,254
Accumulated amortization	(6,746)	(13,632)
<b>Net book value</b>	<b><u>2,487</u></b>	<b><u>10,622</u></b>
<b>Annual amortization rates (%)</b>	<b>20%</b>	<b>20%</b>

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements

at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

## 13 Deposits

### a. Breakdown

	BANK						CONSOLIDATED			
	2018						2017	2018	2017	
	Without defined maturity	Up to 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total	Total	Total	
Demand deposits	707,286	-	-	-	-	-	707,286	31,103	705,383	24,004
Savings deposits	4,446,149	-	-	-	-	-	4,446,149	3,380,172	4,446,149	3,380,172
Interbank deposits	-	3,031,502	4,237,774	3,897,863	10,757,271	2,977,798	24,902,208	22,608,350	24,902,208	22,608,350
Rural interbank deposits	-	855,393	196,921	369,117	293,730	136,073	1,851,234	3,758,391	1,851,234	3,758,391
Time deposits	-	27,747	5,988	7,870	6,615	453,382	501,602	333,789	407,329	279,215
Prepaid bill	-	-	-	-	-	-	-	-	22,251	23,124
<b>Total</b>	<b>5,153,435</b>	<b>3,914,642</b>	<b>4,440,683</b>	<b>4,274,850</b>	<b>11,057,616</b>	<b>3,567,253</b>	<b>32,408,479</b>	<b>30,111,805</b>	<b>32,334,554</b>	<b>30,073,256</b>
Current							28,841,226	27,705,322	28,860,890	27,720,859
Non-current							3,567,253	2,406,483	3,473,664	2,352,397

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements  
at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

## **b. Expenses for money market funding**

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Savings deposits	92,468	108,045	92,468	108,045
Interbank deposits	819,461	1,283,381	819,461	1,283,381
Time deposits	14,271	19,227	11,577	16,338
Open market funding	103,435	74,018	103,435	74,018
Other funding expenses	10,709	19,181	10,709	19,182
<b>Total</b>	<b>1,040,344</b>	<b>1,503,852</b>	<b>1,037,650</b>	<b>1,500,964</b>

## 14 Open market funding

### **Maturity**

	BANK AND CONSOLIDATED					
	2018					2017
	Up to month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total
Own portfolio	2,120	1,261,579	303,854	4,008	-	1,571,561
Third party portfolio	1,227,311	909,221	-	-	-	2,136,532
<b>Total</b>	<b>1,229,431</b>	<b>2,170,800</b>	<b>303,854</b>	<b>4,008</b>	<b>-</b>	<b>3,708,093</b>
Current						3,708,093
Non-current						-

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements

at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

### 15 Funds from the acceptance of bills of exchange and issuance of securities

	BANK AND CONSOLIDATED						
	2018					2017	
	Up to month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total	
Agribusiness Credit Notes (LCAs) - floating rate	31,746	43,584	29,392	74,040	6,322	185,084	450,890
Current		178,762	450,890				
Non-current		6,322	-				

### 16 Local onlending

#### a) Breakdown of onlending liabilities in Brazil

Local onlending liabilities are mainly represented by 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 2038 and bearing finance charges of up to 11.31% p.a.

	BANK AND CONSOLIDATED							Total	Total
	2018						Total		
	With no defined maturity	3 months or less	From 3 to 12 months	1 to 3 years	From 3 to 5 years	From 5 to 15 years			
BACEN MCR 6-2 and 6-7 (a)	-	479,496	-	-	-	-	-	479,496	165,766
National Treasury	-	-	-	-	-	-	-	-	21
BNDES	83	55,812	238,987	481,568	355,977	421,328	140	1,553,895	1,330,490
Banco do Brasil/FCO	-	4,360	9,412	23,180	11,146	2,134	-	50,232	57,898
FINAME	-	42,296	121,256	264,998	185,350	92,985	-	706,885	685,720
Funcafé	-	7,194	121,135	11,329	2,852	-	-	142,510	171,009
<b>Total</b>	<b>83</b>	<b>589,158</b>	<b>490,790</b>	<b>781,075</b>	<b>555,325</b>	<b>516,447</b>	<b>140</b>	<b>2,933,018</b>	<b>2,410,904</b>
Current								1,080,031	736,816
Non-current								1,852,987	1,674,088



# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements

at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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(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 liabilities**

	<u>BANK AND CONSOLIDATED</u>	
	<u>2018</u>	<u>2017</u>
National Treasury - Program for Revitalization of Agribusiness Cooperatives (RECOOP)	-	1
BNDES	29,736	24,830
FINAME	11,809	8,212
Banco do Brasil - FCO	1,078	1,069
Other Institutions - Funcafé	4,664	5,399
<b>Total</b>	<b><u>47,287</u></b>	<b><u>39,511</u></b>

## **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, who take into consideration the nature and specifics of each lawsuit, as well as the case law from the higher courts.

The recognition, measurement and disclosure of provisions for lawsuits is carried out in accordance with CMN Resolution 3,823/2009, as follows:

- i.** A provision is recognized only when: (a) Bancoob has a present legal or constructive obligation because 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 understands that the provision recorded is sufficient to cover any losses arising from the existing lawsuits, as shown below:

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

### 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, with the respective changes in the period. Deposits in court are recorded under "Other receivables - sundry".

#### Provisions recorded

##### a1. Breakdown of balance sheet balances

	BANK				CONSOLIDATED			
	2018		2017		2018		2017	
	Deposits in court	Provisions	Deposits in court	Provisions	Deposits in court	Provisions	Deposits in court	Provisions
Tax	523	-	257	280	523	1	257	282
Labor	731	1,785	617	1,355	817	1,949	643	1,500
Civil	478	3,140	427	1,831	478	3,180	451	1,907
<b>Total</b>	<b>1,732</b>	<b>4,925</b>	<b>1,301</b>	<b>3,466</b>	<b>1,818</b>	<b>5,130</b>	<b>1,351</b>	<b>3,689</b>

##### a2. Changes in the provisions for lawsuits

	BANK				CONSOLIDATED	
	2018		2017		2018	2017
	Tax	Labor	Civil	Total	Total	Total
<b>Opening balance as at December 31</b>	<b>386</b>	<b>1,597</b>	<b>2,071</b>	<b>4,054</b>	<b>2,342</b>	<b>4,253</b>
Additions	-	376	1,495	1,871	2,346	1,877
Utilization	-	(97)	(347)	(444)	(707)	(444)
Reversals	(386)	(91)	(79)	(556)	(515)	(524)
<b>Closing balance as at June 30</b>	<b>-</b>	<b>1,785</b>	<b>3,140</b>	<b>4,925</b>	<b>3,466</b>	<b>5,130</b>

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements  
at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

## Nature of lawsuits classified as involving probable losses

- i. **Tax** - relate to deposits in court for Social Security contributions.
- ii. **Labor** –basically relate to lawsuits filed by employees claiming overtime hours in addition to the regular six-hour workday.
- iii. **Civil** –basically relate to contractual terms, the registration of clients with credit protection services, pain and suffering.

## a3. Schedule of the expected outflow of economic benefits

### Expected realization by year

	Accounting balance	2018	2019	2020	2021	2022
Civil	2,733	888	233	442	72	1,098
Labor	1,743	803	246	609	-	85
Loss of suit fees	449	176	51	115	6	101
<b>Total</b>	<b>4,925</b>	<b>2,288</b>	<b>1,925</b>	<b>712</b>	<b>1,925</b>	<b>712</b>

### Percentage of expected realization by year

	2018	2019	2020	2021	2022
Civil	32%	9%	16%	3%	40%
Labor	46%	14%	35%	-	5%
Loss of suit fees	39%	11%	26%	1%	23%

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements  
at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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## **b. Contingencies classified as “possible losses”**

Lawsuits classified as 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 disputing Bancoob's joint liability for deposits made in credit unions; **(ii)** civil lawsuits disputing 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 a failure in the provision of services under the Bank's responsibility.

Due to uncertainties regarding the determination of the amount 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 relate to the original amount and are not monetarily adjusted.

### **b1. Balance of contingent liabilities classified as possible losses**

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Labor	11,469	7,319	12,505	8,891
Tax and social security	21,948	19,423	21,949	19,424
Civil	99,392	89,353	103,256	93,809
<b>Total</b>	<b>132,809</b>	<b>116,095</b>	<b>137,710</b>	<b>122,124</b>

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements

at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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## 18 Equity

### **a. Share capital**

Share capital is currently comprised of 417,000,482 common shares (363,003,341 in 2017) and 412,448,383 preferred shares (359,040,690 in 2017), totaling 829,448,865 (722,044,031 in 2017) shares, with no par value.

### **b. Capital reserve**

The balance of R\$ 51 (R\$ 45 in 2017) 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\$ 6,631 (R\$ 5,024 in 2017). The amount of R\$ 119,696 related to the profit for the first six month period of 2018 (R\$ 90,684 in 2017) was transferred to the account "Revenue reserve - other", the allocation of which will be decided at the next general meeting.

### **d. Dividends**

Bancoob's shareholders are entitled to mandatory minimum dividends corresponding to 5% of the adjusted profit for the six month period. In the period, Bancoob accrued dividends totaling R\$ 6,300, equivalent to R\$ 7.60 per thousand shares (R\$ 4,773 in 2017, equivalent to R\$ 6.61 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 Central Bank Circular Letter 3,068/01, net of tax effects (Note 9(a)).

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements  
at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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## 19 Operational limits – “Basel” Accord

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

	<u>2018</u>	<u>2017</u>
<b>REFERENCE ASSETS (PR)</b>	<b>1,683,231</b>	<b>1,439,544</b>
<b>PORTION OF OPERATIONAL RISK (9.250%)</b>	<b>743,555</b>	<b>782,766</b>
Risk-Weighted Assets - Credit $RW_{ACPAD}$	604,134	675,640
Risk-Weighted Assets - Market $RW_{AMPAD}$	10,882	11,123
Risk-Weighted Assets - Operational - $RW_{OPAD}$	128,539	96,004
<b>ADDITIONAL PRINCIPAL CAPITAL (0.1250%)</b>	<b>161,642</b>	<b>105,779</b>
<b>BANKING PORTION - RBAN</b>	<b>30,645</b>	<b>14,592</b>
<b>MINIMUM REQUIRED CAPITAL</b>	<b>935,843</b>	<b>903,138</b>
<b>BASEL INDEX</b>	<b>18.89%</b>	<b>16.74%</b>

# 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)*

## 20 Other items in the financial statements

### a. Breakdown of interbank relations

#### a1. Receivables

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Rights with participants in settlement systems (a)	3,932,532	3,072,938	3,962,335	3,072,938
BACEN - MRC (b)	479,496	165,765	479,496	165,765
Compulsory reserves in cash with BACEN	997	35,884	997	35,884
BACEN - Mandatory payments	869,457	415,493	869,457	415,493
Interbank onlending	7,145,936	6,800,662	7,145,936	6,800,662
Correspondent banks	72	72	72	72
Total	<u>12,428,490</u>	<u>10,490,814</u>	<u>12,458,293</u>	<u>10,490,814</u>
Current	<b>10,347,860</b>	<b>8,902,252</b>	<b>10,377,663</b>	<b>8,902,252</b>
Non-current	<b>2,080,630</b>	<b>1,588,562</b>	<b>2,080,630</b>	<b>1,588,562</b>

(a) The increase in rights with participants in settlement systems relates mainly 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.

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

### **a2. Payables**

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
<b>Obligations to the participants of settlement systems (a)</b>	<b>3,048,724</b>	<b>2,427,702</b>	<b>3,048,732</b>	<b>2,427,702</b>
- Clearing of checks and payables	752,051	820,348	752,051	820,348
- Payment transactions	2,296,673	1,607,354	2,296,681	1,607,354
<b>Total</b>	<b>3,048,724</b>	<b>2,427,702</b>	<b>3,048,732</b>	<b>2,427,702</b>
Current	3,048,724	2,427,702	3,048,732	2,427,702
Non-current	-	-	-	-

(a) The increase in obligations to 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. Breakdown of other receivables - sundry**

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Guarantee deposits (Note 17(a))	1,732	1,301	1,818	1,351
Tax credits (Note 9(c))	82,987	34,911	83,230	45,212
Receivables from credit units (a)	9,453	6,697	9,453	6,697
Taxes to be offset	50,091	38,453	58,247	45,212
Securities and credits receivable	15,782	8,002	15,706	8,002
Salary prepayments and advances	2,375	2,283	2,654	2,564
Payments to be reimbursed (b)	61,968	51,145	62,619	51,628
Receivables from payment transactions (c)	2,613,121	1,992,765	2,613,121	1,993,131
Other	46,090	33,108	48,629	45,550
<b>Total</b>	<b>2,883,599</b>	<b>2,168,665</b>	<b>2,895,477</b>	<b>2,199,347</b>
Current	2,850,404	2,134,639	2,861,554	2,164,579
Non-current	33,195	34,026	33,923	34,768

(a) These relate to banking services performed by Bancoob to the credit union participants in the clearance system and that are settled in the month subsequent to that in which the services are rendered.

(b) These relate to the supply of 24-hour automated teller machines.



# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

(c) These relate to transactions carried out by the holders of Cabal/Mastercard credit cards. The increase recorded during the period reflects Management's efforts to leverage credit card transactions. The amounts presented are net of the provision for losses on other receivables with loan characteristics.

### **c. Other assets**

	Bank		Consolidated	
	2018	2017	2018	2017
Other assets	2,480	2,734	2,480	2,734
Prepaid expenses (a)	47,071	34,348	48,498	34,896
<b>Total</b>	<b>49,551</b>	<b>37,082</b>	<b>50,978</b>	<b>37,630</b>
Current	49,551	37,082	50,978	37,630
Non-current	-	-	-	-

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

### **d. Interdepartmental accounts payable**

	BANK AND CONSOLIDATED	
	2018	2017
Concessionaires of public utilities	24,719	19,491
Other agreements (a)	4,113	5,806
Payment Orders	-	-
<b>Total</b>	<b>28,832</b>	<b>25,297</b>
Current	28,832	25,297
Non-current	-	-

(a) Relate to collections with respect to different agreements.

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

### e. Tax and social security contributions

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Provision for income tax	57,885	44,154	63,405	48,325
Provision for social contribution	46,672	35,632	49,711	38,242
Taxes payable on third party services	2,749	2,212	2,894	2,322
Taxes and contributions on salaries	3,069	2,247	4,236	3,212
Deferred taxes and contributions (marking-to-market of securities) (Note 18(e))	2,191	3,062	2,190	3,062
Other taxes payable	14,960	7,772	18,489	8,826
<b>Total</b>	<b>127,526</b>	<b>95,079</b>	<b>140,925</b>	<b>103,989</b>
Current	127,020	95,076	140,419	103,914
Non-current	506	3	506	75

### f. Breakdown of other obligations - sundry

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Provision for the payment of administrative expenses	66,250	45,600	72,423	40,492
Credit card obligations (a)	186,062	159,184	202,268	158,792
<i>Del Credere</i> provision (b)	25,675	21,317	25,675	21,317
Obligations related to official agreements - INSS	28,579	25,356	28,579	25,356
Amounts payable on collection	15,943	12,807	15,943	12,807
Obligations related to funds received from consortium members	-	-	4,948	5,208
Obligations related to payment transactions (d)	2,373,383	1,621,061	2,411,062	1,621,063
Other	8,989	5,893	10,382	58,036
<b>Total</b>	<b>2,704,881</b>	<b>1,891,218</b>	<b>2,771,280</b>	<b>1,943,071</b>
Current	2,699,875	1,887,705	2,765,141	1,939,418
Non-current	5,006	3,513	6,139	3,653

(a) Correspond to obligations assumed in relation to the Mastercard brand and the store owners of the Cabal chain for transactions carried out by cardholders.

(b) Relate 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) Relate to funds from terminated consortium groups that were not withdrawn by the participants.

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

(d) Relate mainly to payables in connection with Acquiring transactions. The increase arose from the higher number of transactions.

### **g. Income from services rendered and banking fees**

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Sicoob Agreement (a)	7,404	5,951	7,404	5,951
Income from banking fees	19,499	17,095	19,499	17,095
Income from fund services	1,047	1,352	1,047	1,352
Income from fund management services	-	-	4,956	4,966
Income from consortium management services	-	-	54,406	28,246
Income from credit card services (b)	237,915	184,685	240,451	184,685
Income from prepayments of obligations related to payment transactions	170,786	123,030	170,808	123,030
Income from collection services for public utilities companies (c)	28,384	26,650	28,384	26,650
Income from banking fees	29	30	29	30
Income from acquiring services	2,262	9,918	2,262	9,918
Other income - sundry	35,366	16,959	43,164	26,270
<b>Total</b>	<b>502,692</b>	<b>385,670</b>	<b>572,410</b>	<b>428,193</b>

(a) Relate to services provided to Sicoob members that are not related to banking fees.

(b) Relate to exchange services, withdrawals, electronic checks, annual fees for cards, credit card management services, etc.

(c) Relate to fees charged for collection services rendered to public utility companies.

### **h. Personnel expenses**

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Officers and Directors	4,047	3,390	6,093	5,518
Salaries (a)	27,655	24,682	37,415	33,013
Social charges (b)	12,343	11,116	16,151	14,552
Benefits (c)	8,241	7,152	13,506	11,650
Training	951	594	1,117	767
Interns' compensation	321	336	799	722
<b>Total</b>	<b>53,558</b>	<b>47,270</b>	<b>75,081</b>	<b>66,222</b>

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

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

### i. Administrative expenses

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Water, electricity, gas, maintenance and upkeep	87	76	545	498
Communication	11,702	10,098	14,299	13,031
Materials	395	5,043	884	5,198
Data processing	36,992	30,770	37,232	31,772
Advertising and publicity	17,118	5,924	18,614	7,078
Financial system services	10,059	47,437	10,416	47,607
Outsourced services	12,951	23,579	17,598	27,358
Specialized technical services	5,550	9,149	4,773	9,240
Depreciation and amortization	4,116	2,265	6,823	3,596
Travel	1,743	1,692	1,921	1,957
Other administrative expenses	4,570	3,399	6,399	4,856
<b>Total</b>	<b>105,283</b>	<b>139,431</b>	<b>119,504</b>	<b>152,191</b>

### j. Other operating income

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Recovery of charges and expenses	2,970	2,408	2,974	2,408
Income from credit cards (a)	36,622	37,611	36,622	37,611
Acquiring operations	96,860	45,194	96,860	45,194
Other	1,228	1,014	3,842	3,477
<b>Total</b>	<b>137,680</b>	<b>86,227</b>	<b>140,298</b>	<b>88,690</b>

- (a) Total income from credit card operations should include the information disclosed in Note 20(g).

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

### k. Other operating expenses

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Credit card administration expenses	206,186	96,164	206,185	96,164
Adjustment of INSS tax credits (a)	633	1,099	633	1,099
Expenses for collection fees	19,668	17,117	19,668	17,117
Commission on lending operations (b)	59,005	43,995	59,005	43,995
Acquiring operations (c)	124,501	73,774	124,501	73,774
Other	9,085	13,753	14,977	8,832
<b>Total</b>	<b>419,078</b>	<b>245,902</b>	<b>424,969</b>	<b>240,981</b>

(a) Relate to the monetary adjustment, based on the SELIC rate, of INSS funds available but not yet paid to the beneficiary.

(b) Relate to the commission paid to the credit units for the negotiation of payroll-deductible loans and INSS credits.

(c) Relate mainly to commission paid to credit unions in relation to the accreditation of new units.

### l. Non-operating income (expenses)

	BANK		CONSOLIDATED	
	2018	2017	2018	2017
Non-operating income	1,067	1,035	1,069	1,035
Non-operating expense	(183)	-	(183)	-
Amortization of goodwill - Cabal Brasil Ltda.	(1,026)	(1,003)	(1,026)	(1,015)
<b>Total</b>	<b>(142)</b>	<b>32</b>	<b>(140)</b>	<b>20</b>

## 21 Related party transactions

### a. Sicoob System

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

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

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

	BANK	
	2018	2017
<b>Assets</b>	<b>9,152,604</b>	<b>6,903,564</b>
Lending operations and interbank onlending	9,102,559	6,865,308
Receivables	9,474	6,716
Prepaid expenses - Commission	40,572	31,540
<b>Liabilities</b>	<b>28,193,186</b>	<b>23,210,005</b>
Deposits	24,898,329	22,609,238
Repurchase agreements	2,480,782	570,777
Payables	814,075	29,990
<b>Income</b>	<b>380,831</b>	<b>392,229</b>
Lending operations	328,883	276,954
Other income	51,948	115,275
<b>Expenses</b>	<b>980,667</b>	<b>1,319,497</b>
Funding	812,108	1,164,720
Other expenses	168,559	154,777

### b. Subsidiaries

	Bancoob DTVM		Cabal		Consórcio Ponta		Bancoob Par	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Liabilities</b>	<b>3,801</b>	<b>3,183</b>	<b>44,355</b>	<b>40,049</b>	<b>53,925</b>	<b>22,986</b>	<b>491</b>	<b>492</b>
Demand deposits	4	6	1,872	7,084	26	5	1	4
Time deposits	3,797	3,177	36,087	27,928	53,899	22,981	490	488
Payables	-	-	6,396	5,037	-	-	-	-
<b>Expenses</b>	<b>147</b>	<b>226</b>	<b>26,639</b>	<b>23,970</b>	<b>1,526</b>	<b>(1,142)</b>	<b>15</b>	<b>27</b>
Funding expenses	147	226	1,006	1,495	1,526	(1,142)	15	27
Expenses with cards	-	-	25,633	22,475	-	-	-	-
<b>Income</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>8</b>	<b>389</b>	<b>151</b>	<b>-</b>	<b>-</b>
Income from cards	-	-	7	8	389	151	-	-

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements  
at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

## **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 remuneration paid or payable to officers and directors for their services is shown below:

	Bank		Consolidated	
	2018	2017	2018	2017
Fees	3,328	2,872	4,762	4,284
Benefits	1,005	973	1,681	1,995
Charges	842	736	1,212	1,082
<b>Total</b>	<b>5,175</b>	<b>4,581</b>	<b>7,655</b>	<b>7,361</b>

## 22 Other information

### **a. Agreements for offsetting payables against receivables with 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		
	2018		
	Amount receivable	Amount payable	Net amount
Investments/Funding	2,927,027	1,575,690	1,351,337

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

(All amounts in thousands of reais unless otherwise stated)

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Description	2017		Net amount
	Amount receivable	Amount payable	
Investments/Funding	3,624,653	3,610,948	13,705

### **b. Insurance**

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

### **c. Guarantees provided**

The guarantees provided through financial charges, relating to endorsements and sureties, totaled R\$ 18,761 at June 30, 2018 (R\$ 6,004 in 2017). In 2018, a provision in the amount of R\$ 118 (R\$ 47 in 2017) 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.

As at June 30, 2018, Sicoob Previ had 543 active participants (461 in 2017), whose contributions totaled R\$ 1,469 (R\$ 1,316 in 2017).

### **e. Profit sharing**

Bancoob offers profit sharing to its employees, calculated in accordance with the Collective Labor Agreement. In the first six month period of 2018, the amounts recorded as a provision for profit sharing totaled R\$ 5,135 (R\$ 3,350 in 2017) in the parent company, and R\$ 5,251 (R\$ 3,453 in 2017) in the consolidated.

### **f. 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



# Banco Cooperativo do Brasil S.A. - BANCOOB

## Notes to the financial statements at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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company called Bancoob Participações em Seguridade S.A., with the aim of creating a life and private pension insurance company.

The company started its operations in March 2017, and recorded a profit of R\$ 10,635 thousand for that year. In the first six month period of 2018, the insurance company recorded a profit of R\$ 6,939, for total assets of R\$ 245,452.

Bancoob PAR's equity amounted to R\$ 58.126 and its main purpose is to provide life insurance and pension plans to the more than four million Sicoob credit union members in the country. The company is expected to be ranked among Brazil's top ten insurance companies in the next five years.

### **g. Foreign exchange portfolio**

Committed to its vision of being the main Brazilian financial institution to foster the social and economic development of its members, and aiming to leverage its portfolio of products, Bancoob started feasibility studies for structuring its Foreign Exchange and Foreign Trade operations.

In December 2017, Bancoob applied for the Brazilian Central Bank's authorization to start operations on its foreign exchange platform, and is awaiting approval.

\* \* \*

# Banco Cooperativo do Brasil S.A. - BANCOOB

Notes to the financial statements  
at June 30, 2018

*(All amounts in thousands of reais unless otherwise stated)*

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## **Board of Directors**

Henrique Castilhano Vilares – Chairman  
Geraldo Souza Ribeiro Filho – Vice Chairman  
Ivo Azevedo de Brito – Member  
Luiz Gonzaga Viana Lage – Member  
Marcelo Baiocchi Carneiro – Member  
Miguel Ferreira de Oliveira – Member  
Neilson Santos Oliveira – Member  
Rui Schneider da Silva – Member  
Wellington Luiz Dorian Veneziam – Member

## **Executive Board**

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

## **Accountant**

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

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Summary of the Audit Committee Report – First six-month period of 2018

### 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 make up 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 make up the Group are responsible for preparing and ensuring the 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 team independently performs regular assessments of the risk management activities and of the suitability and effectiveness of internal controls in all Group 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 auditing of the financial statements, including the risk management system and compliance with legal and regulatory requirements.

### Audi Committee Activities

6. During the first six month period of 2018, in compliance with legal and regulatory requirements, the Audit Committee:
  - a) Held six regular meetings;
  - b) Acted independently in the performance of its duties, while always supported by information received from Management, independent auditors, internal auditors and 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 the financial statements; examined the accounting practices adopted, the procedures

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Summary of the Audit Committee Report – First six-month period of 2018

used for the constitution of provisions and the contents of the independent auditor's report 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 function 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 credit, market, interest rate variations, liquidity, operational, social and environmental, reputation, compliance and strategy risks; business continuity, money laundering prevention, Risk Appetite Statement (RAS) and stress testing program (STP); and
- f) Provided Management with recommendations, which were included in the minutes of the meetings and filed, remaining available to all of the management bodies.

### **Internal control and risk management systems**

- 7. At the meetings held with the areas responsible, and through an analysis of the information and documents requested and made available by Management, the Audit Committee evaluated aspects relating to the Group's internal controls and risk management, and did not identify failures related to compliance with the laws, regulations and internal rules, which may jeopardize the organization.
- 8. In the first six month period of 2018, no errors, fraud or noncompliance 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 auditors, 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 confirms the Committee's opinion on the integrity of the consolidated financial statements as at June 30, 2018.

### **Internal Audit**

- 12. In accordance with the annual planning approved by the Board of Directors, the Internal Audit function presented, at the Audit Committee's monthly meetings, the

# Banco Cooperativo do Brasil S.A. - BANCOOB

## Summary of the Audit Committee Report – First six-month period of 2018

results of the work carried out, which did not identify any residual risks that could affect the strength and continuity of the operations of Bancoob and 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 comprised the procedures for the preparation of the parent company and consolidated trial balances and balance sheets, notes to the financial statements and financial reports disclosed together with the consolidated financial statements.
15. The Audit Committee concludes that the consolidated financial statements as at June 30, 2018 were prepared in compliance with legal and regulatory standards and with the accounting practices adopted in Brazil, and reflect, in all material respects, the financial position of Bancoob Group for the period then ended.

Brasília - Federal District, August 10, 2018.

**Rubens Rodrigues  
Filho**  
Coordinator

**Marco Aurélio Borges de Almada  
Abreu**

**Rafael Alves  
Horta**

# Banco Cooperativo do Brasil S.A. - BANCOOB

## 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 for the first six month period of 2018, 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, August 14, 2018.

**Fábio Henrique Granja e Barros**  
Chairman

**Marcelo Martins**  
Secretary

**Elmo Meurer**  
Sitting Board Member

**Ricardo Ferreira da Silva**  
Sitting Board Member

**Valmir Lima Silva**  
Sitting Board Member