(Convenience Translation into English from the Original Previously Issued in Portuguese)

Banco Daycoval S.A.

Individual and Consolidated
Financial Statements
for the Six-month Period and for the
Year Ended December 31, 2018 and
Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT AUDITOR'S REPORT

To the Management and Shareholders of
Banco Daycoval S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Banco Daycoval S.A. ("Bank" or "Daycoval") and its subsidiaries ("Consolidated"), which comprise the balance sheet as at December 31, 2018 and the income statement, statement of changes in equity and statement of cash flows for the six-month period and for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not provide a separate opinion on these matters.

Allowance for loan losses on the corporate segment

Allowances for loan losses are recognized pursuant to the regulations issued by BACEN, notably the National Monetary Council (CMN) Resolution 2682, and are based on the analyses of outstanding lending transactions (past-due and current), in accordance with the internal policies that consider the determination of credit ratings.

The estimate of the allowance for loan losses involves internal models while determining the borrower's rating, that take into account the financial and economic data, market inputs, masterfile information, restricted collaterals, and default level, among others. The borrower's rating is also revised by the Bank's Management when the financial condition of a specific company or a given economic sector changes. As such revision involves a high level of judgment in the estimate of the loss by Management, we believe that this matter is a key audit matter in our audit approach, including the involvement of senior members of our staff.

How our audit addressed this matter

Our audit procedures included, but were not limited to: (i) understanding the internal model used to determine the rating; (ii) understanding the provisioning criteria adopted by the Bank; (iii) reading the Bank's provisioning policy; (iv) testing the design, implementation and effectiveness of internal controls; (v) challenging the main assumptions and significant judgments made by Management while determining the credit rating; and (vi) recalculating the amounts provisioned on a sampling basis.

Based on the audit procedures performed, we believe that the criteria adopted by the Bank's Management and the policy used to determine the allowance for loan losses were appropriate, within the context of the financial statements taken as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for six-month period and for the year ended December 31, 2018, prepared under the responsibility of the Bank's Management, were subject to audit procedures performed together with the audit of the Bank's financial statements. In forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added.

In our opinion, these statements of value added were fairly prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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

Management is responsible for such other information. The other information comprises the Management Report.

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 Bank's and its subsidiaries' internal control.

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

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

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

- 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.

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

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

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 7, 2019

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Carlos Claro
Engagement Partner

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BALANCE SHEETS
AS AT DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

ASSETS	Note	Bank 2018	Bank 2017	Consolidated 2018	Consolidated 2017
CURRENT ASSETS		**18,710,582**	**15,055,548**	**18,977,088**	**15,395,584**
Cash		**151,733**	**114,709**	**153,172**	**117,096**
Interbank investments	**Note 5**	**5,561,479**	**4,628,900**	**5,190,943**	**4,460,547**
Money market investments		4,702,402	3,973,111	4,702,402	3,973,111
Interbank deposits		690,921	507,599	320,385	339,246
Foreign currency investments		168,156	148,190	168,156	148,190
Securities and derivatives	**Note 6**	**516,762**	**87,505**	**742,889**	**288,379**
Own portfolio		72,426	58,728	228,467	198,682
Linked to repurchase commitments		139,474	23,255	139,474	23,255
Derivatives		304,862	5,522	304,862	5,522
Asset-backed technical reserves		-	-	70,086	60,920
Interbank accounts		**42,639**	**148,723**	**42,639**	**148,723**
Restricted deposits - Central Bank of Brazil		42,509	148,555	42,509	148,555
Correspondents		130	168	130	168
Lending operations		**7,441,612**	**6,400,449**	**7,474,760**	**6,409,566**
Lending operations - public sector	Note 7.a)	38,183	19,786	38,183	19,786
Lending operations - private sector	Note 7.a)	7,946,219	6,794,720	7,980,424	6,804,582
(Allowance for loan losses)	Note 9	(542,790)	(414,057)	(543,847)	(414,802)
Leasing operations		**-**	**-**	**351,000**	**275,995**
Leases receivable	Note 7.a)	-	-	357,253	283,640
(Allowance for lease losses)	Note 9	-	-	(6,253)	(7,645)
Other receivables		**4,890,837**	**3,541,216**	**4,917,224**	**3,563,485**
Guarantees and collaterals		-	34,656	-	34,656
Foreign exchange portfolio	Note 10.a)	1,064,558	590,979	1,064,558	590,979
Income receivable		11,660	8,034	10,775	8,577
Trading account	Note 6.f)	1,779	2,404	1,779	2,404
Insurance premiums	Note 19.a)	-	-	2,029	442
Other	Note 10.b)	3,951,976	3,145,587	3,977,219	3,166,871
(Allowance for other loan losses)	Note 9	(139,136)	(240,444)	(139,136)	(240,444)
Other assets	**Note 11**	**105,520**	**134,046**	**104,461**	**131,793**
Repossessed assets		92,832	103,784	92,873	104,380
(Allowance for repossessed assets losses)		(8,422)	(10,532)	(8,447)	(10,532)
Prepaid expenses		21,110	40,794	20,035	37,945
NONCURRENT LONG-TERM ASSETS		**9,406,614**	**8,025,826**	**9,922,919**	**8,304,840**
Interbank investments	**Note 5**	**6,711**	**16,468**	**6,711**	**16,468**
Interbank deposits		6,711	16,468	6,711	16,468
Securities and derivatives	**Note 6**	**1,907,165**	**1,316,296**	**1,957,556**	**1,368,421**
Own portfolio		1,595,899	976,397	1,646,290	1,026,470
Linked to repurchase commitments		-	129,662	-	129,662
Derivatives		95,719	88,292	95,719	88,292
Linked to guarantees		215,547	121,945	215,547	121,945
Funds used to guarantee technical reserves		-	-	-	2,052
Lending operations		**5,161,949**	**4,522,352**	**5,189,498**	**4,530,157**
Lending operations - public sector	Note 7.a)	71,994	97,931	71,994	97,931
Lending operations - private sector	Note 7.a)	5,493,477	4,685,750	5,521,505	4,694,060
(Allowance for loan losses)	Note 9	(403,522)	(261,329)	(404,001)	(261,834)
Leasing operations		**-**	**-**	**423,997**	**237,054**
Leases receivable	Note 7.a)	-	-	430,132	242,558
(Allowance for lease losses)	Note 9	-	-	(6,135)	(5,504)
Other receivables		**2,328,540**	**2,086,477**	**2,342,908**	**2,104,276**
Foreign exchange portfolio	Note 10.a)	-	-	-	-
Other	Note 10.b)	2,329,066	2,086,722	2,343,434	2,104,521
(Allowance for other loan losses)	Note 9	(526)	(245)	(526)	(245)
Other assets	**Note 11**	**2,249**	**84,233**	**2,249**	**48,464**
Prepaid expenses		2,249	84,233	2,249	48,464
PERMANENT ASSETS		**1,267,751**	**1,149,606**	**79,727**	**85,877**
Investments		**1,192,436**	**1,067,338**	**1,343**	**619**
Equity in domestic subsidiaries	Note 12	1,191,273	1,066,892	-	-
Other investments		1,163	446	1,343	619
Property and equipment in use		**75,315**	**82,268**	**78,318**	**85,113**
Other property and equipment in use	Note 14	103,274	100,937	108,958	106,438
(Accumulated depreciation)	Note 14	(27,959)	(18,669)	(30,640)	(21,325)
Intangible assets		**-**	**-**	**66**	**145**
TOTAL ASSETS		**29,384,947**	**24,230,980**	**28,979,734**	**23,786,301**

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

BancoDaycoval

BALANCE SHEETS
AS AT DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

		Bank		Consolidated	
LIABILITIES	**Note**	**2018**	**2017**	**2018**	**2017**
CURRENT LIABILITIES		**15,794,804**	**10,767,653**	**15,379,714**	**10,860,162**
Deposits	**Note 15**	**3,219,471**	**3,585,127**	**3,218,434**	**3,582,377**
Demand deposits		864,844	736,540	863,807	735,496
Interbank deposits		373,667	337,395	373,667	337,395
Time deposits		1,973,639	2,506,517	1,973,639	2,504,811
Foreign currency deposit		7,321	4,675	7,321	4,675
Money market funding	**Note 15**	**2,992,328**	**1,860,116**	**2,992,328**	**1,860,116**
Own portfolio		136,333	152,610	136,333	152,610
Third parties		2,855,995	1,674,825	2,855,995	1,674,825
Freely portfolio		-	32,681	-	32,681
Funds from acceptance and issuance of securities		**6,405,886**	**3,545,362**	**5,833,047**	**3,545,137**
Mortgage loan notes	Note 16.1)	648,667	415,483	648,667	415,483
Agribusiness letters of credit	Note 16.1)	617,665	462,328	617,665	462,328
Financial bills	Note 16.1)	3,232,736	2,636,234	2,689,289	2,636,234
Securities issued abroad	Note 16.2)	1,906,818	31,317	1,877,426	31,092
Interbank accounts		**1,181**	**1,906**	**1,181**	**1,906**
Interbranch accounts		**107,529**	**63,797**	**107,529**	**63,797**
Borrowings	**Note 17**	**1,675,209**	**759,309**	**1,675,209**	**759,309**
Foreign borrowings		1,675,209	759,309	1,675,209	759,309
Domestic onlendings - official institutions	**Note 18**	**193,481**	**264,747**	**193,481**	**264,747**
BNDES		151,383	214,580	151,383	214,580
FINAME		42,098	50,167	42,098	50,167
Derivatives	**Note 6.f)**	**29,662**	**8,829**	**29,662**	**8,829**
Technical reserves - insurance	**Note 19.b)**	**-**	**-**	**67,854**	**60,838**
Other payables		**1,170,057**	**678,460**	**1,260,989**	**713,106**
Collected taxes and other		8,562	8,362	8,600	8,378
Foreign exchange portfolio	Note 20.a)	501,455	142,708	501,455	142,708
Social and statutory	Note 20.b)	118,434	72,945	119,715	74,063
Tax and social security	Note 20.c)	330,106	229,199	380,389	245,870
Trading account	Note 6.f)	3,035	1,685	3,035	1,685
Other	Note 20.d)	208,465	223,561	247,795	240,402
NONCURRENT LONG-TERM LIABILITIES		**10,300,464**	**10,415,773**	**10,243,815**	**9,820,283**
Deposits	**Note 15**	**2,247,127**	**1,567,368**	**2,177,260**	**1,480,270**
Interbank deposits		21,813	-	21,813	-
Time deposits		2,225,314	1,567,368	2,155,447	1,480,270
Funds from acceptance and issuance of securities		**4,964,814**	**5,448,491**	**4,941,903**	**4,905,716**
Mortgage loan notes	Note 16.1)	125,237	91,317	125,237	91,317
Agribusiness letters of credit	Note 16.1)	46,168	20,173	46,168	20,173
Financial bills	Note 16.1)	4,772,807	3,665,592	4,749,896	3,136,883
Securities issued abroad	Note 16.2)	20,602	1,671,409	20,602	1,657,343
Borrowings	**Note 17**	**371,839**	**973,244**	**371,839**	**973,244**
Foreign borrowings		371,839	973,244	371,839	973,244
Domestic onlendings - official institutions	**Note 18**	**173,089**	**207,271**	**173,089**	**207,271**
BNDES		108,234	140,011	108,234	140,011
FINAME		64,855	67,260	64,855	67,260
Derivatives	**Note 6.f)**	**-**	**553**	**-**	**553**
Other payables		**2,543,595**	**2,218,846**	**2,579,724**	**2,253,229**
Tax and social security	Note 20.c)	245,597	216,929	262,817	222,982
Other	Note 20.d)	2,150,684	2,001,917	2,169,593	2,030,247
Subordinated debts	Note 21	147,314	-	147,314	-
DEFERRED INCOME		**52,641**	**38,526**	**118,179**	**95,884**
NONCONTROLLING INTERESTS		**-**	**-**	**988**	**944**
EQUITY		**3,237,038**	**3,009,028**	**3,237,038**	**3,009,028**
Capital -		**2,253,595**	**1,892,143**	**2,253,595**	**1,892,143**
Residents in Brazil	Note 24.a)	2,253,595	1,892,143	2,253,595	1,892,143
Earnings reserves	Note 24.f)	979,426	1,111,764	979,426	1,111,764
Valuation adjustments to equity -					
Available-for-sale marketable securities		4,017	5,121	4,017	5,121
TOTAL LIABILITIES		**29,384,947**	**24,230,980**	**28,979,734**	**23,786,301**

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

INCOME STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

		2nd half of 2018		Bank		Consolidated	
	Note	Bank	Consolidated	2018	2017	2018	2017
INCOME FROM FINANCIAL INTERMEDIATION		**1,802,083**	**2,012,599**	**4,068,617**	**3,519,538**	**4,459,625**	**3,845,433**
Lending operations	Note 25.a)	1,510,190	1,513,766	3,014,856	2,779,916	3,020,400	2,780,991
Leasing operations	Note 25.b)	-	201,361	-	-	376,630	313,667
Securities transactions	Note 25.c)	246,840	250,272	487,257	662,127	491,926	673,280
Derivatives	Note 25.d)	(42,427)	(42,427)	372,918	(59,411)	372,918	(59,411)
Foreign exchange transactions	Note 25.e)	83,283	85,430	189,389	136,906	191,536	136,906
Sale transactions or transfer of financial assets		4,197	4,197	4,197	-	6,215	-
EXPENSES ON FINANCIAL INTERMEDIATION		**(934,985)**	**(1,043,140)**	**(2,508,446)**	**(2,185,291)**	**(2,710,105)**	**(2,367,568)**
Funding operations	Note 25.f)	(581,017)	(558,379)	(1,392,550)	(1,394,782)	(1,347,880)	(1,358,821)
Borrowings and onlending	Note 25.g)	(64,021)	(64,021)	(399,724)	(191,662)	(399,724)	(191,662)
Leasing operations	Note 25.b)	-	(129,690)	-	-	(245,759)	(214,680)
Financial assets sale or transfer		(7,200)	(7,200)	(17,831)	(48,773)	(17,831)	(48,773)
Allowance for loan losses	Note 9	(282,747)	(283,850)	(698,341)	(550,074)	(698,911)	(553,632)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION		**867,098**	**969,459**	**1,560,171**	**1,334,247**	**1,749,520**	**1,477,865**
OTHER OPERATING INCOME (EXPENSES)		**(273,967)**	**(336,679)**	**(510,427)**	**(528,752)**	**(628,433)**	**(631,404)**
Income from services provided		77,497	83,774	148,940	125,040	160,267	134,290
Income from insurance operations	Note 19.d)	-	1,752	-	-	3,994	3,929
Personnel expenses	Note 25.h)	(139,272)	(160,404)	(291,691)	(269,753)	(329,735)	(304,601)
Other administrative expenses	Note 25.i)	(290,782)	(276,400)	(528,018)	(468,617)	(506,779)	(455,288)
Tax expenses	Note 25.j)	(66,102)	(76,729)	(127,719)	(111,164)	(148,459)	(123,090)
Equity in subsidiaries	Note 12	67,463	-	122,139	61,690	-	-
Other operating income	Note 25.k)	216,447	235,711	389,477	379,461	429,457	391,896
Other operating expenses	Note 25.l)	(139,218)	(144,383)	(223,555)	(245,409)	(237,178)	(278,540)
OPERATING INCOME		**593,131**	**632,780**	**1,049,744**	**805,495**	**1,121,087**	**846,461**
NONOPERATING INCOME		**488**	**491**	**5,115**	**12,985**	**5,245**	**16,034**
Income		12,012	12,015	21,673	28,897	21,803	31,947
Expenses		(11,524)	(11,524)	(16,558)	(15,912)	(16,558)	(15,913)
INCOME BEFORE INCOME TAXES		**593,619**	**633,271**	**1,054,859**	**818,480**	**1,126,332**	**862,495**
INCOME TAX AND SOCIAL CONTRIBUTION	**Note 22.a)**	**(196,007)**	**(234,365)**	**(332,709)**	**(237,030)**	**(401,996)**	**(279,249)**
Provision for income tax		(121,372)	(140,142)	(209,133)	(131,117)	(245,556)	(159,114)
Provision for social contribution		(102,823)	(114,785)	(175,744)	(111,123)	(199,076)	(128,417)
Deferred tax assets		28,188	20,562	52,168	5,210	42,636	8,282
PROFIT SHARING	**Note 27.a)**	**(43,510)**	**(44,786)**	**(76,315)**	**(59,976)**	**(78,454)**	**(61,716)**
NONCONTROLLING INTERESTS		**-**	**(18)**	**-**	**-**	**(47)**	**(56)**
NET INCOME FOR THE SIX-MONTH PERIOD / YEAR		**354,102**	**354,102**	**645,835**	**521,474**	**645,835**	**521,474**
Number of shares	Note 24.c)	230,820,429	230,820,429	230,820,429	204,123,780	230,820,429	204,123,780
Earnings per share - R$		1.53410	1.53410	2.79800	2.55469	2.79800	2.55469

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

			Earnings reserves				
	Note	Capital	Legal	Bylaws	Adjustments of equity valuation	Retained earnings	Total
BALANCE AS AT JUNE 30, 2018		**1,892,143**	**186,034**	**940,317**	**(188)**	**178,264**	**3,196,570**
Capital increase		361,452	-	-	-	-	361,452
Adjustment to fair value-							
Available-for-sale marketable securities		-	-	-	4,205	-	4,205
Net income for the six month period		-	-	-	-	354,102	354,102
Allocations:							
Legal reserve		-	17,705	-	-	(17,705)	-
Statutory reserve		-	-	415,770	-	(415,770)	-
Dividends		-	-	(580,400)	-	-	(580,400)
Interest on capital	Note 24.e.2)	-	-	-	-	(98,891)	(98,891)
BALANCE AS AT DECEMBER 31, 2018		**2,253,595**	**203,739**	**775,687**	**4,017**	**-**	**3,237,038**
BALANCE AS AT DECEMBER 31, 2017		**1,892,143**	**171,447**	**940,317**	**5,121**	**-**	**3,009,028**
Capital increase		361,452	-	-	-	-	361,452
Adjustment to fair value-							
Available-for-sale marketable securities		-	-	-	(1,104)	-	(1,104)
Net income for the year		-	-	-	-	645,835	645,835
Allocations:							
Legal reserve		-	32,292	-	-	(32,292)	-
Statutory reserve		-	-	415,770	-	(415,770)	-
Dividends		-	-	(580,400)	-	-	(580,400)
Interest on capital	Note 24.e.2)	-	-	-	-	(197,773)	(197,773)
BALANCE AS AT DECEMBER 31, 2018		**2,253,595**	**203,739**	**775,687**	**4,017**	**-**	**3,237,038**
BALANCE AS AT DECEMBER 31, 2016		**1,892,143**	**145,373**	**633,223**	**(13,301)**	**-**	**2,657,438**
Adjustment to fair value-							
Available-for-sale marketable securities		-	-	-	18,422	-	18,422
Net income for the year		-	-	-	-	521,474	521,474
Allocations:							
Legal reserve		-	26,074	-	-	(26,074)	-
Statutory reserve		-	-	307,094	-	(307,094)	-
Interest on capital	Note 24.e.2)	-	-	-	-	(188,306)	(188,306)
BALANCE AS AT DECEMBER 31, 2017		**1,892,143**	**171,447**	**940,317**	**5,121**	**-**	**3,009,028**

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

STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

	2nd half of 2018		Bank		Consolidated	
	Bank	Consolidated	2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES						
PROFIT FOR THE PERIOD / YEAR	**354,102**	**354,102**	**645,835**	**521,474**	**645,835**	**521,474**
Adjustments to reconcile profit for the six-month period / year net cash provided by operating activities						
Depreciation and amortization	5,031	5,147	10,032	4,103	10,271	4,329
Deferred taxes	(28,188)	(20,562)	(52,168)	(5,210)	(42,636)	(8,282)
Provision for risks	157,924	151,452	250,865	245,219	241,444	266,441
Provision for guarantees and collaterals	3,181	3,181	10,922	1,859	10,922	1,859
Allowance for loan losses	320,383	320,599	799,368	475,051	800,699	482,381
Allowance for leasing losses	-	887	-	-	(761)	(3,772)
Allowance for other loan losses	(37,636)	(37,636)	(101,027)	75,023	(101,027)	75,023
Allowance for losses on other assets	(2,243)	(2,218)	(2,110)	(2,706)	(2,085)	(2,706)
Exchange rate changes on cash and cash equivalents	(55,058)	(55,058)	(88,006)	60,591	(88,006)	60,591
Gains on disposal of permanent assets	3,125	5,998	3,538	(3,427)	6,285	(3,427)
Share of profit (loss) of subsidiaries	(67,463)	-	(122,139)	(61,690)	-	-
TOTAL RECONCILIATION ADJUSTMENTS	**299,056**	**371,790**	**709,275**	**788,813**	**835,106**	**872,437**
ADJUSTED PROFIT FOR THE PERIOD	**653,158**	**725,892**	**1,355,110**	**1,310,287**	**1,480,941**	**1,393,911**
CHANGES IN ASSETS AND LIABILITIES	**(1,683,365)**	**(1,754,505)**	**(2,469,819)**	**753,652**	**(2,580,921)**	**170,836**
(Increase) Decrease in interbank investments	(131,405)	(13,658)	(173,565)	(222,128)	28,618	(125,323)
(Increase) Decrease in securities and derivates	(137,638)	(145,996)	(999,846)	982,007	(1,023,365)	913,908
(Increase) Decrease in interbank and interbranch accounts	108,475	108,475	149,091	2,349	149,091	2,349
(Increase) Decrease in lending operations	(1,842,272)	(1,857,809)	(2,480,127)	(1,054,071)	(2,525,233)	(1,074,051)
(Increase) Decrease in leasing operations	-	(163,734)	-	-	(261,187)	(117,336)
(Increase) Decrease in other receivables	(1,492,796)	(1,503,373)	(1,400,027)	(856,512)	(1,399,079)	(858,663)
(Increase) Decrease in other assets	72,447	35,923	112,619	104,813	75,631	100,988
Increase (Decrease) in deposits	632,052	640,300	314,103	(162,050)	333,047	(165,413)
Increase (Decrease) in money market funding	42,931	42,931	(48,958)	141,085	(48,958)	141,085
Increase (Decrease) in funds from acceptance and issuance of securities	891,414	872,503	1,626,789	2,080,036	1,589,140	1,604,454
Increase (Decrease) in borrowings and onlendings	(22,457)	(22,458)	103,989	32,223	103,988	32,223
Increase (Decrease) in other payables	267,972	322,215	447,438	(171,719)	522,365	(149,974)
Income tax and social contribution paid	(75,687)	(85,023)	(135,441)	(135,865)	(147,274)	(140,902)
Increase (Decrease) in deferred income	3,599	15,199	14,116	13,484	22,295	7,491
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(1,030,207)**	**(1,028,613)**	**(1,114,709)**	**2,063,939**	**(1,099,980)**	**1,564,747**
CASH FLOWS FROM INVESTING ACTIVITIES						
Disposal of property and equipment in use	-	-	-	7,231	-	7,231
Capital increase in subsidiaries	-	-	-	(500,000)	-	-
Acquisition of property and equipment in use	(2,193)	(2,683)	(3,286)	(80,186)	(3,862)	(80,240)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	**(2,193)**	**(2,683)**	**(3,286)**	**(572,955)**	**(3,862)**	**(73,009)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Increase (Decrease) in funds from acceptance and issuance of securities	10,204	9,221	750,058	(354,892)	734,957	(354,583)
Increase (Decrease) in borrowings and onlendings	(101,908)	(101,908)	105,058	439,400	105,058	439,400
Increase (decrease) of subordinated debts	137,060	137,060	147,314	-	147,314	-
Dividends and interest on capital paid	(317,315)	(317,315)	(367,330)	(143,032)	(367,330)	(143,032)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(271,959)**	**(272,942)**	**635,100**	**(58,524)**	**619,999**	**(58,215)**
EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**55,058**	**55,058**	**88,006**	**(60,591)**	**88,006**	**(60,591)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,249,301)**	**(1,249,180)**	**(394,889)**	**1,371,869**	**(395,837)**	**1,372,932**
Cash and cash equivalents at beginning of six-month period / year	3,415,597	3,416,915	2,561,185	1,189,316	2,563,572	1,190,640
Cash and cash equivalents at end of six-month period / year	2,166,296	2,167,735	2,166,296	2,561,185	2,167,735	2,563,572
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,249,301)**	**(1,249,180)**	**(394,889)**	**1,371,869**	**(395,837)**	**1,372,932**

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

STATEMENTS OF VALUE ADDED
FOR THE SIX-MONTH PERIOD ENDED DECEMBER 31, 2018 AND
FOR THE YEAR ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

	2nd half of 2018		Bank		Consolidated	
	Bank	Consolidated	2018	2017	2018	2017
REVENUES	**1,674,365**	**1,905,909**	**3,690,061**	**3,351,670**	**4,122,307**	**3,682,283**
Income from financial intermediation	1,802,083	2,012,599	4,068,617	3,519,538	4,459,625	3,845,433
Revenue from services	77,497	83,774	148,940	125,040	160,267	134,290
Allowance for loan losses	(282,747)	(283,850)	(698,341)	(550,074)	(698,911)	(553,632)
Other	77,532	93,386	170,845	257,166	201,326	256,192
EXPENSES	**(652,238)**	**(759,290)**	**(1,810,105)**	**(1,635,217)**	**(2,011,194)**	**(1,813,936)**
Expenses on financial intermediation	(652,238)	(759,290)	(1,810,105)	(1,635,217)	(2,011,194)	(1,813,936)
INPUTS PURCHASED FROM THIRD PARTIES	**(277,819)**	**(260,653)**	**(502,385)**	**(447,912)**	**(476,853)**	**(431,893)**
Materials, electric power and other	(50,021)	(54,671)	(89,431)	(67,985)	(96,614)	(72,941)
Outside services	(227,983)	(206,167)	(413,147)	(380,526)	(380,432)	(359,551)
Asset recovery	185	185	193	599	193	599
GROSS VALUE ADDED	**744,308**	**885,966**	**1,377,571**	**1,268,541**	**1,634,260**	**1,436,454**
DEPRECIATION AND AMORTIZATION	**(5,031)**	**(5,147)**	**(10,032)**	**(4,103)**	**(10,271)**	**(4,329)**
TOTAL WEALTH CREATED BY THE CONSOLIDATED	**739,277**	**880,819**	**1,367,539**	**1,264,438**	**1,623,989**	**1,432,125**
WEALTH RECEIVED IN TRANSFER	**67,463**	**-**	**122,139**	**61,690**	**-**	**-**
Equity in subsidiaries	67,463	-	122,139	61,690	-	-
WEALTH FOR DISTRIBUTION	**806,740**	**880,819**	**1,489,678**	**1,326,128**	**1,623,989**	**1,432,125**
DISTRIBUTION OF WEALTH	**806,740**	**880,819**	**1,489,678**	**1,326,128**	**1,623,989**	**1,432,125**
EMPLOYEES	**166,879**	**186,625**	**329,012**	**286,706**	**364,094**	**331,290**
Salaries and wages	93,689	107,594	197,239	180,257	221,927	216,317
Benefits	67,601	72,721	121,214	97,650	130,125	104,862
Severance pay fund (FGTS)	5,589	6,310	10,559	8,799	12,042	10,111
TAXES	**278,012**	**329,659**	**499,423**	**501,944**	**594,550**	**560,838**
Federal	270,194	317,757	485,479	491,448	572,328	548,482
State	680	684	1,659	1,482	1,706	1,516
Municipal	7,138	11,218	12,285	9,014	20,516	10,840
LENDERS AND LESSORS	**7,747**	**10,415**	**15,408**	**16,004**	**19,463**	**18,467**
Rentals	7,747	10,415	15,408	16,004	19,463	18,467
SHAREHOLDERS	**354,102**	**354,102**	**645,835**	**521,474**	**645,835**	**521,474**
Interest on capital	98,891	98,891	197,773	188,306	197,773	188,306
Retained earnings of six-month period / year	255,211	255,211	448,062	333,168	448,062	333,168
NONCONTROLLING INTERESTS	**-**	**18**	**-**	**-**	**47**	**56**

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERAL INFORMATION

Bank Daycoval S.A. (the "Bank" or "Daycoval") is a publicly-held entity, organized as a full-service bank authorized to operate commercial, foreign exchange, investment, and lending and financing portfolios, through its direct and indirect subsidiaries, and also leasing portfolio, asset management, life insurance, pension plans and provision of services. The Bank is part of Daycoval Group and conducts its businesses on an integrated basis.

2. APRESENTAÇÃO DAS DEMONSTRAÇÕES FINANCEIRAS

The Bank's financial statements information, including its foreign branch, and the consolidated financial statements information ("Consolidated"), approved by Management on February 07, 2019, has been prepared in accordance with the accounting practices adopted in Brazil, based on the accounting guidelines set forth in the Brazilian Corporate Law (Law 6404/76), and the changes introduced by Law 11638/07 and Law 11941/09 for the accounting for transactions, coupled with the standards and instructions of the National Monetary Council ("CMN"), the Central Bank of Brazil ("BACEN"), and the Standard Chart of Accounts for Financial Institutions ("COSIF"), the Brazilian Securities and Exchange Commission ("CVM"), the National Private Insurance Council ("CNSP"), the Private Insurance Authority ("SUSEP"), and Accounting Pronouncements Committee ("CPC") , when applicable.

All relevant information in the Financial Statements Information of Banco Daycoval S.A., and only such information, is being disclosed and corresponds to the information used by the Bank's Management in managing the Bank.

As part of the process of convergence with the International Financial Reporting Standards (IFRS), the Accounting Pronouncements Committee (CPC) has issued several pronouncements related to the international accounting convergence process that have been approved by the CVM but not all of them have been ratified by the BACEN. Thus, in the preparation of the Financial Statements, the Bank has adopted the following pronouncements that have been approved by the BACEN, s follows:

Pronouncements of CPC	Resolution BACEN / CVM
CPC 00 (R1) - Conceptual Framework to Prepare and Disclose the Financial Report	4144/12
CPC 01 (R1) - Impairment of Assets	3566/08
CPC 02 (R2) - Effects of Changes in Exchange Rates and Translation of Financial Statements	4524/16
CPC 03 (R2) - Statements of Cash Flows	3604/08
CPC 04 (R1) - Intangible Assets	4534/16
CPC 05 (R1) - Related-party Disclosures	3750/09
CPC 10 (R1) - Share-based Payment	3989/11
CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors	4007/11
CPC 24 - Events After the Reporting period	3973/11
CPC 25 - Provisions, Contingent Liabilities and Contingent Assets	3823/09
CPC 27 - Property, Plant and Equipment	4535/16
CPC 33 (R1) - Employee Benefits	4424/15

The consolidated financial statements comprise the Bank, its foreign branch and the following direct and indirect subsidiaries:

	Ownership interest - %	
	2018	2017
Leasing operations		
Daycoval Leasing – Banco Múltiplo S.A. ("Daycoval Leasing")	100.00	100.00
Financial activity - Foreign branch		
Banco Daycoval S.A. - Cayman Branch	100.00	100.00
Insurance and pension plan activity		
Dayprev Vida e Previdência S.A. ("Dayprev")	97.00	97.00
Non-financial activity		
ACS Participações Ltda. ("ACS")	99.99	99.99
Daycoval Asset Management Administração de Recursos Ltda. ("Daycoval Asset")	99.99	99.99
IFP Promotora de Serviços de Consultoria e Cadastro Ltda. ("IFP")	99.99	99.99
SCC Agência de Turismo Ltda. ("SCC")	99.99	99.99
Treetop Investments Ltd. ("Treetop")	99.99	99.99

In the consolidated financial statements, the balances and transactions between the Bank, its foreign branch, and its direct and indirect subsidiaries have been eliminated. Profit and equity amounts related to noncontrolling interests were disclosed in a separate caption.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by Banco Daycoval in the preparation of the individual and consolidated financial Statements information can be summarized as follows:

a) Income and expenses are recorded on the accrual basis. Fixed-rate transactions are stated at the final amount, and income and expenses for future period are recognized as a reduction of the related assets and liabilities. Finance income and costs are recorded on a pro rata basis and calculated based on the exponential method, except those related to discounted notes or foreign transactions, which are calculated under the straight-line method. Floating-rate transactions or those indexed to foreign currencies are adjusted through the balance sheet date.

b) Interbank investments and other receivables, except securities and derivatives, are stated at cost, plus inflation adjustment, exchange rate changes and contractual interest. When the realizable amount of an asset is lower than its carrying amount, an allowance for impairment is recorded to adjust such asset to its realizable amount.

c) Under BACEN Resolution 3604/08, cash and cash equivalents are represented by cash and bank deposits, recorded in captions “Cash and cash equivalents”, “Interbank investments”, and “Securities - own portfolio”, with original investment term of 90 days or less; the risk of change in their fair value is considered immaterial.

d) Securities are stated at cost plus income earned, as follows: (i) fixed-income securities are adjusted at the applicable interest rate based on the respective maturities; (ii) shares are adjusted based on the average price informed by the Stock Exchange where the shares are more traded; and (iii) investments in investment funds are adjusted based on the share price informed by the fund managers.

Securities are classified in conformity with BACEN Circular Letter 3068/01 into one of the following categories:

• Trading securities - securities acquired for the purpose of being actively and frequently traded, adjusted to fair value as a contra-entry to profit or loss.

• Available-for-sale securities - securities not acquired for the purpose of being actively and frequently traded, which Management does not intend to hold to maturity. The adjustments to fair value (unrealized gains and losses) are recorded as a separate component of equity, net of taxes, and are recognized in profit or loss when realized.

• Held-to-maturity securities - securities that the Bank has the positive intent and ability to hold to maturity and stated at cost, plus income earned, as a contra-entry to profit or loss.

• Bonuses arising from investments in shares issued by publicly-traded companies are recorded in the securities portfolio only according to the respective quantities, without modifying the amount of investments, when the corresponding shares are considered “ex-rights” on the stock exchange.

Dividends and interest on capital arising from investments in shares issued by publicly-traded companies are recorded as income when the related shares are considered “ex-rights” on the stock exchange.

e) Derivatives consist of forward, futures and swap options and are recorded in conformity with BACEN Circular Letter 3082/02, which provides for the adoption of the following criteria:

• Option transactions - premiums received or paid are recorded at fair value in caption “Derivatives” in assets or liabilities, respectively, until the option is exercised, and recorded as a decrease or increase in the cost of the asset subject to the option, for the exercise of the option, or as income or expense in the event of non-exercise;

• Futures transactions - daily adjustments are recorded at fair value in caption “Trading account” in assets or liabilities and allocated daily to profit or loss as income (when relating to gains) or expense (when relating to losses);

• Currency swap and forward transactions (NDF) - differential receivable or payable is recorded at fair value in caption “Derivatives” in assets or liabilities, respectively, and allocated to profit or loss as income (when relating to gains) or expense (when relating to losses); and

• Forward transactions - recorded at the final contractual amount, less the difference between such amount and the cash price of the asset, adjusted to fair value, income and expenses being recognized over the contractual terms.

Derivative transactions are stated at fair value, with gains and losses recorded as described below:

• Derivatives not qualified as hedge - in income or expense in profit or loss; and

• Derivatives qualified as hedge - classified as market risk hedge or cash flow hedge.

Market risk hedges are used to offset the risks arising from the exposure to changes in the fair value of the hedged item, with gains or losses recorded as a contra-entry to income or expense in profit or loss.

Cash flow hedges are used to offset the changes in estimated future cash flows, the effective portion used in such offset being recorded as a contra-entry to a separate item of equity, net of taxes, and any other change as a contra-entry to income or expense in profit or loss.

f) Leasing operations were reclassified so as to reflect its financial position in conformity with the financial method.

g) Lending and leasing operations are classified based on Management's risk assessment, considering the past experience with prior borrowers, the risk rating of such borrowers and their guarantors, the economic environment, and specific and overall portfolio risks, pursuant to CMN Resolution 2682/99, which requires a periodic analysis of the portfolio and its classification into nine risk rating levels from AA (minimum risk) to H (maximum risk - loss).

Also according to CMN Resolution 2682/99, the income from lending operations past due for more than 60 days, regardless of the risk rating, is only recognized when received, and H-rated loans remain as such for 180 days, after which period they are written off against the existing allowance and are controlled in memorandum accounts, no longer being recorded in the balance sheet.

h) A financial asset is derecognized, as prescribed by CMN Resolution 3533/08, when the contractual rights to the financial asset's cash flows expire or when the asset is sold or transferred, which should be classified into the following categories:

• Transactions with substantial transfer of the risks and rewards: the assignor substantially transfers all the risks and rewards of ownership of the financial asset as follows: (i) unconditional sale of the financial asset; (ii) sale of the financial asset with repurchase option at its fair value on the repurchase date; and (iii) sale of the financial asset with call or put options, whose exercise is unlikely to occur;

• Transactions with substantial retention of the risks and rewards: the assignor substantially retains all the risks and rewards of ownership of the financial asset as follows: (i) sale of the financial asset with repurchase commitment at a fixed price or at the sales price plus any yields; (ii) securities lending agreements; (iii) sale of the financial assets with total return rate swap agreement, which transfers the market risk exposure back to the assignor; (iv) sale of the financial asset with call or put options whose exercise is likely to occur; and (v) sale of receivables, when the losses incurred by the buyer or assignee, if any, are compensated by the seller or assignor, or whose sale is made together with the acquisition of subordinated units of the buyer Receivables Investment Fund (FIDC); and

• Transactions with no substantial transfer or retention of the risks and rewards: transactions in which the assignor neither transfers nor substantially retains all the risks and rewards of ownership of the financial asset.

The transfer or retention of the risks and rewards of ownership of the financial asset is analyzed by comparing Daycoval's exposure, before and after the sale or transfer, with the changes in the present value of the financial asset's expected cash flows, adjusted at the appropriate market interest rate.

The allowance for loan losses is recorded as prescribed by CMN Resolution 2682/99.

i) Foreign exchange transactions are stated at realizable values, plus income and exchange rate changes calculated on a daily pro rata basis, and the allowance for other loan losses, pursuant to CMN Resolution 2682/99, when applicable.

j) Prepaid expenses related to commissions paid to bank correspondents are controlled by contract and accounted for in caption "Prepaid expenses in assets, in the balance sheet". Such expenses are recognized as "Other administrative expenses" in profit or loss on a pro rata basis, over the respective contractual terms, or fully recognized, when such contracts are settled in advance.

Upon enactment of BACEN Circular 3738/14, the Bank opted for recognizing prepaid expenses as follows:

(i) Two-thirds of the amount of commissions paid beginning January 1, 2015 were recorded as "Prepaid expenses" in assets, in the balance sheet, being amortized within up to 36 months as from the initial recognition and the remaining amount directly recognized as expense;

(ii) One-third of the amount of commissions paid beginning January 1, 2016 was recorded as "Prepaid expenses" in assets, in the balance sheet, being amortized within up to 36 months as from the initial recognition and the remaining amount directly recognized as expense; and

(iii) For commissions paid beginning January 1, 2017, the total amount is recognized as expense.

As set forth in §4, Art. 1 of BACEN Circular 3693/13, as amended by BACEN Circular Letter 3738/14, beginning January 1, 2020, all amounts potentially recorded in assets, relating to the compensation of domestic corresponding referred to in the main paragraph, must be immediately written down, as a contra entry to an appropriate expense account for the period, it being prohibited any additional recognition or the maintenance of amounts of such nature in assets.

k) Investments in subsidiaries are stated under the equity method, which is applied to all associates over which the Bank has significant influence, that is, in which the Bank holds at least 20% of the voting capital.

l) Other investments are stated at cost, less allowance for loss, when applicable.

m) Assets and rights, classified in property, plant and equipment for use, are stated at acquisition cost. Depreciation is calculated under the straight-line method at the annual rates stated in note 14, which take into consideration the economic useful lives of the assets.

n) Intangible assets correspond to rights acquired in intangible assets used in the maintenance of the Bank's and its subsidiaries' activities or exercised for such purpose; intangible assets with finite lives are amortized on a straight-line basis over the estimated period they will generate economic benefits.

o) The impairment of non-monetary assets is recognized as a loss when the carrying amount of an asset or a cash-generating unit is higher than its recoverable or realizable value. A cash-generating unit is the smallest identifiable group of assets that generates cash flows substantially independent from other assets or groups of assets. Impairment losses are recorded in profit or loss for the period they are recognized, when applicable.

The amounts of non-financial assets, except those recorded in captions "Other assets" and "Other receivables - tax credits", are periodically tested for impairment, at least annually.

As at December 31, 2018, the allowance for impairment of repossessed assets was recognized in the amount of R$8,422 (R$10,532 in 2017) (Note 11). No evidence of impairment of other non-financial assets was identified.

p) Known or estimated liabilities, charges and risks, including tax charges calculated based on profit or loss, are stated at the adjusted amount through the balance sheet date. Liabilities denominated in foreign currencies are translated into local currency at the exchange rates in effect on the balance sheet date, as informed by BACEN, and liabilities subject to inflation adjustments are stated at the adjusted amount through the balance sheet date. Hedged liabilities are adjusted to fair value.

q) The provision for income tax is recorded at the rate of 15%, plus a 10% surtax, when applicable. The social contribution was calculated on adjusted profit at the rate of 20%. Law 13169/15, which amends Law 7689/88, raised the social contribution rate to 20% on profit for the period from September 1, 2015 to December 31, 2018. Beginning January 1, 2019, such rate will return to 15%.

r) Income tax credits are recognized on temporary additions and deductions and Daycoval Leasing's prior-year tax losses, based on the legislation in effect on the date of recognition. Due to the amendment to Law 7689/88, mentioned in item "q)" above, social contribution tax credits were recorded as follows: (i) applying the 15% rate on temporary additions and deductions calculated through August 31, 2015 and on those additions and deductions that are expected to be realized after December 31, 2018; and (ii) 20% rate on temporary additions and deductions that are expected to be realized from September 1, 2015 to December 31, 2018. Beginning January 1, 2019, the tax rate will return to 15%. These tax credits will be realized when the amounts on which they were recognized are utilized and/or reversed.

s) Technical reserves for insurance and unsettled claims - refer to Dayprev's share in DPVAT Insurance Consortium and recorded in accordance with the statements received from Seguradora Líder.

t) Contingent assets and liabilities and legal, tax and social security obligations:

Contingent assets and liabilities and legal, tax and social security obligations are recognized, measured, and disclosed, as follows:

• Contingent assets - not recorded in the financial statements information, except when there is evidence that they will be realized and will not be subject to appeals;

Contingent liabilities - recorded in the financial statements information when the risk of loss in an administrative or legal proceeding is assessed by the legal counsel and Management as probable, with probable outflow of funds to settle obligations, and when the related amounts can be reliably measured. Contingent liabilities assessed as possible loss by the legal counsel are only disclosed in the explanatory information, whereas those assessed as remote loss do not require the recognition of a provision and disclosure; and

• Legal obligations (tax and social security) - refer to lawsuits challenging the legality and constitutionality of certain taxes and contributions. The amount under litigation is determined, accrued and adjusted on a monthly basis, regardless of its likelihood of loss.

u) Deferred income refer to: (i) income received in advance for which there are no prospects of future collection, which is recognized in the income statements as a result of the term of the transactions that originated them and that, as at December 31, 2018, amount to R$52,641 (R$38,526 in 2017) for the Bank and R$70,439 (R$41,242 in 2017) for the Consolidated; and (ii) the negative goodwill on the acquisition of Banco CIT Brasil, for purposes of consolidation of the financial statements is being reclassified from "Investments", in permanent assets, to "Deferred income", in the amount of R$47,740 (R$54,642 in 2017) for the Consolidated.

v) Earnings per share are calculated based on the number of shares at the balance sheet dates.

w) Uses of estimates - The preparation of the financial statements information requires Management to make estimates and adopts assumptions that, in its best judgment, affect the reported amounts of certain assets and liabilities (financial or not), revenues, expenses and other transactions, such as: (i) depreciation rates of property and equipment items and lease property and equipment; (ii) amortization of deferred assets; (iii) allowance for loan and lease losses; (iv) measurement of financial instruments; and (v) provisions for contingencies. Actual results could differ from those estimates.

x) Fixed-rate financial assets and financial liabilities are adjusted to present value by unearned income and unearned expenses, which adjust these instruments to the amounts that would be obtained upon realization should they be cash transactions, as well as floating-rate financial instruments, which are realized at their cash value and are periodically adjusted by their respective transactions rates.

y) Functional and reporting currency, foreign currency-denominated transactions and share of profit (loss) of foreign entities:

I - Functional and reporting currency:
Daycoval's Financial Statements Information is stated in Brazilian reais (R$), which is the Bank's functional and reporting currency.
As prescribed by CMN Resolution 4524/16, Daycoval has defined that the functional and reporting currency for each of its direct and indirect subsidiaries, including foreign entities, will also be the Brazilian real (R$).

II – Translation of foreign currency-denominated transactions:
If foreign investees conduct transactions in a currency different from their respective functional currencies, these transactions will be translated by applying the exchange rates of the respective trial balance or balance sheet for monetary items, assets and liabilities stated at fair value or market value and items not classified as monetary items.

III- Share of profit (loss) of foreign entities:
The share of profit (loss) of foreign entities, the functional currency of which is defined in item "I" above, is recognized directly in Daycoval's income statements, in "Share of profit (loss) of subsidiaries".

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	Bank		Consolidated	
	2018	2017	2018	2017
Cash	151,733	114,709	153,172	117,096
Money market investments [1]	1,846,407	2,298,286	1,846,407	2,298,286
Foreign currency investments [2]	168,156	148,190	168,156	148,190
Total cash and cash equivalents	**2,166,296**	**2,561,185**	**2,167,735**	**2,563,572**

(1) Money market investments comprising cash and cash equivalents are stated net of the amount recorded under "Money market investments – third-party portfolio" which as at 2018 amounts to R$2,855,995 (R$1,674,825 in 2017), for the Bank and the Consolidated.

(2) Refers to foreign currency investments maturing within up to 90 days from the investment date.

5. INTERBANK INVESTMENTS

Interbank investments are broken down as follows:

	Bank			
	2018		2017	
Investments type	**Maturity**	**Value**	**Maturity**	**Value**
Money market investments	Up to 1st business day	4,702,402	Up to 1st business day	3,973,111
Interbank deposits	Up to May 2022	697,632	Up to May 2022	524,067
Foreign currency	Up to 2nd business day	168,156	Up to 2nd business day	148,190
Total		**5,568,190**		**4,645,368**

In 2018, total interbank investments for the Consolidated is R$5,197,654 (R$4,477,015 in 2017).

6. SECURITIES AND DERIVATIVES

a) Breakdown by category and type:

	Bank			
	2018		2017	
	Adjusted cost	Fair value (1)	Adjusted cost	Fair value (1)
Trading securities	**133,791**	**136,877**	**-**	**-**
Own portfolio	**1,826**	**1,859**	**-**	**-**
Debentures	1,826	1,859	-	-
Linked to repurchase commitments	**131,965**	**135,018**	**-**	**-**
Debentures	131,965	135,018	-	-
Available-for-sale securities	**1,879,784**	**1,886,469**	**1,309,861**	**1,309,987**
Own portfolio	**1,659,743**	**1,666,466**	**1,034,950**	**1,035,125**
Treasury bills	1,555,928	1,555,776	890,575	890,610
National Treasury Notes	321	322	66,815	66,667
Foreign securities	46,933	45,881	27,603	27,841
Investment fund units	56,561	64,487	49,957	50,007
Linked to repurchase commitments	**4,456**	**4,456**	**152,943**	**152,917**
Treasury bills	4,456	4,456	152,943	152,917
Linked to guarantees (2)	**215,585**	**215,547**	**121,968**	**121,945**
Treasury bills	215,585	215,547	121,968	121,945
Total Securities	**2,013,575**	**2,023,346**	**1,309,861**	**1,309,987**

	Consolidated			
	2018		2017	
	Adjusted cost	Fair value (1)	Adjusted cost	Fair value (1)
Trading securities	**201,694**	**204,780**	**60,920**	**60,920**
Own portfolio	**1,826**	**1,859**	**-**	**-**
Debentures	1,826	1,859	-	-
Linked to repurchased commitments	**131,965**	**135,018**	**-**	**-**
Debentures	131,965	135,018	-	-
Assets-backed technical reserves (Note 19.c)	**67,903**	**67,903**	**60,920**	**60,920**
Investment fund units	67,903	67,903	60,920	60,920
Available-for-sale securities	**2,088,022**	**2,095,084**	**1,497,321**	**1,502,066**
Own portfolio	**1,865,798**	**1,872,898**	**1,220,358**	**1,225,152**
Treasury bills	1,586,645	1,586,493	919,672	919,704
National Treasury Notes	321	322	66,815	66,667
Foreign securities	83,363	82,687	60,429	62,254
Investment fund units	195,429	203,356	173,442	176,527
Bank Deposit Certificate	40	40	-	-
Linked to repurchased commitments	**4,456**	**4,456**	**152,943**	**152,917**
Treasury bills	4,456	4,456	152,943	152,917
Linked to guarantees (2)	**215,585**	**215,547**	**121,968**	**121,945**
Treasury bills	215,585	215,547	121,968	121,945
Assets-backed technical reserves (Note 19.c)	**2,183**	**2,183**	**2,052**	**2,052**
Treasury bills	2,183	2,183	2,052	2,052
Total Securities	**2,289,716**	**2,299,864**	**1,558,241**	**1,562,986**

(1) The securities' fair value was calculated based on the prices and rates prevailing as at December 31, 2018 and 2017, as disclosed by the Brazilian Financial and Capital Markets Association (ANBIMA), by the managers of the investment fund in which the Bank invests, the B3 S.A.- Brasil, Bolsa, Balcão, and other market makers in the case of securities acquired abroad.

(2) As securities linked to guarantees refer to securities linked to transactions conducted at the B3 S.A.- Brasil, Bolsa, Balcão, and CETIP S.A - Mercados Organizados, in the amount of R$215,547 (R$121,945 as at December 31, 2017) (Note 6.m).

b) Breakdown by maturity:

	Bank						
	2018						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**9,209**	**322**	**607,528**	**98,989**	**1,060,053**	**1,776,101**
Treasury Bills	-	9,209	-	607,528	98,989	1,060,053	1,775,779
National Treasury Notes	-	-	322	-	-	-	322
Foreign securities	**-**	**901**	**104**	**-**	**34,828**	**10,048**	**45,881**
Eurobonds and similar instruments	-	901	104	-	34,828	10,048	45,881
Private-sector securities	**-**	**-**	**136,877**	**-**	**-**	**-**	**136,877**
Debentures [(1)]	-	-	136,877	-	-	-	136,877
Investment fund units	**64,487**	**-**	**-**	**-**	**-**	**-**	**64,487**
Real estate investment fund	47,320	-	-	-	-	-	47,320
Fixed-income investment fund	15,722	-	-	-	-	-	15,722
Other investment funds	1,445	-	-	-	-	-	1,445
Total	**64,487**	**10,110**	**137,303**	**607,528**	**133,817**	**1,070,101**	**2,023,346**

	2017						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**26,560**	**4,781**	**182,686**	**819,950**	**198,162**	**1,232,139**
Treasury Bills	-	26,560	2,794	182,367	819,950	133,801	1,165,472
National Treasury Notes	-	-	1,987	319	-	64,361	66,667
Foreign securities	**-**	**544**	**91**	**-**	**15,721**	**11,485**	**27,841**
Eurobonds and similar instruments	-	544	91	-	15,721	11,485	27,841
Investment fund units	**50,007**	**-**	**-**	**-**	**-**	**-**	**50,007**
Real estate investment fund	39,434	-	-	-	-	-	39,434
Fixed-income investment fund	9,847	-	-	-	-	-	9,847
Other investment funds	726	-	-	-	-	-	726
Total	**50,007**	**27,104**	**4,872**	**182,686**	**835,671**	**209,647**	**1,309,987**

	Consolidated						
	2018						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**28,564**	**322**	**620,875**	**99,187**	**1,060,053**	**1,809,001**
Treasury Bills	-	28,564	-	620,875	99,187	1,060,053	1,808,679
National Treasury Notes	-	-	322	-	-	-	322
Foreign securities	**-**	**901**	**104**	**4,415**	**53,004**	**24,263**	**82,687**
Eurobonds and similar instruments	-	901	104	4,415	53,004	24,263	82,687
Private-sector securities	**-**	**-**	**136,877**	**-**	**40**	**-**	**136,917**
Debentures [(1)]	-	-	136,877	-	-	-	136,877
Bank Deposit Certificate	-	-	-	-	40	-	40
Investment fund units	**271,259**	**-**	**-**	**-**	**-**	**-**	**271,259**
Fixed-income investment fund	187,571	-	-	-	-	-	187,571
Real estate investment fund	47,321	-	-	-	-	-	47,321
Multimarket investment fund	22,631	-	-	-	-	-	22,631
Equity funds	12,291	-	-	-	-	-	12,291
Other investment funds	1,445	-	-	-	-	-	1,445
Total	**271,259**	**29,465**	**137,303**	**625,290**	**152,231**	**1,084,316**	**2,299,864**

	2017						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**37,310**	**4,781**	**201,810**	**821,222**	**198,162**	**1,263,285**
Treasury Bills	-	37,310	2,794	201,491	821,222	133,801	1,196,618
National Treasury Notes	-	-	1,987	319	-	64,361	66,667
Foreign securities	**2,684**	**544**	**91**	**2,703**	**26,042**	**30,190**	**62,254**
Eurobonds and similar instruments	2,684	544	91	2,703	26,042	30,190	62,254
Investment fund units	**237,447**	**-**	**-**	**-**	**-**	**-**	**237,447**
Fixed-income investment fund	165,400	-	-	-	-	-	165,400
Real estate investment fund	39,434	-	-	-	-	-	39,434
Multimarket investment fund	21,466	-	-	-	-	-	21,466
Equity fund	10,421	-	-	-	-	-	10,421
Other investment funds	726	-	-	-	-	-	726
Total	**240,131**	**37,854**	**4,872**	**204,513**	**847,264**	**228,352**	**1,562,986**

(1) As set forth in the sole paragraph of Article 7 of BACEN Circular Letter No. 3068/01, securities classified as "Trading securities" are recognized in current assets, regardless of their respective maturities.

c) Derivatives:

The Bank conducts derivative transactions recorded in balance sheet, profit or loss and memorandum accounts to meet its own and the clients' needs.

Derivatives used are properly approved based on the product use policy. Pursuant to this policy, prior to the implementation of each product, all aspects should be analyzed, such as: objectives, methods of use, underlying risks and appropriate supporting operational infrastructure.

The credit and market risk components of derivatives are monitored on a daily basis, and specific limits are set for derivative transactions for clients and also for registration and settlement chambers. Such limits are managed through a system that consolidates exposures by counterparty. Any discrepancies are promptly identified and addressed for immediate solution.

The market risk of derivatives is managed based on a prevailing risk policy, pursuant to which potential risks of price fluctuations in the financial markets are centralized in the Treasury department, which provides hedge for the other areas.

The main derivative financial instruments used by the Bank include swaps, non-deliverable forwards (NDF), US dollar futures (DOL), interest rate (DI) and foreign exchange coupon (DDI). BACEN Circular Letter 3082/02 permitted a specific accounting in those cases derivatives are used to hedge against changes in the fair value or cash flow of the Bank.

No derivative transactions were conducted between the Group companies.

d) Hedge:

The hedging strategy is determined based on the Bank's operating risk exposure limits. Whenever its transactions have risk exposures above the preset limits, which might result in significant fluctuations in the Bank's profit or loss, the Bank uses derivatives, contracted in the organized or over-the-counter market, to hedge against such risks, according to the hedging rules set forth in BACEN Circular Letter 3082/02.

The hedge instruments seek to mitigate market, currency fluctuation and interest rate risks. According to the market liquidity, the maturity dates of hedge instruments are the closest possible to the dates of the financial flows of the hedged transactions so as to ensure an efficient hedge.

Hedge Accounting

Market Risk Hedge

The Bank has a market risk hedge structure designed to offset the risks arising from the exposure to changes in the fair value relating to the fluctuation of foreign currency (US dollar and euro fluctuation) and of the Libor interest rate on foreign borrowings - (hedged items) recorded in "Payables for securities issued abroad" (Note 16.2) and "Payables for foreign borrowings" (Note 17).

The table below summarizes the market risk hedge structure:

2018				Changes in fair value		
Hedged item	Maturity	Principal Value	Hedge Instrument	Hedged item	Hedge Instrument	Effectiveness
IFC Funding	3/15/2019	USD 105,000	*Swap*	(100,704)	100,938	100.23%
IFC Funding	3/15/2019	€ 55,500	*Swap*	(68,326)	67,161	98.29%
Foreign issuance	3/18/2019	USD 500,000	*Swap*	(446,322)	446,781	100.10%
IIC Funding - A/B Loan	7/15/2020	USD 20,000	*Swap*	(18,043)	18,055	100.07%
IFC Funding	3/15/2022	USD 110,000	*Swap*	(116,484)	115,033	98.75%
			Total	**(749,879)**	**747,968**	

2017				Changes in fair value		
Hedged item	Maturity	Principal Value	Hedge Instrument	Hedged item	Hedge Instrument	Effectiveness
IIC Funding - A/B Loan	7/16/2018	USD 55,000	*Swap*	(37,951)	37,744	99.45%
IFC Funding	3/15/2019	USD 105,000	*Swap*	(23,217)	24,952	107.47%
IFC Funding	3/15/2019	€ 55,500	*Swap*	(20,509)	21,233	103.53%
Foreign issuance	3/18/2019	USD 500,000	*Swap*	44,948	(49,487)	110.10%
IIC Funding - A/B Loan	7/15/2020	USD 20,000	*Swap*	(7,718)	7,764	100.60%
IFC Funding	3/15/2022	USD 110,000	*Swap*	36,374	(32,385)	89.03%
			Total	**(8,073)**	**9,821**	

The accounting hedge structure for these transactions was established by linking a cash flow swap contract to each borrowing maturity, either interest or principal plus interest, and the Bank´s long position is identical to the yield of borrowings agreements.

e) Fair value:

The fair value of derivative instruments is determined using available market information, mainly prices and rates disclosed by the B3 S.A. - Brasil, Bolsa, Balcão. When applicable, the Bank adopts mathematical models of rate interpolation for intermediate terms, and rate extrapolation for longer terms.

The following pricing methodologies were adopted for calculating the fair value of derivatives:

• Futures transactions - quotations disclosed by B3 S.A. - Brasil, Bolsa, Balcão.

• Swap agreements and non-deliverable forwards (NDF) - use of the future cash flow, discounted to present value based on future interest curves, obtained from information disclosed by B3 S.A. - Brasil, Bolsa, Balcão.

f) Breakdown of balances recorded in balance sheet accounts in captions "Derivatives" and "Trading account":

	2018		2017	
Assets	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Derivatives	**304,862**	**95,719**	**5,522**	**88,292**
Swaps - differential receivable	278,581	94,744	4,547	88,262
Currency forward receivable	26,281	975	975	30
Trading account	**1,779**	**-**	**2,404**	**-**
Futures pending settlement	**1,779**	**-**	**2,404**	**-**
Dollar futures (DOL)	330	-	481	-
Foreign exchange coupon (DDI)	1,358	-	367	-
Interest rate (DI)	91	-	1,556	-

	2018		2017	
Liabilities	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Derivatives	**29,662**	**-**	**8,829**	**553**
Swaps - differential payable	9,631	-	4,361	498
Currency forward payable	20,031	-	4,468	55
Trading account	**3,035**	**-**	**1,685**	**-**
Futures pending settlement	**3,035**	**-**	**1,685**	**-**
Foreign exchange coupon (DDI)	1,153	-	153	-
Interest rate (DI)	459	-	1,254	-
Dollar futures (DOL)	1,423	-	278	-

Differentials receivable and payable and daily adjustments paid or received for financial assets and financial liabilities are recorded in respective balance sheet accounts as "Derivatives" and "Trading account" which, as at December 31, 2018 and 2017, are adjusted to fair value, and the notional values of these transactions are recorded in memorandum accounts (Note 6.k)).

g) Breakdown by type of contract and counterparty (Bank and consolidated):

		2018		2017	
		Amounts		Amounts	
Contracts	**Type of counterparty**	**receivable**	**(payable)**	**receivable**	**(payable)**
Futures	B3 S.A. - Brasil, Bolsa, Balcão	1,779	(3,035)	2,404	(1,685)
	Total futures transactions	**1,779**	**(3,035)**	**2,404**	**(1,685)**
Swap	Financial institutions	371,292	(8,879)	89,241	(4,090)
	Companies	2,033	(752)	3,568	(769)
	Total	**373,325**	**(9,631)**	**92,809**	**(4,859)**
Forward	Companies	27,256	(20,031)	1,005	(4,523)
	Total forward transactions	**27,256**	**(20,031)**	**1,005**	**(4,523)**

h) Swap contracts (Bank and Consolidated):

	2018					
	Notional value	Cost Value		Fair Value		Differential receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Lending operations						
Accounting hedge objective (Note 6.d)	**2,489,182**	**2,733,190**	**2,569,158**	**2,734,882**	**2,564,529**	**170,353**
PRE x CDI	1,776,750	1,853,976	1,853,972	1,853,976	1,853,972	4
LIBOR x CDI	712,432	879,214	715,186	880,906	710,557	170,349
Trading objective	**1,759,810**	**2,743,918**	**2,536,059**	**2,741,567**	**2,538,595**	**202,972**
CDI x DOLLAR	1,147,133	1,454,138	1,447,671	1,454,347	1,447,584	6,763
DOLLAR x CDI	610,175	1,287,158	1,085,957	1,284,217	1,088,316	195,901
PRE x DOLLAR	2,502	2,622	2,431	3,003	2,695	308
Total lending operations	**4,248,992**	**5,477,108**	**5,105,217**	**5,476,449**	**5,103,124**	**373,325**
Borrowing operations						
Accounting hedge objective (Note 6.d)	**1,961,199**	**2,220,404**	**2,229,282**	**2,220,404**	**2,229,282**	**(8,878)**
EMTA x PRE	1,776,750	1,973,119	1,980,944	1,973,119	1,980,944	(7,825)
EURO x CDI	184,449	247,285	248,338	247,285	248,338	(1,053)
Trading objective	**16,785**	**17,108**	**17,933**	**17,111**	**17,864**	**(753)**
CDI x DOLLAR	16,785	17,108	17,933	17,111	17,864	(753)
Total de borrowing operations	**1,977,984**	**2,237,512**	**2,247,215**	**2,237,515**	**2,247,146**	**(9,631)**

	2017					
	Notional value	Cost Value		Fair Value		Differential receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Lending operations						
Accounting hedge objective (Note 6.d)	**2,689,602**	**2,730,320**	**2,693,505**	**2,733,306**	**2,690,806**	**42,500**
LIBOR x CDI	680,490	716,586	682,462	719,111	679,866	39,245
EURIBOR x CDI	184,449	185,976	184,449	185,976	184,449	1,527
LIBOR x CDI	47,913	50,508	49,844	50,969	49,741	1,228
PRE x CDI	1,776,750	1,777,250	1,776,750	1,777,250	1,776,750	500
Trading objective	**1,740,962**	**2,182,324**	**2,138,689**	**2,202,206**	**2,151,897**	**50,309**
DOLLAR x CDI	610,174	1,048,794	1,010,093	1,068,178	1,023,530	44,648
CDI x DOLLAR	1,130,483	1,133,061	1,128,142	1,133,559	1,127,905	5,654
CDI x IGP-M	305	469	454	469	462	7
Total lending operations	**4,430,564**	**4,912,644**	**4,832,194**	**4,935,512**	**4,842,703**	**92,809**
Borrowing operations						
Accounting hedge objective (Note 6.d)	**1,952,585**	**1,948,605**	**1,952,585**	**1,948,605**	**1,952,585**	**(3,980)**
LIBOR x CDI	175,835	175,426	175,835	175,426	175,835	(409)
EMTA x PRE	1,776,750	1,773,179	1,776,750	1,773,179	1,776,750	(3,571)
Trading objective	**48,100**	**54,362**	**55,605**	**54,873**	**55,752**	**(879)**
DOLAR x CDI	14,682	14,648	14,683	14,649	14,683	(34)
PRE x DOLLAR	331	338	405	343	406	(63)
IPC-A x CDI	17,092	23,142	23,455	23,379	23,455	(76)
CDI x DOLLAR	15,995	16,234	17,062	16,502	17,208	(706)
Total borrowing operations	**2,000,685**	**2,002,967**	**2,008,190**	**2,003,478**	**2,008,337**	**(4,859)**

i) Forward contracts (Bank and Consolidated):

Currency Forward	2018					
	Notional value	Cost Value		Fair Value		Differential receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Trading objective						
Non-deliverable currency forward purchase	361,861	377,452	364,562	377,451	365,163	12,288
Non-deliverable currency forward sale	1,331,779	1,330,055	1,338,688	1,330,055	1,315,087	14,968
Total lending operations	**1,693,640**	**1,707,507**	**1,703,250**	**1,707,506**	**1,680,250**	**27,256**
Trading objective						
Non-deliverable currency forward sale	175,647	180,465	140,291	180,465	184,772	(4,307)
Non-deliverable currency forward purchase	991,130	984,382	997,437	984,382	1,000,106	(15,724)
Total Borrowing operations	**1,166,777**	**1,164,847**	**1,137,728**	**1,164,847**	**1,184,878**	**(20,031)**

Currency Forward	2017					
	Notional value	Cost Value		Fair Value		Differential receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Trading objective						
Non-deliverable currency forward purchase	73,746	73,631	73,908	73,631	73,148	483
Non-deliverable currency forward sale	93,319	93,855	93,801	93,855	93,333	522
Total lending operations	**167,065**	**167,486**	**167,709**	**167,486**	**166,481**	**1,005**
Trading objective						
Non-deliverable currency forward purchase	153,698	154,528	154,472	154,528	155,136	(608)
Non-deliverable currency forward sale	173,377	180,694	176,053	180,694	184,609	(3,915)
Total Borrowing operations	**327,075**	**335,222**	**330,525**	**335,222**	**339,745**	**(4,523)**

j) Future contracts (Bank and Consolidated):

Contracts	2018				
	Notional value			Daily adjustments	
	Long Position	Short Position	Total exposure	receivable	(payable)
Trading objective					
Foreign exchange coupon (DDI)	308,019	411,616	719,635	1,358	(1,153)
Interest rate (DI)	44,989	3,053,318	3,098,307	91	(459)
Dollar futures (DOL)	367,496	-	367,496	330	(1,423)
Total	**720,504**	**3,464,934**	**4,185,438**	**1,779**	**(3,035)**

Contracts	2017				
	Notional value			Daily adjustments	
	Long Position	Short Position	Total exposure	receivable	(payable)
Trading objective					
Foreign exchange coupon (DDI)	74,188	182,001	256,189	367	(153)
Interest rate (DI)	486,555	5,253,184	5,739,739	1,556	(1,254)
Dollar futures (DOL)	-	111,906	111,906	481	(278)
Total	**560,743**	**5,547,091**	**6,107,834**	**2,404**	**(1,685)**

k) Operations by maturity (notional values) (Bank and Consolidated):

	2018					
Contracts	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Futures	989,748	1,574,474	1,436,933	139,295	44,988	**4,185,438**
Swap	5,791,589	52,128	33,519	349,740	-	**6,226,976**
Forward	2,467,099	363,015	30,303	-	-	**2,860,417**
Total	**9,248,436**	**1,989,617**	**1,500,755**	**489,035**	**44,988**	**13,272,831**

	2017					
Contracts	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Over 5 years	Total
Futures	2,465,989	1,305,664	1,150,601	739,840	445,740	**6,107,834**
Swap	3,861	243,024	5,834,625	349,739	-	**6,431,249**
Forward	420,141	73,215	784	-	-	**494,140**
Total	**2,889,991**	**1,621,903**	**6,986,010**	**1,089,579**	**445,740**	**13,033,223**

l) Trading location (Bank and Consolidated):

	Notional value	
	2018	2017
Futures / Swap / Forward		
B3 S.A. - Brasil, Bolsa, Balcão	13,272,831	13,033,223

m) Collateral margins (Bank and Consolidated):

	2018		2017	
Federal government securities	Cost Value	Market value	Cost Value	Market value
Treasury Bills	215,585	215,547	121,968	121,945

Federal government bonds are pegged to guarantees for outstanding futures transactions at B3 S.A. - Brasil, Bolsa, Balcão as at December 31, 2018 and 2017.

7. LENDING, OTHER LENDING AND LEASING OPERATIONS

a) Breakdown of the loan, other loan and leasing portfolio:

	Bank			
	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Loans [1]	5,493,314	4,813,958	4,751,701	4,063,289
Discounted trade notes	708,116	979	712,695	624
Loans assigned with substantial retention of risks and benefits (Note 8)	37,033	35,145	66,367	93,128
Financing	1,693,762	712,945	1,225,529	626,640
Rural and agro-industrial financing	52,177	2,444	58,214	-
Total lending operations	**7,984,402**	**5,565,471**	**6,814,506**	**4,783,681**
Guarantees and collaterals	-	-	34,656	-
Payables for purchase of assets (Note 10.b)	12,873	8,491	8,955	18,370
Other credit and notes receivable (Note 10.b)	3,210,382	15,489	2,497,922	6,394
Credits linked to transactions acquired under assignment (Note 10.b) [2]	51,219	59,028	-	-
Financed imports (Note 20.a)	509	-	12,921	-
Advances on foreign exchange contracts (Note 10.a and 20.a)	569,363	-	440,196	-
Total other credits	**3,844,346**	**83,008**	**2,994,650**	**24,764**
Total	**11,828,748**	**5,648,479**	**9,809,156**	**4,808,445**

	Consolidated			
	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Loans	5,493,314	4,813,958	4,751,701	4,063,289
Discounted trade notes	708,116	979	712,695	624
Loans assigned with substantial retention of risks and benefits (Note 8)	37,033	35,145	66,367	93,128
Financing	1,727,967	740,973	1,235,391	634,950
Rural and agro-industrial financing	52,177	2,444	58,214	-
Total lending operations	**8,018,607**	**5,593,499**	**6,824,368**	**4,791,991**
Financial leasing	320,405	401,910	256,543	223,309
Operating leasing	36,848	28,222	27,097	19,249
Total leasing operations	**357,253**	**430,132**	**283,640**	**242,558**
Guarantees and collaterals	-	-	34,656	-
Payables for purchase of assets (Note 10.b)	12,873	8,491	8,955	18,370
Other credit and notes receivable (Note 10.b)	3,210,382	15,489	2,497,922	6,394
Credits linked to transactions acquired under assignment (Note 10.b) [2]	51,219	59,028	-	-
Financed imports (Note 20.a)	509	-	12,921	-
Advances on foreign exchange contracts (Note 10.a and 20.a)	569,363	-	440,196	-
Total other credits	**3,844,346**	**83,008**	**2,994,650**	**24,764**
Total	**12,220,206**	**6,106,639**	**10,102,658**	**5,059,313**

(1) Includes linked credit transactions as set forth in CMN Resolution 2.921/02 (Note 7.h).

(1) Credit transactions acquired from a financial institution comprising the National Financial System subject to risk and benefit retention by the assignor.

b) Breakdown of the loan, other loan and leasing portfolio by risk level:

	Bank					
	2018				2017	
		Allowance				Allowance
Risk Level	Total portfolio	Required by BACEN Res. 2682/99 (1)	Additional (2)	Total allowance	Total portfolio	Required by BACEN Res. 2682/99
AA	1,316,083	-	-	-	260	-
A	7,390,511	36,954	29,562	66,516	6,797,217	33,985
B	6,334,105	63,341	120,348	183,689	5,488,692	54,887
C	1,186,409	35,593	15,423	51,016	1,286,020	38,581
D	366,672	36,667	-	36,667	151,680	15,168
E	77,982	23,394	-	23,394	101,795	30,539
F	135,349	67,674	-	67,674	73,480	36,740
G	43,660	30,562	-	30,562	40,941	28,659
H	626,456	626,456	-	626,456	677,516	677,516
Total	**17,477,227**	**920,641**	**165,333**	**1,085,974**	**14,617,601**	**916,075**

	Consolidated					
	2018				2017	
		Allowance				Allowance
Risk Level	Total portfolio	Required by BACEN Res. 2682/99 (1)	Additional (2)	Total allowance	Total portfolio	Required by BACEN Res. 2682/99
AA	1,316,083	-	-	-	260	-
A	7,758,115	38,791	29,562	68,353	7,000,817	35,003
B	6,723,487	67,235	120,348	187,583	5,692,878	56,928
C	1,259,874	37,797	15,423	53,220	1,398,304	41,950
D	374,560	37,456	-	37,456	166,628	16,663
E	84,672	25,402	-	25,402	105,157	31,548
F	138,128	69,064	-	69,064	74,512	37,256
G	43,685	30,579	-	30,579	40,965	28,676
H	628,241	628,241	-	628,241	682,450	682,450
Total	**18,326,845**	**934,565**	**165,333**	**1,099,898**	**15,161,971**	**930,474**

(1) Refers to the allowance for loan losses considering the minimum percentage rates required by CMN Resolution No. 2682/99, as mentioned in Note 3.g.

(2) Beginning June 30, 2018, an allowance for loan losses in addition to the minimum allowance required by the prevailing regulation started to be recognized, based on a specific risk assessment methodology, supported by a receivables collection study

c) Breakdown of the loan, other loan and leasing portfolio by business sector

	Bank		Consolidated	
	2018	2017	2018	2017
Private sector	**17,367,050**	**14,499,884**	**18,216,668**	**15,044,254**
Industrial	4,825,155	3,749,945	5,018,420	3,900,884
Commercial	3,335,420	2,703,347	3,476,737	2,823,197
Financial	120,443	43,899	124,439	48,484
Other services	2,815,274	2,354,462	3,325,775	2,623,181
Individuals	6,270,758	5,648,231	6,270,758	5,648,231
Rural	-	-	539	277
Public sector	**110,177**	**117,717**	**110,177**	**117,717**
Total	**17,477,227**	**14,617,601**	**18,326,845**	**15,161,971**

d) Breakdown of the loan, other loan and leasing portfolio by maturity

	Bank		Consolidated	
	2018	2017	2018	2017
Current				
Up to 3 months	6,288,191	5,493,045	6,421,368	5,603,589
3 to 12 months	5,274,066	4,017,344	5,531,406	4,198,735
1 to 3 years	3,892,038	3,341,888	4,281,865	3,558,678
3 to 5 years	1,271,022	1,103,847	1,339,095	1,137,864
Over 5 years	485,419	362,710	485,679	362,771
Total - current	**17,210,736**	**14,318,834**	**18,059,413**	**14,861,637**
Past-due				
Up to 60 days	87,247	107,018	87,940	107,686
61 to 90 days	31,125	27,811	31,229	28,025
91 to 180 days	44,226	67,103	44,344	67,417
181 to 360 days	103,893	96,835	103,919	97,206
Total - past-due	**266,491**	**298,767**	**267,432**	**300,334**
Total	**17,477,227**	**14,617,601**	**18,326,845**	**15,161,971**

e) Concentration of credit risk:

	Bank			
	2018		2017	
Largest debtors	Amount	% on portfolio	Amount	% on portfolio
10 largest debtors	1,113,947	6.37	1,245,158	8.52
50 next largest debtors	2,076,303	11.88	1,673,291	11.45
100 next largest debtors	1,780,317	10.19	1,340,197	9.17
Other debtors	12,506,660	71.56	10,358,955	70.86
Total	**17,477,227**	**100.00**	**14,617,601**	**100.00**

	Consolidated			
	2018		2017	
Largest debtors	Amount	% on portfolio	Amount	% on portfolio
10 largest debtors	1,326,821	7.24	1,412,008	9.31
50 next largest debtors	2,305,889	12.58	1,816,963	11.98
100 next largest debtors	1,952,110	10.65	1,443,061	9.52
Other debtors	12,742,025	69.53	10,489,939	69.19
Total	**18,326,845**	**100.00**	**15,161,971**	**100.00**

f) Renegotiated lending and leasing operations:

During the 2018, the Bank renegotiated delinquent customers' loans in the amount of R$563,170, respectively (R$501,025 in 2017) and Daycoval Leasing renegotiated leasing operations in the amount of R$4,215 (R$9,537 in 2017).

g) Recovery of loans written off as loss:

During 2018, the Bank recovered credits previously written off as loss, in the amounts of R$229,505 (R$146,184 in 2017) (Note 25.a) and Daycoval Leasing recovered R$829 in 2018 (recovered R$4,196 in 2017) (Note 25.b), recognized in the income statements.

h) Linked lending transactions:

The table below shows the information on linked lending transactions carried out as set forth in CMN Resolution 2.921/02:

	2018
	Up to 12 months
Linked lending transactions	
Lending transactions	24,355
Payables for linked lending transactions	
Bank Certificates of Deposit (CDBs)	25,291

8. ASSIGNMENT OF LOANS (Bank and Consolidated):

Loan assignments carried out by the Bank meet the accounting criteria described in CMN Resolution 3533/08 (Note 3.h), regarding the classification of these assignments in the category "Operations with substantial retention of risks and benefits.

During year ended December 31, 2018, and 2017 there were no assignment of loans.

Since 2016 the Bank does not carry out any credit assignment transactions. As at December 31, 2018, the carrying amount of credit assignments recorded in “Lending operations” (Note 7.a) amounts to R$72,178 (R$159,495 in 2017) with the respective obligation assumed by the assignment recognized in “Other obligations – Sundry – Payables for sales operations and transfer of financial assets” (Note 20.d) in the amount of R$86,864 (R$197,407 in 2017).

Such loan assignments did not generate advanced profit or loss for the Bank.

9. ALLOWANCE FOR LOAN, OTHER CREDIT AND LEASE LOSSES

The allowance for loan, other credit and lease losses was recognized based on the criteria described in note 3.g) and is considered sufficient to cover probable losses.

During year ended December 31, 2018 and 2017, the changes in the expenses on the allowance for loan, other credit and lease losses, recognized in the income statements, under “Allowance for loan losses”, were as follows:

		Recognition of allowance				
2018	**Opening allowance balance**	**Required by BACEN Res. 2682/99 [1]**	**Additional [2]**	**Total allowance expenses**	**Write-off of transactions against loss**	**Closing allowance balance**
Bank	**916,075**	533,008	165,333	**698,341**	(528,442)	**1,085,974**
Daycoval Leasing	**14,399**	570	-	**570**	(1,045)	**13,924**
Total - Consolidated	**930,474**	**533,578**	**165,333**	**698,911**	**(529,487)**	**1,099,898**

	Bank	**Consolidated**
Current assets - lending operations	542,790	543,847
Noncurrent long-term assets - lending operations	403,522	404,001
Current assets - other sundry credits	139,136	139,136
Noncurrent assets - other sundry credits	526	526
Current assets - leasing	-	6,253
Noncurrent long-term assets - leasing	-	6,135
Total	**1,085,974**	**1,099,898**

		Recognition of allowance			
2017	**Opening allowance balance**	**Required by BACEN Res. 2682/99 [1]**	**Total allowance expenses**	**Write-off of transactions against loss**	**Closing allowance balance**
Bank	**746,863**	550,074	**550,074**	(380,862)	**916,075**
Daycoval Leasing	**18,291**	3,558	**3,558**	(7,450)	**14,399**
Total - Consolidated	**765,154**	**553,632**	**553,632**	**(388,312)**	**930,474**

	Bank	**Consolidated**
Current assets - lending operations	414,057	414,802
Noncurrent long-term assets - lending operations	261,329	261,834
Current assets - other sundry credits	240,444	240,444
Noncurrent assets - other sundry credits	245	245
Current assets - leasing	-	7,645
Noncurrent long-term assets - leasing	-	5,504
Total	**916,075**	**930,474**

(1) Refers to the allowance for loan losses considering the minimum percentage rates required by CMN Resolution No. 2682/99, as mentioned in Note 3.g.

(2) Beginning June 30, 2018, an allowance for loan losses in addition to the minimum allowance required by the prevailing regulation started to be recognized, based on a specific risk assessment methodology, supported by a receivables collection study

10. OTHER CREDITS

Other credits are broken down as follows:

a) Foreign exchange portfolio (Bank and Consolidated)

	2018 Current	2017 Current
Foreign exchange purchased pending settlement	678,972	508,577
Right on foreign exchange sold	372,360	74,832
(-) Advances received in local currency	(1,774)	(13,524)
Income receivable from advances granted (Note 7.a)	15,000	21,094
Total	**1,064,558**	**590,979**

b) Sundry:

	Bank			
	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Salary advances	854	-	927	-
Advances for payment of our account	13,692	-	7,184	-
Advances for constructions in progress	85	-	-	-
Tax credits (Note 22.c)	473,452	552,405	440,690	497,671
Debtors for purchase of assets (Note 7.a)	12,873	8,491	8,955	18,370
Debtors for escrow deposits (1)	3,158	1,695,149	-	1,570,448
Recoverable taxes (2)	137,460	-	137,830	-
Reimbursable payments	891	-	970	-
Prepaid profit sharing	27,169	-	-	-
Credits linked to transactions acquired under assignment (Note 7.a)	51,219	59,028	-	-
Discount on the acquisition of lending operations (3)	(7,908)	(1,496)	(4,687)	(6,161)
Other credits and notes receivables (Note 7.a)	3,210,382	15,489	2,497,922	6,394
Sundry debtors	28,649	-	55,796	-
Total	**3,951,976**	**2,329,066**	**3,145,587**	**2,086,722**

	Consolidated			
	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Salary advances	929	-	1,023	-
Advances for payment of our account	13,850	-	7,640	-
Advances for constructions in progress	85	-	-	-
Tax credits (Note 22.c)	476,545	558,279	448,966	507,896
Debtors for purchase of assets (Note 7.a)	12,873	8,491	8,955	18,370
Debtors for escrow deposits (1)	3,158	1,703,643	-	1,578,022
Recoverable taxes (2)	152,609	-	146,383	-
Reimbursable payments	891	-	970	-
Prepaid profit sharing	27,169	-	-	-
Credits linked to transactions acquired under assignment (Note 7.a)	51,219	59,028	-	-
Discount on the acquisition of lending operations (3)	(7,908)	(1,496)	(4,687)	(6,161)
Other credits and notes receivables (Note 7.a)	3,210,382	15,489	2,497,922	6,394
Sundry debtors	35,417	-	59,699	-
Total	**3,977,219**	**2,343,434**	**3,166,871**	**2,104,521**

(1) As at December 31, 2018, refers to the accounting for deposits linked to legal requirements (Note 23.b), made for the filing of appeals relating to: (i) taxes and contributions in the amount of R$1,662,901 for the Bank and R$1,669,014 for the Consolidated (R$1,535,080 for the Bank and R$1,540,853 for the Consolidated in 2017); (ii) labor, amounting to R$10,616 for the Bank and R$12,897 for the Consolidated (R$12,339 for the Bank and R$14,024 for the Consolidated in 2017); (iii) civil, amounting to R$24,789 for the Bank and for the Consolidated (R$23,029 for the Bank and R$23,145 for the Consolidated in 2017); and (iv) Daycoval Leasing rental guarantee in the amount of R$100 (R$95 as at December 31, 2017).

(2) As at December 31, 2018, the caption "Recoverable taxes" is composed mainly of prepaid income tax and social contribution in the amount of R$135,441 (R$135,865 as at 2017) for the Bank, and R$147,275 (R$140,902 as at 2017) for the Consolidated.

(3) As at December 31, 2018 and December 31, 2017 refers to discounts obtained on the acquisition of lending operations from other institutions comprising the National Financial System, to be recognized in the income statements of Banco Daycoval, in caption "Lending operations", due to the term of transactions.

11. OTHER ASSETS

Other assets	2018 Current	2018 Noncurrent	2017 Current	2017 Noncurrent
Repossessed assets [1]	92,832	-	103,784	-
(-) Allowance for depreciation of repossessed assets	(8,422)	-	(10,532)	-
Total repossessed assets [2]	**84,410**	**-**	**93,252**	**-**
Prepaid expenses [3]				
Bank	21,110	2,249	40,794	84,233
Consolidated	20,035	2,249	37,945	48,464

(1) Refer to assets received as payment for loans.

(2) As at December 31, 2018, the total of repossessed assets amounts to R$84,426 (R$93,848 in 2017) for the Consolidated.

(3) Refer mainly to expenses on commissions paid in advance upon origination of loans (Note 3.j).

As mentioned in Note 3.j), the Bank elected to adopt the provision set forth in paragraph 1 of Circular Letter 3693/13, as amended by Circular Letter 3738/14, both from BACEN, and recognized in “Prepaid expenses” the commissions paid to correspondents upon origination of loans in years prior to 2017. Beginning January 1, 2017, expenses on commissions were directly recognized in profit or loss for the period, upon origination of loans. During the year ended December 31, 2017, the total commissions paid to third parties for the origination of loans, according to the criteria established in the aforementioned regulations, recognized in the income statements (Note 25.i) amounted to R$175,395 (R$145,862 in 2017).

12. INVESTMENTS

Investments are represented by investments in subsidiaries; the main information on these investments are as follows:

a) Direct subsidiaries:

	Daycoval Leasing		Dayprev	
	2018	2017	2018	2017
Total Assets	975,947	622,404	101,306	93,052
Total Liabilities	570,043	272,015	68,402	61,395
Equity	405,904	350,389	32,904	31,657
Negative goodwill on acquisition (Nota 3.u)	(47,740)	(54,642)	-	-
Capital [4]	206,805	206,805	25,000	15,000
Number of shares	5,780,078,463	5,780,078,463	19,591,614	14,550,000
Net income for the year	55,515	30,945	1,574	1,883
Ownership interest - %	100.00%	100.00%	97.00%	97.00%
Adjusted investment	**358,164**	**295,747**	**31,916**	**30,532**
Share of profit (loss) of subsidiaries of the period	**55,515**	**30,945**	**1,527**	**1,827**

	ACS [1]		Daycoval Asset	
	2018	2017	2018	2017
Total Assets	814,269	755,815	42,696	38,132
Total Liabilities	38,125	12,683	2,016	2,034
Equity	776,144	743,132	40,680	36,098
Capital	623,448	623,448	1,554	1,554
Number of shares	536,730,077	536,730,077	36,875	14,253
Net income for the year	37,528	22,620	4,582	1,810
Ownership interest - %	99.99%	99.99%	99.99%	99.99%
Adjusted investment	**760,513**	**704,515**	**40,680**	**36,098**
Share of profit (loss) of subsidiaries of the period [3]	**60,516**	**27,109**	**4,582**	**1,810**

b) Indirect subsidiaries

	Treetop [2]		IFP		SCC	
	2018	2017	2018	2017	2018	2017
Total Assets	72,943	56,225	62,382	65,174	13,154	12,984
Total Liabilities	6,353	-	15,143	14,677	125	217
Equity	66,590	56,225	47,239	50,497	13,029	12,767
Capital	10,340	8,828	60,020	60,020	10,020	10,020
Number of shares	2,668,585	2,668,585	60,020,000	60,020,000	10,020,000	10,020,000
Net income for the year	6,096	2,738	(3,258)	(2,816)	261	455
Ownership interest - %	100.00%	100.00%	99.99%	99.99%	99.99%	99.99%
Adjusted investment	**66,590**	**56,225**	**47,234**	**50,492**	**13,028**	**12,766**
Share of profit (loss) of subsidiaries of the period [1]	**6,096**	**2,738**	**(3,258)**	**(2,816)**	**261**	**455**

(1) As at December 31, 2018, revenues from share of profit of investees amounts to R$3,099 (R$377 in 2017), which were recognized in profit or loss of ACS Participações (direct parent company), as mentioned in table 12.a.

(2) As at December 31, 2018, income from exchange variation in the amount of R$8,785 was recognized in the result of ACS Participações (direct parent company), as mentioned in table 12.a) above (expense of R$717 in 2017) on the investment in Treetop.

(3) As at December 31, 2018, a substantial portion of the profit from commissions paid on the origination of credit to IFP (indirect subsidiary) was realized, which company was consolidated in the financial statements of ACS Participações (direct parent company), as mentioned in table 12.a) which, in years prior to 2017, were recognized directly in profit or loss by the indirect subsidiary and deferred in the Bank's financial statements as a result of the term of the transactions or according to deferral criteria established by BACEN Circular 3.693/13, as amended by BACEN Circular 3.738/14. Beginning 2017, these commissions paid by the Bank to IFP were directly recognized in the Bank's income statements on their payment date.

(4) The increase of Dayprev's capital in the amount of R$10 million was decided and approved at the Extraordinary General Meeting held on October 30, 2018, upon the payment of earnings reserves and issuance of 4,591,614 million registered common shares granted to shareholders as bonus. This increase was approved by SUSEP on January 2, 2019.

13. FOREIGN BRANCH

The balances of the transactions of Banco Daycoval S.A. - Cayman Branch (foreign branch) conducted with third parties and included in the Bank's financial statement information as at December 31, 2018 and 2017, are as follows:

	2018		2017	
	US$ mil	R$ mil (1)	US$ mil	R$ mil (1)
Assets				
Cash and cash equivalents	234	907	443	1,465
Interbank investments	26,100	101,132	30,550	101,059
Securities	11,840	45,880	8,417	27,840
Lending operations	99,465	385,407	34,354	113,644
Other assets	673	2,609	-	-
Total assets	**138,312**	**535,935**	**73,764**	**244,008**
Liabilities				
Demand deposit	10,022	38,833	26,342	87,139
Time deposits	35,486	137,501	24,446	80,869
Funds from acceptance and issuance of securities	5,317	20,602	5,190	17,169
Borrowings and onlendings	81,736	316,710	6,517	21,557
Deferred income	183	709	106	349
Total liabilities	**132,744**	**514,355**	**62,601**	**207,083**

(1) The amounts in US dollars were translated into Brazilian reais (R$) based on the R$/US$ 3.8748 and R$/US$3.3080 exchange rates disclosed by BACEN, as at December 31, 2018 and December 31, 2017, respectively.

During the year ended December 31, 2018, income from exchange variation in the amount of R$13,208 (income of R$878 in 2017) on the investment in Banco Daycoval S.A. - Cayman Branch was recognized in the Bank's income statement.

14. PROPERTY AND EQUIPMENT

	Bank				
	2018				2017
Description	Annual depreciation %	Cost	Accumulated depreciation	Net amount	Net amount
Facilities	10	917	(889)	28	41
Furniture and equipment	10	6,826	(4,578)	2,248	1,606
Communications equipment	10	836	(464)	372	388
Security equipment	10	1,459	(788)	671	700
Vehicles and airplane	10	78,226	(10,557)	67,669	75,110
Computers and peripherals	20	15,010	(10,683)	4,327	4,423
Total assets		**103,274**	**(27,959)**	**75,315**	**82,268**

	Consolidated				
	2018				2017
Description	Annual depreciation %	Cost	Accumulated depreciation	Net amount	Net amount
Properties	4	2,140	-	2,140	2,140
Facilities	10	1,020	(889)	131	204
Furniture and equipment	10	7,857	(5,403)	2,454	1,759
Communications equipment	10	889	(517)	372	1,474
Security equipment	10	1,459	(788)	671	700
Vehicles and airplane	10	79,496	(11,273)	68,223	75,489
Computers and peripherals	20	16,097	(11,770)	4,327	3,347
Total assets		**108,958**	**(30,640)**	**78,318**	**85,113**

15. DEPOSITS AND MONEY MARKET FUNDING

Demand deposits, interbank deposits, time deposits and foreign-currency deposits and money market funding are negotiated at usual market rates. Their aging list is as follows:

	Bank						
	2018						
	Without Maturity	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	864,844	-	-	-	-	-	864,844
Interbank deposits	-	37,452	336,215	21,813	-	-	395,480
Time deposits	-	870,898	1,102,741	2,073,048	141,595	10,671	4,198,953
Foreign-currency deposits	7,321	-	-	-	-	-	7,321
Total deposits	**872,165**	**908,350**	**1,438,956**	**2,094,861**	**141,595**	**10,671**	**5,466,598**
Money market funding	-	2,992,328	-	-	-	-	2,992,328
Total money market funding	**-**	**2,992,328**	**-**	**-**	**-**	**-**	**2,992,328**
Total deposits and money market funding	**872,165**	**3,900,678**	**1,438,956**	**2,094,861**	**141,595**	**10,671**	**8,458,926**

	2017					
	Without Maturity	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Total
Demand deposits	736,540	-	-	-	-	736,540
Interbank deposits	-	32,903	304,492	-	-	337,395
Time deposits	-	1,089,587	1,416,930	1,489,282	78,086	4,073,885
Foreign-currency deposits	4,675	-	-	-	-	4,675
Total deposits	**741,215**	**1,122,490**	**1,721,422**	**1,489,282**	**78,086**	**5,152,495**
Money market funding	-	1,860,116	-	-	-	1,860,116
Total money market funding	**-**	**1,860,116**	**-**	**-**	**-**	**1,860,116**
Total deposits and money market funding	**741,215**	**2,982,606**	**1,721,422**	**1,489,282**	**78,086**	**7,012,611**

	Consolidated						
	2018						
	Without Maturity	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	863,807	-	-	-	-	-	863,807
Interbank deposits	-	37,452	336,215	21,813	-	-	395,480
Time deposits	-	870,898	1,102,741	2,003,181	141,595	10,671	4,129,086
Foreign-currency deposits	7,321	-	-	-	-	-	7,321
Total deposits	**871,128**	**908,350**	**1,438,956**	**2,024,994**	**141,595**	**10,671**	**5,395,694**
Money market funding	-	2,992,328	-	-	-	-	2,992,328
Total money market funding	**-**	**2,992,328**	**-**	**-**	**-**	**-**	**2,992,328**
Total deposits and money market funding	**871,128**	**3,900,678**	**1,438,956**	**2,024,994**	**141,595**	**10,671**	**8,388,022**

	2017					
	Without Maturity	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Total
Demand deposits	735,496	-	-	-	-	735,496
Interbank deposits	-	32,903	304,492	-	-	337,395
Time deposits	-	1,087,881	1,416,930	1,402,575	77,695	3,985,081
Foreign-currency deposits	4,675	-	-	-	-	4,675
Total deposits	**740,171**	**1,120,784**	**1,721,422**	**1,402,575**	**77,695**	**5,062,647**
Money market funding	-	1,860,116	-	-	-	1,860,116
Total money market funding	**-**	**1,860,116**	**-**	**-**	**-**	**1,860,116**
Total deposits and money market funding	**740,171**	**2,980,900**	**1,721,422**	**1,402,575**	**77,695**	**6,922,763**

16. FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES

16. 1) Financial bills and credit notes:

Program for Public Issuance of Financial Bills Non-Convertible into Banco Daycoval's shares

Pursuant to the Notice to the Market, published on April 06, 2018, the Bank has completed the sixth issuance of Financial Bills in the amount of R$500 million, the 1st series in the amount of R$152.5 million maturing on April 13, 2020 and the 2nd series in the amount of R$347.5 million maturing on April 13, 2021.

	Bank 2018					
	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	Total
Mortgage loan notes	196,562	452,105	125,232	5	-	773,904
Agribusiness letter of credit	279,733	337,932	43,924	2,244	-	663,833
Financial bills	322,729	2,910,007	4,483,871	244,836	44,100	8,005,543
Total	**799,024**	**3,700,044**	**4,653,027**	**247,085**	**44,100**	**9,443,280**

	2017				
	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Total
Mortgage loan notes	195,699	219,784	90,832	485	506,800
Agribusiness letter of credit	164,062	298,266	20,173	-	482,501
Financial bills	246,709	2,389,525	3,480,002	185,590	6,301,826
Total	**606,470**	**2,907,575**	**3,591,007**	**186,075**	**7,291,127**

	Consolidated 2018					
	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	Total
Mortgage loan notes	196,562	452,105	125,232	5	-	773,904
Agribusiness letter of credit	279,733	337,932	43,924	2,244	-	663,833
Financial bills	322,729	2,366,560	4,460,960	244,836	44,100	7,439,185
Total	**799,024**	**3,156,597**	**4,630,116**	**247,085**	**44,100**	**8,876,922**

	2017				
	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Total
Mortgage loan notes	195,699	219,784	90,832	485	506,800
Agribusiness letter of credit	164,062	298,266	20,173	-	482,501
Financial bills	246,709	2,389,525	2,951,293	185,590	5,773,117
Total	**606,470**	**2,907,575**	**3,062,298**	**186,075**	**6,762,418**

16.2) Payables for securities issued abroad:

Program for the issuance of securities abroad

The table below shows the features of these programs and the related balances, in local currency:

	Amount issued	Interest rate	Issuance date	Maturity date	2018		2017	
	(US$)	*(p.a.)*			Bank *(R$ mil)*	Consolidated *(R$ mil)*	Bank *(R$ mil)*	Consolidated *(R$ mil)*
Foreign issuance program (1)								
	500,000	5.75%	3/19/2014	3/18/2019	1,906,818	1,877,426	1,685,557	1,671,266
Other issuances								
	5,000	2.50%	7/1/2016	1/3/2019	20,602	20,602	17,169	17,169
			Total issuances		**1,927,420**	**1,898,028**	**1,702,726**	**1,688,435**
			Total current		1,906,818	1,877,426	31,317	31,092
			Total noncurrent		20,602	20,602	1,671,409	1,657,343

(1) the security issued abroad in the amount of US$500 million is subject to accounting hedge of market risk (Note 6.d).

17. BORROWINGS (Bank and Consolidated)

2018	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Total
Borrowings					
Foreign-currency payables (1)	424,022	246,496	-	-	670,518
Foreign borrowings (2)	725,062	279,629	224,833	147,006	1,376,530
Total	**1,149,084**	**526,125**	**224,833**	**147,006**	**2,047,048**

2017	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Total
Borrowings					
Foreign-currency payables (1)	263,739	197,342	-	-	461,081
Foreign borrowings (2)	7,910	290,318	721,319	251,925	1,271,472
Total	**271,649**	**487,660**	**721,319**	**251,925**	**1,732,553**

(1) The balance of "Foreign-currency payables" refers to funding for foreign exchange operations related to export and import financing.

(2) As at December 31, 2018, includes the foreign borrowings, in the amount of US$235 million (US$290 million as at December 31, 2017), and €55 million (€55 million as at December 31, 2017), subject to market risk hedge accounting (Note 6.d), whose carrying amount and fair value are R$1,126,693 and R$1,129,218 (R$1,173,388 and R$1,177,735 as at December 31, 2017).

Financial covenants

The Bank is subject to financial covenants related to the maintenance of certain performance, liquidity and debt ratios, linked to loan agreements entered into with the International Finance Corporation (IFC) and the Inter-American Investment Corporation (IIC), which, if not fulfilled, may cause the accelerated settlement of the agreements entered into between the Company and these institutions.

18. ONLENDINGS (Bank and Consolidated)

2018	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Over 5 years	Total
Domestic onlendings - official institutions						
BNDES Onlendings	37,954	113,429	103,175	5,059	-	259,617
FINAME Onlendings	11,736	30,362	49,627	14,483	745	106,953
Total	**49,690**	**143,791**	**152,802**	**19,542**	**745**	**366,570**

2017	Up to 3 months	3 to 12 Months	1 to 3 years	3 to 5 years	Total
Domestic onlendings - official institutions					
BNDES Onlendings	42,366	172,214	123,731	16,280	354,591
FINAME Onlendings	13,090	37,077	50,159	17,101	117,427
Total	**55,456**	**209,291**	**173,890**	**33,381**	**472,018**

19. INSURANCE OPERATIONS (Consolidated)

a) Insurance premiums receivable:

Represented by DPVAT (mandatory insurance against personal injury caused by vehicles) insurance operations which, as at December 31, 2018, amount to R$2,029 (R$442 as at December 31, 2017), recorded in accordance with the statements received by Seguradora Líder dos Consórcios dos Seguros DPVAT, in caption "Other credits – insurance premiums receivable" in current assets.

b) Breakdown of technical reserves:

	2018	2017
Unsettled claims	7,347	7,955
Provision for incurred but not reported losses	60,226	52,543
Other provisions [1]	281	340
Total	**67,854**	**60,838**

(1) Refers to provisions for administrative expenses, recorded in accordance with the statements received from Seguradora Líder dos Consórcios dos Seguros DPVAT.

c) Assets-backed technical reserves:

	2018	2017
Treasury Bills	2,183	2,052
Investment fund units	67,903	60,920
Total (Note 6.a.) - Consolidated	**70,086**	**62,972**

d) Profit (loss) on insurance operations:

	2018	2017
Revenue from premiums and contributions	18,310	21,612
Claims expenses	(14,197)	(17,923)
Other operating income and expenses	(119)	240
Total	**3,994**	**3,929**

20. OTHER PAYABLES

a) Foreign exchange portfolio (Bank and Consolidated):

	2018	2017
Foreign exchange sold pending settlement	391,194	75,829
(-) Financed imports (Note 7.a)	(509)	(12,921)
Payable for foreign exchange purchased	665,086	498,902
(-) Advances on foreign exchange contracts (Note 7.a)	(555,179)	(419,546)
Foreign currencies payable	47	-
Unearned income on advances granted (Note 7.a)	816	444
Total	**501,455**	**142,708**

b) Social and statutory:

	Bank		Consolidated	
	2018	2017	2018	2017
Dividends and bonuses payable (Note 24.d.2)	41,982	38,484	41,987	38,489
Profit sharing program	76,452	34,461	77,728	35,574
Total	**118,434**	**72,945**	**119,715**	**74,063**

c) Tax and social security

	Bank			
	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Provision for income tax	209,133	-	131,117	-
Provision for social contribution	79,084	-	50,005	-
Taxes and contributions payable	31,214	-	47,196	-
Provision for deferred income tax and social contribution (Note 22.c)	10,675	245,597	881	216,929
Total	**330,106**	**245,597**	**229,199**	**216,929**

	Consolidated			
	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Provision for income tax	232,791	-	142,005	-
Provision for social contribution	101,570	-	53,990	-
Taxes and contributions payable	35,353	-	48,994	-
Provision for deferred income tax and social contribution (Note 22.c)	10,675	262,817	881	222,982
Total	**380,389**	**262,817**	**245,870**	**222,982**

d) Sundry

	Bank			
	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Cashier´s checks	11,973	-	9,703	-
Creditors for unreleased resources	1,380	-	862	-
Payables for sales operations and transfer of financial assets (Note 8)	42,165	44,699	70,212	127,195
Accrued payments (1)	47,109	-	86,112	-
Provision for risks (Note 23.b)	20,689	2,104,898	-	1,874,722
Provision for financial collaterals provided (Note 28)	18,236	1,087	8,401	-
Sundry creditors (2)	66,913	-	48,271	-
Total	**208,465**	**2,150,684**	**223,561**	**2,001,917**

	Consolidated			
	2018		2017	
	Current	Noncurrent	Current	Noncurrent
Cashier´s checks	11,973	-	9,703	-
Creditors for unreleased resources	1,380	-	862	-
Payables for sales operations and transfer of financial assets (Note 8)	42,165	44,699	70,212	127,195
Accrued payments (1)	59,721	-	92,158	-
Provision for risks (Note 23.b)	20,689	2,123,807	-	1,903,052
Provision for financial collaterals provided (Note 28)	18,236	1,087	8,401	-
Sundry creditors (2)	93,631	-	59,066	-
Total	**247,795**	**2,169,593**	**240,402**	**2,030,247**

(1) As at December 31, 2018, caption "Accrued payments" (Bank and Consolidated) mainly comprises the following: (i) personnel expenses in the amount of R$20,328(Bank) and R$23,195 (Consolidated) (R$48,446 and R$51,131 for the Bank and Consolidated, respectively as at December 31, 2017); (ii) expenses on suppliers in the amount of R$10,694 (Bank) and R$ 17,801 (Consolidated) (R$12,138 and R$12,430 for the Bank and Consolidated, respectively as at December 31, 2017), and (iii) commissions payable in the amount of R$13,157, Bank and Consolidated (R$24,176 as Bank and Consolidated as at December 31, 2017).

(2) As at December 31, 2018, caption "Sundry creditors" (Bank and Consolidated) mainly comprises: (i) the unreleased collections, in the amount of R$5,249 (R$7,244 as at December 31, 2017); (ii) discounted notes partially received, in the amount of R$19,198 (R$6,311 as at December 31, 2017); and (iii) commitments arising from credit card operations, in the amount of R$22,803 (R$21,495 as at December 31, 2017).

21. SUBORDINATED DEBTS (Bank and Consolidated)

a) Information on the issuances of subordinated debts

	Funding instruments	Dates of issuance	Dates of maturity	Amount	Interest rate	Date of BACEN'S authorization to comprise Tier II of Capital (1)
1st issuance	Financial bills	02/28/2018	03/05/2025	R$10 million	CDI	04/04/2018
2nd issuance	Financial bills	10/30/2018	10/30/2028	R$135 million	CDI	11/30/2018

(1) Fundings were authorized by BACEN to comprise Tier Nível II of the Bank's Regulatory Capital, in accordance with CMN Resolution 4192/13 pursuant to the order from the Financial System Organization Director.

2018	Over 5 years	Total
Financial Bills	147,314	147,314
Total	**147,314**	**147,314**

22. INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution were calculated as follows:

	Bank	
	2018	2017
Profit before taxes on income and profit sharing	**1,054,859**	**818,480**
(-) Interest on capital (Notes 24 and 2)	(197,773)	(188,306)
(-) Profit sharing	(76,315)	(59,976)
Profit before taxes on income	**780,771**	**570,198**
Additions	**1,125,952**	**872,340**
Temporary	1,081,704	817,272
Permanent / other	44,248	55,068
Deductions	**(1,028,004)**	**(886,923)**
Temporary	(879,336)	(794,009)
Permanent / other	(148,668)	(92,914)
Income tax and social contribution base	**878,719**	**555,615**
Income tax and social contribution at statutory rates tax incentives	(384,877)	(242,240)
Recognition / reversal of tax credits and/or deferred tax liabilities	52,168	5,210
Income Tax and social contribution expenses	**(332,709)**	**(237,030)**

In the Consolidated year ended December 31, 2018, the amount of R$401,996 (R$279,249 in 2017).

b) Deferred income tax and social contribution on temporary additions and deductions (asset and liability):

As established by Resolution 3059/02, amended by Resolution 3355/06, both from the CMN, and CVM Instruction 371/02, the recognition of deferred tax assets and liabilities (“tax credits” and “deferred tax liabilities”) arising from temporary differences must cumulatively meet the following conditions: (i) history of taxable income or profit for income tax and social contribution purposes, for at least three of the last five fiscal years, which period must include the current year; and (ii) expected future taxable income or profit generation for income tax and social contribution purposes, in subsequent period, based on an internal technical study showing the probability of occurrence of future tax obligations that enable the realization of the tax credit within no more than ten years.

Law 13169/15, which amends Law 7689/88, raises the social contribution rate to 20% of profit for the period from September 1, 2015 to December 31, 2018. Beginning January 1, 2019, such rate will return to 15%. As a result of such change, social contribution credits were recognized as follows: (i) applying the 15% rate on temporary additions and deductions through August 31, 2015 and on those that are expected to be realized in the period subsequent to December 31, 2018; and (ii) 20% tax rate on temporary additions and deductions that are expected to be realized in the period from September 1, 2015 to December 31, 2018. Beginning January 1, 2019, the rate will return to 15%.

c) Origin of tax credits and deferred tax liabilities:

	2018			
	2017	Recognition	Realization	2018
Tax credits:				
Deferred income tax and social contribution on:				
Provision for tax risks	162,042	-	-	162,042
Allowance for loan losses	437,586	289,413	(263,533)	463,466
Adjustment to fair value of securities and derivatives	21,327	103,028	(100,120)	24,235
Inflation adjustment of contingencies	247,308	31,664	-	278,972
Other temporary additions	70,098	33,429	(6,385)	97,142
Total tax credits on temporary differences	**938,361**	**457,534**	**(370,038)**	**1,025,857**
Deferred tax liabilities:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	6,050	39,093	(32,886)	12,257
Unrealized profit (loss) on derivatives	4,094	37,633	(35,067)	6,660
Amortization of negative goodwill on the acquisition of Daycoval Leasing	5,808	2,761	-	8,569
Inflation adjustment of escrow deposits	201,858	26,928	-	228,786
Total deferred tax liabilities on temporary differences	**217,810**	**106,415**	**(67,953)**	**256,272**

	2017			
	2016	Recognition	Realization	2017
Tax credits:				
Deferred income tax and social contribution on:				
Provision for tax risks	152,917	9,125	-	162,042
Allowance for loan losses	491,442	213,491	(267,347)	437,586
Adjustment to fair value of securities and derivatives	24,267	110,842	(113,782)	21,327
Inflation adjustment of contingencies	203,017	44,291	-	247,308
Other temporary additions	49,935	30,336	(10,173)	70,098
Total tax credits on temporary differences	**921,578**	**408,085**	**(391,302)**	**938,361**
Deferred tax liabilities:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	1,822	26,494	(22,266)	6,050
Unrealized profit (loss) on derivatives	2,622	17,588	(16,116)	4,094
Amortization of negative goodwill on the acquisition of Daycoval Leasing	3,048	2,760	-	5,808
Inflation adjustment of escrow deposits	162,287	39,571	-	201,858
Total deferred tax liabilities on temporary differences	**169,779**	**86,413**	**(38,382)**	**217,810**

For the Consolidated, as at December 31, 2018, total tax credits on temporary differences amount to R$1,034,824 (R$956,862 in 2017), of which R$476,545 (R$448,966 in 2017) recorded in current assets and R$558,279 (R$507,896 in 2017) recorded in noncurrent long-term assets (Note 10.b). The deferred tax liabilities on temporary differences amount to R$273,492 (R$223,863 in 2017), of which R$10,675 (R$881 in December 31, 2017) recorded in current liabilities and R$262,817 (R$222,982 in 2017) recorded in noncurrent long-term liabilities (Note 20.c).

d) Estimated realization of tax credits

	Bank			Consolidated		
	2018			2018		
	Temporary differences		Total	Temporary differences		Total
Realization term	Income tax	Social contribution	Deferred taxes	Income tax	Social contribution	Deferred taxes
Up to 1 year	292,250	181,202	473,452	294,182	182,363	476,545
Up to 2 years	3,950	2,370	6,320	6,975	4,185	11,160
Up to 3 years	3,321	1,993	5,314	3,764	2,259	6,023
Up to 4 years	1,374	971	2,345	1,525	1,062	2,587
Up to 5 years	337,944	200,389	538,333	337,996	200,420	538,416
Over 5 years	58	35	93	58	35	93
Total	**638,897**	**386,960**	**1,025,857**	**644,500**	**390,324**	**1,034,824**

	Bank			Consolidated		
	2017			2017		
	Temporary differences		Total	Temporary differences		Total
Realization term	Income tax	Social contribution	Deferred taxes	Income tax	Social contribution	Deferred taxes
Up to 1 year	253,243	187,447	440,690	257,840	191,126	448,966
Up to 2 years	3,712	2,227	5,939	8,894	6,373	15,267
Up to 3 years	3,896	2,735	6,631	4,239	3,009	7,248
Up to 4 years	3,426	2,056	5,482	3,547	2,153	5,700
Up to 5 years	301,217	178,351	479,568	301,249	178,380	479,629
Over 5 years	32	19	51	33	19	52
Total	**565,526**	**372,835**	**938,361**	**575,802**	**381,060**	**956,862**

As at December 31, 2018, the present value of total tax credits is R$876,959 for the Bank (R$790,552 as at 2017) and R$885,215 for the Consolidated (R$807,679 as at 2017), and was calculated based on the expected realization of temporary differences, discounted at the average funding rate of the Bank and Daycoval Leasing, projected for the related period.

Taxable income projections consider macroeconomic assumptions, exchange and interest rates, estimates of new financial operations, among others, which may vary in relation to actual results.

23. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS - TAX AND SOCIAL SECURITY

a) Contingent assets - as at December 31, 2018 and December 31, 2017 the Bank did not recognize contingent assets.

b) Contingent liabilities assessed as probable losses and legal obligations (tax and social security).

The Bank is a party to lawsuits involving labor, civil and tax matters. Provisions are recorded based on the criteria described in note 3.t). The Bank's management understands that the provisions recorded are sufficient to cover probable losses on these lawsuits.

The balances of provisions for tax, civil and labor risks recognized and the respective variations for the quarter and the nine-month period ended December 31, 2018 and for the year ended December 31, 2017, are broken down below:

	Bank		Consolidated	
	2018	2017	2018	2017
Legal obligation tax risks (Note 20.d and 23.b.1 and b.2)	1,907,489	1,713,089	1,907,489	1,713,089
Civil lawsuits (Note 20.d)	164,459	118,427	164,602	118,903
Labor lawsuits (Note 20.d)	53,639	43,206	72,405	71,060
Total	**2,125,587**	**1,874,722**	**2,144,496**	**1,903,052**

	2018					
	Bank			Consolidated		
	Tax	Civil	Labor	Tax	Civil	Labor
Balance at the beginning of the year	**1,713,089**	**118,427**	**43,206**	**1,713,089**	**118,903**	**71,060**
Inflation adjustment	79,112	-	-	79,112	-	-
Recognition	115,288	46,032	10,433	115,288	45,699	1,345
Balance at the end of the year	**1,907,489**	**164,459**	**53,639**	**1,907,489**	**164,602**	**72,405**

	2017					
	Bank			Consolidated		
	Tax	Civil	Labor	Tax	Civil	Labor
Balance at the beginning of the year	**1,511,861**	**97,514**	**20,128**	**1,511,861**	**97,811**	**26,939**
Inflation adjustment	110,728	-	-	110,728	-	-
Recognition	90,500	20,913	23,078	90,500	21,092	44,121
Balance at the end of the year	**1,713,089**	**118,427**	**43,206**	**1,713,089**	**118,903**	**71,060**

b.1.) The Bank is challenging in court the legality of certain taxes and contributions and the related amounts are fully accrued.

The main challenges are:

Income tax: challenges the effect of the discontinuation of the inflation adjustment of the balance sheet and the amount accrued in 2018 amounted to R$407,125 (R$387,397 in 2017) and other accrued challenges in the amount of R$23,433. Total escrow deposits for this lawsuit amounts to R$407,124 (R$390,969 in 2017).

Social contribution tax: (i) challenges the effect of the discontinuation of the inflation adjustment of the balance sheet, the existence of different tax rates and seeks the recognition of interest on capital as deductible expense for 1996; and (ii) challenges the increase of the social contribution rate from 9% to 15%, as established by Provisional Act 413/08, converted into Law 11727/2008 and from 15% to 20%, converted into Law 13169/2015, which amends Law 7689/88, the latter change relating to the period from September 1, 2015 to December 31, 2018. The amount accrued for this lawsuit in 2018 is R$719,813 (R$594,962 in 2017) and total escrow deposits for this lawsuit amounts to R$674,964 (R$585,573 in 2017).

COFINS (tax on revenue): challenges the constitutionality of Law 9718/98. The amount accrued for this lawsuit in 2018 amounts to R$652,469 (R$629,686 in 2017) and total escrow deposits for this lawsuit amounts to R$473,827 (R$455,372 in 2017).

PIS (tax on revenue): challenges the application of Law 9718/98 and the requirement of determination of the PIS tax base by the tax authorities in noncompliance with Constitutional Amendments 01/94, 10/96 and 17/97. The amount accrued for this lawsuit in 2018 amounts to R$101,217 (R$97,799 in 2017) and total escrow deposits for this lawsuit amounts to R$103,555 (R$99,921 in 2017).

In 2018 other tax challenges are accrued and amount to R$3,431 (R$3,245 in 2017) and total escrow deposits for these lawsuits amount to R$3,431 (R$3,295 in 2017).

b.2.) Daycoval Leasing has been challenging in courts the Tax Assessment Notices and Fine Interpretation issued by the State of São Paulo, as described below:

AIIM No. 4.012.543-9 in the amount of R$54,148, of which R$47,826 are assessed as remote loss, which likelihood of favorable outcome is corroborated upon the execution of ICMS Agreement 36 and ratified by the São Paulo State Decrees 56045/2010 and 56952/2013. In turn, the amount of R$6,322 was assessed as possible loss and subject to payment eligible to the Special Installment Payment Program (PEP) enacted by the São Paulo State government through Decree 60444/2014, in the amount of R$3,857 paid on August 29, 2014.

AIIM No. 4.021.955-0 in the amount of R$4,480 assessed as remote loss based on the reasons described in the preceding item pursuant to ICMS Agreement 36.

AIIM No. 3.125.010-5 in the amount of R$2,310 assessed as remote loss, which discusses the difference in the rate upon the application of the benefit from the CONFAZ Agreement 52/91. Such lawsuit ensures the escrow deposit adjusted as at December 31, 2018 in the amount of R$6,113.

Case No. 0030121-4.2011.8.16.0021 relating to the tax execution of the ISS in the municipality of Cascavel-PR, in the amount of R$20, assessed as remote loss, which claims the collection of ISS relating to lease transactions entered into with customers headquartered in that municipality.

c) Contingent liabilities assessed as possible losses:

Contingent liabilities classified as possible losses are not recognized in the accounts and are represented by civil and labor market.

Contingent liabilities, represented by civil and labor lawsuits, are not recorded. Civil lawsuits amount to approximately R$9,525 for the bank and the Consilidated (R$19,597 for the Bank and the Consolidated in 2017).

As at December 31, 2018, the risk estimate for labor lawsuits is approximately R$639 for the Bank and for the Consolidated. As at December 31, 2017 there were no labor lawsuits' risk estimated for the Bank and Consolidated.

There are no ongoing administrative proceedings for noncompliance with the rules of the National Financial System or payment of fines, which may have significant impacts on the financial position of the Bank or its subsidiaries.

24. EQUITY (Controlling Company)

a) Capital:

As at December 31, 2018, the Bank's fully subscribed and paid-in capital is R$2,253,595, divided into 230,820,429 registered and book-entry common shares, without par value.

b) Capital increase:

The Extraordinary General Meeting held on October 30, 2018 decided on and approved the Bank's capital increase in the amount of R$361,452, upon the issuance of 26,696,649 subscribed and fully paid-up common shares on the same date. This capital increase was ratified by the Central Bank of Brazil on December 13, 2018.

c) Breakdown of common and preferred shares:

	Number of shares	
	2018	2017
Common shares	230,820,429	160,869,792
Preferred shares (Note 24.d)	-	43,253,988
Total shares	**230,820,429**	**204,123,780**

d) Variations in capital:

2018	Number of shares		
	Common	Preferred	Total
Number of shares as at December 31, 2017	**160,869,792**	**43,253,988**	**204,123,780**
Issuance of shares (Note 24.b)	26,696,649	-	26,696,649
Conversion of preferred shares into common shares [(1)]	43,253,988	(43,253,988)	-
Number of shares as at December 31, 2018	**230,820,429**	**-**	**230,820,429**

(1) The Extraordinary General Meeting held on October 30, 2018 decided on and approved the conversion of all 43,253,988 preferred shares issued by the Bank into common shares, at the ratio of one common share for one preferred share.

During the year ended December 31, 2017, there was no variation in the capital.

e) Interest on capital and/or dividends:

According to the bylaws, the shareholders are entitled to dividends and/or interest on capital corresponding to no less than 25% of profit for the year, adjusted in accordance with the Brazilian corporate law.

Interest on capital is calculated on equity, limited to the variation of the TJLP (long-term interest rate), contingent upon the existence of profit determined before its deduction or retained earnings and earnings reserves.

e.1) Statement of calculation of interest on capital:

The calculation of interest on capital for the year ended December 31, 2018 and 2017 is as follows:

	2018	% (a)	2017	% (a)
Profit for the year (controlling shareholder)	645,835		521,474	
Recognition of legal reserve	(32,292)		(26,074)	
Adjusted calculation basis	**613,543**		**495,400**	
Gross interest on capital	197,773		188,306	
(-) Withholding income tax relating to interest on capital	(29,666)		(28,246)	
Net interest on capital	**168,107**	**27.40**	**160,060**	**32.31**

(a) Refers to the percentage corresponding to the sum of the net interest on capital on adjusted profit.

e.2) Interest on capital declared and/or paid for the years ended December 31, 2018 and 2017:

Interest on capital declared and/or paid is as follows

Board of Director's Meeting Date	Availability date	2018 Price per share ON	2018 Price per share PN	2018 Gross amount	2018 IRRF	2018 Net amount
12/28/2018	01/15/2019	0.2140	-	49,391	(7,409)	41,982
09/28/2018	10/15/2018	0.2425	0.2425	49,500	(7,425)	42,075
06/29/2018	07/16/2018	0.2450	0.2450	50,014	(7,502)	42,512
03/29/2018	04/16/2018	0.2394	0.2394	48,868	(7,330)	41,538
			Total	**197,773**	**(29,666)**	**168,107**

Board of Director's Meeting Date	Availability date	2017 Price per share ON	2017 Price per share PN	2017 Gross amount	2017 IRRF	2017 Net amount
12/28/2017	01/15/2018	0.2218	0.2218	45,275	(6,791)	38,484
09/29/2017	10/16/2017	0.2304	0.2304	47,032	(7,055)	39,977
06/30/2017	07/17/2017	0.2364	0.2364	48,254	(7,238)	41,016
03/31/2017	04/17/2017	0.2339	0.2339	47,745	(7,162)	40,583
			Total	**188,306**	**(28,246)**	**160,060**

e.3) Prior-year dividends:

The meeting of the Board of Directors held on October 30, 2018 decided on and approved the distribution of dividends on prior-year profit, in the amount of R$580,400, at the price of R$2.8434 per share, which payment was made on the same date.

f) Earnings reserves:

	2018	2017
Earnings reserves	**979,426**	**1,111,764**
Legal reserve (1)	203,739	171,447
Statutory reserves (2)	775,687	940,317

(1) 5% of profit for the year must be allocated to this reserve until it reaches 20% of capital, according to the prevailing legislation.

(2) Reserve recorded according to the bylaws.

25. INCOME STATEMENTS

INCOME FROM FINANCIAL INTERMEDIATION -

(a) Lending operations:

	Bank		Consolidated	
	2018	2017	2018	2017
Advance on deposits	5,197	4,099	5,197	4,099
Secured account / overdraft account	365,791	327,227	365,791	327,227
Discounted notes	167,711	205,032	167,711	205,032
Onlending - Resolution 3844/10	15,072	5,854	15,072	5,854
Working capital	470,447	487,337	470,447	487,337
Export Credit Notes - CCE	118,279	66,490	118,279	66,490
Onlending – BNDES	39,835	34,634	39,835	34,634
Onlending – FINAME	11,101	10,124	11,101	10,124
Rural credit	3,892	6,750	3,892	6,750
Financing with intervenience	10,355	8,525	10,355	8,525
Foreign currency financing	54,050	12,460	54,050	12,460
Consumer credit - Store owners	2	4,350	2	4,350
Payroll-deductible loans	1,141,841	1,137,618	1,141,841	1,137,618
Vehicle financing	187,441	169,629	187,441	170,720
Daypag - discount of forwarding agents' checks	721	1,159	721	1,159
Other lending operations	167,564	152,444	173,108	152,428
Recovery of credits previously written off as loss (Note 7.g)	229,505	146,184	229,505	146,184
Loan origination income	26,052	-	26,052	-
Total profit (loss) from lending operations	**3,014,856**	**2,779,916**	**3,020,400**	**2,780,991**

b) Leasing operations (Consolidated):

	2018	2017
Revenue from leasing		
Finance leasing - internal resources	297,145	239,821
Operating leasing - internal resources	50,272	46,299
Finance leasing - external resources	3,179	3,622
Operating leasing - external resources	311	611
Gain on disposal of leased assets	24,894	19,118
Recovery of credits previously written off as loss (Note 7.g)	829	4,196
Total revenue from leasing operations	**376,630**	**313,667**
Expenses on leasing		
Finance leasing - internal resources	(212,630)	(178,369)
Operating leasing - internal resources	(33,129)	(34,725)
Loss on disposal of leased assets	-	(1,586)
Total expenses on leasing operations	**(245,759)**	**(214,680)**

c) Securities transactions:

	Banco		Consolidado	
	2018	2017	2018	2017
Repurchase agreements	319,679	424,407	319,679	424,407
Interbank deposits	36,553	33,783	19,803	25,311
Fixed-income securities	113,206	203,790	121,434	208,534
Variable-income securities	15	423	161	435
Investments in investment fund units	6,378	3,604	19,699	18,773
Gain (loss) on sale of securities	1,056	1,866	1,056	1,866
Fair value adjustments	3,087	698	2,811	1,633
Foreign investments	7,400	671	7,400	(564)
Loss on investments in investment fund units	(109)	(144)	(109)	(144)
Permanent losses on securities	(8)	(6,971)	(8)	(6,971)
Total profit (loss) on securities operations	**487,257**	**662,127**	**491,926**	**673,280**

d) Derivatives:

	2018			2017		
Derivatives	Gain	Loss	Net gain (loss)	Gain	Loss	Net gain (loss)
Swap	6,278,129	(5,886,269)	391,860	5,651,594	(5,694,338)	(42,744)
Currency forward	206,997	(193,353)	13,644	13,963	(16,398)	(2,435)
Futures	90,649	(123,235)	(32,586)	674,092	(688,324)	(14,232)
Total	**6,575,775**	**(6,202,857)**	**372,918**	**6,339,649**	**(6,399,060)**	**(59,411)**

The gain (loss) on derivatives net losses on mark-to-market in the amount of R$8,431, respectively, for the year ended December 31, 2018 (losses on mark-to market in the amount of R$1,760 in 2017), both for the Bank and Consolidated.

e) Foreign exchange operations (Bank and Consolidated):

	Bank		Consolidated	
	2018	2017	2018	2017
Income from foreign exchange operations	67,618	54,441	67,618	54,441
Expenses on foreign exchange operations	(11,089)	(3,578)	(8,942)	(3,578)
Exchange rate changes	132,860	86,043	132,860	86,043
Total profit (loss) on foreign exchange operations	**189,389**	**136,906**	**191,536**	**136,906**

EXPENSES ON FINANCIAL INTERMEDIATION

f) Funding operations:

	Bank		Consolidated	
	2018	2017	2018	2017
Interbank deposits	(23,038)	(31,667)	(23,038)	(31,594)
Time deposits	(245,193)	(413,823)	(239,846)	(404,726)
Repurchase agreements	(139,391)	(167,039)	(139,391)	(167,039)
Foreign securities	(399,278)	(104,627)	(397,937)	(103,415)
Mortgage loan notes	(37,770)	(49,766)	(37,770)	(49,766)
Agribusiness letter of credit	(36,385)	(40,205)	(36,385)	(40,205)
Financial bills	(504,317)	(579,269)	(466,335)	(553,687)
Contributions to the Loan Guarantee Fund - FGC	(7,178)	(8,386)	(7,178)	(8,389)
Total	**(1,392,550)**	**(1,394,782)**	**(1,347,880)**	**(1,358,821)**

g) Borrowings and onlendings (Bank and Consolidated):

	2018	2017
Foreign borrowings	(245,776)	(138,831)
Onlending - BNDES	(26,454)	(24,574)
Onlendings - FINAME	(7,328)	(6,317)
Obligations to foreign banks	(120,166)	(21,940)
Total gains (losses) on borrowings and onlendings	**(399,724)**	**(191,662)**

OTHER OPERATING INCOME (EXPENSES)

h) Personnel expenses:

	Bank		Consolidated	
	2018	2017	2018	2017
Executive Committee's and Board of Directors´ compensation	(45,471)	(58,930)	(46,317)	(60,999)
Benefits	(44,820)	(37,669)	(51,588)	(41,957)
Social security charges	(49,553)	(51,823)	(56,138)	(57,881)
Proceeds	(151,101)	(120,841)	(174,916)	(143,252)
Training	(79)	(3)	(83)	(6)
Interns´ compensation	(667)	(487)	(693)	(506)
Total personnel expenses	**(291,691)**	**(269,753)**	**(329,735)**	**(304,601)**

i) Other administrative expenses:

	Bank		Consolidated	
	2018	2017	2018	2017
Public utilities (water, power and gas)	(1,994)	(1,703)	(2,500)	(2,122)
Rent and insurance	(18,175)	(17,349)	(22,261)	(19,906)
Communication	(9,292)	(8,628)	(10,243)	(9,567)
Charitable contributions	(5,513)	(5,980)	(6,560)	(5,980)
Maintenance and upkeep of asset	(7,302)	(2,973)	(8,045)	(3,389)
Consumables	(3,094)	(2,590)	(3,168)	(2,647)
Data processing	(61,479)	(56,925)	(63,005)	(58,218)
Promotions, advertising and publications	(25,442)	(19,819)	(26,279)	(20,506)
Outside, technical and specialized services (1) (2)	(340,779)	(317,039)	(305,489)	(294,199)
Depreciation and amortization	(10,031)	(4,103)	(10,271)	(4,329)
Other administrative expenses	(44,917)	(31,508)	(48,958)	(34,425)
Total	**(528,018)**	**(468,617)**	**(506,779)**	**(455,288)**

(1) In the Bank's financial statements information, includes expenses on commission paid upon origination of lending operations during the December 31, 2018, in the amount of R$236,474 (R$218,759 in 2017). The amount of R$24,369 in the year ended (R$30,266 in 2017) paid by the Bank to IFP (associate – Note 12.b), was eliminated in the consolidated financial statements information (Note 2).

(2) Includes the recognition of expenses on commissions paid in advance to third parties, upon origination of lending operations, as determined by Circular Letter 3693/13, as amended by Circular Letter 3738/14, both issued by BACEN, mentioned in Note 3.j) and Note 11.

j) Tax expenses:

	Bank		Consolidated	
	2018	2017	2018	2017
Tax expenses	(7,868)	(6,476)	(8,452)	(6,997)
Services tax (ISS) expenses	(7,054)	(6,210)	(15,112)	(7,829)
Expenses on contributions to COFINS	(97,029)	(84,712)	(107,310)	(93,023)
Expenses on contributions to PIS/PASEP	(15,768)	(13,766)	(17,585)	(15,241)
Total	**(127,719)**	**(111,164)**	**(148,459)**	**(123,090)**

k) Other operating income:

	Bank		Consolidated	
	2018	2017	2018	2017
Exchange rate changes [1]	13,208	3,739	32,286	9,630
Inflation adjustment of escrow deposits	68,583	100,640	69,376	101,188
Other operating income [2]	307,493	274,345	327,602	280,341
Recovery of charges and expenses	193	737	193	737
Total	**389,477**	**379,461**	**429,457**	**391,896**

(1) In 2018 refers to the reclassification of the exchange rate change on foreign investments, not eliminated in the consolidation process of the financial statements.

(2) In 2018 other operating income is substantially comprised of revenues from securities and credits receivable – without right of recourse in the amount of R$256,496 (R$221,005 in 2017).

l) Other operating expenses:

	Bank		Consolidated	
	2018	2017	2018	2017
Expenses on provisions [1]	(101,169)	(75,517)	(108,063)	(97,101)
Inflation adjustment of taxes	(79,112)	(110,728)	(79,112)	(110,728)
Exchange rate changes	(430)	(6,842)	(2,687)	(12,016)
Other operating expenses	(41,960)	(51,665)	(46,416)	(58,012)
Interest expenses	(884)	(657)	(900)	(683)
Total	**(223,555)**	**(245,409)**	**(237,178)**	**(278,540)**

(1) Expenses for provisions for liabilities for the year ended December 31, 2018 are as follows: (i) civil risk - R$64,660 for the Bank and R$70,211 for the Consolidated (R$25,192 for the Bank and R$25,222 for the Consolidated in 2017); (ii) labor risk - R$19,348 for the Bank and R$20,691 for the Consolidated (R$26,355 for the Bank and R$47,909 for the Consolidated in 2017); and (iii) sureties and sureties - R$17,161 for the Bank and Consolidated (R$23,970 for the Bank and Consolidated in 2017).

26. CAPITAL MANAGEMENT AND BASEL ACCORD

Capital management

Daycoval carefully manages its capital base to cover the risks inherent to its business, Daycoval's capital adequacy is monitored upon compliance with the rules and proportions established by the Basel Committee on Banking Supervision and adopted by the Central Bank of Brazil, among others.

The main purpose of Daycoval's capital management is to ensure the compliance with foreign capital requirements to maintain a solid credit rating and proper capital structure to support its business and maximize the share value to its shareholders.

Basel Accord

BACEN has issued, beginning March 1, 2013, which have become effective beginning October 1, 2013, a set of standards that govern the Basel Committee's recommendations relating to the capital structure of the financial institutions. Known as Basel III, these new standards improve the capacity of these institutions to absorb the impacts from possible crisis, by strengthening the financial stability and increasing the quantity and quality of the regulatory capital.

These standards address the following issues:

• New regulatory capital calculation methodology (Regulatory Capital (PR)), which remains divided in tiers I and II;

• New required capital calculation methodology, by adopting the minimum requirements of PR, Tier I and Principal Capital, and introduction of the Principal Capital Additional; and

• New optional methodology to determine the minimum capital requirements for the credit cooperatives that joined the Prudential Simplified Regime (RPS), and introduction of the Principal Capital Additional specifically for these cooperatives.

In addition to the issues above, the CMN established a new method to prepare and submit information using a new document called Analytic Trial Balance - Prudential Financial, which started to be used as the basis to calculate the Regulatory Capital (PR) beginning January 2015.

The Basel III rules seek to improve the capital quality of the financial institutions, by restricting the use of financial instruments that are not able to absorb losses and deducting assets that could impact the capital value due to their low liquidity, their dependency on future earnings for realization purposes or whose value cannot be easily accurately. These instruments comprise tax credits, intangible assets and investments in non-controlled companies, specifically those operating in the insurance market.

The new minimum capital requirements establish the percentage amount of the risk-weighted assets and represent the capital requirements to be complied with by the financial institutions, based on the schedule below:

	2017	2018	2019
Principal capital [a] (minimum + additional	5,75 a 7,0%	6,375 a 8,28%	7,0 a 9,5%
Tier I [b] (minimum + additional)	7,25 a 8,5%	7,875 a 9,75%	8,5 a 11,0%
PR [c] (minimum + additional)	10,5 a 11,75%	10,5 a 12,375%	10,5 a 13,0%

a) Principal Capital - comprised of shares, reserves and retained earnings;

b) Tier I - comprised of Principal Capital and other instruments to absorb losses while the institution continue as a going concern; and

c) PR (Regulatory Capital) - comprised of Tier I and other underlying instruments to absorb losses upon the institution's liquidation.

The Principal Capital Additional, which represents the supplementary maintenance (fixed) and cyclic (variable) capital, was also created, and at the end of the transition period, it must represent no less than 2.5% and no more than 5% of the risk-weighted assets, whose percentage is established by BACEN according to current macroeconomic conditions.

These new Basel III standards are effective beginning October 1, 2013, based on the international schedule until their effective implementation on January 1, 2022.

The table below shows the calculation of regulatory capital requirements and the Basel ratio:

	2018	2017
Regulatory capital for comparison with risk-weighted assets (RWAs)	**3,382,951**	**3,005,343**
Regulatory Capital – Tier I	**3,237,038**	**3,009,028**
Equity	3,237,038	3,009,028
Valuation adjustments to equity –derivatives for cash flow hedge	**(1,401)**	**(3,685)**
Prudential adjustment - Bacen Resolution 4277/13	(1,401)	(3,685)
Regulatory Capital - Tier II	**147,314**	**-**
Subordinated debts (Note 21)	147,314	-
Risk-Weighted Assets (RWA)Exposure to credit risk - RWAcpad	**23,016,753**	**20,190,981**
Exposure to credit risk - RWAcpad	18,725,498	15,361,106
Foreign exchange asset - RWAcam	1,564,403	1,367,270
Assets indexed to fixed interest - RWAjur1	444,052	833,557
Assets indexed to foreign exchange coupon - RWAjur2	185,619	120,650
Assets indexed to inflation - RWAjur3	100	108,314
Shares - RWApacs	87,783	68,209
Operational risk - RWAopad	2,009,298	2,331,875
Minimum Required Regulatory Capital (RWA x 8,625%) (9,25% in 2017) (1)	**1,985,195**	**1,867,666**
Basel ratio - Total	**14.70%**	**14.88%**
Basel ratio - Tier I	**14.06%**	**14.88%**
Basel ratio - Tier II	**0.64%**	**-**
Portion of the interest rate in the Banking Book (Pbanking)	192,123	144,409

(1) The minimum requirement for Reference Equity (PR), determined by CMN Resolution No. 4,193 / 13, which corresponds to the application of the "F" factor on the amount of risk-weighted assets (RWA), will be phased out as follows: (i) 9,25% by 2017; (ii) 8,625% until December 31, 2018; (iii) 8% as of January 1, 2019.

On December 31, 2018 and 2017, the Bank's Reference Equity exceeded by 70.41% and 60.91%, respectively, the Minimum Reference Equity Required by BACEN.

27. EMPLOYEE BENEFITS

Education incentive and profit sharing programs

As part of its strategy of being ranked among the best companies to work in Brazil, the Bank invests in the training and welfare of its employees, through programs involving college and MBA and postgraduate students, participates in the federal government's Minor Apprentice program, and implements its own internship programs.

The Bank offers a profit sharing program to all employees. This program is designed in partnership with the Union of Bank Employees and is tied to performance goals annually evaluated, using the criteria according to the Performance Evaluation program.

28. GUARANTEES AND COLLATERALS PROVIDED ON BEHALF OF THIRD PARTIES (BANK AND CONSOLIDATED)

a) Breakdown by type and maturity date of guarantees and collaterals provided and responsibilities to third parties:

	2018		2017	
	Outstanding credits for import	Beneficiaries of guarantees provided	Outstanding credits for import	Beneficiaries of guarantees provided
Up to 3 months	-	719,764	20,711	596,363
3 to 12 months	114,594	344,071	-	114,054
1 to 3 years	63	141,897	-	38,297
3 to 5 years	-	63,359	-	101,447
Total	**114,657**	**1,269,091**	**20,711**	**850,161**

The Bank does not guarantee any transaction of direct and indirect subsidiaries, their officers and directors and their family members.

b) Provision for guarantees and collaterals provided and responsibilities to third parties:

As prescribed by CMN Resolution No. 4512/16 on accounting policies applicable to the assessment and recognition of the provision for financial guarantees provided, the Bank has recorded the provision for bank guarantees based on the parameters established by CMN Resolution No. 2682/99, which requires the periodical analysis of the portfolio and its classification into nine levels ("AA" (minimum risk) and "H" (maximum risk - loss).

	2018				2017	
		Provision				Provision
	Total guarantees and collaterals	Required by BACEN Res. 4512/16	Additional (1)	Total provision	Total guarantees and collaterals	Required by BACEN Res. 4512/16
AA	557,170	-	-	-	-	-
A	345,770	1,729	1,383	3,112	568,807	2,844
B	448,903	4,489	8,529	13,018	221,409	2,214
C	11,116	333	145	478	72,705	2,181
D	19,549	1,955	-	1,955	7,543	754
E	318	95	-	95	-	-
F	514	257	-	257	-	-
H	408	408	-	408	408	408
Total provision for transactions with characteristics of loans (Note 20.d)	**1,383,748**	**9,266**	**10,057**	**19,323**	**870,872**	**8,401**

(1) Beginning June 30, 2018, it started to be recognized, based on a specific risk assessment methodology, supported by a credit collection study, allowance for loan losses in addition to the minimum required by the prevailing regulation.

c) Variations in the provision for guarantees and collaterals provided and responsibilities to third parties:

2018	Opening provision balance	Recognition (reversal) of provision: Required by BACEN Res. 4512/16 (1)	Recognition (reversal) of provision: Additional	Recognition (reversal) of provision: Total provision expenses	Closing provision balance
Bank	8,401	865	10,057	10,922	19,323
Total	**8,401**	**865**	**10,057**	**10,922**	**19,323**

Current liabilities – sundry payables - provision for financial guarantees provided	18,236
Noncurrent long-term liabilities - sundry payables - provision for financial guarantees provided	1,087
Total	**19,323**

2017	Opening provision balance	Recognition of provision: Required by BACEN Res. 4512/16 (1)	Recognition of provision: Total provision expenses	Closing provision balance
Bank	6,542	1,859	1,859	8,401
Total	**6,542**	**1,859**	**1,859**	**8,401**

Current liabilities – sundry payables - provision for financial guarantees provided	8,401
Total	**8,401**

(1) As prescribed by CMN Resolution No. 4512/16 on accounting policies applicable to the assessment and recognition of the provision for financial guarantees provided, the Bank has recorded the provision for bank guarantees based on the parameters established by CMN Resolution No. 2682/99, which requires the periodical analysis of the portfolio and its classification into nine levels (“AA” (minimum risk) and “H” (maximum risk - loss).

29. RELATED-PARTY TRANSACTIONS

a) The direct and indirect subsidiaries and the Bank's shareholders enter into transactions with the Bank under usual market conditions. These transactions are contracted at rates consistent with those prevailing in the market on the transaction and settlement dates.

The table below shows the transactions between the Bank and its related parties as at December 31, 2018 and December 31, 2017:

	Bank			
	2018		2017	
Transactions	**Assets (liabilities)**	**Income (expenses)**	**Assets (liabilities)**	**Income (expenses)**
Demand deposits	**(2,670)**	**-**	**(3,406)**	**-**
Direct subsidiaries	**(182)**	**-**	**(56)**	**-**
ACS Participações Ltda.	(83)	-	(12)	-
Daycoval Asset Management Ltda.	(16)	-	(30)	
Daycoval Leasing - Banco Múltiplo S.A.	(64)	-	-	-
Dayprev Vida e Previdência S.A.	(19)	-	(14)	-
Indirect subsidiaries	**(855)**	**-**	**(978)**	**-**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	(134)	-	(190)	-
SCC Agência de Turismo Ltda.	(15)	-	(11)	-
Treetop Investments Ltd.	(706)	-	(777)	-
Other associates	**(4)**	**-**	**(4)**	**-**
Shtar Empreendimentos e Participações S.A.	(2)	-	(2)	-
Parateí Agropecuária e Imobiliária Ltda.	(1)	-	-	-
Valco Adm. Part. e Representações Ltda.	(1)	-	(2)	-
Other related parties – individuals	**(1,629)**	**-**	**(2,368)**	**-**
Time Deposits	**(258,758)**	**(17,259)**	**(166,365)**	**(16,875)**
Direct subsidiaries	**-**	**(308)**	**(16,359)**	**(1,888)**
ACS Participações Ltda.	-	(290)	(14,652)	(1,719)
Daycoval Asset Management Ltda.	-	(18)	(1,707)	(169)
Indirect subsidiaries	**(69,867)**	**(5,039)**	**(72,445)**	**(7,209)**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	(57,116)	(4,180)	(59,988)	(5,933)
SCC Agência de Turismo Ltda.	(12,751)	(859)	(12,457)	(1,276)
Other related parties – individuals	**(188,891)**	**(11,912)**	**(77,561)**	**(7,778)**
Interbank deposits	**370,536**	**16,751**	**168,352**	**8,472**
Direct subsidiaries	**370,536**	**16,751**	**168,352**	**8,472**
Daycoval Leasing - Banco Múltiplo S.A.	370,536	16,751	168,352	8,472
Financial bills	**(701,831)**	**(51,395)**	**(656,288)**	**(37,395)**
Direct subsidiaries	**(566,358)**	**(37,982)**	**(528,709)**	**(25,583)**
ACS Participações Ltda.	(566,358)	(37,982)	(528,709)	(25,583)
Other related parties – individuals	**(135,473)**	**(13,413)**	**(127,579)**	**(11,812)**
Agribusiness letter of credit	**(1,367)**	**(452)**	**(3,517)**	**(273)**
Other related parties – individuals	(1,367)	(452)	(3,517)	(273)
Mortgage Loan Notes	**(2,997)**	**(403)**	**(3,718)**	**(468)**
Other related parties – individuals	(2,997)	(403)	(3,718)	(468)
Securities issued abroad	**(29,392)**	**(3,053)**	**(14,291)**	**(808)**
Indirect subsidiaries	**(29,392)**	**(3,053)**	**(14,291)**	**(808)**
Treetop Investments Ltd.	(29,392)	(3,053)	(14,291)	(808)
Prepaid expenses	**(1,075)**	**(24,369)**	**38,618**	**(26,548)**
Indirect subsidiaries	**(1,075)**	**(24,369)**	**38,618**	**(26,548)**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	(1,075)	(24,369)	38,618	(26,548)

	Daycoval Leasing			
	2018		2017	
Transações	**Assets (liabilities)**	**Income (expenses)**	**Assets (liabilities)**	**Income (expenses)**
Interbank deposits	**(370,536)**	**(16,751)**	**(168,352)**	**(8,472)**
Controlling shareholder	**(370,536)**	**(16,751)**	**(168,352)**	**(8,472)**
Banco Daycoval S.A.	(370,536)	(16,751)	(168,352)	(8,472)

b) The table below shows the yield rates and respective terms of the transactions between the Bank and its related parties as at December 31, 2018:

Description	Interest rate	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Total
		Assets (liabilities)				
Interbank deposits		**52,052**	**318,484**	**-**	**-**	**370,536**
Direct subsidiaries		**52,052**	**318,484**	**-**	**-**	**370,536**
Daycoval Leasing - Banco Múltiplo S.A.	Floating	52,052	318,484	-	-	370,536
Time deposits		**(1,141)**	**(31,147)**	**(213,873)**	**(12,597)**	**(258,758)**
Direct subsidiaries		**-**	**-**	**-**	**-**	**-**
ACS Participações Ltda.	Floating	-	-	-	-	-
Indirect subsidiaries		**-**	**-**	**(69,867)**	**-**	**(69,867)**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	Floating	-	-	(57,116)	-	(57,116)
SCC Agência de Turismo Ltda.	Floating	-	-	(12,751)	-	(12,751)
Other related parties - individuals	Fixed /Floating	**(1,141)**	**(31,147)**	**(144,006)**	**(12,597)**	**(188,891)**
Financial bills		**(199)**	**(551,298)**	**(147,719)**	**(2,615)**	**(701,831)**
Direct subsidiaries		**-**	**(543,447)**	**(22,911)**	**-**	**(566,358)**
ACS Participações Ltda.	Fixed /Floating	-	(543,447)	(22,911)	-	(566,358)
Other related parties - individuals	Fixed /Floating	**(199)**	**(7,851)**	**(124,808)**	**(2,615)**	**(135,473)**
Agribusiness letter of credit		**(130)**	**(735)**	**(502)**	**-**	**(1,367)**
Other related parties - individuals	Fixed /Floating	(130)	(735)	(502)	-	(1,367)
Mortgage Loan Notes		**(1,076)**	**(457)**	**(1,464)**	**-**	**(2,997)**
Other related parties - individuals	Fixed /Floating	(1,076)	(457)	(1,464)	-	(2,997)
Securities issued abroad		**(29,392)**	**-**	**-**	**-**	**(29,392)**
Indirect subsidiaries		**(29,392)**	**-**	**-**	**-**	**(29,392)**
Treetop Investments Ltd.	5.75%	(29,392)	-	-	-	(29,392)
Prepaid expenses						
Indirect subsidiaries		**41**	**1,034**	**-**	**-**	**1,075**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	n.a.	41	1,034	-	-	1,075

(1) Interest rates range between: (i) fixed from 10.01% to 14.70% p.a.; and (ii) floating from 93% to 115% of the CDI rate.

Pursuant to the Brazilian legislation, the financial institutions cannot grant loans or advances or secure the operations of their controlling shareholders, associates, officers or directors or their second-degree relatives. Accordingly, the Bank does not grant loans or advances and does not secure any operation of its direct and indirect subsidiaries, their officers or directors or family members.

c) Compensation of key management personnel:

The Annual Shareholders' Meeting sets the overall compensation of Management, as established by the Bank's bylaws.

For the year ended December 31, 2018, the overall compensation of up to R$70 million (R$60 million for the year ended December 31, 2017) was set at the Annual and Extraordinary General Meeting held on April 27, 2018.

	2018	2017
Total compensation	45,471	58,930
Direct and fringe benefits (healthcare plan)	953	1,070

The Bank does not offer other short or long-term post-employment or severance benefits to its key management personnel

d) Ownership interest:

As at December 31, 2018 and December 31, 2017, the members of the Board of Directors and the Executive Committee held jointly the following interest in the Bank's capital:

	Ownership interest in relation to share class	
	2018	2017
Common shares (ON)	100.00%	100.00%
Preferred shares (PN) (Nota 24.c)	-	100.00%

30. OTHER INFORMATION

a) Asset management:

Daycoval Asset Management is responsible for administering and managing third-party assets through investment funds, whose net assets as at December 31, 2018 are R$3.7 billion (R$2.5 billion as at December 31, 2017).

b) Insurance coverage against losses:

Despite the low risk exposure as a result of their assets not being physically concentrated, the Bank and its subsidiaries insure their assets at amounts considered sufficient to cover probable losses.

c) Relationship with Auditors:

In accordance with CVM Instruction 381, of January 14, 2003, we inform that the firm engaged to review the Bank's financial statement information and audit the financial statements for the year ending December 31, 2018, has not provided any other services to the Bank and the Group companies, other than the independent audit services.

Our policy, including our subsidiaries, to engage non-audit services from our independent auditors, is based on applicable regulation and internationally accepted principles that preserve the independence of the auditor. These principles consist of: (a) the auditor must not audit its own work; (b) the auditor must not exercise managerial functions in its client; and (c) the auditor must not promote the interests of its client.

d) Audit Committee:

As required by CMN Resolution 3198/04, and with a view to adopting the industry best practices when conducting its businesses, Extraordinary General Meeting held on March 26, 2009 has decided on and approved the establishment of an Audit Committee, which will be comprised of 3 independent members, pursuant to the prevailing legislation. The establishment of this committee was ratified by the Central Bank of Brazil on May 26, 2009.

31. INTEGRATED RISK AND CAPITAL MANAGEMENT

On February 23, 2017, BACEN has disclosed CMN Resolution No. 4557, which was effective for the banks from S2 to S5 segments, defined pursuant to CMN Resolution No. 4.553/17, beginning February 22, 2018, and revoked CMN Resolutions No. 3380, 3464, 3721, 3988, and 4090, which provided for the implementation of individual operating, market, credit, capital and liquidity risk management frameworks, respectively.

Daycoval, in addition to being aligned with the requirements set out in CMN Resolution No. 4557, understands the integrated risk management as an important tool for the generation of value to the Bank, shareholders, employees and clients. Accordingly, it establishes strategies and goals to reach the ideal balance between the growth and investment return targets and the related risks, being allowed to explore its resources with efficiency and effectiveness in the attainment of the Bank's objectives.

The Corporate Risk Management structuring, in addition to complying with the regulatory body requirements, contributes to a better Corporate Governance, which is one of Daycoval's strategic goals, and which was designed based on the purposes, demands and institutional culture.

The identification of risks allows mapping the internal and external risk events that could affect the business unit purposes. In this regard, the Risk Committees and the risk managers play an important role in the Bank's several areas to ensure its continuous expansion.

The Risk Managers identify, measure, control, assess and manage the risks, ensuring the consistency between the risks assumed and the acceptable risk level defined by the Institution, as well as report the exposure to the senior management, business areas and regulatory bodies.

In addition to the requirement to implement an integrated risk and capital management framework, CMN Resolution No. 4557/17 also required financial institutions to prepare the Risk Appetite Statement (RAS) and to establish a Risk Management Committee and appoint, to BACEN, the Chief Risk Officer (CRO), with designation of roles, responsibilities and independence requirements.

Main risk categories and respective management frameworks:

a) Market risk

Market risk is the risk of incurring losses due to fluctuations in the fair values of the positions held by a financial institution, including the risks to which the transactions subject to exchange rate changes, interest rates, stock prices, and commodity prices are exposed.

a.1) Main market risks to which Daycoval is exposed:

Interest rate risk

Possible interest rate fluctuations that could adversely affect the value of the financial instruments. This risk is classified as follows:

• Parallel change risk: exposure of profit and loss to parallel changes in the interest curve, resulting in equal differentials for all terms.

• Risk of changes in curve slop: exposure of profit or loss to the changes in the timeframe structure of the interest curve, resulting in changes in pending or curve form.

Currency price risk

The exposure of foreign currency positions to the changes in the exchange type.

Price risk

The exposure of outstanding securities to adverse market price fluctuations. This risk is classified as follows:

• Generic or systematic risk: exposure of the position value to the changes in prices in general;

• Specific risk: exposure not related to the changes in prices in general but related to the issuer's own characteristics

Commodity price risk

The risk related to the effects from the potential changes in the portfolio commodity prices.

a.2) Market Risk management methodologies

Value-at-Risk (VaR)

The Value-at-Risk or VaR is the benchmark used in the market and a measure that properly summarizes the market risk exposure from the trading activities (trading portfolio). It represents the potential maximum loss in the market value that, under normal market conditions, can result in a specific position or portfolio, considering a defined certainty level (confidence level) and time horizon.

Among the different methodologies available to calculate the VaR (parametric, historical simulation and Montecarlo simulation), Daycoval understands that the parametric methodology is the most adequate to the characteristics of the positions of its trading portfolio.

Parametric methodology

It is based on the normality statistics in the distribution of probabilities related to the risk factor changes, based on the volatilities and correlations to determine the potential change of a position. Accordingly, the risk factors must be identified and the positions must be allocated to the defined vertices. Subsequently, the volatilities of each risk factor and the correlations to the positions are applied.

a.3) Stress test

It is a supplementary tool to the VaR measures and scenario analysis used to measure and assess the risk to which the Bank is exposed. It is based on the definition of a set of movements for certain market variables and the determination of the effects from the movements on the portfolio value. The stress test results are periodically analyzed by the Market Risk Committee.

a.4) Scenario analysis

The purpose of the scenario analysis is to assist the senior management in understanding the impact caused by certain events on the Bank, using a risk analysis tool that defines the long-term scenarios that affect the parameters or variables defined for risk measurement.

Differently from the stress tests, which consider the impact from the changes in the market risk factors on the short-term portfolio, the scenario analysis determines the impact from more complex events on the Bank as a whole.

In the definition of the scenarios, the following factors are considered:

• The experience and expertise of the persons responsible for the areas involved;

• The proper number of relevant variables and their explanation power in order to avoid unnecessary problems in the analysis and interpretation of the results.

As a risk management governance practice, Daycoval and its subsidiaries adopt a continuous risk management process that involves controlling all the positions exposed to the market risk. The market risk limits are determined according to the characteristics of the operations, which are segregated in the following portfolios:

• Trading portfolio: refers to transactions with financial instruments and commodities, including derivatives, that are held for the purpose of being actively traded or to hedge other financial instruments comprising the trading portfolio. These held-for-trading transactions are those intended for the resale, obtain gains from actual or expected price fluctuations, or arbitrage.

• Banking portfolio: refers to all transactions that are not classified in the trading portfolio and are represented by transactions arising from the Bank's business lines.

The segregation above is related to the way Management manages Daycoval's business and its exposure to the market risks, in conformity with the best market practices, the transaction classification criteria set forth in prevailing regulations issued by BACEN and the –Basel Accord. Therefore, according to the nature of the activities, the sensitivity analysis, as prescribed by CVM Instruction 475/08, was conducted for the trading and banking portfolio operations, as they represent significant exposures for Daycoval's profit or loss.

The sensitivity analysis of the trading and banking portfolios as at December 31, 2018 and December 31, 2017 is as follows:

Financial exposures	2018			2017		
	Scenarios			Scenarios		
Risk factors	1	2	3	1	2	3
Fixed rate	(12,952)	(24,328)	(35,450)	(18,408)	(35,372)	(50,312)
Foreign currencies	10,447	29,503	48,796	8,029	26,467	44,809
Price indices	(4)	(6)	(8)	(2,878)	(3,610)	(4,342)
Variable income	(7,098)	(17,154)	(27,209)	(5,915)	(14,295)	(22,674)
Borrowings	(6,340)	(11,853)	(17,198)	(20,626)	(41,713)	(62,081)
Other	(16)	(60)	(103)	(401)	(602)	(804)
Total Trading	**(15,963)**	**(23,898)**	**(31,172)**	**(40,199)**	**(69,125)**	**(95,404)**
Total Banking	**(234,581)**	**(437,350)**	**(631,955)**	**(166,096)**	**(330,138)**	**(484,852)**
Total	**(250,544)**	**(461,248)**	**(663,127)**	**(206,295)**	**(399,263)**	**(580,256)**

The sensitivity analysis was carried out considering the following scenarios:

• Scenario 1: refers to the probable stress scenario for risk factors, and available market information (B3 S.A., ANBIMA, etc.) was used as basis for the preparation of this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$4.41 (R$/US$3.72 in 2017); (ii) fixed interest rate – 9.05% p.a. (9.02% p.a. in 2017); (iii) Ibovespa – 74,704 points (64,942 points in 2017); and (iv) 6.22% p.a. exchange coupon (5.19% p.a. in 2017).

• Scenario 2: As established by CVM Instruction 475/08, this scenario considered a deterioration of the risk factors of approximately 25%. Accordingly, the risk factors considered were as follows: (i) US$5.51 (R$/US$4.65 in 2017); (ii) fixed interest rate – 11.31% p.a. (12.39% p.a. in 2017); and (iii) Ibovespa – 56,028 points (48,706 points in 2017); and (iv) 7.78% p.a. exchange coupon (6.49% p.a. in 2017).

• Scenario 3: As established by CVM Instruction 475/08, this scenario considered a deterioration of the risk factors of approximately 50%. Accordingly, the risk factors considered were as follows: (i) R$/US$6.61 (R$/US$5.58 in 2017); (ii) fixed interest rate 13.58% p.a. (13.53% p.a. in 2017); and (iii) Ibovespa – 37,352 points (30,460 points in 2017); and (iv) 9,33% p.a. exchange coupon (7.78% p.a. in 2017).

It is important to mention that the results shown in the tables above reflect the impacts for each scenario projected on a static position of the portfolio as at December 31, 2018 and 2017. The market dynamics changes this position continually and does not necessary reflect the actual position on the reporting date. Additionally, as mentioned above, the Trading and banking portfolio positions are continuously managed to mitigate the related risks, according to the strategy defined by Management and, when there are any indication of deterioration of a certain position, proactive actions are taken to minimize possible adverse impacts to maximize the risk/return ratio for the Bank.

a.5) Backtesting

Backtesting is the comparison between the former estimated gain/loss and the effective gain/loss. The purpose is to analyze the model adequacy. For purposes of backtesting, effective gains/losses are used for each business unit.

b) Liquidity risk

Liquidity risk is the risk of mismatches between tradable assets and payable liabilities — payables and receivables mismatches — that might affect the payment ability of the Bank, taking into consideration the different currencies and settlement terms of its assets and liabilities.

The model risk is not included among them, which is defined as the potential loss for incorrect estimates and calculation of the parameters and assumptions included in the liquidity risk management methodologies. This risk is more related to the operations rather than liquidity.

c) Credit risk

The credit risk is the risk of incurring losses due to borrower or counterparty default under agreed financial obligations, the depreciation of a credit agreement due to the downgrading of the borrowers' risk ratings, the decrease in gains or returns, the advantages granted in restructurings, and the recovery costs.

Classification of operations

For the classification of the lending operations, Daycoval adopts consistent, verifiable criteria that combine the borrower's economic, financial, personal and market information with the accessory collaterals provided for the operation. Based on this information, the minimum provision will be recognized to cover the risks assumed, as prescribed by BACEN Resolution 2682/99.

Daycoval credit scoring models

These are statistical models designed and used for risk rating in the credit granting process following the adoption of the credit policies previously analyzed and approved.

Treasury - financing of government bonds, over-the-counter derivatives and brokers

Low-risk strategies are adopted in the structuring of operations based on the exposure limit analysis against the counterparties' equity, trading agreements previously agreed and according to the objective technical assessment conditions of the counterparties' credit risk and strict selection of brokers related to prime banks to deal with the positions allocated.

d) Operational risk

Operational risk is the possibility of an entity incurring losses due to failure, deficiency or ineffectiveness of internal processes, people and systems, or external events. It includes the legal risk associated to inadequacy or deficiency in contracts entered into by the Bank, as well as penalties due to noncompliance with legal provisions, and compensation paid for damages caused to third parties as a result of the activities conducted by the Bank.

In managing operational risks, the Bank relies on a qualified risk management framework to identify, control and identify operational risks, as well as to disseminate the risk mitigation culture.

e) Social and environmental risk

Refers to the possibility of incurring losses arising from social and environmental damages, related to each entity individually, comprising Daycoval Group, in accordance with the following principles:

- Significance: Establishes as significance criterion the most representative segment in its product portfolio; and

- Proportionality: Establishes as proportionality criterion the credit operations of the most significant segment, whose economic activity may pose a higher risk of causing social and environmental damages associated with the customer's total debt amount in an institution.

MANAGEMENT REPORT

Dear Shareholders,

The Management of Banco Daycoval S.A. (“Daycoval” or “Bank”) is pleased to submit to you the Management Report and accompanying Financial Statements, together with the Independent Auditor’s Report containing an unqualified opinion thereon, for the year ended December 31, 2018. The comments herein presented refer to Daycoval’s consolidated financial position for the respective period.

The fourth quarter of 2018 was marked by the victory of candidate Jair Bolsonaro at the presidential election with the subsequent growth of the investor confidence about the prospects for the Brazilian economy. This because the proposals submitted by the economic advisors to the elected president during the campaign were based on three pillars considered as fundamental for the Brazilian economy: (i) control over government spending, particularly through the Social Security reform; (ii) extensive privatization program; and (iii) a more efficient public administration.

In general, the Brazilian macroeconomic environment for the fourth quarter of 2018 was similar to the rest of the year and can by characterized by the modest economic growth and low inflation, despite the expansionist viewpoint of the Central Bank of Brazil. A more thriving economic activity is expected over the next months with the growth in confidence and the progress of the first measures adopted by the new administration. According to the FOCUS Bulletin, the growth in 2019 will be 2.5%, considerably above the growth by 1.3% expected for 2018 still in an environment of inflation below the target and low interest rates.

In this regard, in general, the prospective scenario is becoming more positive, but there are yet major structural challenges to overcome towards a more remarkable and sustainable economic recovery, the main challenge being the fiscal adjustment, which basis is the Social Security Reform. Despite the difficulties inherent in politics, the apparent drive of the new administration elected and the more favorable legislative conditions considerably increase the possibility of approval of such measures that are necessary for a more robust, sustainable growth of the Brazilian economy.

In spite of the challenging economic environment, at the end of 2018 the Bank posted profit of R$645.8 million, up by 23.8% compared to 2017, Return on Average Equity (ROAE) of 20.2% p.a., Return on Average Assets (ROAA) of 2.5% p.a. and Net Interest Margin (NIM) of 11.6% p.a. and Basel III ratio of 14.7%, demonstrating that the Bank shows good performance in adverse scenarios as it is constantly seeking to achieve sustainable growth since the performance during the year resulted from taking advantage of business opportunities, coupled with the portfolio growth.

The Loan Portfolio was R$18,326.8 at the end of 2018, a growth by 20.9% in the past 12 months. Upon the growth of Working Capital lines, Purchase of Receivables and Lease, the Bank grew by 28.5% during 2018. The Payroll-deductible Loan Portfolio grew by 7.9% in the past 12 months and the Auto Loan portfolio grew by 32.7% compared to 2017.

The Bank’s funding reached a balance of R$18,731.5 million, a growth by 19.2% in 2018, in particular the Financial Bills, which posted a balance of R$7,439.2 million at yearend, a growth by 28.9% when compared to 2017, accounting for 39.7% of total funding. The continuance of management of liabilities is related to the portfolio diversification and deadlines appropriate to the asset profile. Consequently, we ended 2018 with a positive Gap of 71 days between the average period of loan transactions and the average period of funding transactions.

The ratio of loans past due for over 90 days of the Loan Portfolio, including falling-due installments, was 2.4% in 2018, a growth by 0.5 p.p. compared to 2017. The ratio of loans past due for over 14 days improved during 2018 and was 1.5% at yearend, a drop by 0.5 p.p. compared to 2017. The balance of the Allowance for Loan Losses on the E-H portfolio posted a coverage of 104.5% at yearend.

Despite the improvement in profit during the year, high return on equity, growth in the Loan Portfolio and stable balance of the allowance for loan losses, we continued to adopt our conservative loan strategy, always preserving diversification, striving to achieve greater margins and obtaining solid guarantees.

About Banco Daycoval

Banco Daycoval S.A. is specialized in the segment of corporate loans, financing and lease, also operating significantly in the Retail segment through payroll loan, auto loan, tourism exchange and investment transactions.

In the year ended December 31, 2018, relying on a team comprised of 1,994 professionals and headquartered in the city of São Paulo, State of São Paulo, Daycoval reached a loan portfolio of R$18.3 billion, total assets of R$29.0 billion, equity of R$3.2 billion and profit of R$645.8 million. As a result of its conservative strategy, the Bank stands out for its low leverage, high liquidity and performance reflected in a Basel III ratio of 14.7%.

2018 Main Indicators

Main indicators	2018
Total assets – R$ million	28,979
Loan portfolio - R$ million	18,326.8
Total funding - R$ million	18,731.5
Profit - R$ million	645.8
Equity – R$ million	3,237.0
ROAE	20.2%
ROAA	2.5%
NIM	11.6%
Efficiency ratio	28.7%
Basel III ratio	14.7%

Distribution

Consistently with the proposal for growing with diversification, Banco Daycoval currently has 41 branches located in 21 States, including the Federal District. Daycoval also has a branch in the Cayman Islands, which is an important instrument not only for funding purposes, but also for opening commercial credit facilities and handling our relationships with correspondent banks.

In the year ended December 31, 2018, IFP - Promotora de Serviços de Consultoria e Cadastro Ltda., a Daycoval Group’s company, a correspondent engaged in fostering payroll-deductible loan transactions, accounted for approximately 17.5% of total origination and 34.0% of the Bank’s INSS transactions, being responsible for the highest production among our Correspondents in Brazil. IFP has 38 stores throughout the country and 288 employees. To improve its productivity, IFP also provides services to other financial institutions.

At the end of 2018, Daycoval Câmbio had six exchange bureaus. The Bank also operates through partnerships with travel operators and agencies to facilitate access to clients and offer greater flexibility for conducting their operations and providing rapid and secure service. In the year, 518.3 thousand prepaid card transactions were conducted in different currencies, with turnover equivalent to R$1,431.5 million.

Rating

Banco Daycoval's ratings demonstrate the low level of risk and soundness attained in its operations. The information obtained by the respective risk rating agencies is widely taken into account by the financial market, but, for all effects, should not be construed as an investment advice.

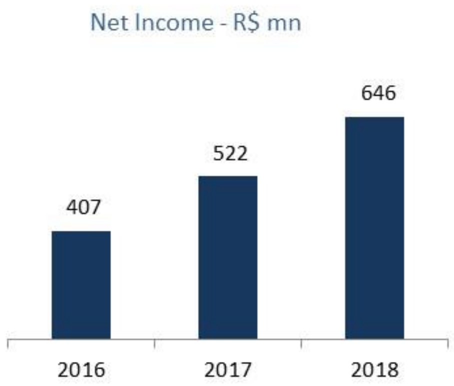
According to the reports disclosed, the risk ratings reflect the understanding of the risk rating agencies about Banco Daycoval: (i) Ba2 in global scale by Moody's with "stable" outlook; (ii) BB- by Fitch Ratings with "stable" outlook; (iii) BB- by Standard&Poor´s with "negative" outlook and; and (iv) by RISKbank - BRMP 1 – low risk for the medium-term (up to two years), very safe.

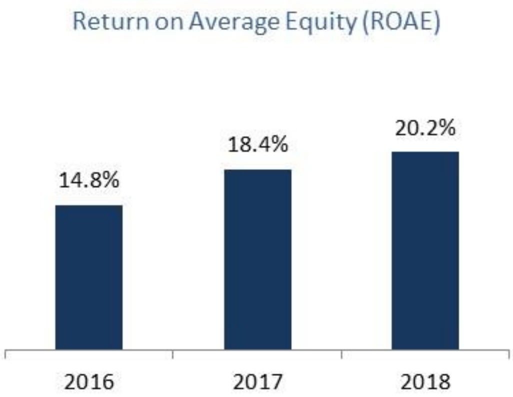
Operating and Financial Performance

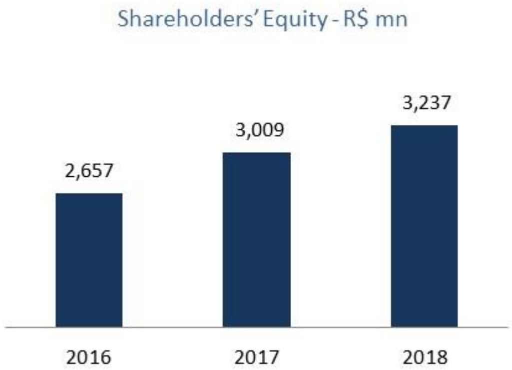
Banco Daycoval adopts a funding diversification strategy so as to be aligned with loan portfolio transactions, further matching the portfolio term and the balance of assets and liabilities. Funding is in line with the loan portfolio growth and totaled R$18.7 billion at the end of 2018, a growth by 19.2% when compared to the same period in 2017. The 6th Public Issue of Financial Bills of Banco Daycoval, in the amount of R$500.0 million, with demand of approximately R$1.6 billion, must be highlighted.

By the end of 2018, the loan portfolio balance was R$18.3 billion, up by 20.9% against 2017. The corporate loan segment, the Bank's core business, grew by 26.7% in the year.

Profit reached R$645.8 million in 2018, up by 23.8% against 2017. The Efficiency Ratio was 28.7% in the year, the Return on Average Equity (ROAE) reached 20.2% p.a., the Return on Average Assets (ROAA) was 2.5% p.a. and the Net Interest Margin (NIM) was 11.6% p.a.







Capital market

Shareholders' Compensation

In 2018 payment of interest on capital in the amount of R$197.8 million and distribution of dividends on prior-year profit in the amount of R$580.4 million were approved.

Corporate Governance

Banco Daycoval's corporate management policy is consistent with the principles set out by the Brazilian Institute of Corporate Governance (IBGC) and the best market practices. The Bank often seeks to improve its management model, driven by sustainability guidelines and ethics, transparency, respect and responsibility principles in conducting its business and maintaining relationship equity towards all of its stakeholders.

Audit Committee

The Audit Committee, established and instated in the first half of 2009, pursuant to the National Monetary Council (CMN) Resolution 3198 of May 27, 2004, is responsible for assessing the quality and completeness of the Bank's financial statements, complying with legal and regulatory requirements, ensuring the performance, independence and quality of external auditors' work, as well as ensuring the internal audit performance and quality and the quality and effectiveness of the Bank's internal control and risk management systems.

Risk and Capital Management

Daycoval believes that the risk management is an important instrument for adding value to the Prudential Conglomerate's entities, shareholders, employees and customers, besides contributing to strengthen the corporate governance and the internal control environment. Accordingly, it constantly makes investments to enhance processes, procedures, criteria and tools designed for managing operational, market, liquidity, credit, compliance, social and environmental and capital management risks, in order to ensure a high degree of safety for all of its operations.

Daycoval adopts preventive measures and continuously operates to enhance its risk policies and internal control systems with a view to avoiding or mitigating the exposure to risks to the maximum extent.

Daycoval draws on a continuing, integrated risk management framework, aligned with the Bank's strategic goals, and on a continuing capital management framework, both designed to identify, monitor, control and mitigate the risks underlying its operations, as well as to disseminate such risk mitigation culture. It also relies on committees and periodic reports from the relevant areas so as to ensure appropriate risk management and efficient governance, assessed by the Risk Committee.

The management of the Operational, Compliance and Business Continuity Risks are part of the Risk, Control and Compliance management framework. This framework is comprised of the Board of Directors, Executive Board, Risk Committee, Risk Department and Risk, Control and Compliance Management Area.

The Market and Liquidity Risk framework is comprised of the Board of Directors, Executive Board, Risk Committee, Risk Department, Market and Liquidity Risk Committee and Market and Liquidity Risk Management Area.

The Credit Risk framework is comprised of the Board of Directors, Executive Board, Risk Committee, Risk Department, Credit Risk Committee and Credit Risk Management Area.

The Social and Environmental Risk framework is comprised of the Board of Directors, Executive Board, Risk Committee, Risk Department, Credit Risk Committee and Social and Environmental Risk Management Area.

The Continuing Capital Management framework is comprised of the Board of Directors, Executive Board, Risk Committee, Capital Management Committee and Capital Management Area.

Human Resources

When talking about Banco Daycoval's growth and development, one strength must be highlighted: the individuals. Having a motivated and interested team is a decisive factor to make Daycoval one of the best places to work, certified by the Great Place to Work in November 2018, and one of our principles revolves around believing that human capital is imperative for the good business performance. Accordingly, it continuously invests in the training and wellbeing of its employees. To inspire employees, the Bank offers learning opportunities, adopts ethical and non-discriminatory practices, maintains a pleasant and highly productive work environment and pays fair compensation. As at December 31, 2018, the Bank relied on a talented, motivated team of 1,994 professionals. The Daycoeduca Program stands out among the major initiatives targeted at continuous development, offering Undergraduate, Graduate or MBA scholarships. Currently, roughly 6% of employees are entitled to such benefit.

In 2018, 24,832 hours of training were given, involving 3,970 employees and encompassing programs in the IT, anti-money laundering, sustainability, custody, internal process, certification and risk management areas. As part of "Em Busca da Excelência" project, under the Knowledge and Life Quality pillar, special courses on leadership and educational lectures on financial products and services, personal finance, among other matters, are offered to managers.

2nd Trainee Program: In 2018 Banco Daycoval successfully implemented its 2nd Trainee Program exclusively targeted at the internal talents. This program, developed by the HR area, provides the Bank's talents with more opportunities. The Bank believes that such program will prepare trainees for a more effective contribution to the continuity of his/her successful career growth.

The Bank relies on a qualified and engaged team and always seeks professionals willing to overcome challenges. It recognizes the potential of employees, offering professional and personal development and growth.

The Bank also participates in the Young Apprentice Program through an agreement with ESPRO (Ensino Social Profissionalizante – Social, Vocational Education), besides offering welfare and labor gymnastics programs. Vaccination campaigns are organized and courses involving healthcare actions, social life and personal support are provided for the wellbeing of employees and their families. Moreover, free music classes and running training are promoted, seeking to enhance the quality of life.

Social Responsibility

In 2018, Banco Daycoval invested approximately R$14.3 million in Social Responsibility projects through Tax Incentive Laws (Rouanet Law, Sports Law, FUMCAD, Pronon, Pronas and Elderly Law) and direct donations.

The major part of the investments was made in projects oriented to cultural promotion and development, such as Brasil Musicantes and Brincar de Viver, which offer free music classes to underprivileged children from the 23 cities where Daycoval operates; support to the performance of the Jerusalém Orchestra, in São Paulo; the successful musical theatre Chaplin; the film Veneza and social support entities, such as União Brasileiro-Israelita do Bem-Estar Social, Fundação Settaport, Instituto Verdescola, among other initiatives.

The Bank also invested in projects developed by healthcare entities recognized for their excellence in working with the society, such as Hospital de Câncer de Barretos, Hospital Pequeno Príncipe, AACD, Graacc, Fundação Dorina Nowill, Hospital Geral de Caxias do Sul, Hospital Amaral Carvalho, Hospital Angelina Caron, etc.

Additionally, one of Daycoval's pillars is the promotion of the life quality by organizing street races in São Paulo. Finally, Daycoval is also concerned with youth development through sports and education, by investing in entities such as Fundação Gol de Letra and Instituto Janeth.

The sponsored projects are carefully analyzed by an Executive Committee, which seeks to always prioritize these initiatives on a sustainable basis.

Sustainability

Daycoval seeks to improve all sustainable initiatives, both internally and externally. One of such initiatives encompassed the classification of its entire corporate loan portfolio based on a mandatory questionnaire addressing sustainability. According to the company's operating segment, a series of environmental licenses may be required. Moreover, Daycoval constantly develops a series of internal projects to optimize the consumption of inputs (such as water and electric energy) and use of paper. To know more about these actions, access www.daycoval.com.br/institucional/sustentabilidade and check our Annual Sustainability Report.

Relationship with Independent Auditors

In accordance with CVM Instruction 381 of January 14, 2003, we inform that the company engaged to audit the financial statements for the years ended December 31, 2018 and 2017 was not engaged to perform services to the Bank other than external audit.

Executive Board Statement

Pursuant to the provisions set out in CVM Instruction 480/09, the Bank's Executive Board states that it has discussed, reviewed and agreed with the opinions expressed in the independent auditor's report, as well as the financial statements for the year ended December 31, 2018.

Acknowledgements

Banco Daycoval S.A.'s management thanks the shareholders, clients, suppliers and the financial community for the essential support and trust shown, as well as our professionals who have made such performance possible.

São Paulo, February 7, 2019.

The Management

For further information on Banco Daycoval's performance, please visit www.daycoval.com.br/ri.