

(A free translation of the original in Portuguese)

***Banco BOCOM
BBM S.A.***

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



(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Banco BOCOM BBM S.A.

Opinion

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

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

Basis for opinion

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

Other matters

Predecessor auditor

The parent company and consolidated financial statements of Banco BOCOM BBM S.A. for the year ended on December 31, 2016, presented for comparison purposes, were audited by other auditors whose report, dated March 6, 2017, expressed an unmodified opinion on those consolidated financial statements.

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

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



Banco BOCOM BBM S.A.

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

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

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

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

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Bank and its subsidiaries' 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 financial reporting process of the Bank and its subsidiaries.

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

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

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

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Bank and its subsidiaries.




Banco BOCOM BBM S.A.

- 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 and its subsidiaries' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Rio de Janeiro, March 13, 2018


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Claudia Eliza Medeiros de Miranda
Contadora CRC 1RJ087128/O-0

Management's Report

Who We Are

Banco BOCOM BBM S.A. is a Brazilian financial institution controlled by Bank of Communications, which owns 80% of its equity, as a joint venture with Brazilians who own the rest.

Bank of Communications was founded in 1908 in the city of Shanghai with the aim of boosting Chinese industry. It opened its first branch in Hong Kong in 1934. Banco BOCOM BBM S.A.'s origins date from 1958 in the city of Salvador in Bahia State, Brazil.

Coherently with these two origins, today we are dedicated to meeting the credit and financial service requirements of companies established in Brazil, and to providing wealth management services for individuals, including the administration of exclusive investment funds and protection against financial risks.

We look to the future with determination to participate in the growing economic and cultural integration between Brazil and China, always based on the two institutions' and countries' core values.

Message from Management

The vast majority of economies worldwide achieved faster GDP growth in 2017. In this regard there was no difference between industrial countries and economies that mainly produce raw materials. Nine years after the 2008 crisis the global economy can be described as thriving and on the way to normalization of the role of central banks and governments in the major economies. Voter discomfort with globalization has not materially affected these economies' trade policies to date, and so global growth has not been jeopardized by this variable. Expectations of US rate hikes are consistent with the current stage of the cycle, and regulation of the global financial system points to its solidity in response to the crisis. The disruptive events inherent in technological progress, changing consumer and investor habits and continuous growth in Asia have apparently remained concentrated in the microeconomy, hence not posing systemic risks.

For Brazil it was a successful year in several respects, thanks to measures taken since the change of federal administration in 2016. Historically low inflation and nominal interest rates point to healthy growth for the private sector without the need for subsidies providing the positive prospects for pensions reform are maintained.

In addition, Brazil's agricultural output and merchandise trade surplus are growing continuously, and investor countries recognize Brazil as committed to stable administrative and judicial rules.

These factors enabled Brazil to face with economic solidity the considerable political crises that ended up postponing pensions reform. The federal spending cap established at end-2016, labor law reform, and creation of the long-term interest rate (TLP) for loans by BNDES, the national development bank, show that despite the setbacks there are grounds for optimism regarding the continuous enhancement of our economic framework under the responsibility of Congress and the federal administration.

The repeal of microeconomic policies inconsistent with growth in the medium to long term and the pursuit of new microeconomic measures to bolster Brazil's competitiveness point in the direction of lifting growth from the low levels seen in recent years and reversing the loss of jobs.

This year new investment by Chinese companies such as CITIC and State Power Investment Corp showed the unremitting strategic engagement of Brazil's main trade partner. China accounted for 23% of Brazil's trade flow and some US\$10 billion in foreign direct investment in 2017.

In one more stage of our integration with the global network of Bank of Communications, on February 2 we changed our corporate name to Banco BOCOM BBM S.A., assuming the brand name we are using in this report.

Bank of Communications (BOCOM) is the fifth-largest bank of the People's Republic of China, with US\$1.3 trillion in assets and a market value of US\$67 billion. It has 90,000 employees and more than 3,000 branches in China, with operations in more than ten other countries including the United States, Japan, Singapore, South Korea, Germany, Australia, Canada, Luxembourg and the United Kingdom.

The coming year promises several microeconomic and macroeconomic challenges for us here at Banco BOCOM BBM. These challenges are opportunities, for which our team have more instruments and capabilities at their disposal to satisfy the needs of all our stakeholders.

Management's Report

Performance of Operational Consolidated

The Prudential Conglomerate posted equity of R\$ 575 million and net income of R\$ 43 million at December 31, 2017, which corresponds to annual profitability of 7.59% calculated based on the average equity for the period.

Total assets at the end of the year amounted to R\$ 5.1 billion. The volume raised in the domestic and foreign markets totaled R\$ 4.2 billion at the period end, an increase of 38% compared to December 31, 2016. The Bank's Basel ratio was 16.06% at the end of the year.

Credit for Companies

The Bank's portfolio of loan transactions totaled R\$ 3.4 billion at the end of the year (including advances on foreign exchange contracts and guarantees provided through sureties and collateral), an increase of 78% compared to December 31, 2016.

Capitalizing on the expertise developed over the years, both by the commercial team and the Products and Treasury areas, the Bank operates on a dynamic and selective basis, seeking to ensure that its products suit its clients' needs, adjusting flows and guarantees.

Wealth Management

Banco BOCOM BBM's Wealth Management area uses constantly updated tools for asset management of Brazilian and foreign clients, through diversified financial products in an open platform, meeting the long-term objectives.

Financial Services

BOCOM BBM works with debt structuring and pricing of derivatives and other products for clients.

The BOCOM BBM structuring area works with corporate credit area in identifying opportunities for debt structuring, taking advantage of the existing scale of business prospect for the proprietary portfolio.

The Bank coordinated the issuance of more than R\$ 550 million in Debentures and Promissory Notes in 2017.

There is also synergy with the area of Wealth Management, which offers its customers allocation opportunities in assets originated by structuring area.

The Treasury area for clients works with Corporate Credit area in the structuring and pricing of derivatives and other products.

People

Banco BOCOM BBM is a center for identification and training of talents, which values the systematic pursuit of the latest knowledge and honors professionals who want to achieve their professional ambitions while adding value to the Group. We are in close contact with the academic environment, investing in the identification and qualification of talent, making partnerships with the most renowned universities of Brazil, offering scholarships and awards to essays and thesis. We provide ideal conditions for practical learning, once it offers a direct contact with the financial market day-to-day dynamics through a broad exchange of knowledge inside a highly qualified professional and teamwork environment.

Management's Report

Credit Ratings

In Banco BOCOM BBM's view, rating agencies' ratings are an important source of transparent and independent assessment of the quality of our credit.

Moody's Investors Service reaffirmed the ratings of Banco BOCOM BBM on December 7, 2017. On a global scale, "Ba1" rating was assigned to our senior unsecured local currency debts, with a notch above the sovereign rating ("Ba2"). In the national scale Banco BOCOM BBM was rated as "Aaa.br", the best possible credit rating in this category.

In addition, on October 3, 2017, the rating process was completed by Fitch. Nationwide was awarded the long-term rating "AAA (bra)", the highest possible rating in this category. On a global scale, long-term issuer default ratings (IDRs) "BB +" and "BBB-" were assigned in foreign currency and local currency respectively, being above the sovereign rating ("BB"). The long-term local currency IDR "BBB-" is the highest assigned to a bank in Brazil and places Banco BOCOM BBM as the only Brazilian bank with investment grade in this category.

Company Name Amendment

On February 20, 2017, the transfer of shareholding control of Banco BBM S.A. to Bank of Communications Co. Ltd was published on the "Diário Oficial" (Federal Government's official journal) by the Banco Central of Brazil.

On February 2, 2018, the change of the corporate name to Banco BOCOM BBM S.A. was approved by the Central Bank of Brazil.

Balance Sheet

Assets

	Note	In R\$ thousand			
		Bank		Operational Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current assets		2,349,461	2,501,286	2,373,140	2,536,491
Cash and cash equivalents	4	6,952	14,702	13,670	15,977
Cash			3		3
Free reserves		157	857	157	857
Funds in foreign currency		6,795	13,842	13,513	15,117
Short-term interbank investments	5	359,910	343,422	355,773	338,753
Open market investments	4	200,028	210,692	200,028	210,692
Investments in foreign currencies	4	159,882	132,730	155,745	128,061
Marketable securities and derivative financial instruments	6	111,382	848,570	112,133	849,912
Bank portfolio		82,425	817,556	82,425	817,561
Subject to repurchase agreements		3,624	17,469	3,624	17,469
Derivative financial instruments		8,837	13,545	9,588	14,882
Linked to guarantees given		16,496	-	16,496	-
Interbank accounts		1,607	767	1,607	767
Deposits – Central Bank of Brazil		1,388	754	1,388	754
Correspondent banks		219	13	219	13
Loan transactions	7	1,195,887	855,714	1,212,696	881,801
Discounted securities and loans		670,846	543,899	687,655	543,899
Financing		337,642	339,438	337,642	365,525
Rural and agroindustrial financing		225,348	-	225,348	-
Allowance for loans		(37,949)	(27,623)	(37,949)	(27,623)
Other receivables		635,440	424,570	638,978	435,740
Foreign exchange portfolio	8	559,146	386,001	559,146	386,001
Unearned income		3,411	1,235	3,411	1,035
Trading and brokerage		-	82	-	133
Honoured guarantee and surety	7	19,954	-	19,954	-
Sundry	14	22,700	22,485	26,238	32,403
Tax credits	24	48,999	21,129	48,999	22,530
Allowance for other receivables	7	(18,770)	(6,362)	(18,770)	(6,362)
Other assets	15	38,283	13,541	38,283	13,541

See accompanying notes.

Balance Sheet

Assets	Note	In R\$ thousand		In R\$ thousand	
		Bank		Operational Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
Noncurrent assets					
Long-term assets		2,577,397	1,395,982	2,604,579	1,423,101
Short-term interbank investments	5	3,258	2,963	3,258	2,963
Interbank deposits		3,258	2,963	3,258	2,963
Marketable securities and derivative financial instruments	6	1,323,431	884,837	1,323,431	884,837
Bank portfolio		987,668	304,156	987,668	304,156
Linked to repurchase agreements		100,396	329,037	100,396	329,037
Derivative financial instruments		1,727	128	1,727	128
Linked to guarantees given		233,640	251,516	233,640	251,516
Loan transactions	7	1,173,316	416,737	1,197,301	443,268
Discounted securities and loans		687,238	325,650	711,223	325,650
Financing		217,707	113,553	217,707	140,084
Rural and agroindustrial financing		291,090	-	291,090	-
Allowance for loans		(22,719)	(22,466)	(22,719)	(22,466)
Other receivables		77,392	90,616	80,589	91,204
Unearned income		1,585	-	1,585	-
Sundry	14	51,443	46,938	51,968	47,382
Tax credits	24	24,364	55,402	27,037	55,546
Allowance for other receivables	7	-	(11,724)	-	(11,724)
Other assets	15	-	829	-	829
Permanent assets		368,611	340,463	155,635	139,516
Investments		361,495	335,497	148,513	134,543
Income from interest in subsidiaries		-	-	-	-
In Brazil		8,395	10,476	-	-
Abroad	9	353,100	324,971	148,513	134,493
Other investments		1,810	1,810	2,628	2,628
Provision for losses		(1,810)	(1,760)	(2,628)	(2,578)
Property and equipment in use		4,095	3,523	4,101	3,530
Intangible assets		3,021	1,443	3,021	1,443
Total assets		5,295,469	4,237,731	5,133,354	4,099,108

See accompanying notes.

Balance Sheet

Liabilities	Note	In R\$ thousand			
		Bank		Operational Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current liabilities		2,749,655	2,407,597	2,696,600	2,526,999
Deposits	10	745,960	814,242	891,705	922,430
Demand deposits		89,144	24,536	239,319	27,999
Interbank deposits		22,470	123,711	18,040	111,118
Time deposits		634,346	665,995	634,346	783,313
Repurchase agreements	11	103,846	343,961	103,846	343,961
Bank portfolio		103,846	343,961	103,846	343,961
Funds from acceptance and issue of securities	12	1,238,494	731,439	1,179,923	731,599
Liabilities – marketable securities abroad		58,615	-	44	160
Liabilities from issue of agribusiness credit bills		855,544	544,807	855,544	544,807
Liabilities from issue of credit bills		292,284	164,469	292,284	164,469
Liabilities from issue of real estate credit bills		32,051	22,163	32,051	22,163
Interbranch accounts		81,625	35,251	81,625	35,251
Third-party funds in transit		81,625	35,251	81,625	35,251
Borrowings	13	493,134	439,785	349,997	439,785
Loans abroad		493,134	439,785	349,997	439,785
Lending Obligations - Official Institutions	13	3,028	-	3,028	-
Other institutions		3,028	-	3,028	-
Derivative financial instruments	6	8,928	3,064	9,017	3,751
Derivative financial instruments		8,928	3,064	9,017	3,751
Other liabilities		74,639	39,855	77,459	50,222
Collection of similar taxes		150	1,162	150	1,162
Foreign exchange portfolio	8	575	7	575	7
Social and statutory		31,424	11,457	31,714	11,638
Tax and social security		24,788	6,047	24,857	6,782
Securities trading		1,527	7,305	1,527	7,305
Provision for Financial Guarantees	7 and 26	417	-	417	-
Sundry		15,758	13,877	18,219	23,328

See accompanying notes.

Balance Sheet

Liabilities	Note	In R\$ thousand			
		Bank		Operational Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
Noncurrent liabilities					
Long-term payables		1,961,864	1,259,948	1,852,803	1,001,923
Deposits	10	216,839	259,141	216,839	259,141
Interbank deposits		837	2,199	837	2,199
Time deposits		216,002	256,942	216,002	256,942
Funds from acceptance and issue of securities	12	1,363,590	725,027	1,254,497	463,735
Liabilities – marketable securities abroad		109,093	261,292	-	-
Liabilities from issue of agribusiness credit bills		353,253	140,328	353,253	140,328
Liabilities from issue of credit bills		882,583	316,074	882,583	316,074
Liabilities from issue of real estate credit bills		18,661	7,333	18,661	7,333
Borrowings	13	340,350	248,627	340,350	248,627
Loans abroad		340,350	248,627	340,350	248,627
Derivative financial instruments	6	3,818	-	3,818	-
Derivative financial instruments		3,818	-	3,818	-
Other liabilities		37,267	27,153	37,299	30,420
Social and statutory		7,532	4,251	7,532	4,251
Tax and social security		11,673	10,692	11,705	10,692
Provision for Financial Guarantees	7 and 26	17,941	12,210	17,941	15,477
Sundry		121	-	121	-
Deferred income		9,037	2,127	9,037	2,127
Equity	16	574,913	568,059	574,913	568,059
Capital		469,300	469,300	469,300	469,300
Domiciled in Brazil		469,300	469,300	469,300	469,300
Market value adjustment - marketable securities and financial instruments		(1,356)	(2,954)	(1,356)	(2,954)
Available-for-sale securities		(1,356)	(2,954)	(1,356)	(2,954)
Income reserves		288,808	286,181	288,808	286,181
Treasury stock		(181,839)	(184,469)	(181,839)	(184,469)
Total liabilities and equity		5,295,469	4,237,731	5,133,354	4,099,108

See accompanying notes.

Income Statement

		In R\$ thousand					
		Bank			Operational Consolidated		
Note	Second half of 2017	12/31/2017	12/31/2016	Second half of 2017	12/31/2017	12/31/2016	
Financial income		245,850	516,605	403,966	247,983	520,376	404,776
Loan transactions		141,606	266,438	218,590	142,660	268,602	219,512
Income from marketable securities transactions	5 and 6	84,183	192,844	220,659	85,273	194,462	220,547
Result of exchange operations	17	20,061	57,323	(35,283)	20,050	57,312	(35,283)
Financial expenses		(171,762)	(377,390)	(308,438)	(165,745)	(366,100)	(300,882)
Market funding operations	17	(132,559)	(282,737)	(226,542)	(131,429)	(280,068)	(223,997)
Income from derivative financial instruments	21	8,976	(10,208)	(131,598)	13,706	(1,745)	(126,587)
Loans, assignments and onlending operations	17	(35,328)	(52,660)	82,647	(35,171)	(52,502)	82,647
Set up of doubtful accounts allowance	7	(12,851)	(31,785)	(32,945)	(12,851)	(31,785)	(32,945)
Gross financial income		74,088	139,215	95,528	82,238	154,276	103,894
Other operating income (expenses)		(29,894)	(52,799)	(43,441)	(39,345)	(68,513)	(50,928)
Service revenues	18	23,629	40,076	17,522	25,988	43,297	18,746
Personnel expenses		(37,267)	(64,971)	(48,371)	(37,918)	(66,162)	(49,401)
Other administrative expenses	19	(23,615)	(43,535)	(34,873)	(24,707)	(45,528)	(36,507)
Tax expenses		(6,409)	(12,020)	(8,600)	(12,755)	(18,660)	(8,893)
Income from interest in subsidiaries	9	11,892	25,903	29,143	8,040	16,750	23,620
Other operating income		2,231	3,621	2,200	8,414	9,881	2,204
Other operating expenses		(355)	(1,873)	(462)	(6,407)	(8,091)	(697)
Operating income (loss)		44,194	86,416	52,087	42,893	85,763	52,966
Non-operating income (expenses)		(1,620)	(2,680)	(8,053)	(1,620)	(2,680)	(8,053)
Income before income taxes and profit sharing		42,574	83,736	44,034	41,273	83,083	44,913
Income and social contributions taxes	24	(6,430)	(11,895)	5,239	(4,839)	(10,799)	4,652
Provision for income tax		(6,262)	(10,792)	(2,503)	(6,085)	(10,812)	(2,876)
Provision for social contribution tax		(3,854)	(6,995)	(2,276)	(3,702)	(7,007)	(2,594)
Deferred tax asset		3,686	5,892	10,018	4,948	7,020	10,122
Profit sharing – managers and employees		(15,923)	(28,487)	(16,523)	(16,213)	(28,929)	(16,815)
Net income		20,221	43,355	32,750	20,221	43,355	32,750
Net income per share		0.10	0.21	0.17	0.10	0.21	0.17

See accompanying notes.

Statement of changes in stockholders' equity

In R\$ thousand						
Capital	Income reserves		Market value adjustment - marketable securities and derivatives	Treasury shares	Retained earnings	Total
	Legal	Statutory	Bank			
Year Ended December 31, 2016						
Balances at January 1, 2016	413,131	82,626	273,380	(4,139)	(185,809)	579,189
Capital Increase	57,942	(57,942)				
Profit Reserve						-
Market value adjustments - marketable securities Scission (Note 16g)	(1,773)		(797)	1,185	797	1,185 (1,773)
Purchase of treasury shares				543		543
Net income for the year					32,750	32,750
Allocations:						
- Interest on equity (R\$ 0.16 per share)					(43,836)	(43,836)
- Reserves	1,637	(12,723)			11,086	-
Balances at December 31, 2016	469,300	26,321	259,860	(2,954)	(184,469)	568,058
Changes in the period	56,169	(56,305)	(13,520)	1,185	1,340	(11,131)
Year Ended December 31, 2016						
Balances at January 1, 2017	469,300	26,321	259,860	(2,954)	(184,469)	568,059
Market value adjustments - marketable securities				1,598		1,598
Earn out reversal				2,630		2,630
Net income for the year					43,355	43,355
Allocations:						
- Reserves	2,168	459			(2,627)	-
- Interest on equity (R\$ 0.14 per share)					(40,728)	(40,728)
Balances at December 31, 2017	469,300	28,489	260,319	(1,356)	(181,839)	574,913
Changes in the period	2,168	459	1,598	2,630	6,855	6,855
Year Ended July 1, 2017						
Balances at July 1, 2017	469,300	27,478	261,679	(2,180)	(184,469)	571,808
Market value adjustments - marketable securities				824		824
Earn out reversal				2,630		2,630
Net income for the semester					20,221	20,221
Allocations:						
- Reserves	1,011	(1,360)			349	-
- Interest on equity (R\$ 0.07 per share)					(20,570)	(20,570)
Balances at December 31, 2017	469,300	28,489	260,319	(1,356)	(181,839)	574,913
Changes in the period	1,011	(1,360)	824	2,630	3,105	3,105

See accompanying notes.

Statement of Cash Flow

	In R\$ thousand					
	Bank			Operational Consolidated		
	Second half of 2017	12/31/2017	12/31/2016	Second half of 2017	12/31/2017	12/31/2016
Cash flow statements						
Net income	20,221	43,355	32,750	20,221	43,355	32,750
Adjustments to net income:	(4,158)	2,748	(3,342)	(1,567)	10,776	2,077
Set up of doubtful accounts allowance	12,851	31,785	32,945	12,851	31,785	32,945
Depreciation and amortization	725	1,726	1,578	726	1,729	1,578
Expenses from civil, labor and tax allowances	1,620	2,263	2,192	1,620	2,263	2,192
Income from interest in subsidiaries	(11,892)	(26,050)	(33,198)	(8,040)	(16,897)	(27,675)
Deferred income and social contribution taxes	(3,686)	(5,892)	(10,018)	(4,948)	(7,020)	(10,122)
Unrealized gains/losses on marketable securities and derivatives	(4,600)	(2,829)	(2,081)	(4,600)	(2,829)	(2,081)
Restatement of membership certificates	824	1,598	1,185	824	1,598	1,185
Equity adjustments	-	147	4,055	-	147	4,055
Adjusted net income	16,063	46,103	29,408	18,654	54,131	34,827
(Increase)/Decrease in short-term interbank investments	(128)	(295)	2,413	(128)	(295)	2,413
(Increase) in marketable securities and derivative financial instruments	(19,833)	311,106	101,942	(19,821)	311,099	104,443
Decrease in interbank and interbranch accounts	38,684	45,535	(10,565)	38,683	45,535	(10,565)
(Increase)/Decrease in loan and lease transactions	(300,830)	(1,128,536)	(239,246)	(300,873)	(1,116,713)	(267,126)
(Decrease)/Increase in deposits	(81,894)	(110,584)	701,960	(50,268)	(73,027)	689,410
Increase in open market funding	(639,870)	(240,115)	(226,696)	(639,870)	(240,115)	(226,696)
Increase/(Decrease) in securities issue resources	596,166	1,145,619	(245,546)	594,880	1,239,086	(182,229)
Increase/(Decrease) in borrowings and onlending	39,625	148,100	57,566	(103,512)	4,963	57,566
Increase/(Decrease) in future period results	805	6,910	1,227	805	6,910	1,227
Decrease/(Increase) in other assets	(23,355)	(215,666)	(96,399)	(25,661)	(209,516)	(106,434)
(Decrease)/Increase in other liabilities	13,865	22,559	(8,869)	12,335	11,777	(41,846)
Net cash flow from (used in) operating activities	(376,767)	(15,369)	37,787	(493,429)	(20,295)	20,163
Cash flow from investing activities:						
Increase/(Decrease) in investments	3	(95)	(3,856)	(29)	2,780	(40,842)
Disposal of investment	-	-	(1,773)	-	-	(1,773)
Disposal of property and equipment for use and leased	(2,740)	(3,876)	(2,802)	(2,740)	(3,878)	(2,797)
Disposal of deferred charges	-	-	1,528	-	-	1,528
Dividends and interest on equity received	-	-	300	-	-	300
Net cash used in investing activities	(2,738)	(3,972)	(6,603)	(2,768)	(1,097)	(43,584)
Cash flow from financing activities:						
Dividends and interest on equity paid	(17,373)	(20,654)	(41,712)	(17,373)	(20,654)	(41,712)
Purchases of treasury shares	2,630	2,630	1,340	2,630	2,630	1,340
Net cash used in financing activities	(14,744)	(18,024)	(40,372)	(14,744)	(18,024)	(40,372)
Net increase (decrease) in cash and cash equivalents	(378,185)	8,738	20,220	(492,287)	14,713	(28,966)
At the beginning of year/semester	745,047	358,124	337,904	861,730	354,730	383,696
At the end of year/semester	366,862	366,862	358,124	369,443	369,443	354,730
Net increase (decrease) in cash and cash equivalents	(378,185)	8,738	20,220	(492,287)	14,713	(28,966)
Non-monetary transaction						
Unpaid interest on equity	20,570	40,728	3,255	20,570	40,728	3,255
Deliberate dividends	-	-	200	-	-	200

See accompanying notes.

Notes to financial statements as at December 31, 2017 and 2016

1. Operations

Banco BOCOM BBM S.A. ("Bank" or "Banco BOCOM BBM") is the leading entity of Banco BOCOM BBM Financial Group and is authorized to operate as a multiple bank in the following portfolios:

- Commercial;
- Investment;
- Loan, Financing and Investment;
- Foreign exchange;

The Bank's and the Financial Group's operations are carried out in the context of a group of institutions which operate together in the financial market and certain operations have co-participation or intermediation of associated institutions which are part of Banco BOCOM BBM Financial Group. The benefits from services rendered among such institutions and the costs of the Financial Group's operating and administrative structures in common are fully or individually absorbed, on a basis that is practical and reasonable in the circumstances.

On February 2016, it was approved in the People's Republic of China the transfer of shareholding control from Banco BOCOM BBM S.A. to Bank of Communications Co. Ltd. and on November 10, 2016, this approval was given at the Central Bank of Brazil.

Following these regulatory approvals, on November 30, 2016, the Bank of Communications Co., Ltd. ("BoCom") acquired shares representing 80% of the total outstanding common shares of Banco BBM and 80% of the total outstanding preferred shares of Banco BBM, thus representing 80% of the total outstanding capital of Banco BBM. Approximately 20% of the Bank shares remain with the prior controlling group of Banco BOCOM BBM.

On February 20, 2017, the transfer of shareholding was published in the Official Gazette by the Central Bank of Brazil.

On February 2, 2018, the change of the corporate name to Banco BOCOM BBM S.A. was approved by the Central Bank of Brazil.

Management authorized the issuance of these financial statements on March 20, 2018.

2. Presentation of the financial statements and consolidation criteria

The financial statements of Banco BOCOM BBM S.A. including its foreign branch, and of the Banco BOCOM BBM Financial Group were prepared in accordance with accounting practices derived from the Brazilian Corporation Law, in accordance with Law No. 6404/76, amended by Law No. 11638/07 and Law No. 11941/09, and regulations and instructions of the Central Bank of Brazil (BACEN), and are presented in conformity with the Chart of Accounts for Institutions of the National Financial System (COSIF).

The Operational Consolidated statements comprise the financial statements at December 31, 2017 and 2016 of the following institutions:

Banco BOCOM BBM S.A. and Nassau Branch
BBM Bank Ltd. (a)
BACOR Corretora de Câmbio e Valores Mobiliários S.A. (b)

- a) The indirect interest of 100% of Banco BOCOM BBM S.A. in BBM Bank Ltd was eliminated in the Operational Consolidated statements in the line "Interest in Subsidiaries - The Southern Atlantic Investments Ltd." Pursuant to Note 9.
- b) Banco BOCOM BBM S.A. holds directly 100% of the capital of this institution.

In the consolidation of the financial statements, the equity interest, balances of asset and liability accounts, revenues, expenses, and unrealized profit between companies were eliminated and the same accounting practices of the subsidiaries were maintained in relation to the parent company.

The preparation of the financial statements includes estimates and assumptions, such as the measurement of provisions for losses on loans, estimates of the market value of certain financial instruments, provision for contingencies, impairment losses and other provisions.

Management has evaluated the ability of the Bank and its subsidiaries to continue operating normally and is convinced that the Bank and its subsidiaries have the resources to continue their business in the future. In addition, management is not aware of any material uncertainties that could generate significant doubts about its ability to continue operating. Therefore, the financial statements have been prepared based on this principle.

Notes to financial statements as at December 31, 2017 and 2016

3. Significant accounting practices

(a) P&L from operations

Profit and loss are recorded on an accrual basis.

(b) Marketable securities and derivative financial instruments

In accordance with BACEN Circular No. 3068/01, securities are classified into the following categories:

I- Trading securities;

II - Securities available for sale;

III - Securities held to maturity.

Securities classified in categories I and II are adjusted to market value. For trading securities, this adjustment is directly recorded in P&L and for available for sale securities it is recorded in a specific account in equity, net of tax effects. Securities classified as "held to maturity" are recorded at cost plus accrued interest. There was no pricing of Securities by models in this period.

Derivative financial instruments are adjusted to market value, in accordance with BACEN Circular No. 3082/02.

Investment fund shares are monthly restated based on the share value disclosed by the Fund Administrators where funds are invested. The appreciation and depreciation of investment fund shares are presented in "P&L from operations with "Marketable securities".

(c) Current and noncurrent assets

These are presented at realization amounts, including, where applicable, earnings and monetary (on a daily pro-rata basis) and foreign exchange variations, less corresponding proceeds from future realization and/or provision for losses. Balances maturing within 12 months (or 360 days) are classified in current assets and those whose maturities or effective settlement possibility occur after this term are classified in noncurrent assets. Marketable securities classified under "trading securities" are stated in current assets, regardless of the maturity date.

(d) Permanent assets

These are stated at cost combined with the following aspects:

- Significant investments in subsidiaries are accounted for by the equity pickup method in the individual financial statements;
- Property and equipment and leased assets are depreciated on a straight-line basis, at annual rates that take into account the economic and useful lives of assets, as follows: property in use - 4%; furniture and fixtures, machinery and equipment - 10%; and EDP equipment - 20%.
- Amortization of intangible assets is computed in accordance with the assets' economic useful lives.

According to the Resolution No. 4,534 / 16 of the National Monetary Council (CMN), the financial institutions and other institutions authorized by the Central Bank of Brazil to operate are not allowed to register deferred assets. The balances recorded in deferred assets on the date of entry into force of this resolution, except for losses in deferrals, must be:

I - Reclassified to the appropriate asset accounts, according to the nature of the transaction, when referring to items that constitute an asset, in the form of the regulation in force; and

II - Amortized on a straight-line basis up to, at most, December 31, 2019, in other cases.

In 2016 the deferred asset balance was fully reclassified to the facilities account and will be amortized according to the term established in current legislation.

(e) Current and noncurrent liabilities

These are stated according to known or calculable amounts, and, whenever applicable, the charges and monetary (on a daily pro rata basis) and exchange variations, less the corresponding expenses to be allocated. Balances maturing within 12 months (or 360 days) are classified in current liabilities and those whose maturities or effective settlement possibility occur after this term are classified in noncurrent liabilities.

Notes to financial statements as at December 31, 2017 and 2016

3. Significant accounting practices (Continued)

(f) Income and social contribution taxes

The provision for income tax is set up based on taxable profit, at 15% rate, plus 10% surcharge on annual taxable profit exceeding R\$240 thousand. The provision for social contribution tax is set up at the rate of 20%.

Deferred tax assets and liabilities arising from temporary differences were recognized in accordance with CMN Resolution No. 3059/02 and CMN Resolution No. 3355/06, and take into account the history of profitability and the expected generation of future taxable profit supported by technical feasibility studies. Deferred taxes were recognized based on the expected income and social contribution tax rates of 25% and 20%, respectively.

In October 2015, Law No. 13169 was enacted, which addresses the conversion of Provisional Executive Order No. 675 into law, increasing the Social Contribution Tax on Net Profit (CSLL) rate of financial institutions from 15% to 20%. According to the Provisional Executive Order, such rate increase is effective from September 2015 to December 2018.

(g) Swaps, futures, forward and options operations

The nominal amounts of contracts are recorded in memorandum accounts. Daily adjustments of transactions conducted in the futures market are recorded as effective income or expense, as incurred. Premiums paid or received upon realization of operations in the options market are recorded in the respective equity accounts at cost, adjusted by market value and matched against P&L. The market values of swap and forward transactions are individually recorded in asset and liability accounts, matched against the respective income and expense accounts.

(h) Earnings per share

These are calculated based on the number of outstanding shares at the balance sheet dates.

(i) Impairment of assets

Pursuant to CPC 01, approved by CMN Resolution No. 3,566 of May 29, 2008, based on Management's analysis, if the book value of the assets of the Bank and its subsidiaries exceeds their recoverable amount, a loss is recognized for impairment in its result.

(j) Contingent assets and liabilities and legal obligations

In accordance with CPC 25, as approved by CMN Resolution No. 3823/09 and Circular No. 3429/10, recognition, measurement and disclosure of contingent assets and liabilities and legal, tax and social obligations are made pursuant to the criteria defined below:

Contingent assets - not recognized in the financial statements, except where there is evidence that provides assurance as to their realization, upon which no further objections are applicable.

Contingent liabilities - these are recognized in the financial statements when legal counsel and management rate the likelihood of an unfavorable outcome for a lawsuit or administrative proceeding as probable and the amounts involved may be reliably measured. Contingent liabilities classified by legal advisors as possible losses are only disclosed in explanatory notes, whereas those classified as remote losses do not require provision or disclosure. For labor claims with probability of loss classified as possible by the external offices, management will take into account certain premises, such as: procedural stage, right involved, history of losses, possibility of making an agreement. In this way, we can have provision, even if the claims are classified as possible.

Legal, tax, and social security liabilities - these refer to proceedings that aim at challenging the legality and constitutionality of certain taxes and contributions. The amount challenged is quantified and recorded in books.

(k) Short-term interbank investments

Interbank investments are stated at acquisition, investment or release cost, plus foreign exchange, monetary and interest variations, as contractually defined. When the market value is lower, a provision for adjustment of the asset to realization value is made.

Notes to financial statements as at December 31, 2017 and 2016

3. Significant accounting practices (Continued)

(l) Loan transactions

Loan transactions are stated at their acquisition, investment or release cost, plus foreign exchange, monetary and interest variations, as contractually defined. When the market value is lower, a provision for the adjustment of the asset to its realization value is made. An allowance for doubtful accounts is set at an amount considered sufficient to cover any losses, and it considers, in addition to experience in the past, the assessment of debtors and their guarantors, as well as the specific characteristics of transactions, in accordance with the requirements of Brazilian Central Bank Resolution No. 2682. These are recorded at present value on a daily pro rata basis, based on the index variation and the agreed-upon interest rate, restated up to the 59th day in arrears at the financial companies, observing the estimated receipt date. Since the 60th day, the P&L are recognized when the instalments are effectively received. Renegotiated transactions are recorded at least at the same level they were previously classified and, if they are written off against a provision, they are then classified at H level, and gains are recognized in revenue when they are effectively received.

Loan assignment without risk retention result in the write-off of the financial assets that are the object of the operation, which are now kept in a clearing account. The result of the assignment is fully recognized when it is realized. Since January 2012, as determined by CMN Resolution 3,533 / 2008 and CMN Resolution 3,895 / 2010, all Loan assignment with risk retention are now recognized by the remaining terms of operations, and the financial assets subject to the assignment and the amount received as liabilities for sales or transfer of financial assets are recorded as loan operations in the financial statement.

(m) Cash and cash equivalents

These are represented by cash and banks, unrestricted balances held with BACEN and highly liquid financial assets with maturity within three months, subject to insignificant risk of changes in their fair value, used by the Group to manage short-term commitments, according to Note 4.

(n) Other values and assets

Transactions classified as Other Securities and Assets are operations arising from the execution of guarantees for credit operations, which are initially valued by the remaining balance of the debt, and are valued at fair value through appraisal reports prepared by professional entities with recognized qualifications, and valuation techniques are used.

(o) Hedge accounting

The Bank allocated derivative financial instruments to hedge principal amounts raised and the corresponding interest due.

Derivative financial instruments used to mitigate the risks arising from exposure to changes in market value of financial assets and liabilities, that are highly correlated with respect to changes in their market value in relation to the market value of the hedged item, both at inception and over the life of the agreement, and considered effective in reducing the risk associated with the exposure being hedged, are considered hedge instruments and are classified according to their nature into the following categories:

- a) Market risk hedge: financial instruments classified under this category, as well as related financial assets and liabilities, subject matter of hedge, are adjusted to fair value and gains and losses, whether realized or not, are posted directly to P&L; and
- b) Cash flow hedge: instruments classified under this category are measured at fair value, and the effective portion of valuation or devaluation are recorded in a specific equity account, net of taxes. The non-effective portion of the hedge is recorded directly in P&L.

If the hedging instrument expires or is sold, cancelled or exercised, or when the hedging position does not fall under hedge accounting conditions, the hedging relationship ends.

The risk management objectives and the hedging strategy of such risks during the entire transaction are appropriately documented, and the assessment is also documented - both at the beginning of the hedging transaction and on an ongoing basis -, that the derivative financial instruments in the hedging transaction are highly effective in offsetting the variation in the fair value (mark-to-market) of the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flow attributed to the risk being covered over the period in the hedge relation mitigates from 80% to 125% of the risk variation.

Derivative instruments used for hedging purposes and the mark-to-market value of funding of the hedged item are disclosed in Note 21.

Notes to financial statements as at December 31, 2017 and 2016

3. Significant accounting practices (Continued)

(p) Deposits and open market funding

Deposits and open market funding are recognized at the amounts of liabilities, and the charges payable recorded, when applicable (on a "pro rata" basis).

4. Cash and cash equivalents

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Cash and checking accounts in Banks	6,795	13,845	13,513	15,120
Free reserves in cash with the Central Bank	157	857	157	857
Interbank investments (a)	200,028	210,692	200,028	210,692
Investments in foreign currencies	159,882	132,730	155,745	128,061
Total	366,862	358,124	369,443	354,730

(a) Repurchase agreements maturing within 90 days, on the investment date.

Notes to financial statements as at December 31, 2017 and 2016

5. Short-term interbank investments

Short-term interbank investments are as follows:

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Open market investments				
Self-funded position	200,028	210,692	200,028	210,692
National Treasury Bills	-	207,193	-	207,193
Financial Treasury Bills	-	3,499	-	3,499
National Treasury Notes – B series	200,028	-	200,028	-
Interbank deposits	3,258	2,963	3,258	2,963
Investments in foreign currencies (*)	159,882	132,730	155,745	128,061
	363,168	346,385	359,031	341,716
Current assets	359,910	343,422	355,773	338,753
Long-term receivables	3,258	2,963	3,258	2,963
	363,168	346,385	359,031	341,716

(*) The total amount of investments in foreign currency in the Bank and Operational Consolidated statements at December 2017 and 2016, refer substantially to Overnight transactions and time deposits with first-tier banks.

At December 31, 2017 and 2016, guarantees received for repurchase agreements amounted to R\$206,627 thousand and R\$215,567 thousand in the Bank and Operational Consolidated statements, respectively. Guarantees given totaled R\$10,526 thousand and R\$302,435 thousand in the same periods.

Gains on short-term interbank investments in the Bank and Operational Consolidated Statements are as follows:

	In R\$ thousand					
	Second half of 2017	Bank		Second half of 2017	Operational Consolidated	
		12/31/2017	12/31/2016		12/31/2017	12/31/2016
Open market investments	9,176	41,055	21,523	9,176	41,055	21,461
Interbank deposits	128	295	587	128	295	649
Investments in foreign currencies	35	59	45	1,098	1,702	575
Income from marketable securities transactions	9,339	41,409	22,155	10,402	43,052	22,685

Notes to financial statements as at December 31, 2017 and 2016
6. Marketable securities and derivative financial instruments

	In R\$ thousand							
	Bank				Operational Consolidated			
	Cost	Market	Cost	Market	Cost	Market	Cost	Market
	12/31/2017		12/31/2016		12/31/2017		12/31/2016	
I - Marketable securities	1,423,839	1,424,249	1,718,546	1,719,734	1,423,838	1,424,249	1,718,547	1,719,738
Securities for trading (*)	52,130	52,283	1,103,480	1,105,068	52,130	52,283	1,103,480	1,105,067
Own Portfolio	33,945	34,098	804,569	805,022	33,945	34,098	804,569	805,022
Fixed income securities	33,945	34,098	754,017	754,470	33,945	34,098	754,017	754,470
Financial Treasury Bills		9	3,225	3,217	9	9	3,225	3,217
National Treasury Bills			99,964	99,949			99,964	99,949
National Treasury Notes – B series	33,936	34,089	147,571	148,131	33,936	34,089	147,571	148,131
National Treasury Notes – F series			503,257	503,173			503,257	503,173
Investment fund shares			50,552	50,552			50,552	50,552
Shares in Credit Rights Fund			50,552	50,552			50,552	50,552
Subject to repurchase agreements			298,911	300,046			298,911	300,045
National Treasury Notes – B series			298,911	300,046			298,911	300,045
Subject to guarantees granted	18,185	18,185			18,185	18,185		
Shares in Guarantee Fund	18,185	18,185			18,185	18,185		
Available-for-sale securities	778,292	778,549	615,066	614,666	778,291	778,549	615,067	614,671
Own Portfolio	505,945	506,002	316,709	316,690	505,944	506,002	316,710	316,695
Fixed income securities	505,945	506,002	316,636	316,496	505,944	506,002	316,636	316,496
Financial Treasury Bills	319,130	319,269	102,057	101,901	319,130	319,269	102,057	101,901
National Treasury Notes – B series	9,826	9,733	1,661	1,667	9,826	9,733	1,661	1,667
National Treasury Notes – F series			55	55			55	55
Promissory note	51,477	51,477	117,410	117,410	51,477	51,477	117,410	117,410
Debentures	125,512	125,523	95,453	95,463	125,511	125,523	95,453	95,463
Variable income securities			73	194			74	199
Shares of listed companies			73	194			74	199
Subject to repurchase agreements	103,796	104,020	46,435	46,460	103,796	104,020	46,435	46,460
Financial Treasury Bills	10,520	10,526			10,520	10,526		
National Treasury Notes – B series			2,381	2,390			2,381	2,390
Debentures	93,276	93,494	44,054	44,070	93,276	93,494	44,054	44,070
Subject to guarantees given	168,551	168,527	251,922	251,516	168,551	168,527	251,922	251,516
Financial Treasury Bills	168,551	168,527	251,922	251,516	168,551	168,527	251,922	251,516
Held to maturity securities	593,417	593,417			593,417	593,417		
Own Portfolio	529,993	529,993			529,993	529,993		
Fixed income securities	529,993	529,993			529,993	529,993		
National Treasury Notes – F series	529,993	529,993			529,993	529,993		
Subject to guarantees granted	63,424	63,424			63,424	63,424		
National Treasury Notes – F series	63,424	63,424			63,424	63,424		
II - Derivative financial instruments	7,936	10,564	14,327	13,673	8,687	11,315	15,664	15,010
Swap transactions	7,467	9,552	11,148	11,148	7,362	9,447	11,148	11,148
Forward	469	1,012	2,968	2,415	1,325	1,868	4,305	3,752
Options premium			211	110			211	110
Total marketable securities and derivative financial instruments	1,431,775	1,434,813	1,732,873	1,733,407	1,432,525	1,435,564	1,734,211	1,734,748
Segregation of portfolio by maturity:								
No maturity			73	194			74	199
Within 3 months	53,832	54,266	1,229,913	1,231,492	54,582	55,017	1,231,250	1,232,828
From 3 to 12 months	56,207	57,116	68,873	68,276	56,207	57,116	68,873	68,276
Above 12 months	1,321,736	1,323,431	434,014	433,445	1,321,736	1,323,431	434,014	433,445
Total	1,431,775	1,434,813	1,732,873	1,733,407	1,432,525	1,435,564	1,734,211	1,734,748

Notes to financial statements as at December 31, 2017 and 2016

6. Marketable securities and derivative financial instruments (Continued)

	In R\$ thousand							
	Bank				Operational Consolidated			
	Cost	Market	Cost	Market	Cost	Market	Cost	Market
	12/31/2017		12/31/2016		12/31/2017		12/31/2016	
III - Derivative financial instruments								
	11,740	12,746	3,091	3,064	11,829	12,835	3,778	3,751
Swap transactions	10,742	11,993	1,963	1,763	10,742	11,993	1,963	1,763
Forward	998	753	1,128	1,301	1,087	842	1,815	1,988
Short position	11,740	12,746	3,091	3,064	11,829	12,835	3,778	3,751
Segregation by maturity:								
Within 3 months	7,612	7,329	2,177	2,244	7,701	7,418	2,864	2,931
From 3 to 12 months	1,698	1,599	769	820	1,698	1,599	769	820
Above 12 months	2,430	3,818	145	-	2,430	3,818	145	
Total	11,740	12,746	3,091	3,064	11,829	12,835	3,778	3,751

Gains on marketable securities in the Bank and Operational Consolidated Statements are as follows:

	In R\$ thousand					
	Bank			Operational Consolidated		
	Second half of 2017	12/31/2017	12/31/2016	Second half of 2017	12/31/2017	12/31/2016
Investment fund shares	1,501	4,365	11,560	1,501	4,365	11,560
Government securities	62,338	119,903	147,197	62,338	119,903	147,197
Private securities	11,005	27,167	39,747	11,032	27,142	39,105
Income from marketable securities	74,844	151,435	198,504	74,871	151,410	197,862

The market value of marketable securities and derivative financial instruments is determined based on market price quotations at the balance sheet date, when available, or through price valuation models.

(*) "Trading securities" with maturity over 12 months totaling R\$34,098 thousand at December 31, 2017 (R\$451,391 thousand at December 31, 2016) in Bank and Operational Consolidated statements, are stated in current assets, as determined by BACEN Circular No. 3068/01. Securities classified as "available for sale" with maturity over 12 months totaling R\$778,549 thousand at December 31, 2017 (R\$181,800 thousand at December 31, 2016) - Bank and Operational Consolidated statements, are stated in noncurrent assets, as determined by BACEN Circular No. 3068/01, irrespective of the liquidity level. The effect of this classification on working capital is presented in Note 22 - Liquidity risk.

Notes to financial statements as at December 31, 2017 and 2016

7. Loans, sureties and guarantees

At December 31, 2017 and 2016, loans and guarantees provided through sureties or guarantee agreements in the Bank and Operational Consolidated statements, classified according to the customers' economic activities, are as follows:

	In R\$ thousand			
	Bank/Operational Consolidated			
	12/31/2017		12/31/2016	
Sugar and Ethanol	699,814	20.60%	328,297	17.15%
Agriculture	438,089	12.89%	298,311	15.59%
Foods - Sundry	168,616	4.96%	59,245	3.10%
Civil Aviation	60,194	1.77%	29,337	1.53%
Capital Goods	136,744	4.02%	80,237	4.19%
Foreign trade	58,930	1.73%	33,844	1.77%
Retail market	184,721	5.44%	188,016	9.82%
Utilities (energy)	188,187	5.54%	132,068	6.90%
Building and Real Estate	221,363	6.52%	91,921	4.80%
Pharmaceutics	89,873	2.65%	83,339	4.35%
Construction Material	75,854	2.23%	16,443	0.86%
Metallurgy	44,508	1.31%	4,235	0.22%
Mining	50,140	1.48%		0.00%
Pulp and Paper	69,703	2.05%	46,957	2.45%
Chemical and Petrochemical	82,122	2.42%	104,707	5.47%
Specialized Services	115,510	3.40%	114,638	5.99%
Textile and Leathers	85,495	2.52%	42,849	2.24%
Transportation and Logistics	62,814	1.85%	24,142	1.26%
Others (*)	119,497	3.52%	162,705	8.50%
Private Sector	2,952,171	87%	1,841,290	96%
Utilities (energy)	181,950	5.36%		0.00%
Oil & Gas	131,678	3.88%	54,233	2.83%
State government	91,356	2.69%		0.00%
Others (*)	40,214	1.18%	18,485	0.97%
Public Sector	445,199	13%	72,718	4%
Total	3,397,370	100%	1,914,008	100%

(*) The activities classified within Other include all economic sectors that individually represent less than 1% of the total active loan portfolio at the base date of December 31, 2017.

Notes to financial statements as at December 31, 2017 and 2016

7. Loans, sureties and guarantees (Continued)

Loans are stated in the Bank and Operational Consolidated balance sheets as follows:

	in R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current assets				
Loan transactions	1,233,836	883,337	1,250,645	909,424
Private sector	1,172,246	875,761	1,189,055	901,848
Public sector	61,590	7,576	61,590	7,576
Other receivables	36,476	11,404	36,476	11,404
Foreign exchange portfolio - receivables (a)	15,563	10,798	15,563	10,798
Securities and credits receivable (b)	20,913	606	20,913	606
Noncurrent assets				
Loan transactions	1,196,034	439,203	1,220,020	465,734
Private sector	967,693	428,294	991,678	454,825
Setor Público	228,342	10,909	228,342	10,909
Other receivables	6	152	6	152
Securities and credits receivable (b)	6	152	6	152
Current liabilities				
Other liabilities	524,498	384,816	524,498	384,816
Foreign exchange portfolio - Advances on exchange contracts (a)	524,498	384,816	524,498	384,816
Subtotal	2,990,850	1,718,912	3,031,645	1,771,530
Co-obligations and risks in guarantees provided (c)	406,520	195,096	365,725	142,478
Total	3,397,370	1,914,008	3,397,370	1,914,008

- a) The advances on exchange contracts and the related income receivable are classified as accounts reducing Other Liabilities – Exchange Portfolio and Other Receivables – Exchange Portfolio, respectively, as shown in Note 8.
- b) These, especially, include honored guarantees.
- c) These refer to guarantees given through sureties and bank guarantees. Guarantees provided are recorded in memorandum accounts and the related income is recorded in Deferred Income and recognized in P&L for the period according to their maturity terms. These also include, in the Bank, guarantees provided for loans of BBM Bank Limited, which are eliminated in the Operational Consolidated statements.

Notes to financial statements as at December 31, 2017 and 2016

7. Loans, sureties and guarantees (Continued)

The allowance for loan losses was calculated according to the criteria established by Resolutions No. 2682 and No. 2697 of the National Monetary Council, based on the risk classification of the transactions and the level of delays.

The classification of loans in the Operational Consolidated statements is as follows:

in R\$ thousand													
12/31/2017											12/31/2016		
Risk level	Overdue - days					Falling due - days				Total	PDD	Total	PDD
	Within 14	15 to 60	61 to 90	91 to 180	180 to 360	Within 90	From 91 to 180	From 181 to 360	Over 360 days				
AA						131,331	161,831	289,657	533,211	1,116,030		323,452	
A	959					134,847	272,588	529,491	484,959	1,422,844	7,114	851,631	4,258
B	810	23				113,434	90,210	190,210	199,563	594,250	5,943	491,426	4,514
C	2,549	149				46,193	37,829	44,600	45,661	176,981	5,309	150,605	4,518
D												24,807	2,481
E		622		8,970		671	649	788		11,700	3,510	5,267	1,580
F			6,088			231	227	358	13,984	20,888	11,628	22,810	14,279
G				19,954		218	219	437	10,948	31,776	23,571	27,336	19,858
H				12,909	9,788	3	196	5		22,901	22,901	16,674	16,674
Total	4,318	794	6,088	41,833	9,788	426,928	563,749	1,055,546	1,288,326	3,397,370	79,976	1,914,008	68,163

Notes to financial statements as at December 31, 2017 and 2016

7. Loans, sureties and guarantees (Continued)

The allowance above is presented in the Operational Consolidated balance sheets as follows:

	in R\$ thousand	
	12/31/2017	12/31/2016
Allowance for loan losses	60,668	50,089
Current assets	37,949	27,623
Noncurrent assets	22,719	22,466
Provision for other credits	18,770	3,463
Securities and credits receivables	14,003	466
Current assets	14,003	455
Noncurrent assets		11
Provision for pre-shipment export financing	4,767	2,997
Current assets	4,767	2,997
Noncurrent assets		
Provision for co-obligations and risks in guarantees provided (*)	538	14,611
Current assets/liabilities	417	2,898
Noncurrent assets/liabilities	121	11,713
Total	79,976	68,163

(*) In accordance with Resolution No. 4,512 of July 28, 2016, financial institutions began to record in liabilities the provision for Co-Borrowings and Risks in Guarantees Given. According to Note 26.

Changes in allowance are as follows:

	in R\$ thousand	
	12/31/2017	12/31/2016
Balance at July 1	68,163	45,601
Set up / (reversal)	31,797	32,933
Write-offs to loss	(19,984)	(10,371)
Total	79,976	68,163

For the year ended December 31, 2017, no loan transactions were renegotiated (2016- R\$ 39,523 thousand).

For the year ended December 31, 2017, there recovery of losses on loan transactions in the amount of R\$ 753 thousand (2016- R\$ 6,328 thousand).

Notes to financial statements as at December 31, 2017 and 2016

7. Loans, sureties and guarantees (Continued)

The breakdown of sales or transfers of assets without the substantial retention of risks and rewards in the years ended December 31, 2017 and 2016 was as follows:

	in R\$ thousand	
	12/31/2017	12/31/2016
Number of contracts	22	32
Assignment amount	25,637	57,733
Provision net book value	25,038	61,859
Revenue from assignments	599	(4,126)

The credit risk concentration in the Operational Consolidated statements is as follows:

	in R\$ thousand			
	12/31/2017	%	12/31/2016	%
Top debtor	131,678	3.9%	83,116	4.3%
Top 10 debtors	816,634	24.0%	465,125	24.3%
Top 20 debtors	1,287,098	37.9%	747,393	39.0%
Top 50 debtors	2,133,335	62.8%	1,324,885	69.2%
Top 100 debtors	2,914,920	85.8%	1,790,373	93.5%

The Breakdown of the loan portfolio by type in the Operational Consolidated statements is as follows:

	in R\$ thousand	
	12/31/2017	12/31/2016
Working capital	1,562,365	821,688
Trade Finance	586,293	423,222
Export credit notes	457,299	413,085
Co-obligations	365,725	142,479
Others	425,688	113,534
Total	3,397,370	1,914,008

Notes to financial statements as at December 31, 2017 and 2016

8. Foreign exchange portfolio (Bank and Operational Consolidated statements)

	In R\$ thousand	
	12/31/2017	12/31/2016
Other receivables – Foreign exchange portfolio		
Foreign exchange purchases pending settlement	543,006	375,196
Rights on foreign exchange sales	577	7
Income receivable from advances granted (a)	15,563	10,798
Total	559,146	386,001
Other payables – Foreign exchange portfolio		
Foreign exchange sales pending settlement	575	7
Exchange purchase obligations	524,498	384,816
Advances on foreign exchange contracts granted (a)	(524,498)	(384,816)
Others		
Total	575	7

(a) See Note 7.

At December 31, 2017, federal securities were deposited as guarantee for foreign exchange transactions in the foreign exchange Clearing of BM&F Bovespa S.A. – Securities, Commodities and Futures Exchange, amounting to R\$66,651 thousand (R\$69,159 thousand in 2016).

Notes to financial statements as at December 31, 2017 and 2016

9. Investments - Interest in subsidiaries

a) Bank

	BACOR CCVM S.A.	The Southern Atlantic Investments Ltd.	Others (a)	Total
At December 31, 2017:				
Number of issued shares	127,374	229,201,370		
Common shares	63,687	229,201,370		
Preferred nominative shares	63,687			
Direct interest	100%	100%		
Capital – R\$ thousand	8,755	229,201		237,956
Equity – R\$ thousand	8,395	353,100		361,495
Net income (loss) for the year – R\$ thousand	(2,078)	14,212		12,134
Book value of investments – R\$ thousand				
December 31, 2017	8,395	353,100		361,495
Income from interest in subsidiaries – R\$ thousand				
Second half of 2017	(2,320)	14,212	(6,287)	5,605
Year ended 2017	(2,078)	28,575	(6,881)	19,616
At December 31, 2016				
Number of issued shares	127,374	229,201,370		
Common nominative shares	63,687	229,201,370		
Preferred nominative shares	63,687	-		
Direct interest	100%	100%		
Capital – R\$ thousand	8,755	229,201		237,956
Equity – R\$ thousand	10,476	324,971		335,447
Net income (loss) for the semester – R\$ thousand	770	32,428		33,198
Dividends, Interest on Equity or Capital reduction – R\$ thousand	200	-		200
Book value of investments – R\$ thousand				
December 31, 2016	10,476	324,971		335,447
Income from interest in subsidiaries – R\$ thousand				
Second half of 2016	436	19,208	314	19,958
Year ended 2016	770	32,428	(4,055)	29,143

(a) Refers partially to exchange variation on the Nassau branch equity, not eliminated in the consolidation process.

Notes to financial statements as at December 31, 2017 and 2016

9. Investments - Interest in subsidiaries (Continued)

b) Operational Consolidated

	In R\$ thousand				
	Investment book value		Income from interests in subsidiaries		
	12/31/2017	12/31/2016	Second half of 2017	12/31/2017	12/31/2016
The Southern Atlantic Investments Ltd. (a)	148,513	134,493	8,040	17,343	27,675
Others (b)				(593)	(4,055)
Total	148,513	134,493	8,040	16,750	23,620

- (a) The indirect interest of 100% of Banco BOCOM BBM S.A. in BBM Bank Ltd was eliminated in the Operational Consolidated statements in the line "Interest in Subsidiaries - The Southern Atlantic Investments Ltd." For the year ended December 31, 2017, this elimination led to the following effects in the Operational Consolidated statements: decrease in the permanent investment by R\$204,569 thousand (R\$190,478 thousand at December 31, 2016), and decrease in equity pickup by R\$11,232 thousand (R\$4,753 thousand at December 31, 2016).
- (b) The account "Others", in the Operational Consolidated statements presents substantially the equity variations of subsidiaries, which are not eliminated, such as foreign exchange variation of equity interest abroad, restatement of equity instruments and adjustments from previous years, where applicable.

Notes to financial statements as at December 31, 2017 and 2016
10. Deposits

Maturity	in R\$ thousand							
	Time deposits		Interbank deposits		Total 12/31/2017		Total 12/31/2016	
	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated
Within 1 month	201,402	201,402	438	154	201,840	201,556	122,573	239,549
From 1 to 3 months	233,891	233,891	11,714	11,714	245,605	245,605	203,391	203,391
From 3 to 6 months	118,538	118,538	2,277	2,277	120,815	120,815	152,891	152,892
From 6 to 12 months	80,515	80,515	8,041	3,895	88,556	84,410	310,851	298,599
More than 12 months	216,002	216,002	837	837	216,839	216,839	259,141	259,141
Subtotal	850,348	850,348	23,307	18,877	873,655	869,225	1,048,847	1,153,572
Cash deposits and other deposits					89,144	239,319	24,536	27,999
Total					962,799	1,108,544	1,073,383	1,181,571

The average term to issue interbank and term deposits for operations outstanding at December 31, 2017 in the Operational Consolidated statements is 525 days and 374 days (432 and 189 days at December 31, 2016), respectively.

Maturities upon issue	R\$ thousand							
	Time deposits		Interbank deposits		Total 12/31/2017		Total 12/31/2016	
	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated
Within 1 month	1,196	1,196			1,196	1,196	5,954	120,006
From 1 to 3 months	169,756	169,756			169,756	169,756	122,429	125,695
From 3 to 6 months	213,310	213,310			213,310	213,310	45,959	45,959
From 6 to 12 months	156,191	156,191	14,866	10,720	171,057	166,911	164,346	164,346
More than 12 months	309,895	309,895	8,441	8,157	318,336	318,052	710,159	697,566
Subtotal	850,348	850,348	23,307	18,877	873,655	869,225	1,048,847	1,153,572
Cash deposits and other deposits					89,144	239,319	24,536	27,999
Total					962,799	1,108,544	1,073,383	1,181,571

The breakdown of Operational Consolidated statements by segment is as follows:

	R\$ thousand									
	Demand deposits		Time deposits		Interbank deposits		Total			
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016		
Legal entities	84,508	20,811	208,336	152,545			292,844	26.42%	173,356	14.67%
Institutional customers	4	5	32,876	520,769			32,880	2.97%	520,774	44.07%
Group	138,361	4,215	567,278	326,902	5,694	5,461	711,333	64.17%	336,578	28.49%
Financial institutions	1	328	33,739	25,551	13,183	107,856	46,923	4.23%	133,735	11.32%
Individuals	16,445	2,640	8,119	14,488			24,564	2.22%	17,128	1.45%
Total	239,319	27,999	850,348	1,040,255	18,877	113,317	1,108,544	100%	1,181,571	100%

Notes to financial statements as at December 31, 2017 and 2016

10. Deposits (Continued)

The concentration of the principal customers in the Operational Consolidated statements is as follows:

	R\$ thousand			
	12/31/2017		12/31/2016	
Top depositor	431,857	38.96%	177,238	15.00%
Top 10 depositors	870,196	78.50%	649,287	54.95%
Top 20 depositors	966,297	87.17%	822,663	69.62%
Top 50 depositors	1,067,663	96.31%	1,019,770	86.31%
Top 100 depositors	1,098,935	99.13%	1,128,969	95.55%

11. Repurchase agreements

The Bank and Operational Consolidated obligations from repurchase agreements are as follows:

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Own Portfolio	103,846	343,961	103,846	343,961
Financial Treasury Bills	10,500		10,500	
National Treasury Notes – B series		300,046		300,046
Debentures	93,346	43,915	93,346	43,915
	103,846	343,961	103,846	343,961

Notes to financial statements as at December 31, 2017 and 2016

12. Funds from acceptance and issue of securities and real estate bills

Banco BOCOM BBM issued Eurobonds in the amount of R\$ 167,708 thousand in December 2017 (December 2016 - R\$ 261,292 thousand), acquired by The Southern Atlantic Investments Ltd, company. On December 28, 2015, there was a Eurobonds issuance of U\$\$ 30,000 thousand, maturing on January 31, 2019, and on June 30, 2017, there was a Eurobonds issuance of U\$\$ 4,000 thousand, maturing on February 28, 2019, and on August 06, 2017, there was a Eurobonds issuance of U\$\$ 17,000 thousand, maturing on October 26, 2018.

At December 31, 2017, fundraising through Agribusiness Credit Bills (LCA), Housing Credit Bills (LCI), Financial Bills (LF) were segregated by maturity as follows:

R\$ thousand						
Operational Consolidated						
Maturity	LCA (a)		LCI (b)		LF (c)	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Within 1 month	74,324	22,807	970	990	3,239	24,453
From 1 to 3 months	68,557	77,103	10,462	1,131	5,704	97,988
From 3 to 6 months	247,890	156,360	242	822	123,371	32,406
From 6 to 12 months	464,773	288,537	20,376	19,220	159,970	9,622
More than 12 months	353,253	140,329	18,661	7,333	882,583	316,074
Total	1,208,797	685,136	50,712	29,496	1,174,866	480,543

- Agribusiness Credit Bills (LCA) were issued by the Bank and registered with the Brazil's OTC Clearing House (CETIP) or on the Securities, Commodities and Futures Exchange (BM&FBOVESPA S.A.), under Law No. 11076/2004 and Law No. 11311/2006 and subsequent amendments.
- Housing Credit Bills (LCI) are nominative securities created by Provisional Measure 2223 and No. 10931/04 Law of August.
- Financial Bills (LF) issued by the Bank were registered with CETIP, under Law No. 12249/10 (Section II, articles 37 to 43) and regulated by the National Monetary Council - CMN (Law No. 3836).

Notes to financial statements as at December 31, 2017 and 2016
13. Borrowings and on-lending
a) Borrowings abroad

The borrowings abroad of the Bank and Operational Consolidated are comprised as follows:

	R\$ thousand			
	Bank		Operational consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Obligations with borrowings abroad (*)	593,971	526,999	593,971	526,999
Export credit facility	92,346	150,595	92,346	150,595
Import credit facility	4,030	10,818	4,030	10,818
Clean credit	143,137	-	-	-
	833,484	688,412	690,347	688,412
Current liabilities	493,134	439,785	349,997	439,785
Long-term payables	340,350	248,627	340,350	248,627
	833,484	688,412	690,347	688,412

(*) The amount of R\$ 593.971 thousand in December 31, 2017, classified as overseas borrowing, refers to a US Dollar fundraising transaction from the "International Finance Corporation" (IFC), from the World Bank, maturing in December 2019 and in December 2017, respectively.

IFC contracts require the maintenance of financial ratios (financial covenants). The financial ratios are calculated based on the accounting information, prepared in compliance with Brazilian legislation and BACEN standards. On December 31, 2017, the Banco BOCOM BBM complies with all financial ratios.

a) Domestic Onlending Obligations

Banco BOCOM BBM has operations of financing lines with funds from the Coffee Economy Defense Fund (Funcafé) for coffee growers, their cooperatives and agro-industries, for use in storage and acquisition of coffee and working capital.

	In R\$ thousand					
	12/31/2017					12/31/2016
	Within 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 12 months	Total
Funcafé - FAC			1,005	1,005		2,010
Funcafé - Working capital			509	509		1,018
Total			1,514	1,514		3,028

Notes to financial statements as at December 31, 2017 and 2016
14. Other receivables / Sundry

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Sundry				
Debtors Deposits on warranty	46,487	46,786	47,011	47,230
Taxes and contributions to offset	13,698	7,137	13,830	7,317
Sundry debtors – domestic	6,232	6,833	6,469	7,124
Receivables from related parties	15	450	-	24
Securities and credits receivable	964	2,006	964	2,006
Advances – Salaries and constructions	396	327	396	328
Sundry debtors – foreign	6,351	5,884	9,536	15,756
	74,143	69,423	78,206	79,785
Current	22,700	22,485	26,238	32,403
Long-term payables	51,443	46,938	51,968	47,382
	74,143	69,423	78,206	79,785

15. Other values and assets

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Other Values and Goods	38,283	14,370	38,283	14,370
Properties	37,334	12,726	37,334	12,726
Others	949	1,644	949	1,644
	38,283	14,370	38,283	14,370
Current (a)	38,283	13,541	38,283	13,541
Long-term payables	0	829	0	829
	38,283	14,370	38,283	14,370

(a) The amount of R \$ 38,283 thousand in December 2017, classified as Current Assets refers mainly to the execution of guarantee of real estate, registered in the BNDU according to independent appraisal report.

Notes to financial statements as at December 31, 2017 and 2016

16. Equity

(a) Capital - Banco BOCOM BBM S.A.

The capital is comprised of 282,201,085 registered shares with a par value of R\$1.60 each, divided into 188,626,652 common shares and 93,574,433 preferred shares. Each common share is entitled to one (1) vote in resolutions of the General Meeting. Preferred shares do not have voting rights.

(b) Legal reserve

This reserve is calculated at the rate of 5% of net income at each balance sheet, up to the limit determined by the Corporation Law of 20% of capital.

(c) Statutory reserve

In accordance with the articles of incorporation, this reserve represents the remaining balance of net income at each balance sheet date, after the legal allocations.

(d) Treasury stock

In August 2017, R\$ 1,833 thousand was reversed referring to the complementary price of the repurchased treasury stocks on March 28, 2011. In the agreement, the buyer Banco BOCOM BBM assumed the future obligation to pay the seller, over a period of 72 months from the date of signature, an amount calculated based on the revenue received from the recovery of a specific loan transaction, determined in this agreement. This obligation was extinguished in this period.

At December 31, 2017, Banco BOCOM BBM has 76,296,769 treasury shares in the amount of R\$ 181,839 thousand.

(e) Interest on equity (IOE)

According to article 9 of Law No. 9249/95 and its subsequent amendments, Banco BOCOM BBM S.A., at the end of the year 2017, declared interest on equity of R\$ 40,728 thousand, with the retention of withholding income tax of R\$ 6,109 thousand, calculated at the rate of 15%. This amount was determined based on the legal limits in force and classified in the official records as "Other operating expenses".

For the purposes of the publication of the income statement, as established by BACEN Circular No. 2739, the expense related to the payment of interest on equity capital was adjusted by a reclassification to retained earnings, and recognized in the statement of changes in equity as an allocation of income.

Interest on equity proposed at the end of the year 2017 reduced tax burden by R\$ 18,328 thousand (2016 - R\$ 19,726 thousand).

Notes to financial statements as at December 31, 2017 and 2016

16. Equity (Continued)

(f) Equity Valuation Adjustments

For the year ended December 31, 2017, the equity valuation adjustments are comprised of the adjustment to market of available-for-sale securities in the amount of R\$ 142 thousand (2016 - R\$ 218 thousand), of the variation of the instruments of cash flow hedge in the amount of (R\$ 1,491 thousand) (2016 - R\$ 2,736 thousand), of the variation of foreign investment hedging instruments in the amount of (R\$ 471 thousand) (2016 - R\$ 0), of the exchange variation of foreign investments in the amount of R\$ 465 thousand (2016 - R\$ 0), net of tax effects.

(g) Partial spin-off

The partial spin-off of Banco BOCOM BBM S.A. to Abaeté Administração de Bens Próprios S.A. was resolved at the Special General Meeting held on October 1, 2015 and approved by BACEN on March 10, 2016. Consequently, assets and equity of Banco BOCOM BBM S.A. decreased by R\$ 1,773 thousand, measured at the related book values.

(h) Dividends

In accordance with the Bank's articles of incorporation, the shareholders are entitled to mandatory minimum dividends of 25% of net income for the year, after specific allocations.

	In R\$ thousand	
	Prudential Consolidated	
	12/31/2017	12/31/2016
Net income - Banco BBM S.A.	43,355	32,750
(-) Statutory Reserve	(2,168)	(1,638)
Dividend calculation basis	41,187	31,113
Mandatory dividend (a)	25%	25%
	10,297	7,778
Interest on own capital (b)	40,728	43,836
Total	40,728	43,836

(a) Mandatory minimum dividends were approved as interest on equity.

(b) The dividends above of the mandatory dividends were approved by the shareholders and will be ratified at the Annual Shareholders' Meeting.

Notes to financial statements as at December 31, 2017 and 2016
17. Financial intermediation expenses and foreign exchange gains (losses)

	In R\$ thousand					
	Bank			Operational Consolidated		
	Second Half of 2017	12/31/2017	12/31/2016	Second Half of 2017	12/31/2017	12/31/2016
Open market funding						
Agriculture credit bills – expenses	(39,788)	(82,241)	(64,227)	(39,786)	(82,241)	(74,572)
Financial bills – expenses	(43,740)	(78,347)	(81,723)	(43,740)	(78,347)	(64,226)
Time deposits	(24,558)	(67,805)	(74,566)	(24,523)	(67,596)	(81,724)
Repurchase agreement	(17,843)	(38,985)	(44,735)	(17,843)	(38,985)	(44,735)
Securities abroad – expenses	(1,009)	(7,977)	(1,420)	(1,009)	(7,287)	(410)
Interbank deposits	(1,273)	(5,869)	(6,062)	(792)	(4,711)	(4,516)
Real estate credit bills– expenses	(1,894)	(3,911)	(5,257)	(1,895)	(3,912)	(5,257)
Credit Guarantee Fund	(1,328)	(2,591)	(1,669)	(1,328)	(2,591)	(1,669)
Deposits Previous Notice	(613)	(647)			(34)	(3)
Expenses with obligations related to linked loans granted			(113)			(113)
Structured operations certificates – expenses			(54)			(54)
Foreign exchange variation (a)	(513)	5,636	53,283	(513)	5,636	53,283
	(132,559)	(282,737)	(226,542)	(131,429)	(280,068)	(223,997)
Loans, assignments and onlending operations						
Loan expenses abroad	(19,795)	(31,620)	(25,417)	(19,638)	(31,462)	(25,417)
Foreign exchange variation (a)	(15,504)	(21,011)	108,064	(15,504)	(21,011)	108,064
Other expenses	(29)	(29)		(29)	(29)	
	(35,328)	(52,660)	82,647	(35,171)	(52,502)	82,647
Foreign exchange transactions						
Revenue from Advances on Exchange Contracts (ACC)	20,724	40,778	171,398	20,725	40,778	171,398
Foreign exchange variations and interest differences	(387)	16,938	(206,409)	(387)	16,938	(206,409)
Other expenses	(276)	(393)	(272)	(288)	(404)	(273)
	20,061	57,323	(35,283)	20,050	57,312	(35,283)

(a) This substantially represents effects of foreign exchange variation on loans raised by the Bank through its branch abroad, through transfer of funds raised in foreign currency.

Notes to financial statements as at December 31, 2017 and 2016

18. Service revenues

	In R\$ thousand					
	Bank			Operational Consolidated		
	Second Half of 2017	12/31/2017	12/31/2016	Second Half of 2017	12/31/2017	12/31/2016
Service Revenue						
Structuring Commission	6,417	8,704	2,015	7,829	10,116	2,015
Guarantees fees	6,282	9,867	4,215	6,281	9,866	4,215
Management and performance fees of investment funds	5,707	9,036	5,398	6,994	11,496	7,270
Other services (*)	5,223	12,469	5,894	4,884	11,819	5,246
Total	23,629	40,076	17,522	25,988	43,297	18,746

(*). mainly refers to bank fee income

19. Other administrative expenses

	In R\$ thousand					
	Bank			Operational Consolidated		
	Second Half of 2017	12/31/2017	12/31/2016	Second Half of 2017	12/31/2017	12/31/2016
Financial system services (a)	(3,904)	(6,195)	(2,966)	(4,007)	(6,426)	(3,127)
Third-party services	(2,942)	(5,948)	(2,508)	(3,133)	(6,316)	(2,785)
Rent	(1,862)	(3,744)	(4,436)	(2,241)	(4,339)	(4,780)
Data processing	(2,786)	(3,812)	(2,299)	(3,030)	(4,194)	(2,459)
Travel	(2,272)	(4,008)	(2,417)	(2,273)	(4,009)	(2,417)
Other administrative expenses	(2,188)	(3,429)	(6,026)	(2,278)	(3,601)	(6,537)
Registry	(1,684)	(3,549)	-	(1,684)	(3,549)	-
Communications	(906)	(2,833)	(2,047)	(929)	(2,899)	(2,065)
Specialized technical services	(1,285)	(2,413)	(6,152)	(1,295)	(2,434)	(6,224)
Amortization and depreciation	(725)	(1,726)	(1,578)	(726)	(1,729)	(1,579)
Condominium	(786)	(1,543)	-	(790)	(1,551)	-
Property maintenance and upkeep	(776)	(1,485)	(1,378)	(776)	(1,485)	(1,386)
Promotion/ Advertising/ Publications	(646)	(1,247)	(1,463)	(692)	(1,393)	(1,543)
Water, Energy, Gas	(425)	(845)	(851)	(425)	(845)	(851)
Fine expenses	(225)	(435)	(22)	(225)	(435)	(22)
Transportation	(124)	(130)	(370)	(124)	(130)	(370)
Material	(66)	(126)	(308)	(66)	(126)	(310)
Insurance expenses	-	(43)	(30)	-	(43)	(30)
Surveillance and security services	(13)	(24)	(22)	(13)	(24)	(22)
	(23,615)	(43,535)	(34,873)	(24,707)	(45,528)	(36,507)

(a) This includes brokerage expenses, charges and commission related to guarantee transactions and derivative financial instruments, amounting to R\$ 3,445 thousand in the at the end of the year 2017 (2016 – R\$ 871 thousand).

Notes to financial statements as at December 31, 2017 and 2016
20. Significant transactions with related parties

	Em R\$ Mil			
	Bank		Operational consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Assets				
Short-term interbank investments				
Investments in foreign currencies	153,962	132,731		
BBM Bank Limited	153,962	132,731		
Other receivables	3,445	782	8,445	78
BACOR CCVM S.A.	15	704		
BBM Administração de Recursos DTVM S.A.		23		23
Bahia Fund	207	55	207	55
The Southern Atlantic Investments Ltd	3,222		8,238	
Derivative financial instruments	208		1,064	
The Southern Atlantic Investments Ltd	208		1,064	
Liabilities				
Demand deposits	7,996	3,107	155,831	5,328
Évora S.A.	13	10	13	10
BBM Bank Limited	3,599	53		
BACOR CCVM S.A.		153		
BBM Administração de Recursos DTVM S.A.		155		155
The Southern Atlantic Investments Ltd			13,149	1,525
Bahia Fund			138,285	901
Bocom Brazil Holding Company Ltda	4,014	2,251	4,014	2,251
Other related individuals/legal entities	370	485	370	486
Interbank deposits	10,125	18,154	5,694	5,562
BACOR CCVM S.A.	4,431	12,593		
BBM Administração de Recursos DTVM S.A.	5,694	5,562	5,694	5,562
Time deposits	567,279	214,010	567,279	328,062
Évora S.A.	3,130	2,852	3,130	2,852
Bank of Communications Co., Ltd	431,857	32,761	431,857	32,761
Bahia Fund	132,292		132,292	94,500
The Southern Atlantic Investments Ltd				19,552
Other related individuals/legal entities		178,398		178,398
Repo operations - Debentures	32,122	12,935	32,122	12,935
Other related individuals/legal entities	32,122	12,935	32,122	12,935
Financial Bills		4,672		4,672
Other related individuals/legal entities		4,672		4,672
Agribusiness credit bills	294,651	273,480	294,651	273,480
Other related individuals/legal entities	294,651	273,480	294,651	273,480
Real estate credit notes	30,417	28,475	30,417	28,475
Other related individuals/legal entities	30,417	28,475	30,417	28,475
Liabilities on Marketable Securities abroad	167,708	261,292	44	160
The Southern Atlantic Investments Ltd	167,708	261,292	44	160
Liabilities on Loans abroad	340,350	195,507	340,350	195,507
Bank of Communications Co., Ltd	340,350	195,507	340,350	195,507
Derivative financial instruments	5,689	1,019	5,689	1,706
BBM Bank Limited		1,019		
The Southern Atlantic Investments Ltd				1,706
Bahia Fund	5,689		5,689	
Dividends and bonuses payable	17,484	3,255	17,484	3,255
Interest on Equity (IOE) credited to shareholders	17,484	3,255	17,484	3,255
Social and statutory	10,175	5,814	10,175	5,814
Bonus payable to managers	10,175	5,814	10,175	5,814
Sundry				15,198
The Southern Atlantic Investments Ltd				15,198

Notes to financial statements as at December 31, 2017 and 2016

19. Significant transactions with related parties (Continued)

	Em R\$ Mil					
	Bank			Operational consolidated		
	Second half of 2017	12/31/2017	12/31/2016	Second half of 2017	12/31/2017	12/31/2016
P&L						
Income (loss) from derivative financial instrun	(783)	(739)	(13,002)	(12,697)	(6,044)	(78,263)
The Southern Atlantic Investments Ltd	4,750	4,750		(10,160)	(4,927)	(78,250)
BBM Bank Limited			(13,082)			
Bahia Fund	(5,532)	(5,489)	79	(2,536)	(1,117)	(13)
Income from investment funds			4,787			4,787
Fundo Imobiliário Estrutura II - FII			4,787			4,787
Open market funding	(23,240)	(37,615)	30,793	(22,967)	(36,673)	33,347
Securities abroad – expenses	(1,732)	(2,729)	83,026	(1,732)	(2,729)	84,035
The Southern Atlantic Investments Ltd	(1,521)	(2,341)	51,864	(1,521)	(2,341)	52,873
BBM Nassau Branch	(211)	(389)	31,162	(211)	(389)	31,162
Repo operations - Debentures expenses	(521)	(738)		(521)	(738)	
Other related individuals/legal entities	(521)	(738)		(521)	(738)	
Interbank deposit expenses	(407)	(1,360)	(2,251)	(134)	(418)	(706)
BACOR CCVM S.A.	(273)	(942)	(1,545)			
BBM Administração de Recursos DTVM S.A.	(134)	(418)	(706)	(134)	(418)	(706)
Expenses with term deposits	(7,182)	(7,420)	(8,686)	(7,182)	(7,420)	(8,686)
Ravenala S.A.			(487)			(487)
Évora S.A.	(120)	(278)	(5,632)	(120)	(278)	(5,632)
Bank of Communications Co., Ltd.	(1,929)	(2,009)	(176)	(1,929)	(2,009)	(176)
Bahia Fund	(5,133)	(5,133)		(5,133)	(5,133)	
Other related individuals/legal entities			(2,391)			(2,391)
Financial bill expenses		(82)	(6,017)		(82)	(6,017)
Other related individuals/legal entities		(82)	(6,017)		(82)	(6,017)
Agriculture credit bill expenses	(12,121)	(22,823)	(31,068)	(12,121)	(22,823)	(31,068)
Other related individuals/legal entities	(12,121)	(22,823)	(31,068)	(12,121)	(22,823)	(31,068)
Real estate credit bill expenses	(1,277)	(2,463)	(4,211)	(1,277)	(2,463)	(4,211)
Other related individuals/legal entities	(1,277)	(2,463)	(4,211)	(1,277)	(2,463)	(4,211)
Other administrative expenses	(32)	(63)	(67)			
Service rendering	(32)	(63)	(67)			
BBM Bank Limited	(32)	(63)	(67)			
Other operating income	473	933	1,113	109	207	356
BBM Bank Limited	289	576	620			
BBM Administração de Recursos DTVM S.A.			300			300
BACOR CCVM S.A.	75	150	138			
Bahia Fund	109	207	56	109	207	56
Marketable securities revenue abroad		91	672			
Expenses with loans abroad	(24,914)	(27,963)	6,944	(24,914)	(27,963)	6,944
Bank of Communications Co., Ltd.	(24,914)	(27,963)	6,944	(24,914)	(27,963)	6,944
Expenses with banks abroad	(1,252)	(1,252)	(16)	(1,252)	(1,252)	127
BBM Bank Limited	(1,175)	(1,175)	(16)	(1,175)	(1,175)	16
BBM Nassau Branch	(77)	(77)		(77)	(77)	111
Key management personnel compensation	(5,271)	(9,677)	(4,081)	(5,271)	(9,677)	(4,081)
Expenses with dividends and bonuses payabl	(20,570)	(40,728)	(43,836)	(20,570)	(40,728)	(43,836)
Interest on Equity (IOE) credited to shareholde	(20,570)	(40,728)	(43,836)	(20,570)	(40,728)	(43,836)
Total	(75,589)	(117,014)	(16,693)	(112,476)	(150,093)	(80,619)

Transactions between related parties were carried out at the average rates practiced by the market, effective on the dates of operations.

Notes to financial statements as at December 31, 2017 and 2016

21. Derivative financial instruments

The Bank and the other Operational Consolidated institutions participate in operations involving derivative financial instruments to meet own and customer needs.

Derivative financial instruments are classified according to management's intent at the inception of the operation, taking into consideration whether or not the purpose is to hedge risks.

In accordance with BACEN Circular No. 3082/02, derivative financial instruments designated to offset, in whole or in part, exposure to risks from assets, liabilities, commitments or projected future transactions (hedged item) are classified as hedge instruments, according to their nature, provided they are considered effective in reducing the risk associated with exposure of the hedged item.

These transactions are traded, recorded or held in custody at BM&F Bovespa S.A. or CETIP S.A. - Organized Markets. In the Operational Consolidated statements, international derivative transactions are traded and registered in the OTC market, on the Chicago Board of Trade (CBOT) or on the Chicago Mercantile Exchange (CME).

The criteria used to calculate the market value of operations with derivative financial instruments are:

- Futures: value of daily adjustment of the operation;
- Swap and term operations: cash flow is estimated for each part discounted at present value, according to the corresponding interest rate curves, obtained based on BM&F prices or prices of the underlying assets;
- Options: average trading price on the calculation date or, when not available, the price calculated based on pricing models, such as Black & Scholes.

As of December 31, 2017, the guarantees for the transactions involving derivative financial instruments are represented mainly by government securities in the total amount of R\$ 166,400 thousand (2016 - R\$ 233,017 thousand) and quotas of funds in the total amount of R\$ 9,000 thousand (2016 - R \$ 0).

Notes to financial statements as at December 31, 2017 and 2016

a.) Recorded in memorandum and equity accounts

The commitments assumed arising from these financial instruments, recorded in clearing accounts, as of December 31, 2017, maturing until January 2023 (December 31, 2016 – maturing until October 2020), can be demonstrated as follows.

	In R\$ thousand											
	Bank					Operational Consolidated						
	12/31/2017					12/31/2016	12/31/2017					12/31/2016
	Within 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total	Total	Within 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total	Total
Future market												
Long position												
Foreign exchange rate	447,120	9,826	1,620	631,994	1,090,560	4,878	447,120	9,826	1,620	631,994	1090,560	4,878
Interest rate	4,498	47,221	36,302	170,884	258,905	8	4,498	47,221	36,302	170,884	258,905	8
Foreign currency	306,701				306,701	2,952	306,701				306,701	2,952
CPI				16,880	16,880					16,880	16,880	
Short position												
Foreign exchange rate		29,531	261,426	175,852	466,809	1,526		29,531	261,426	175,852	466,809	1,526
Interest rate	49,899		63,817	6,840	120,557	178	49,899		63,817	6,841	120,557	174
Foreign currency	240,792				240,792	835	240,792				240,792	835
CPI			51,060	346,975	398,035				51,060	346,975	398,035	
NDF												
Asset position												
Currency	971	692	1,157	5,116	7,936	33,304	1,721	692	1,157	5,117	8,687	34,640
Liability position												
Currency	576	178			754	32,189	665	178			843	32,876
Swaps												
Asset position												
Currency												
Interest rate	825	709	166	4,320	6,020	744,444	825	709	166	4,320	6,020	744,444
Liability position												
Currency												
Interest rate	1,066	217	1,262	12,839	15,384	735,060	1,066	217	1,262	12,839	15,384	735,060
Option market												
Asset position												
Currency						110						110

Notes to financial statements as at December 31, 2017 and 2016

b.) By cost and market value

In R\$ thousand							
Bank							
12/31/2017						12/31/2016	
Cost	Market	Within 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total	
Future market							
Long position	1,673,046	758,318	57,047	37,922	819,758	7,837	
Short position	1,226,193	290,691	29,531	376,303	529,668	2,539	
Swaps							
Asset position	544	6,020	825	709	166	4,320	744,444
Liability position	10,742	15,384	1,066	217	1,262	12,839	735,060
NDF							
Asset position	7,392	7,936	971	692	1,157	5,116	33,304
Liability position	998	754	576	178			32,189
Option market							
Asset position							110
Liability position							

In R\$ thousand							
Operational Consolidated							
12/31/2017						12/31/2016	
Cost	Market	Within 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total	
Future market							
Long position	1,673,046	758,318	57,047	37,922	819,758	7,837	
Short position	1,226,193	290,691	29,531	376,303	529,668	2,539	
Swaps							
Asset position	544	6,020	825	709	166	4,320	744,444
Liability position	10,742	15,384	1,066	217	1,262	12,839	735,060
NDF							
Asset position	8,143	8,687	1,721	692	1,157	5,117	34,640
Liability position	1,087	843	665	178			32,876
Option market							
Asset position							110
Liability position							

Notes to financial statements as at December 31, 2017 and 2016

c.) Notional value by counterparty

In R\$ thousand							
Bank							
12/31/2017							
Financial institutions	Related parties	Legal entities	Stock Market	Institutional customers	Individuals	Total	12/31/2016
Future market							
			1,673,046			1,673,046	7,837
			1,226,193			1,226,193	2,539
Swaps							
	131	798	5,091			6,020	744,444
		6,487	8,897			15,384	735,060
NDF							
		314	746	6,819	57	7,936	33,303
	317		436	1		754	32,189
Option market							
							110

In R\$ thousand							
Operational consolidated							
12/31/2017							
Financial institutions	Related parties	Legal entities	Stock Market	Institutional customers	Individuals	Total	12/31/2016
Future market							
			1,673,046			1,673,046	7,837
			1,226,193			1,226,193	2,539
Swaps							
	131	798	5,091			6,020	744,444
		6,487	8,897			15,384	735,060
NDF							
		1,064	746	6,820	57	8,687	34,640
	406			1		843	32,876
Option market							
							110

Notes to financial statements as at December 31, 2017 and 2016

21. Derivative financial instruments (Continued)

The futures market includes the following positions maturing on the first business day of the subsequent month:

- Contracts purchased of foreign exchange coupon (DDI) in the amount of R\$ 180,356 thousand (December 31, 2016 - contracts purchased of foreign exchange coupon (DDI) in the amount of R\$ 320 thousand);
- Contracts purchased of interest (DI1) in the amount of R\$ 4,498 thousand; (without position as of December 31, 2016);
- Contracts sold of interest (DI1) in the amount of R\$ 39,979 thousand; (without position as of December 31, 2016).
- Contracts bought of currency (DOL) in the amount of R \$ 1,654 thousand; (December 31, 2016 - contracts purchased of currency (DOL) in the amount of R \$ 335 thousand);
- Contracts sold of currency (DOL) in the amount of R \$ 182,767 thousand (December 31, 2016 - contracts sold of currency (DOL) in the amount of R \$ 386 thousand);

Net gains (losses) on derivative financial instruments are as follows:

	In R\$ thousand					
	Bank			Consolidado Operacional		
	Second half of 2017	12/31/2017	12/31/2016	Second half of 2017	12/31/2017	12/31/2016
Futures contracts	1,856,211	1,837,432	(173,122)	1,856,248	1,837,469	(173,122)
Option contracts	(1,852,536)	(1,852,996)	(1,028)	(1,852,536)	(1,852,996)	(1,028)
Swap and term agreements	5,300	5,355	42,552	9,994	13,782	47,563
Total	8,976	(10,208)	(131,598)	13,706	(1,745)	(126,587)

d.) Hedge accounting

Fair Value hedge (I)

At September 30, 2014, Banco BOCOM BBM took out a loan for the purpose of long-term funding, to be used in operations with agribusiness customers, and such operation was structured with three counterparties, one of which is responsible for 50% of the cash provided, while the other two are responsible for 25% each, maturing in 2019 (50% and 25%) and 2017 (the remaining 25%), in the amount of US\$100,000 thousand, subject to fixed half-yearly interest at six-month LIBOR, plus 2.70% p.a., and six-month LIBOR, plus 2.40% p.a., respectively. In addition to half-yearly payments, commission of 1% on the total notional amount is required, plus fee of US\$35 thousand per year.

Under such loan, BBM was given the option of disbursement until March 2016 and, according to the structure of the operation, it opted for the first withdrawal of US\$10,000 thousand on December 30, 2014 and the second of US\$90,000 thousand on August 18, 2015. To date, Banco BOCOM BBM contracted cash flow hedge in order to hedge against risks arising from exposure to fixed interest rate and future cash flows. As such, a swap was carried out, whereby the operation's fixed rate is received and a floating rate is paid, both on the main operation in dollars. Accordingly, the cash flow in US dollars is fixed. To index such flow to the CDI, a series of foreign exchange coupon operations with BMF were conducted, according to maturities and exposures of the contracts, all vertices of which were designated as hedge. Disbursements were made in US dollars, and upon entry of cash into Brazil, market risk hedge was contracted with designation of derivative financial instruments for full protection, considering the risk of currency exposure and foreign funding market conditions. To balance the effects of mark-to-market of derivative financial instruments designated as hedge instruments, the amount of the hedged principal, plus applicable interest, is stated at fair value and also marked to market.

In view of the matching of flows of hedged items and results of derivatives intended to hedge, the effectiveness of the operation has remained close to 101.07% (98.86% at December 31, 2016).

Notes to financial statements as at December 31, 2017 and 2016

21. Derivative financial instruments (Continued)

Fair Value hedge (II)

During the third quarter of 2017, Banco BOCOM BBM signed loan contracts in US Dollars with the Bank of Communications Shanghai Branch that provides funding. On September 6, 2017, the amount is USD 35,000 thousand with pre-fixed annual interest payment of 2.05%. On September 11, 2017, the amount is USD 35,000 thousand with pre-fixed annual interest payment of 2.05%, and on September 18, 2017, the amount is USD 30,000 thousand with annual pre-fixed interest payment of 2.06%.

In order to index these flows to the CDI, a series of foreign exchange coupon transactions were performed with BMF, according to the maturities and exposures of the FRC agreements available and the maturities of operations. The cash outlays were in US Dollars and, upon cash receipt, a market risk hedge was taken out, designating derivative financial instruments, constituted by DDI and DOL contracts, for total hedge purposes, considering the foreign exchange exposure risk as well as the interest rates. With a view to equalizing the effects from mark-to-market of derivative financial instruments designated as hedges, the amount of hedge principal, plus interest due, is stated at fair value and also marked to market.

Because of the match between the hedge object flows and the hedge derivative results, the effectiveness of this transaction remained close to 80.35%.

Fair Value hedge (III)

In June 2017, Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of DI1 and DAP contracts, with the objective of indexing to the CDI part of its funding portfolio indexed to the IPCA. In order to equalize the mark-to-market effects of derivative financial instruments designated as protection, the value of the loan portfolio indexed to the IPCA is shown at fair value and also marked to market.

Since the hedge object flows and hedge derivative results were matched, the effectiveness of the transaction remained close to 118.03%.

Hedge of Loan Operations

In August 2017 Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of Euro Dollar (ED) Futures contracts, in order to protect fluctuations in short-term US dollar interest rates. In order to equalize the mark-to-market effects of derivative financial instruments designated as hedging, the amount of USD 29,761 thousand of the credit operation released in August 2017 by Banco BOCOM BBM SA Nassau Branch, with pre-fixed interest rate of 4.28% aa is shown at fair value and also marked to market.

Since the hedge object flows and hedge derivative results were matched, the effectiveness of the operation remained close to 97.44%.

Investment Abroad Hedge

In September 2016, the CMN issued Resolution No. 4,524, establishing the criteria for recording operations with financial instruments contracted for the purpose of mitigating the risks associated with the foreign exchange exposure on investments abroad.

In January 2017, Banco BOCOM BBM designated a portfolio of derivative financial instruments consisting of DI1 and DOL contracts, with the purpose of hedging the foreign currency risk of its investment in the amount of U\$ 5,000 thousand, which is consolidated in Prudential Conglomerate.

Since the hedge object flows and hedge derivatives results are matched, the effectiveness of the transaction remained close to 100%.

Notes to financial statements as at December 31, 2017 and 2016

22. Risk management

Market risk

Banco BOCOM BBM was a pioneer in quantifying market risk in Brazil, and developed a proprietary system in 1997, which became a benchmark for the industry. The market risk management structure comprises the following agents and their related functions: a) the Executive Board, responsible for reviewing risk management policies and submitting them for approval by the Board of Directors at least annually; b) Board of Directors, which approves the risk policies at least annually; c) Market Risk area, subordinated to the Risk Officer, is responsible for identifying, measuring, monitoring and reporting online to the Executive Board the Bank's market risk, ensuring compliance with the market risk management policy, as well as guaranteeing that operational limits are observed; d) the Price department, which among other duties, is responsible for defining the price models and sources used in mark-to-market adjustments of traded products, independently from management areas; e) Internal Audit, which is responsible for ensuring the adequacy of procedures and the consistency between market risk management policies and the structure actually implemented.

BBM'S market risk is monitored through daily calculations of the Value at Risk (VaR), a statistical tool that measures the institution's maximum potential loss at a given confidence level over a given investment horizon. A VaR limit is established, which may be allocated by the Chief Treasury Officer, among the various risk factors. The VaR calculation model is submitted to periodical backtesting. Additionally, scenarios are analyzed on a daily basis, defined quarterly by the Risk Committee, independently from the management areas. A full description of the Bank's market risk management structure is available on Banco BOCOM BBM's website (www.bocombbm.com.br).

*VaR = Maximum potential risk, given the level of reliability and the investment horizon. For Banco BOCOM BBM, the limit is established based on a 95% probability of the Bank losing a maximum of 2% of equity in 1 day.

Liquidity risk

Banco BOCOM BBM's liquidity target is to ensure that at any given time the Bank has sufficient cash to meet all its liabilities and the other commitments. It is the responsibility of the Liquidity Risk area to monitor whether there is a sufficient free cash position to guarantee the continuity of the bank's operations in a severe stress scenario, following the limits and guidelines defined by the Risk Committee and approved by the Board of Directors.

Liquidity risk is managed based on cash flow forecasts, considering different scenarios for funding, loan and treasury operations. These cash flow analyses take into consideration: (a) the implicit risk of each client, (b) adventitious additional cash for compulsory deposits, (c) derivative adjustments; and (d) other existing obligations. The general principle is that of ensuring that the Bank's commitments are aligned with its equity and the current policies for fundraising, credit and treasury.

Banco BOCOM BBM has a liquidity risk management structure made up of the following agents, with their respective functions: a) the liquidity risk area, subordinated to the Risk Director, responsible for centralizing and measuring the information referring to liquidity risk management, ensuring that operational limits are observed and disclose reports to support decision making on liquidity risk; and b) Internal Audit, responsible for ensuring the adequacy of the procedures and the consistency between the liquidity risk management policies and the structure effectively implemented. A full description of the Bank's liquidity risk management structure is available on Banco BOCOM BBM's website (www.bocombbm.com.br).

Notes to financial statements as at December 31, 2017 and 2016

22. Risk management (Continued)

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Current assets	2,349,461	2,501,286	2,373,140	2,536,491
Current liabilities	(2,749,655)	(2,407,597)	(2,696,600)	(2,526,999)
Working capital, net	(400,194)	93,689	(323,460)	9,492
Securities available for sale presented in long-term receivables	710,286	430,926	710,286	430,926
	310,093	524,615	386,827	440,418

Credit risk

Banco BOCOM BBM has a credit risk management structure that comprises the following agents and their related functions: a) Credit Committee, responsible for defining credit limits of the economic groups and for monitoring and evaluating the consolidated portfolio position, its concentration and risk level. It is also responsible for establishing the term for resolving cases of default on loans, or loans for which the guarantees have somewhat deteriorated, and deciding on whether or not to start judicial collection, as applicable; b) Board of Directors, responsible for approving the risk policies, at least once a year; c) Credit risk area, subordinated to the Control Officer, is responsible for centralizing and evaluating information related to individual credit risk management, by operation and consolidated, ensuring that operating limits are complied with, in addition to disclosing reports facilitating decision making related to credit limits approved by the Credit Committee. The Risk area is also responsible for previously assessing new operation modalities related to credit risk; d) Credit Analysis area, responsible for assessing credit risk of economic groups with which the Bank maintains or intends to maintain credit relationships; e) Internal Audit, which carries out periodic audit at the business units and in the Credit processes of the Group; f) Legal Department, responsible for analyzing the contracts entered into by BBM and its customers, as well as coordinating measures to recover credits or protect BBM rights and g) Contracts Department, responsible for checking adherence of operations to the parameters established in the Credit Limit Proposal ("PLC"), as well as adequate constitution of guarantees. It must also issue the contracts to be signed between Banco BOCOM BBM and the client. A full description of the credit risk management structure is available on Banco BOCOM BBM's website (www.bocombbm.com.br).

Operational risk

Banco BOCOM BBM has an operational risk management structure based on the best market practices and in compliance with regulatory requirements in force. The structure is documented in the "Operational Risk Management Policy", which describes the methodology, management process, roles and responsibilities, categories, information storage and documentation procedures, and also the disclosure process in order to ensure the transparency of management activities.

The Operational Risk Department is an independent organizational unit segregated from the internal audit department, subordinated to the Risk and Internal Control Officer. This area is responsible for operating together with the other components of the operational risk structure to ensure compliance with the Policy above. A full description of the operational risk management structure is available on Banco BOCOM BBM's website (www.bocombbm.com.br).

Notes to financial statements as at December 31, 2017 and 2016

22. Risk management (Continued)

Capital management

Banco BOCOM BBM manages its capital through a structure composed of the following bodies: Board of Directors, Executive Board, Internal Control, Capital and Risk Board, Treasury Board, Fund Raising Board, Back Office, Business Units and Audit Board. The Board of Directors is the highest body within this structure, in charge of monitoring the capital adequacy. The Executive Board must review the documents to be submitted to the Board of Directors, as well as approving the methodologies to be used for the management and monitoring of the capital adequacy. Capital management and centralization is the responsibility of the Capital and Risk Board, which must continuously work to improve and oversee the institution's compliance with the capital management policy and its capital plan. The Treasury and Fundraising Boards are incumbent upon the planning of equity instrument issues, if necessary. The capital management department periodically generates reports on the capital adequacy, which are sent to the Executive Board and the Board of Directors.

These reports comprise simulations of severe events and extreme market conditions. The Business Units must provide all information that the Internal Control, Capital and Risk Board deems necessary for effective capital management. The Audit department is responsible for evaluating, from time to time, the effectiveness of the capital management process. The description of the capital management structure is available on Banco BOCOM BBM's website (www.bocombbm.com.br).

23. Operating limits

In October 2013, the new rules related to capital measurement became effective. Financial institutions and similar entities are required to maintain minimum equity of 9.25% of their assets weighted based on their levels of risk of exposure to gold, foreign currencies and operations subject to operating risk and changes in: foreign exchange, interest rates, prices of commodities and stocks classified as "held for trading", according to the BACEN rules and instructions. The Operational Consolidate of Banco BOCOM BBM is within this operational limit on December 31, 2017.

	In R\$ thousand	
	Operational Consolidated	
	12/31/2017	12/31/2016
Base Capital (PR) - Tier I	559,804	557,081
Adjusted Equity (*)	576,411	576,313
Decrease in intangible / deferred assets according to CMN Resolution No. 4192	16,606	19,232
Base Capital (PR)	559,804	557,081
Risk-Weighted Assets (RWA)	322,429	258,268
Portion referring to:		
Credit risk (RWACPAD)	283,835	207,360
Foreign exchange risk (PCAM)	968	2,185
Interest rate risk (RWAMPAD)	14,055	27,316
Operating Risk (RWAOPAD)	23,571	21,408
Margin or Insufficiency Value (PR - RWA)	237,375	298,813
Risk Factor – 9.25% of PR	51,782	55,012
Basel Rate (Risk Factor / RWA)	16.06%	21.30%
RBAN	72,470	2,103
ACP Required	87,143	32,692
Reference Equity Margin + RBAN	77,762	264,018

(*) Does not consider losses of equity valuation adjustments of cash flow hedge.

Notes to financial statements as at December 31, 2017 and 2016

24. Income and social contribution taxes

The changes in tax credits and in the provision for deferred taxes on temporary differences can be shown as follows:

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Tax credit asset:				
Balance at January 1	76,531	68,376	78,076	69,816
Set up (Reversion)				
- With impacts on P&L	(2,154)	10,018	(1,026)	10,121
- With impacts on equity (Securities available for sale)	(1,014)	(1,862)	(1,014)	(1,862)
Balance at December 31	73,363	76,531	76,036	78,076
Provision for deferred taxes:				
Balance at January	11,454	10,163	11,456	10,164
Set up (Reversion)				
- With impacts on P&L	970	2,184	1,002	2,185
- With impacts on equity (Securities available for sale)	(85)	(893)	(87)	(893)
Balance at December 31	12,339	11,454	12,371	11,456

Notes to financial statements as at December 31, 2017 and 2016

24. Income and social contribution taxes (Continued)

The breakdown of the tax credits and the provision for deferred taxes can be demonstrated as follows:

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Tax credit asset:				
Temporary differences (a)				
- Allowance for loan losses	42,550	34,540	42,550	34,540
- Market value adjustment - marketable securities and derivatives	7,442	5,843	7,442	5,843
- Provision for contingencies (Note 24a)	3,334	2,865	3,334	2,865
- PIS / COFINS (Note 24b)			127	1,401
- Others	4,846	2,544	4,846	2,688
Social contribution tax losses	5,059	16,198	6,013	16,198
Income tax tax loss	10,132	14,541	11,723	14,541
Total	73,363	76,531	76,036	78,076
Provision for deferred taxes:				
Temporary differences				
- Market value adjustment - marketable securities and derivatives	116	201	116	203
- Others	12,222	11,253	12,257	11,253
Total	12,338	11,454	12,371	11,456

(a) It is expected that the realization of these tax credits will occur until the end of the year 2018 for Social Contribution, with present value of R \$ 25 Million and will occur until the year 2022 for Income Tax, with present value of R \$ 28 million. The Social Contribution on tax credits was calculated considering the new current tax rate.

In December 2017, in view of the accounting impact of the participation in the instalment program regulated by Law 12,865, dated October 9, 2013, and by the Joint Ordinance PGNF / RFB nº 8, dated October 18, 2013, Banco BOCOM BBM, as assignor, entered into a tax credit assignment agreement with the assignee Bacor Corretora de Cambio e Valores Mobiliários SA. The Banco BOCOM BBM's tax credit results from tax loss and negative basis of CSLL that were regularly constituted as a result of its tax assessment of especially the calendar year 2013. With the Provisional Measure nº 783, dated May 31, 2017 and RFB Normative Instruction No. 1,711, dated June 16, 2017, which instituted the Special Program for Tax Regularization (PERT), the assignee (Bacor) joined in the PERT for the settlement of tax debts using the CSLL negative basis.

Notes to financial statements as at December 31, 2017 and 2016

24. Income and social contribution taxes (Continued)

The reconciliation of tax expense calculated at the statutory rates and the income and social contribution tax expense recorded is as follows:

	In R\$ thousand			
	12/31/2017		12/31/2016	
	IRPJ	CSLL	IRPJ	CSLL
Income before income and social contribution taxes	12,831	12,831	(16,325)	(16,325)
Bank's net income	43,355	43,355	32,750	32,750
(-) Interest on equity	(40,728)	(40,728)	(43,836)	(43,836)
(-/+) Income and social contribution taxes	10,204	10,204	(5,239)	(5,239)
Tax rate	25%	20%	25%	20%
Income and social contributions taxes				
At statutory rate	(3,208)	(2,566)	4,081	3,265
Permanent additions	53,617	43,940	38,521	34,424
Non-deductible expenses	10,391	714	4,942	845
Addition to income abroad	43,227	43,227	33,579	33,579
Permanent exclusions	38,544	38,544	29,881	29,881
Tax-free income	32	32	13	13
Equity Pick up	38,511	38,511	29,869	29,869
Temporary additions/exclusions	30,880	33,326	21,348	21,100
Tax base	58,785	51,554	13,663	9,318
Income and social contribution tax losses	(17,635)	(15,466)	(4,099)	(2,795)
Tax base - loss	41,149	36,088	9,564	6,523
Income and social contribution taxes (a)	(10,263)	(7,218)	(2,367)	(1,305)
Use of tax incentives and taxes from subsidiaries abroad	663		416	
Income and social contribution taxes on P&L for the period	(9,600)	(7,218)	(1,950)	(1,305)
Adjustment DIPJ	-	-	661	-
Deferred tax liabilities	(1,192)	223	(1,214)	(971)
Income and social contribution taxes on P&L for the year – Banco Bocom BBM	(10,792)	(6,995)	(2,503)	(2,276)
Income and social contribution taxes other institutions of Operational Consolidated	(20)	(12)	(374)	(318)
Income and social contribution taxes in P&L for the year – Operational Consolidated	(10,812)	(7,007)	(2,877)	(2,594)

- (a) In May 2015, the Provisional Measure No. 675 was amended, changing the rate of Social Contribution on Net Income (CSLL) for financial institutions from 15% to 20%. This rate increase went into effect, according to the Provisional Measure, as of September 2015 and will remain in force until December 2018.

Notes to financial statements as at December 31, 2017 and 2016

25. Provisions and liabilities for legal obligations

The Bank and Banco BOCOM BBM Financial Group are parties to legal and administrative proceedings arising from the ordinary course of business, involving tax, labor, civil and other issues.

a) Breakdown of provisions

Based on the information from its legal advisors, the analysis of the outstanding legal claims, and based on its previous experience regarding the amounts claimed in labor claims, the management recorded provisions for amounts considered sufficient to cover estimated losses with the current lawsuits as follows:

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Labor	7,109	6,367	7,109	6,367
Civil	464		464	
Total - Provisions for contingencies	7,573	6,367	7,573	6,367

These provisions are registered as "Other Liabilities - Sundry" under noncurrent liabilities. During the year ended December 31, 2017, a conversion in the amount of R \$ 1,538 thousand was made and a constitution in the amount of R \$ 2,280 thousand of provisions for contingencies in the Prudential Conglomerate was made.

b) Liabilities for legal obligations (*)

Since April 2007, based on a preliminary injunction obtained, Banco BOCOM BBM S.A. and BACOR Corretora de Valores Mobiliários S.A. started to collect PIS and COFINS only on service revenue, claiming the unconstitutionality of the law that increased the PIS and COFINS tax calculation basis, consequently, recording a liability as "Other Liabilities - Sundry" under noncurrent liabilities for the remaining balances until the final decision, as follows:

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
PIS e COFINS				3,114
Total - Liabilities for legal obligations (*)				3,114

(*) In August 2017, the PIS and COFINS liabilities, arising from the discussion of the aforementioned calculation basis, was settled due to the participation in the Special Tax Regularization Program (PERT), which is established by Provisional Measure No. 783/2017 and provides settlement by payment and instalment payment of its tax and social security obligations to the Federal Revenue Service (SRF). Resulting in a reversal in the amount of R \$ 1,244 thousand. On October 24, 2017 MP no. 783/17 was converted into Law no. 13496/17 with changes, however, without impact on the Prudential Conglomerate.

c) BM&F and Bovespa demutualization

In December 2013, Banco BOCOM BBM and BACOR Corretora de Câmbio e Valores Mobiliários S.A. joined the program of payment or instalment payment of debts before the Federal Revenue Secretariat (SRF), the General Attorney of the National Treasury (PGFN) and the National Institute of Social Security (INSS) instituted by Law n. 11.941 / 2009, reopened with the amendments issued by Law No. 12,865 / 2013 ("REFIS"), in order to settle debts discussed in administrative proceedings and tax executions, benefiting from reduction of fine and interest, referring to the notifications issued by the Federal Revenue Service (Receita Federal) of Brazil in December 2011, with the object of: (i) the IRPJ and CSLL taxation of the reserve for updating the equity securities of BM&F and Bovespa, due to the demutualization of aforementioned entities and (ii) the PIS and COFINS taxation of the capital gain on the sale of aforementioned securities. It should be noted that only Banco BOCOM BBM joined the program for the purposes of PIS and COFINS taxation, remaining in discussion for BACOR Corretora de Câmbio and Valores Mobiliários S.A.

In August 2017, BACOR Corretora de Valores Mobiliários SA joined the Special Tax Regularization Program (PERT), in order to settle debts discussed in administrative proceedings and tax executions, related to PIS and COFINS, of the demutualization of BM&F and Bovespa, resulting in a provision of R\$ 6,783 thousand.

Notes to financial statements as at December 31, 2017 and 2016

25. Provisions and liabilities for legal obligations (Continued)

d) Others

On December 12, 2016 Banco BOCOM BBM was quoted by CADE in an administrative proceeding that investigates alleged practice of anticompetitive conduct in the onshore foreign exchange market between 2008 and 2012. Banco BOCOM BBM, together with its legal advisors, is in process of elaborating their defense arguments.

26. Provision for Financial Guarantees

Provisions to cover losses associated with the financial guarantees provided are based on the analysis of operations according to the type of obligation provided, on the past experience, future expectations and on the management's risk assessment policy. They are reviewed periodically, as established by CMN Resolution 4,512 / 2016.

	In R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Guarantee				
Linked to international trade	301		301	
Linked to government	146,885		146,885	
Linked to legal claims	165,267		165,267	
Other	94,067	195,095	53,272	142,478
Total	406,520	195,095	365,725	142,478
Movimentação da Provisão para Garantias Financeiras Prestadas				
Beginning Balance	14,611	1,041	14,611	1,041
Addition	3,700	55,533	3,700	55,533
Reversion (*)	(17,773)	(41,963)	(17,773)	(41,963)
Ending Balance	538	14,611	538	14,611

(*) corresponds to the reclassification of Provision for external loan operations, transferred to the provision group for loan operations.

27. Other information

(a) Compensation agreement and settlement of obligations

Banco BOCOM BBM has an agreement for the clearance and settlement obligations under the National Financial System, in accordance with CMN Resolution No. 3263/05, resulting in an increased liquidation guarantee of its transactions with financial institutions with which they have this type of agreement. The total assets mitigated under compensation agreement in December 31, 2017 amounted to R\$ 518,613 thousand (2016 - R\$ 148,215 million).

(b) Deferred income

Deferred income refers mainly to income from guarantees granted (Note 7 (c)) and its increase in the year ended December 31, 2017 is in line with the variation of the guarantees.

(c) Securities Portfolio

On December 4, 2017, based on Resolution 3,181 of the Central Bank of Brazil, considering the positive slope in the nominal rates of government securities, in particular that the nominal rate of NTN-F 01/2023 was approximately 100 basis points higher than the LTN 07/2020 rate, that the NTN-F 01/2023 nominal rate was close to 10% and that for our budget and business plan for the coming years, it is important to have predictability and to avoid reductions in revenues, the Executive Committee of the Banco BBM unanimously approved the process of extending the portfolio of held to maturity nominal securities by selling R \$ 120,351,145.20 in LTN 07/2020 and buying R \$ 120,800,262.81 in NTN-F 01/2023, which generated an effect on the result of R \$ 2,378 thousand.

Notes to financial statements as at December 31, 2017 and 2016

27. Other information (Continued)

At the end of the period, Banco BOCOM BBM had R\$ 593,417 thousand in securities classified as held to maturity, according to Circular 3,068 / 01 of the Central Bank of Brazil. Banco BOCOM BBM has the financial capacity and intention to hold them to maturity.

28. Subsequent events

On February 7, 2018, Banco BOCOM BBM made an early repayment of the US dollar loan with the International Finance Corporation (IFC), in the amount of R \$ 248,668 thousand, which should be matured in December 2019. In addition, the entire Hedge structure for this operation was discontinued.

* * *

Aline Gomes – Controller
CRC 087989/0-9 "S"- BA.