



**Financial Statements**  
**December 31, 2016 and 2015**  
**with Independent Auditor's Report**

## **Macroeconomic Scenario**

Economic and political instability marked year 2016. Brazilian economy has remained in recession for the second year in a row while inflation kept high. In addition, the change of Presidential of Republic in Brazil due to the impeachment process paralyzed Congress over the first half of the year.

Expectations of GDP growth in the second half of 2016 have not materialized and although the recovery has been postponed, GDP growth is expected to remain positive in the first half of 2017 and reach more than + 2.0% in 2018.

Despite remaining high throughout 2016, inflation fell significantly from over 10.0% at the end of 2015 to 6.3% at the end of 2016. For 2017, inflation is expected to slow down to the 4.0% thus below the inflation target ceiling of 4.5% and remain close to this range in 2018. A high output gap, anchored inflation expectations and lower food prices are the main vectors for lower inflation in the medium term.

The Central Bank began a cycle of monetary easing in the end of the last year and reduced the interest rate in October and November by 25bps, from 14.25% to 13.75%. Low inflation and weaker recovery, in turn, allowed the Central Bank to accelerate the cut rate to 75bps in January 2017, repeating the action in February and reducing SELIC rate to 12.25%. The interest rate should continue to fall throughout the year, thus offsetting the loss of the parafiscal stimulus and thus supporting a stronger economic recovery in 2018.

Fiscal policy is still the country's main challenge. Fiscal imbalances must be addressed to enable the Central Bank to reduce interest rates in a sustainable way, keeping inflation close to target and improving growth prospects. Approval of the spending ceiling indicates that the fiscal adjustment has finally begun. However, a Pension reform is required to make the spending ceiling feasible.

The good news is that the government is committed to fiscal adjustment and has introduced an ambitious Pension reform. In addition, the country's external accounts remain solid, opening a window of opportunity to approve this reform even amid an increase in global uncertainty. The trade surplus reached US\$48 billion in 2016 and the recent improvement in iron ore prices and the expected record in the production of soybean in 2017 should keep a solid trade balance ahead. In addition, the current account deficit fell to about 1% of GDP, a very comfortable level. Finally, FDI remains strong and continues to fully cover the current account deficit, thus reducing the country's dependence on short-term capital flows.

The recovery seems to be forthcoming, inflation has been falling to below the target, interest rates will be reduced to a single digit and external accounts remain solid. The focus is currently on the Pension Reform. Its approval is essential to consolidate the economic recovery with price stability in the medium term.

## **Our business**

Banco BBM is a wholesale financial institution primarily engaged in providing credit lines for companies and financial advisory wealth management services for individuals.

We maintain governance and processes aiming to fulfill and reconcile the interests of our depositors in a safe and at the same time agile environment. To this end, we rely on our ability to recruit, assess and motivate people with excellent knowledge, talent, ambition and ethics.

## **Performance of the BBM Financial Group**

Banco BBM Financial Group ended the 2016 with equity of R\$568 million and net income of R\$33 million, which represents annual profitability of 5.71%, calculated on average equity for the period.

Total assets at the year end amounted to R\$4.1 billion. The volume of domestic and foreign market funding at the period end was of R\$3.1 billion, representing a growth of 22% in relation to December 31, 2015. The Bank's Basel index was 21.30% at the end of the year.

## **Corporate loans**

The loan portfolio at the year end totaled R\$1.9 billion (including advances on foreign exchange contracts and guarantees given through sureties and bank guarantees), representing a growth of 24% at December 31, 2015.

Drawing on the expertise developed over the years by both the sales team and the Products and Treasury areas, the Bank operates dynamically and selectively seeking to tailor its products to meet each customer's needs by adjusting flows and guarantees.

## **Private Banking**

Banco BBM's private banking area constantly uses up-to-date tools to provide wealth management advisory services for individuals, covering long-term commitments using diversified financial products in an open platform.

## **Treasury**

Treasury activities include cash management and equity hedging, in order to provide technical support and intelligence services for the Bank's business areas, as well as to identify opportunities in local markets, with capital preservation as a key principle, for a prudent market risk management.

## **People**

Banco BBM is a talent identification and training core, which prizes the systematic search for state-of-the art knowledge, and privileges people who want to achieve their professional goals, adding value to the company. We are in close contact with the academic environment, investing in identification and qualification of talents, making partnerships with the most renowned universities of Brazil, and offering scholarships and rewarding master degree dissertations and doctoral theses. We provide the ideal conditions for practical learning through direct contact with the financial market dynamics, and with broad exchange of knowledge in a highly qualified and integrated professional environment.

## **Credit rating**

In the Bank's view, the credit rating agencies are an important source of transparent and independent assessment of the quality of our credit. The current rating set by Moody's Investors Service in the global and national levels is "Ba1" and "Aaa.br" respectively, for debt denominated in local currency, which is the highest level for this agency in Brazil. The complete rating report can be on our website.

## **Banco BBM and Bank of Communications**

On February 2016, was approved in the People's Republic of China the transfer of shareholding control from Banco BBM S.A. to Bank of Communications Co. Ltd. and on November 1, 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 BBM.

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

## **Marketable securities portfolio**

On December 23, 2016, due to change of Banco BBM's controlling shareholder, the Bank's Executive Committee unanimously approved the change in the category of 150,000 NTN-Bs maturing on May 15, 2019, classified as "held to maturity", to "free negotiation" at preparation of this semiannual balance sheet pursuant to BACEN Circular No. 3068/01 of the Central Bank of Brazil. This change generated a positive result on the Bank and on the Operational Consolidated of R\$ 2,933 thousand.



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**A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN)**

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## **Independent auditor's report on individual and consolidated financial statements**

The Shareholders, Board of Directors and Officers of  
**Banco BBM S.A.**  
Rio de Janeiro - RJ

### **Opinion**

We have audited the accompanying individual and consolidated financial statements of Banco BBM S.A. ("Bank"), identified as Bank and Operating Consolidated, respectively, which comprise the statement of financial position as at December 31, 2016, and related statements of income, of changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of the Bank as at December 31, 2016, its individual and consolidated financial performance and the respective cash flows for the year then ended in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN).

### **Basis for opinion**

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities, under those standards, are further described in the "Auditor's responsibilities for the audit of financial statements" section of our report. We are independent of the Bank and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) 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 support our opinion.

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

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

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

In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in so doing, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained during 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 this fact. We have nothing to report in this regard.



## **Responsibilities of Management and those charged with governance for the financial statements**

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

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

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

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

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

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



- Evaluate the overall presentation, structure and content of the individual and consolidated financial statements, including the disclosures, and whether the financial statements represent the corresponding 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 Bank to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank audit. Accordingly, 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.

São Paulo, March 6, 2017.

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC - 2SP 015199/O-6

Grégory Gobetti  
Accountant CRC 1PR 039144/O-8

Balance sheets

Assets	Note	In R\$ thousand			
		Bank		Operational consolidated	
		12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Current assets</b>		<b>2,501,286</b>	<b>3,148,336</b>	<b>2,536,491</b>	<b>3,207,681</b>
<b>Cash and cash equivalents</b>	<b>4</b>	<b>14,702</b>	<b>18,182</b>	<b>15,977</b>	<b>24,048</b>
Cash		3		3	
Free reserves		857	2,689	857	2,711
Funds in foreign currency		13,842	15,493	15,117	21,337
<b>Short-term interbank investments</b>	<b>5</b>	<b>343,422</b>	<b>325,098</b>	<b>338,753</b>	<b>365,024</b>
Open market investments	<b>4</b>	210,692	60,001	210,692	60,001
Interbank deposits		-	5,376	-	5,376
Investments in foreign currencies	<b>4</b>	132,730	259,721	128,061	299,647
<b>Marketable securities and derivative financial instruments</b>	<b>6</b>	<b>848,570</b>	<b>1,637,695</b>	<b>849,912</b>	<b>1,649,383</b>
Bank portfolio		817,556	881,272	817,561	881,276
Subject to repurchase agreements		17,469	533,226	17,469	533,226
Derivative financial instruments		13,545	3,255	14,882	14,939
Linked to guarantees given		-	219,942	-	219,942
<b>Interbank accounts</b>		<b>767</b>	<b>711</b>	<b>767</b>	<b>711</b>
Deposits – Central Bank of Brazil		754	707	754	707
Correspondent banks		13	4	13	4
<b>Loan transactions</b>	<b>7</b>	<b>855,714</b>	<b>857,152</b>	<b>881,801</b>	<b>858,885</b>
Discounted securities and loans		543,899	582,099	543,899	582,099
Financing		339,438	310,483	365,525	312,216
Allowance for loans		(27,623)	(35,430)	(27,623)	(35,430)
<b>Other receivables</b>		<b>424,570</b>	<b>306,973</b>	<b>435,740</b>	<b>307,105</b>
Foreign exchange portfolio	<b>8</b>	386,001	290,079	386,001	290,079
Unearned income		1,235	1,183	1,035	883
Trading and brokerage		82	11,353	133	11,409
Sundry	<b>14</b>	22,485	8,783	32,403	9,159
Tax credits	<b>23</b>	21,129	604	22,530	604
Allowance for other receivables	<b>7</b>	(6,362)	(5,029)	(6,362)	(5,029)
<b>Other assets</b>		<b>13,541</b>	<b>2,525</b>	<b>13,541</b>	<b>2,525</b>

See accompanying notes.



Balance sheets

Assets	Note	in R\$ thousand			
		Bank		Operational consolidated	
		12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Noncurrent assets</b>					
<b>Long-term assets</b>		<b>1,395,982</b>	<b>519,901</b>	<b>1,423,101</b>	<b>544,393</b>
<b>Short-term interbank investments</b>	<b>5</b>	<b>2,963</b>		<b>2,963</b>	
Interbank deposits		2,963		2,963	
<b>Marketable securities and derivative financial instruments</b>	<b>6</b>	<b>884,837</b>	<b>197,263</b>	<b>884,837</b>	<b>197,263</b>
Bank portfolio		304,156	159,289	304,156	159,289
Linked to repurchase agreements		329,037	37,974	329,037	37,974
Derivative financial instruments		128		128	
Linked to guarantees given		251,516		251,516	
<b>Loan transactions</b>	<b>7</b>	<b>416,737</b>	<b>208,998</b>	<b>443,268</b>	<b>232,003</b>
Discounted securities and loans		325,650	114,958	325,650	114,958
Financing		113,553	98,492	140,084	121,497
Allowance for loans		(22,466)	(4,452)	(22,466)	(4,452)
<b>Other receivables</b>		<b>90,616</b>	<b>112,097</b>	<b>91,204</b>	<b>113,584</b>
Sundry	<b>14</b>	46,938	45,015	47,382	45,062
Tax credits	<b>23</b>	55,402	67,772	55,546	69,212
Allowance for other receivables	<b>7</b>	(11,724)	(690)	(11,724)	(690)
<b>Other assets</b>		<b>829</b>	<b>1,543</b>	<b>829</b>	<b>1,543</b>
<b>Permanent assets</b>		<b>340,463</b>	<b>307,770</b>	<b>139,516</b>	<b>75,364</b>
<b>Investments</b>		<b>335,497</b>	<b>302,499</b>	<b>134,543</b>	<b>70,082</b>
Income from interest in subsidiaries	<b>9</b>				
In Brazil		10,476	9,905		
Abroad		324,971	292,544	134,493	70,032
Other investments		1,810	1,810	2,628	2,628
Provision for losses		(1,760)	(1,760)	(2,578)	(2,578)
<b>Property and equipment in use</b>		<b>3,523</b>	<b>2,789</b>	<b>3,530</b>	<b>2,800</b>
<b>Intangible assets</b>		<b>1,443</b>	<b>954</b>	<b>1,443</b>	<b>954</b>
<b>Deferred</b>		<b>-</b>	<b>1,528</b>	<b>-</b>	<b>1,528</b>
<b>Total assets</b>		<b>4,237,731</b>	<b>3,976,007</b>	<b>4,099,108</b>	<b>3,827,438</b>

See accompanying notes.

Balance sheets

Liabilities	Note	in R\$ thousand			
		Bank		Operational consolidated	
		12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Current liabilities</b>		<b>2,407,597</b>	<b>2,209,274</b>	<b>2,526,999</b>	<b>2,370,235</b>
<b>Deposits</b>	<b>10</b>	<b>814,242</b>	<b>262,338</b>	<b>922,430</b>	<b>383,076</b>
Demand deposits		24,536	54,980	27,999	57,392
Interbank deposits		123,711	24,966	111,118	13,672
Time deposits		665,995	182,392	783,313	312,012
<b>Repurchase agreements</b>	<b>11</b>	<b>343,961</b>	<b>570,657</b>	<b>343,961</b>	<b>570,657</b>
Bank portfolio		343,961	570,657	343,961	570,657
<b>Funds from acceptance and issue of securities</b>	<b>12</b>	<b>731,439</b>	<b>1,041,943</b>	<b>731,599</b>	<b>1,030,076</b>
Liabilities – marketable securities abroad		-	12,010	160	143
Liabilities from issue of agribusiness credit bills		544,807	270,485	544,807	270,485
Liabilities from issue of credit bills		164,469	712,329	164,469	712,329
Liabilities from issue of real estate credit bills		22,163	46,688	22,163	46,688
Funds raised by certificate of structured operations		-	431	-	431
<b>Interbank accounts</b>		<b>-</b>	<b>14</b>	<b>-</b>	<b>14</b>
Receipts and payments to be settled		-	14	-	14
<b>Interbranch accounts</b>		<b>35,251</b>	<b>45,746</b>	<b>35,251</b>	<b>45,746</b>
Third-party funds in transit		35,251	45,746	35,251	45,746
<b>Borrowings</b>	<b>13</b>	<b>439,785</b>	<b>238,619</b>	<b>439,785</b>	<b>238,619</b>
Loans abroad		439,785	238,619	439,785	238,619
<b>Derivative financial instruments</b>	<b>6</b>	<b>3,064</b>	<b>4,754</b>	<b>3,751</b>	<b>13,215</b>
Derivative financial instruments		3,064	4,754	3,751	13,215
<b>Other liabilities</b>		<b>39,855</b>	<b>45,203</b>	<b>50,222</b>	<b>88,832</b>
Collection of similar taxes		1,162	68	1,162	68
Foreign exchange portfolio	<b>8</b>	7	-	7	-
Social and statutory		11,457	25,066	11,638	64,146
Tax and social security		6,047	5,350	6,782	5,808
Securities trading		7,305	403	7,305	383
Loans granted with coobligation		-	6,197	-	6,197
Sundry		13,877	8,119	23,328	12,230

See accompanying notes.

Balance sheets

Liabilities	Note	in R\$ thousand			
		Bank		Operational consolidated	
		12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Noncurrent liabilities</b>					
<b>Long-term payables</b>		<b>1,259,948</b>	<b>1,186,643</b>	<b>1,001,923</b>	<b>877,113</b>
<b>Deposits</b>	<b>10</b>	<b>259,141</b>	<b>109,085</b>	<b>259,141</b>	<b>109,085</b>
Interbank deposits		2,199	3,144	2,199	3,144
Time deposits		256,942	105,941	256,942	105,941
<b>Funds from acceptance and issue of securities</b>	<b>12</b>	<b>725,027</b>	<b>660,069</b>	<b>463,735</b>	<b>347,487</b>
Liabilities – marketable securities abroad		261,292	312,582		
Liabilities from issue of agribusiness credit bills		140,328	172,888	140,328	172,888
Liabilities from issue of credit bills		316,074	164,642	316,074	164,642
Liabilities from issue of real estate credit bills		7,333	9,957	7,333	9,957
<b>Borrowings</b>	<b>13</b>	<b>248,627</b>	<b>392,227</b>	<b>248,627</b>	<b>392,227</b>
Loans abroad		248,627	392,227	248,627	392,227
<b>Derivative financial instruments</b>	<b>6</b>			<b>-</b>	<b>71</b>
Derivative financial instruments					71
<b>Other liabilities</b>		<b>27,153</b>	<b>25,262</b>	<b>30,420</b>	<b>28,243</b>
Social and statutory		4,251	4,302	4,251	4,302
Tax and social security		10,692	9,068	10,692	9,068
Sundry		12,210	11,892	15,477	14,873
<b>Deferred income</b>		<b>2,127</b>	<b>900</b>	<b>2,127</b>	<b>900</b>
<b>Equity</b>	<b>15</b>	<b>568,059</b>	<b>579,190</b>	<b>568,059</b>	<b>579,190</b>
<b>Capital</b>		<b>469,300</b>	<b>413,131</b>	<b>469,300</b>	<b>413,131</b>
Domiciled in Brazil		469,300	413,131	469,300	413,131
<b>Market value adjustment - marketable securities and financial instruments</b>		<b>(2,954)</b>	<b>(4,139)</b>	<b>(2,954)</b>	<b>(4,139)</b>
Available-for-sale securities		(2,954)	(4,139)	(2,954)	(4,139)
<b>Income reserves</b>		<b>286,181</b>	<b>356,007</b>	<b>286,181</b>	<b>356,007</b>
<b>Treasury stock</b>		<b>(184,469)</b>	<b>(185,809)</b>	<b>(184,469)</b>	<b>(185,809)</b>
<b>Total liabilities and equity</b>		<b>4,237,731</b>	<b>3,976,007</b>	<b>4,099,108</b>	<b>3,827,438</b>

See accompanying notes.

Income statements

		in R\$ thousand					
		Bank		Operational consolidated			
Notes	Second half of 2016	12/31/2016	12/31/2015	Second half of 2016	12/31/2016	12/31/2015	
<b>Financial income</b>		<b>240,443</b>	<b>403,966</b>	<b>517,725</b>	<b>241,021</b>	<b>404,776</b>	<b>518,084</b>
Loan transactions		108,845	218,590	219,078	109,528	219,512	219,568
Income from marketable securities transactions	5 and 6	112,248	220,659	174,498	112,143	220,547	174,367
Result of exchange operations	16	19,350	(35,283)	124,149	19,350	(35,283)	124,149
<b>Financial expenses</b>		<b>(200,235)</b>	<b>(308,438)</b>	<b>(432,047)</b>	<b>195,133</b>	<b>300,882</b>	<b>(423,070)</b>
Market funding operations	16	(156,625)	(226,542)	(352,789)	(155,310)	(223,997)	(350,228)
Set up (reversal) of allowance doubtful accounts	7	(12,262)	(32,945)	(14,770)	(12,262)	(32,945)	(14,770)
Loans, assignments and onlending operations	16	(26,724)	82,647	(143,910)	(26,724)	82,647	(143,910)
Income from derivative financial instruments	20	(4,624)	(131,598)	79,422	(837)	(126,587)	85,838
<b>Gross financial income</b>		<b>40,208</b>	<b>95,528</b>	<b>85,678</b>	<b>45,888</b>	<b>103,894</b>	<b>95,014</b>
<b>Other operating income (expenses)</b>		<b>(20,002)</b>	<b>(43,441)</b>	<b>(23,266)</b>	<b>(25,166)</b>	<b>(50,928)</b>	<b>(30,203)</b>
Service revenues	17	10,171	17,522	9,342	10,908	18,746	17,933
Personnel expenses		(26,818)	(48,371)	(40,471)	(27,359)	(49,401)	(44,365)
Other administrative expenses	18	(19,001)	(34,873)	(29,317)	(19,793)	(36,507)	(33,110)
Tax expenses		(5,175)	(8,600)	(7,350)	(5,368)	(8,893)	(8,114)
Income from interest in subsidiaries	9	19,957	29,143	43,794	15,700	23,620	36,840
Other operating income		1,089	2,200	2,282	1,090	2,204	2,703
Other operating expenses		(225)	(462)	(1,546)	(344)	(697)	(2,090)
<b>Operating income</b>		<b>20,206</b>	<b>52,087</b>	<b>62,412</b>	<b>20,722</b>	<b>52,966</b>	<b>64,811</b>
<b>Non-operating income</b>	25	<b>(8,215)</b>	<b>(8,053)</b>	<b>(3,970)</b>	<b>(8,215)</b>	<b>(8,053)</b>	<b>(3,950)</b>
<b>Income before income taxes and profit sharing</b>		<b>11,991</b>	<b>44,034</b>	<b>58,442</b>	<b>12,507</b>	<b>44,913</b>	<b>60,861</b>
<b>Income and social contributions taxes</b>	23	<b>7,930</b>	<b>5,239</b>	<b>7,629</b>	<b>7,596</b>	<b>4,652</b>	<b>6,533</b>
Provision for income tax	6	6	(2,503)	(709)	(204)	(2,876)	(1,387)
Provision for social contribution tax		490	(2,276)	(1,066)	313	(2,594)	(1,536)
Deferred tax asset		7,434	10,018	9,404	7,487	10,122	9,456
<b>Profit sharing – Managers and Employees</b>		<b>(8,150)</b>	<b>(16,523)</b>	<b>(22,136)</b>	<b>(8,332)</b>	<b>(16,815)</b>	<b>(23,459)</b>
<b>Net income</b>		<b>11,771</b>	<b>32,750</b>	<b>43,935</b>	<b>11,771</b>	<b>32,750</b>	<b>43,935</b>
<b>Earnings per share</b>		<b>0.06</b>	<b>0.17</b>	<b>0.23</b>	<b>0.06</b>	<b>0.17</b>	<b>0.23</b>

See accompanying notes.

	in R\$ thousand						
	Capital	Income reserves		Marketable securities and Derivatives	Treasury shares	Retained earnings	Total
		Legal	Statutory	Bank			
<b>Year Ended December 31, 2015</b>							
<b>Balances at January 1, 2015</b>	<b>413,131</b>	<b>81,853</b>	<b>265,945</b>	<b>(3,080)</b>	<b>(182,209)</b>		<b>575,640</b>
Market value adjustments - marketable securities				(1,059)			(1,059)
Purchase of treasury shares					(3,600)		(3,600)
Net income for the period						43,935	43,935
Allocations:							
- Interest on equity (R\$ 0.14 per share)						(35,726)	(35,726)
- Reserves		773	7,436			(8,209)	
<b>Balances at December 31, 2015</b>	<b>413,131</b>	<b>82,626</b>	<b>273,381</b>	<b>(4,139)</b>	<b>(185,809)</b>		<b>579,190</b>
<b>Changes in the period</b>		<b>773</b>	<b>7,436</b>	<b>(1,059)</b>	<b>(3,600)</b>		<b>3,550</b>
<b>Year Ended December 31, 2016</b>							
<b>Balances at January 1, 2016</b>	<b>413,131</b>	<b>82,626</b>	<b>273,381</b>	<b>(4,139)</b>	<b>(185,809)</b>		<b>579,190</b>
Market value adjustments - marketable securities				1,185			1,185
Scission (Note 15f)	(1,773)		(797)		797		(1,773)
Capital increase	57,942	(57,942)					-
Treasury shares					543		543
Net income for the period						32,750	32,750
Allocations:							
- Reserves		1,638	(12,723)			11,086	-
- Interest on equity (R\$ 0.16 per share)						(43,836)	(43,836)
<b>Balances at December 31, 2016</b>	<b>469,300</b>	<b>26,321</b>	<b>259,860</b>	<b>(2,954)</b>	<b>(184,469)</b>		<b>568,059</b>
<b>Changes in the period</b>	<b>56,169</b>	<b>(56,305)</b>	<b>(13,521)</b>	<b>1,185</b>	<b>1,340</b>		<b>(11,130)</b>
<b>Six-month period ended December 31, 2016</b>							
<b>Balances at July 1, 2016</b>	<b>411,358</b>	<b>82,626</b>	<b>272,979</b>	<b>(3,839)</b>	<b>(184,469)</b>		<b>578,655</b>
Market value adjustments - marketable securities				885			885
Capital increase	57,942	(57,942)					-
Purchase of treasury shares							-
Net income for the six-month period						11,771	11,771
Allocations:							
- Capital		1,638	(13,119)			11,481	-
- Interest on equity (R\$ 0.08 per share)						(23,253)	(23,253)
<b>Balances at December 31, 2016</b>	<b>469,300</b>	<b>26,321</b>	<b>259,860</b>	<b>(2,954)</b>	<b>(184,469)</b>		<b>568,059</b>
<b>Changes in the period</b>		<b>(56,305)</b>	<b>(13,119)</b>	<b>885</b>	<b>-</b>		<b>(10,596)</b>

See accompanying notes.

	in R\$ thousand					
	Bank			Operational consolidated		
	Second half of 2016	12/31/2016	12/31/2015	Second half of 2016	12/31/2016	12/31/2015
<b>Cash flow statements</b>						
<b>Net income</b>	<b>11,771</b>	<b>32,750</b>	<b>43,935</b>	<b>11,771</b>	<b>32,750</b>	<b>43,935</b>
<b>Adjustments to net income:</b>	<b>(13,181)</b>	<b>(3,342)</b>	<b>(42,660)</b>	<b>(9,178)</b>	<b>2,077</b>	<b>(35,628)</b>
Set up (reversal) of allowance doubtful accounts	12,262	32,945	14,770	12,262	32,945	14,770
Depreciation and amortization	919	1,578	1,659	718	1,578	1,789
Expenses from civil, labor and tax allowances	2,589	2,192	2,436	2,589	2,192	2,436
Income from interest in subsidiaries	(19,643)	(33,198)	(36,131)	(15,386)	(27,675)	(29,177)
Deferred income and social contribution taxes	(7,434)	(10,018)	(9,404)	(7,487)	(10,122)	(9,456)
Unrealized gains/losses on marketable securities and derivatives	(2,445)	(2,081)	(7,268)	(2,445)	(2,081)	(7,268)
Restatement of membership certificates	885	1,185	(1,059)	885	1,185	(1,059)
Equity adjustments	(314)	4,055	(7,663)	(314)	4,055	(7,663)
<b>Adjusted net income</b>	<b>(1,410)</b>	<b>29,408</b>	<b>1,275</b>	<b>2,593</b>	<b>34,827</b>	<b>8,307</b>
(Increase)/decrease in short-term interbank investments	1,192	2,413	4,641	1,192	2,413	4,641
(Increase) in marketable securities and derivative financial instruments	427,442	101,942	(1,046,647)	427,369	104,443	(1,047,139)
(Increase)/decrease in interbank and interbranch accounts	(25,951)	(10,565)	7,602	(25,951)	(10,565)	7,602
(Increase)/decrease in loan and lease transactions	(120,950)	(239,246)	51,010	(153,592)	(267,126)	44,453
(Increase) in deposits	388,058	701,960	76,708	419,107	689,410	170,530
Increase/Decrease in open market funding	(335,085)	(226,696)	554,746	(335,085)	(226,696)	554,746
(Decrease) in securities issue resources	(95,725)	(245,546)	(56,634)	(89,868)	(182,229)	(159,699)
(Increase) in borrowings and onlending	48,815	57,566	392,915	48,815	57,566	392,915
Increase in future period results	546	1,227	534	546	1,227	534
Decrease/(Increase) in other assets	(88,153)	(96,399)	2,813	(75,040)	(106,434)	8,369
(Decrease) in other liabilities	(28,146)	(8,869)	(263,329)	(40,336)	(41,846)	(230,769)
<b>Net cash flow from (used in) operating activities</b>	<b>172,043</b>	<b>37,787</b>	<b>(275,641)</b>	<b>177,157</b>	<b>20,163</b>	<b>(253,817)</b>
<b>Cash flow from investing activities:</b>						
Decrease in investments	812	(3,856)	7,322	3,439	(40,842)	(3,750)
Disposal of investment	-	(1,773)	6,046	-	(1,773)	6,046
Disposal of property and equipment for use and leased	(1,875)	(2,802)	152	(1,671)	(2,797)	570
Disposal of deferred charges	1,374	1,528	240	1,374	1,529	240
Dividends and interest on equity received	-	300	1,725	-	300	1,725
<b>Net cash provided by (used in) investing activities</b>	<b>311</b>	<b>(6,603)</b>	<b>15,485</b>	<b>3,142</b>	<b>(43,584)</b>	<b>4,831</b>
<b>Cash flow from financing activities:</b>						
Dividends and interest on equity paid	(25,383)	(41,712)	(65,969)	(25,383)	(41,712)	(65,969)
Purchases of treasury shares	797	1,340	(3,600)	797	1,340	(3,600)
<b>Net cash provided from (used in) financing activities</b>	<b>(24,586)</b>	<b>(40,372)</b>	<b>(69,569)</b>	<b>(24,586)</b>	<b>(40,372)</b>	<b>(69,569)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>146,358</b>	<b>20,220</b>	<b>(328,450)</b>	<b>158,306</b>	<b>(28,966)</b>	<b>(310,248)</b>
At beginning of period	211,766	337,904	666,354	196,424	383,696	693,944
At end of period	358,124	358,124	337,904	354,730	354,730	383,696
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>146,358</b>	<b>20,220</b>	<b>(328,450)</b>	<b>158,306</b>	<b>(28,966)</b>	<b>(310,248)</b>
<b>Non-monetary transaction</b>						
Interest on equity	3,255	3,255	27,555	3,255	3,255	27,555
Deliberate dividends	200	200	-	200	200	1,300

See accompanying notes.

## 1. Operations

Banco BBM S.A. ("Bank" or "Banco BBM") is the leading entity of Banco 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 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, was approved in the People's Republic of China the transfer of shareholding control from Banco BBM S.A. to Bank of Communications Co. Ltd. and on November 1, 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 BBM.

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

## 2. Presentation of the financial statements and consolidation criteria

The financial statements of Banco BBM S.A. including its foreign branch, and of the Banco 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 Consolidated Operating statements comprise the financial statements at December 31, 2016 and 2015 of the following institutions:

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

**2. Presentation of the financial statements and consolidation criteria** (Continued)

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.

The financial statements, both individual and consolidated, were approved by the Executive Board on March 6, 2017, and contemplate a true and appropriate vision of the evolution and results of the Group. The Executive Board evaluated the ability of the Bank and its subsidiaries to continue operating normally and is convinced that it has the resources to continue its business in the future. In addition, the Board is not aware of any material uncertainties that may generate significant doubts about its ability to continue operating. Therefore, the financial statements have been prepared based on this principle.

**3. Summary of 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;



**3. Summary of significant accounting practices (Continued)**

- 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 deferred charges, mainly represented by leasehold improvements, over the lease term in accordance with Resolution No. 3617/08 of the National Monetary Council (CMN).
- Amortization of intangible assets is computed in accordance with the assets' economic useful lives.

**(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.

**(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**

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.

**3. Summary of significant accounting practices (Continued)**

**(i) Impairment of assets**

In accordance with CPC 01, as approved by CMN Resolution No. 3566/08, and based on management analysis, if the book value of the Bank's and its subsidiaries' assets exceed their recoverable amount, an impairment loss is recognized in P&L.

**(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.

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.

On December 5, 2016, Banco BBM S.A. was quoted by CADE (Administrative Council for Economic Defense) in an administrative process that investigates alleged practice of anticompetitive conduct in the onshore foreign exchange market between 2008 and 2012. The Bank, together with its legal advisors, is in process of elaborating its defense arguments.

**(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 set up.

**(l) Loan transactions**

Loan transactions 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 set up. Allowance for loan losses is set up in amount deemed sufficient to cover losses, if any, and it considers, in addition to past experience, the assessment of debtors and their guarantors, as well as specific characteristics of transactions conducted in accordance with the requirements of the Brazilian Central Bank Resolution No. 2682. These are recorded at present value, calculated on a daily "pro rata" basis, based on the index variation and on the agreed-upon interest rate, restated up to the 59<sup>th</sup> day in arrears at the financial companies, observing the expected receipt date. Following the 60<sup>th</sup> day, they are recognized in P&L when their installments are effectively received. Renegotiated transactions are held at least at the same level in which they were previously classified and, if already written off against the provision, they are classified under level H; gains are recognized in revenue when effectively received.

**3. Summary of significant accounting practices** (Continued)

(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. Pursuant to Note 4.

(n) **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 20.

(o) **Use of estimates**

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

3. Summary of 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

	R\$ thousand			
	Bank		Operational consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Cash and checking accounts in Banks	13,845	15,493	15,120	21,337
Free reserves in cash with the Central Bank	857	2,689	857	2,711
Interbank investments (a)	210,692	60,001	210,692	60,001
Investments in foreign currencies (b)	132,730	241,574	128,061	299,647
<b>Total</b>	<b>358,124</b>	<b>319,757</b>	<b>354,730</b>	<b>383,696</b>

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

(b) Interbank deposits maturing up to 90 days, at the data base of the financial statements.

## 5. Short-term interbank investments

Short-term interbank investments are as follows:

	in R\$ thousand			
	Bank		Operational consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Open market investments</b>	<b>210,692</b>	<b>60,001</b>	<b>210,692</b>	<b>60,001</b>
<b>Self-funded position</b>	<b>210,692</b>	<b>60,001</b>	<b>210,692</b>	<b>60,001</b>
National Treasury Bills	207,193		207,193	
Financial Treasury Bills	3,499	10,000	3,499	10,000
National Treasury Notes – B serie		50,001		50,001
<b>Interbank deposits</b>	<b>2,963</b>	<b>5,376</b>	<b>2,963</b>	<b>5,376</b>
<b>Investments in foreign currencies ( * )</b>	<b>132,730</b>	<b>259,721</b>	<b>128,061</b>	<b>299,647</b>
	<b>346,385</b>	<b>325,098</b>	<b>341,716</b>	<b>365,024</b>
Current assets	343,422	325,098	338,753	365,024
Long-term receivables	2,963		2,963	
	<b>346,385</b>	<b>325,098</b>	<b>341,716</b>	<b>365,024</b>

(\*) Amount of investments in foreign currency in the Bank and Consolidated Operating statements at December 2016 and 2015. These refer substantially to Overnight transactions and time deposits with first-tier banks.

At December 31, 2016 and 2015, guarantees received for repurchase agreements amounted to R\$215,567 thousand and R\$61,085 thousand in the Bank and Consolidated Operating statements, respectively. Guarantees given totaled R\$302,435 thousand and R\$536,656 thousand in the same periods.

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

	in R\$ thousand					
	Second half of 2016	Bank		Second half of 2016	Operational consolidated	
		12/31/2016	12/31/2015		12/31/2016	12/31/2015
<b>Open market investments</b>	<b>8,924</b>	<b>21,523</b>	<b>90,559</b>	<b>8,862</b>	<b>21,461</b>	<b>90,559</b>
<b>Interbank deposits</b>	<b>237</b>	<b>587</b>	<b>1,020</b>	<b>299</b>	<b>649</b>	<b>1,020</b>
<b>Investments in foreign currencies</b>	<b>44</b>	<b>45</b>	<b>56</b>	<b>310</b>	<b>575</b>	<b>221</b>
<b>Income from marketable securities transactions</b>	<b>9,165</b>	<b>22,155</b>	<b>91,635</b>	<b>9,471</b>	<b>22,685</b>	<b>91,800</b>

6. Marketable securities and derivative financial instruments

	in R\$ thousand							
	Bank				Operational consolidated			
	Cost	Market	Cost	Market	Cost	Market	Cost	Market
12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	
<b>I - Marketable securities</b>	<b>1,718,546</b>	<b>1,719,733</b>	<b>1,811,356</b>	<b>1,831,703</b>	<b>1,718,547</b>	<b>1,719,738</b>	<b>1,811,357</b>	<b>1,831,706</b>
<b>Securities for trading</b>	<b>1,103,480</b>	<b>1,105,067</b>	<b>1,045,985</b>	<b>1,066,413</b>	<b>1,103,480</b>	<b>1,105,067</b>	<b>1,045,985</b>	<b>1,066,413</b>
<b>Own Portfolio</b>	<b>804,569</b>	<b>805,022</b>	<b>650,979</b>	<b>671,400</b>	<b>804,569</b>	<b>805,022</b>	<b>650,979</b>	<b>671,400</b>
<b>Fixed income securities (*)</b>	<b>754,017</b>	<b>754,470</b>	<b>549,656</b>	<b>549,580</b>	<b>754,017</b>	<b>754,470</b>	<b>549,656</b>	<b>549,580</b>
Financial Treasury Bills	3,225	3,217			3,225	3,217		
National Treasury Notes	99,964	99,949	549,656	549,580	99,964	99,949	549,656	549,580
National Treasury Notes – B series	147,571	148,131			147,571	148,131		
National Treasury Notes – F series	503,257	503,173			503,257	503,173		
<b>Investment fund shares</b>	<b>50,552</b>	<b>50,552</b>	<b>101,323</b>	<b>121,820</b>	<b>50,552</b>	<b>50,552</b>	<b>101,323</b>	<b>121,820</b>
Fund Shares of securities funds (**)			50,750	71,247			50,750	71,247
Fund shares in credit rights	50,552	50,552	50,573	50,573	50,552	50,552	50,573	50,573
<b>Subject to repurchase agreements</b>	<b>298,911</b>	<b>300,045</b>	<b>395,006</b>	<b>395,013</b>	<b>298,911</b>	<b>300,045</b>	<b>395,006</b>	<b>395,013</b>
Financial Treasury Bills			395,006	395,013			395,006	395,013
National Treasury Notes – B series	298,911	300,045			298,911	300,045		
<b>Available-for-sale securities</b>	<b>615,066</b>	<b>614,666</b>	<b>765,371</b>	<b>765,290</b>	<b>615,067</b>	<b>614,671</b>	<b>765,372</b>	<b>765,293</b>
<b>Own Portfolio</b>	<b>316,709</b>	<b>316,690</b>	<b>368,787</b>	<b>369,161</b>	<b>316,710</b>	<b>316,695</b>	<b>368,788</b>	<b>369,164</b>
<b>Fixed income securities (*)</b>	<b>316,636</b>	<b>316,496</b>	<b>368,714</b>	<b>368,978</b>	<b>316,636</b>	<b>316,496</b>	<b>368,714</b>	<b>368,978</b>
Financial Treasury Bills	102,057	101,901	54,331	54,336	102,057	101,901	54,331	54,336
National Treasury Bills			149,955	149,921			149,955	149,921
National Treasury Notes – B series	1,661	1,667	10,802	10,602	1,661	1,667	10,802	10,602
National Treasury Notes – F series	55	55	51	52	55	55	51	52
Promissory note	117,410	117,410	87,397	87,914	117,410	117,410	87,397	87,914
Debentures	95,453	95,463	66,178	66,153	95,453	95,463	66,178	66,153
<b>Variable income securities</b>	<b>73</b>	<b>194</b>	<b>73</b>	<b>183</b>	<b>74</b>	<b>199</b>	<b>74</b>	<b>186</b>
Shares of listed companies	73	194	73	183	74	199	74	186
<b>Subject to repurchase agreements</b>	<b>46,435</b>	<b>46,460</b>	<b>176,169</b>	<b>176,187</b>	<b>46,435</b>	<b>46,460</b>	<b>176,169</b>	<b>176,187</b>
Financial Treasury Bills			103,656	103,669			103,656	103,669
National Treasury Notes – B series	2,381	2,390	37,948	37,974	2,381	2,390	37,948	37,974
Debentures	44,054	44,070	34,565	34,544	44,054	44,070	34,565	34,544
<b>Linked to guarantees given</b>	<b>251,922</b>	<b>251,516</b>	<b>220,415</b>	<b>219,942</b>	<b>251,922</b>	<b>251,516</b>	<b>220,415</b>	<b>219,942</b>
Financial Treasury Bills	251,922	251,516	165,739	165,762	251,922	251,516	165,739	165,762
National Treasury Notes – B series			54,676	54,180			54,676	54,180
<b>II - Derivative financial instruments</b>	<b>14,327</b>	<b>13,674</b>	<b>4,120</b>	<b>3,255</b>	<b>15,664</b>	<b>15,010</b>	<b>15,804</b>	<b>14,940</b>
Swap transactions	11,148	11,149	1,374	1,253	11,148	11,148	1,444	1,324
Forward	2,968	2,415			4,305	3,752	11,225	11,225
Options premium	211	110	2,746	2,002	211	110	3,135	2,391
<b>Total marketable securities and derivative financial instruments</b>	<b>1,732,873</b>	<b>1,733,407</b>	<b>1,815,476</b>	<b>1,834,958</b>	<b>1,734,211</b>	<b>1,734,748</b>	<b>1,827,161</b>	<b>1,846,646</b>
<b>Segregation of portfolio by maturity:</b>								
<b>No maturity</b>	73	194	73	183	74	199	74	186
<b>Within 3 months</b>	1,229,913	1,231,491	1,174,874	1,174,454	1,231,250	1,232,828	1,186,558	1,186,139
<b>From 3 to 12 months</b>	68,873	68,276	463,764	463,058	68,873	68,276	463,764	463,058
<b>Above 12 months</b>	434,014	433,445	176,765	197,263	434,014	433,445	176,765	197,263
<b>Total</b>	<b>1,732,873</b>	<b>1,733,407</b>	<b>1,815,476</b>	<b>1,834,958</b>	<b>1,734,211</b>	<b>1,734,748</b>	<b>1,827,161</b>	<b>1,846,646</b>

6. Marketable securities and derivative financial instruments (Continued)

	in R\$ thousand							
	Bank				Operational consolidated			
	Cost	Market	Cost	Market	Cost	Market	Cost	Market
	12/31/2016	12/31/2016	12/31/2015	12/31/2015	12/31/2016	12/31/2016	12/31/2015	12/31/2015
<b>III - Derivative financial instruments</b>								
<b>Short position</b>	<b>3,091</b>	<b>3,064</b>	<b>4,566</b>	<b>4,754</b>	<b>3,778</b>	<b>3,751</b>	<b>13,096</b>	<b>13,286</b>
Swap transactions	1,963	1,763	3,172	3,793	1,963	1,763	3,242	3,864
Forward	1,128	1,301			1,815	1,988	8,072	8,072
Options			1,394	961			1,782	1,350
<b>Segregation by maturity:</b>								
<b>Within 3 months</b>	2,176	2,244	1,125	684	2,863	2,931	9,585	9,145
<b>From 3 to 12 months</b>	769	820	3,441	4,070	769	820	3,440	4,070
<b>Above 12 months</b>	145	-			145	-	71	71
<b>Total</b>	<b>3,091</b>	<b>3,064</b>	<b>4,566</b>	<b>4,754</b>	<b>3,778</b>	<b>3,751</b>	<b>13,096</b>	<b>13,286</b>

Gains on marketable securities in the Bank and Consolidated Operating statements are as follows:

	Bank			Operational consolidated		
	Second half of 2016	12/31/2016	12/31/2015	Second half of 2016	12/31/2016	12/31/2015
<b>Investment fund shares</b>	3,022	11,560	6,588	3,022	11,560	6,588
<b>Government securities</b>	77,914	147,197	68,091	77,914	147,197	68,091
<b>Private securities</b>	22,147	39,747	8184	21,736	39,105	7,888
<b>Income from marketable securities</b>	<b>103,083</b>	<b>198,504</b>	<b>82,863</b>	<b>102,672</b>	<b>197,862</b>	<b>82,567</b>

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\$451,391 thousand at December 31, 2016 (R\$2,885 thousand at December 31, 2015) - Bank and Consolidated Operating 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\$181,800 thousand at December 31, 2016 (R\$87,622 thousand at December 31, 2015) - Bank and Consolidated Operating 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 21 – Liquidity risk.

**6. Marketable securities and derivative financial instruments** (Continued)

(\*\*) The breakdown of assets and liabilities referring to the fund Estrutura II Fundo de Investimento Imobiliário (FII) in the Bank and Consolidated Operating statements at December 31, 2015, is as follows:

In November 2016, Banco BBM sold 100% of its shares held in Estrutura II Fundo de Investimento Imobiliário (FII) to BBM Holding S.A. at their carrying amounts.

in R\$ thousand					
Assets	12/31/2016	12/31/2015	Liabilities	12/31/2016	12/31/2015
Cash and cash equivalents		1	Sundry		125
Investment fund shares		253			
Investment properties *		71,118	Equity		71,247
<b>Total assets</b>		<b>71,372</b>	<b>Total liabilities</b>		<b>71,372</b>

\* The fair value of investment properties is obtained by means of valuation reports prepared by professional entities with recognized qualifications, using valuation techniques.

(\*\*\*) On December 31, 2016, the Executive Board decided to change the category of Securities amounting R\$ 446,483 thousand as “held to maturity” to “free negotiation”, due to change of Banco BBM's controlling shareholder. (See Management's Report)



## 7. Loans, sureties and guarantees

At December 31, 2016 and 2015, loans and guarantees provided through sureties or guarantee agreements in the Bank and Consolidated Operating statements, classified according to the customers' economic activities, are as follows:

Economic activity	in R\$ thousand			
	Bank/		Operational consolidated	
	12/31/2016		12/31/2015	
Sugar & Ethanol	328,297	17.15%	185,366	12.02%
Agriculture	298,311	15.59%	284,423	18.44%
Retail market	188,016	9.82%	164,149	10.64%
Electricity	132,068	6.90%	67,207	4.36%
Specialized Services	114,638	5.99%	50,957	3.30%
Chemical and Petrochemical	104,707	5.47%	160,143	10.38%
Building and Real Estate	91,921	4.80%	137,398	8.91%
Pharmaceutical	83,339	4.35%	34,599	2.24%
Capital Goods	80,237	4.19%	35,097	2.28%
Foods - Sundry	59,245	3.10%	15,870	1.03%
Meat Industry	55,284	2.89%	90,098	5.84%
Oil & Gas	54,233	2.83%	65,988	4.28%
Pulp and Paper	46,957	2.45%	33,147	2.15%
Textile & Leather	42,849	2.24%	17,754	1.15%
Foreign trade	33,844	1.77%	32,614	2.11%
Aviation	29,337	1.53%	10,659	0.69%
Transport Concessions	24,999	1.31%		
Transportation and Logistics	24,142	1.26%	28,220	1.83%
Vehicles and Parts	20,554	1.07%	28,806	1.87%
Financial Services	19,141	1.00%	43,878	2.85%
Water and Sewage Concessions	18,485	0.97%		
Construction Material	16,443	0.86%	9,962	0.65%
Computing	10,819	0.57%		
Civil Construction	10,636	0.56%		
Heavy Construction	9,624	0.50%	36,436	2.36%
Other Industries	6,550	0.34%		
Individuals	4,383	0.23%	3,900	0.25%
Metallurgy	4,235	0.22%	2,894	0.19%
Technology	715	0.04%		
Beverages			2,510	0.16%
<b>Total</b>	<b>1,914,008</b>	<b>100%</b>	<b>1,542,075</b>	<b>100%</b>

7. **Loans, sureties and guarantees** (Continued)

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

	in R\$ thousand			
	Bank		Operational consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Current assets</b>				
<b>Loan transactions</b>	<b>883,337</b>	<b>892,582</b>	<b>909,424</b>	<b>894,315</b>
Private sector	875,761	892,582	901,848	894,315
Public sector	7,576		7,576	
<b>Other receivables</b>	<b>11,404</b>	<b>11,357</b>	<b>11,404</b>	<b>11,357</b>
Foreign exchange portfolio – receivables (a)	10,798	8,665	10,798	8,665
Securities and credits receivable (b)	606	2,692	606	2,692
<b>Noncurrent assets</b>				
<b>Loan transactions</b>	<b>439,203</b>	<b>213,450</b>	<b>465,734</b>	<b>236,455</b>
Private sector	428,294	213,450	454,825	236,455
Setor Público	10,909		10,909	
<b>Other receivables</b>	<b>152</b>	<b>241</b>	<b>152</b>	<b>241</b>
Securities and credits receivable (b)	152	241	152	241
<b>Current liabilities</b>				
<b>Other liabilities</b>	<b>384,816</b>	<b>260,144</b>	<b>384,816</b>	<b>260,144</b>
Foreign exchange portfolio - Advances on exchange contracts (a)	384,816	260,144	384,816	260,144
<b>Subtotal</b>	<b>1,718,912</b>	<b>1,377,774</b>	<b>1,771,530</b>	<b>1,402,512</b>
Co-obligations and risks in guarantees provided (c)	195,096	164,301	142,479	139,563
<b>Total</b>	<b>1,914,008</b>	<b>1,542,075</b>	<b>1,914,008</b>	<b>1,542,075</b>

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 refer to portfolio of advances on exchange contracts written off.

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 Consolidated Operating statements.

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 Consolidated Operating statements is as follows:

in R\$ thousand														
12/31/2016											12/31/2015			
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						24,725	26,455	122,898	149,374	323,452			298,517	
A	387					158,952	247,386	314,659	130,247	851,631	4,258		660,679	3,303
B						78,187	92,474	194,325	126,440	491,426	4,514		324,967	3,250
C	86	721				18,918	34,886	29,499	66,495	150,605	4,518		212,615	6,378
D			21,732			577	545	674	1,279	24,807	2,481			
E						5,267				5,267	1,580		5,282	1,585
F			3,338			289	440	767	17,975	22,810	14,279		20,496	11,566
G		361		542		369	602	1,805	23,657	27,336	19,858			
H			1,232	3,697	10,047	8	24	12	1,653	16,674	16,674		19,519	19,519
	<b>473</b>	<b>1,082</b>	<b>26,303</b>	<b>4,239</b>	<b>10,047</b>	<b>287,292</b>	<b>402,813</b>	<b>664,639</b>	<b>517,121</b>	<b>1,914,008</b>	<b>68,163</b>		<b>1,542,075</b>	<b>45,601</b>

7. **Loans, sureties and guarantees** (Continued)

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

	in R\$ thousand	
	12/31/2016	12/31/2015
<b>Allowance for loan losses</b>	<b>50,089</b>	<b>40,625</b>
Current assets	27,623	35,483
Noncurrent assets	22,466	5,142
<b>Provision for other credits</b>		
<b>Provision for advances on exchange contracts</b>	<b>3,463</b>	<b>4,677</b>
Current assets	3,452	4,677
Noncurrent assets	11	
<b>Provision for co-obligations and risks in guarantees provided</b>	<b>14,611</b>	<b>299</b>
Current assets	2,898	299
Noncurrent assets	11,713	
<b>Total</b>	<b>68,163</b>	<b>45,601</b>

Changes in allowance are as follows:

	in R\$ thousand	
	12/31/2016	12/31/2015
<b>Balance at January 1</b>	<b>45,601</b>	<b>43,028</b>
Set up / (reversal)	32,933	14,770
Write-offs to loss	(10,371)	(12,197)
<b>Total</b>	<b>68,163</b>	<b>45,601</b>

For the year ended December 31, 2016, renegotiated operations in the Bank and Consolidated Operating statements amounted to R\$39,523 thousand (R\$47,474 thousand for the year ended December 31, 2015.)

For the year ended December 31, 2016, recovered operations in the Bank and Consolidated Operating statements amounted to R\$6,328 thousand (R\$5,542 thousand for the year ended December 31, 2015).

7. **Loans, sureties and guarantees** (Continued)

For the year ended December 31, 2016, the Bank did not carry out sale or transfer of financial assets in which credit risks of the transferred financial assets were retained, accounted for as in the table below. These operations were conducted in accordance with BACEN Circular Letters No. 3569/11 and 3712/14, which define the rules for mandatory collection on term funds and the collection balance to be remunerated, respectively. Accordingly, these loans granted were used to decrease the mandatory collection balance of the assigning financing institution.

<b>Credit assignments - substantial risk retention</b>					
<b>in R\$ thousand</b>					
<b>Assets</b>	<b>12/31/2016</b>	<b>12/31/2015</b>	<b>Liabilities</b>	<b>12/31/2016</b>	<b>12/31/2015</b>
<b>Loan transactions</b>			<b>Other liabilities</b>		
Working capital		5,933	Other liabilities		6,197
<b>Total</b>		<b>5,933</b>	<b>Total</b>		<b>6,197</b>

Asset sale or transfer operations with no material retention of risks and rewards for the year ended December 31, 2016 and 2015 are as follows:

	<b>in R\$ thousand</b>	
	<b>12/31/2016</b>	<b>12/31/2015</b>
Number of contracts	32	13
Assignment amount	57,733	132,284
Provision net book value	61,859	112,095
<b>Revenue from assignments</b>	<b>(4,126)</b>	<b>20,189</b>

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

	<b>in R\$ thousand</b>			
	<b>12/31/2016</b>	<b>%</b>	<b>12/31/2015</b>	<b>%</b>
Top debtor	83,116	4.3%	61,607	4.0%
Top 10 debtors	465,125	24.3%	363,835	23.6%
Top 20 debtors	747,393	39.0%	578,464	37.5%
Top 50 debtors	1,324,885	69.2%	1,056,009	68.5%
Top 100 debtors	1,790,373	93.5%	1,446,174	93.8%

7. **Loans, sureties and guarantees** (Continued)

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

	in R\$ thousand	
	12/31/2016	12/31/2015
Working capital	821,688	658,934
Export credit notes	413,085	391,998
Trade Finance	423,222	293,547
Co-obligations	142,479	58,033
Others	113,534	139,563
<b>Total</b>	<b>1,914,008</b>	<b>1,542,075</b>

8. **Foreign exchange portfolio (Bank and Consolidated Operating statements)**

	in R\$ thousand	
	12/31/2016	12/31/2015
<b>Other receivables – Foreign exchange portfolio</b>		
Foreign exchange purchases pending settlement	375,196	281,414
Rights on foreign exchange sales	7	
Income receivable from advances granted (a)	10,798	8,665
<b>Total</b>	<b>386,001</b>	<b>290,079</b>
<b>Other payables – Foreign exchange portfolio</b>		
Foreign exchange sales pending settlement	7	
Exchange purchase obligations	384,816	260,144
Advances on foreign exchange contracts granted (a)	(384,816)	(260,144)
Others		
<b>Total</b>	<b>7</b>	

(a) See Note 7.

At December 31, 2016, 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\$69,159 thousand (R\$63,615 thousand in 2015).

9. Investments - Interest in subsidiaries

	BBM Adm, Recursos DTVM S.A. (b)	BACOR CCVM S.A.	The Southern Atlantic Investments Ltd.	Others (a)	Total
<b>At December 31, 2016:</b>					
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 – Thousand of Reais (R\$)		8,755	229,201		237,956
Equity – Thousand of Reais (R\$)		10,476	324,971		335,447
Net income (loss) for the period – Thousand of Reais (R\$)		770	32,428		33,198
Dividends, Interest on Equity or Capital reduction		200			200
<b>Book value of investments – R\$ thousand</b>					
December 31, 2016		10,476	324,971		335,447
<b>Income from interest in subsidiaries – R\$ thousand</b>					
Second half of 2016		436	19,208	314	19,958
Year end 2016		770	32,428	(4,055)	29,143
<b>At December 31 2015:</b>					
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 – Thousand of Reais (R\$)		8,755	229,201		237,956
Equity – Thousand of Reais (R\$)		9,905	292,544		302,449
Net income (loss) for the year – Thousand of Reais (R\$)		923	33,979		34,902
Dividends, Interest on Equity or Capital reduction		300			300
<b>Book value of investments – R\$ thousand</b>					
December 31, 2015		9,905	292,544		302,449
<b>Income from interest in subsidiaries – R\$ thousand</b>					
Second half of 2015	528	632	18,115	5,006	24,281
Year End 2015	1,229	922	33,979	7,663	43,794

- (a) Refers partially to exchange variation on the Nassau branch equity, not eliminated in the consolidation process.
- (b) In October 2015, Banco BBM sold 100% of the direct interest held in BBM Administração de Recursos Distribuidora de Títulos e Valores Mobiliários S.A. to Bahia Holding S.A. Sale of the investment generated a negative result of R\$83 thousand.

9. Investments - Interest in subsidiaries (Continued)

Consolidated Operating statements

	in R\$ thousand				
	Investment book value		Income from subsidiaries		
	12/31/2016	12/31/2015	Second half of 2016	12/31/2016	12/31/2015
<b>The Southern Atlantic Investments Ltd, (a)</b>	134,493	70,032	15,386	27,675	28,937
<b>BBM Investment Management Services (b)</b>					241
<b>Others ( c)</b>			314	(4,055)	7,662
<b>Total</b>	<b>134,493</b>	<b>70,032</b>	<b>15,700</b>	<b>23,620</b>	<b>36,840</b>

- (a) The indirect interest of 100% of Banco BBM S.A. in BBM Bank Ltd was eliminated in the Consolidated Operating statements in the line "Interest in Subsidiaries - The Southern Atlantic Investments Ltd." For the year ended December 31, 2016, this elimination led to the following effects in the Consolidated Operating statements: decrease in the permanent investment by R\$190,478 thousand (R\$222,512 thousand at December 31, 2015), and decrease in equity pickup by R\$4,753 thousand (R\$2,344 thousand at December 31, 2015).
- (b) BBM Investment Management Services, headquartered in the Cayman Islands, was set up in March 2006 through payment of capital amounting to US\$50 thousand, for the purpose of managing the investment fund portfolio in the international market. The company no longer operates since May 6, 2015, as determined by senior management. P&L for the period amounted to R\$241 thousand, referring to foreign exchange gains (losses).
- (c) The account "Others", in the Consolidated Operating 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.



## 10. Deposits

Maturity	in R\$ thousand							
	Time deposits		Interbank deposits		Total 12/31/2016		Total 12/31/2015	
	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated
Within 1 month	121,436	238,753	1,137	796	122,573	239,549	4,009	133,629
From 1 to 3 months	102,951	102,951	100,440	100,440	203,391	203,391	3,335	2,887
From 3 to 6 months	146,670	146,671	6,221	6,221	152,891	152,892	61,568	61,030
From 6 to 12 months	294,938	294,938	15,913	3,661	310,851	298,599	138,446	128,138
More than 12 months	256,942	256,942	2,199	2,199	259,141	259,141	109,085	109,085
<b>Subtotal</b>	<b>922,937</b>	<b>1,040,255</b>	<b>125,910</b>	<b>113,317</b>	<b>1,048,847</b>	<b>1,153,572</b>	<b>316,443</b>	<b>434,769</b>
<b>Cash deposits and other deposits</b>					24,536	27,999	54,980	57,392
<b>Total</b>					<b>1,073,383</b>	<b>1,181,571</b>	<b>371,423</b>	<b>492,161</b>

The average term to issue interbank and term deposits for operations outstanding at December 31, 2016 in the Consolidated Operating statements is 432 days and 189 days (1,079 and 541 days at December 31, 2015), respectively.

Maturities upon issue	R\$ thousand							
	Time deposits		Interbank deposits		Total 12/31/2016		Total 12/31/2015	
	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated
Within 1 month	5,954	120,006			5,954	120,006	197,493	197,493
From 1 to 3 months	22,198	25,464	100,231	100,231	122,429	125,695	568	130,188
From 3 to 6 months	45,959	45,959			45,959	45,959	10	10
From 6 to 12 months	160,236	160,236	4,110	4,110	164,346	164,346	25,710	25,710
More than 12 months	688,590	688,590	21,569	8,976	710,159	697,566	92,662	81,368
<b>Subtotal</b>	<b>922,937</b>	<b>1,040,255</b>	<b>125,910</b>	<b>113,317</b>	<b>1,048,847</b>	<b>1,153,572</b>	<b>316,443</b>	<b>434,769</b>
<b>Cash deposits and other deposits</b>					24,536	27,999	54,980	57,392
<b>Total</b>					<b>1,073,383</b>	<b>1,181,571</b>	<b>371,423</b>	<b>492,161</b>

Breakdown of Consolidated Operating statements by segment is as follows:

	R\$ thousand									
	Demand deposits		Time deposits		Interbank deposits		Total			
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016		12/31/2015	
Legal entities	20,811	43,488	152,545	163,285			173,356	14.67%	206,773	42.01%
Institutional customers	5	2,090	520,769	154,394			520,774	44.07%	156,484	31.80%
Group	4,215	3,538	326,902	92,483	5,461	5,291	336,578	28.49%	101,312	20.59%
Financial institutions	328	4	25,551	2,298	107,856	11,525	133,735	11.32%	13,827	2.81%
Individuals	2,640	8,272	14,488	5,494			17,128	1.45%	13,766	2.80%
<b>Total</b>	<b>27,999</b>	<b>57,392</b>	<b>1,040,255</b>	<b>417,953</b>	<b>113,317</b>	<b>16,816</b>	<b>1,181,571</b>	<b>100%</b>	<b>492,161</b>	<b>100%</b>

**10. Deposits (Continued)**

The customer portfolio of the Consolidated Operating statements is as follows:

	R\$ thousand			
	12/31/2016		12/31/2015	
Top depositor	177,238	15.00%	98,386	19.99%
Top 10 depositors	649,287	54.95%	295,785	60.10%
Top 20 depositors	822,663	69.62%	361,336	73.42%
Top 50 depositors	1,019,770	86.31%	449,156	91.26%
Top 100 depositors	1,128,969	95.55%	481,084	97.75%

**11. Repurchase agreements**

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

	in R\$ thousand			
	Bank		Operational consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Own Portfolio</b>	<b>343,961</b>	<b>570,657</b>	<b>343,961</b>	<b>570,657</b>
Financial Treasury Bills	-	103,311	-	103,311
National Treasury Notes		394,778		394,778
National Treasury Notes – B series	300,047	37,841	300,047	37,841
Debentures	43,915	34,727	43,915	34,727
	<b>343,961</b>	<b>570,657</b>	<b>343,961</b>	<b>570,657</b>

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

Banco BBM has Eurobonds issued in the amount of R\$261,292 thousand in December 2016 (R\$267,207 thousand in December 2015), acquired by The Southern Atlantic Investments Ltd, a company not included in the Consolidated Operating financial statements. On January 31, 2015, US\$50,000 thousand was issued, maturing on January 31, 2018, and on December 28, 2015, US\$30,000 thousand was issued, maturing in January 2019.

At December 31, 2016, fund raising through Agribusiness Credit Bills (LCA), Housing Credit Bills (LCI), Financial Bills (LF), and Structured Operation Certificates (COE) was segregated by maturity range as follows:

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

R\$ thousand								
Bank and Operational consolidated								
Maturity	LCA (a)		LCI (b)		LF (c)		COE (d)	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Within 1 month	22,807	6,474	990	8,688	24,453	2,572	-	-
From 1 to 3 months	77,103	21,761	1,131	3,533	97,988	245,203	-	-
From 3 to 6 months	156,360	68,801	822	9,131	32,406	57,861	-	-
From 6 to 12 months	288,537	173,449	19,221	25,336	9,623	406,693	-	431
More than 12 months	140,328	172,888	7,333	9,957	316,074	164,642	-	-
<b>Total</b>	<b>685,135</b>	<b>443,373</b>	<b>29,496</b>	<b>56,645</b>	<b>480,543</b>	<b>876,971</b>		<b>431</b>

- (a) LCA is issued by the Bank in the book entry form registered with Brazil's OTC Clearing House – CETIP or BM&F Bovespa S.A. - Securities, Commodities and Futures Exchange, under Law No. 11076/04 and Law No. 11311/06 and subsequent amendments.
- (b) LCI is a registered security created by Provisional Executive Order No. 2223/11 and Law No. 10931/04.
- (c) LF is issued by the Bank in the book entry form registered with CETIP, under Law No. 12249/10 (Section II, articles 37 to 43) and regulated by the National Monetary Council - CMN (Law No. 3836/60).
- (d) The Structured Operation Certificate (COE) is exclusively issued by banks and saving banks, as set forth by Law No. 12249/10, in the book entry form upon registration in the authorized system.

## 13. Borrowings and on-lending

### a) Borrowings abroad

Bank and Consolidated Operational borrowings abroad are as follows:

	R\$ thousand			
	Bank		Operational consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Obligations with borrowings abroad	526,999	392,227	526,999	392,227
Export credit facility	150,595	238,619	150,595	238,619
Import credit facility	10,818		10,818	
	<b>688,412</b>	<b>630,846</b>	<b>688,412</b>	<b>630,846</b>
Current liabilities	439,785	238,619	439,785	238,619
Long-term payables (a)	248,627	392,227	248,627	392,227
	<b>688,412</b>	<b>630,846</b>	<b>688,412</b>	<b>630,846</b>

**13. Borrowings and on-lending** (Continued)

- (a) The amount of R\$248,627 thousand in the Bank and Consolidated Operating statements in December 2016 (R\$317,969 thousand at December 31, 2015), classified as noncurrent liabilities, refers to fundraising in US dollars with the International Finance Corporation (IFC), a World Bank body, maturing in December 2019. The amount of R\$223,764 thousand is indexed to half-yearly fixed interest rate at the six month LIBOR, plus 2.70% p.a., and R\$24,863 thousand at the six month LIBOR, plus 2.40% p.a., maturing in December 2017.

**14. Other receivables / Sundry**

	R\$ thousand			
	Bank		Operational consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Sundry</b>				
Debtors Deposits on warranty	46,786	45,071	47,230	45,118
Taxes and contributions to offset	7,137	3,313	7,318	3,417
Securities and credits receivable	2,006	2,933	2,006	2,933
Receivables from related parties	450	47	24	47
Sundry debtors – foreign	5,884	44	15,756	82
Sundry debtors – domestic	6,833	2,214	7,124	2,449
Advances – Salaries and constructions	327	175	328	175
<b>Total</b>	<b>69,423</b>	<b>53,797</b>	<b>79,785</b>	<b>54,221</b>
Current	22,485	8,783	32,403	9,159
Long-term payables	46,938	45,014	47,382	45,062
	<b>69,423</b>	<b>53,797</b>	<b>79,785</b>	<b>54,221</b>

**15. Equity**

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

At the Special General Meeting held on October 13, 2016, a capital increase was approved in the amount of R\$57,942 thousand through the use of part of the profit reserves with the issuance of 25,746,362 registered shares, of which 17,209,181 are common shares and 8,537,181 preferred shares, for the nominal value of R \$ 2.250506588 each. Accordingly, capital comprises 282,201,085 registered shares with par value of R\$1.60 each, divided into 188,626,652 common shares and 93,574,433 preferred shares. This capital increase was approved by the BACEN on November 22, 2016.

**(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**

At the Special General Meeting held on October 1, 2015, the cancellation of 738,799 common shares and 366,512 preferred shares, held in treasury, was approved. Consequently, the balance of treasury shares and statutory reserve decreased by R\$797 thousand.

For 2016, the amount of R\$543 thousand was reverted referring to supplement of price of shares repurchased for treasury on March 28, 2011. Under the agreement, the buyer (Banco BBM S.A.) undertakes the future obligation to pay to the seller an amount calculated based on revenue accrued from recovery of a given loan transaction, determined thereunder.

At December 31, 2016, Banco BBM has 93,574,433 shares to be held in treasury, amounting to R\$184,469 thousand.

**(e) Interest on equity (IOE)**

In accordance with article 9 of Law No. 9249/95 and subsequent regulation, for 2016, Banco BBM S.A. stated the amount of R\$43,836 thousand as interest on equity (R\$35,726 thousand in 2015), subject to withholding income tax of R\$6,575 thousand (R\$5,359 thousand in 2015), at 15% rate. This amount was determined in accordance with the legal limits in force and classified in the official records under "Other operating expenses".

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

Interest on equity proposed in 2016 reduced the tax burden by R\$19,726 thousand (R\$16,077 thousand in 2015).

15. Equity (Continued)

(f) Partial spin-off

The partial spin-off of Banco 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 BBM.S.A. decreased by R\$1,773 thousand, measured at the related book values.

(g) 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.

	R\$ thousand	
	12/31/2016	12/31/2015
Net income for the year – Banco BBM S.A.	32,750	43,935
(-) Legal reserve	(1,638)	(773)
Calculation base	<b>31,112</b>	<b>43,162</b>
Mandatory minimum dividends (a)	25%	25%
	<b>7,778</b>	<b>10,791</b>
Dividends – approved and paid		
Interest on Equity (IOE) – approved	43,836	35,726
Total	<b>43,836</b>	<b>35,726</b>

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

**16. Financial intermediation expenses and foreign exchange gains (losses)**

	R\$ thousand					
	Bank			Operational consolidated		
	Second half of 2016	12/31/2016	12/31/2015	Second half of 2016	12/31/2016	12/31/2015
<b>Open market funding</b>						
Deposits remunerated abroad						(14)
Interbank deposits	(2,624)	(6,062)	(2,934)	(1,826)	(4,516)	(1,009)
Time deposits	(48,275)	(74,565)	(22,556)	(48,281)	(74,572)	(22,564)
Notice deposits					(3)	
Expenses with obligations related to linked loans granted	(34,756)	(44,735)	(13,381)	(34,756)	(44,735)	(13,381)
Agriculture credit bills – expenses	(33,804)	(64,227)	(45,879)	(33,804)	(64,226)	(45,879)
Real estate credit bills– expenses	(1,935)	(5,257)	(8,667)	(1,935)	(5,257)	(8,667)
Financial bills – expenses	(28,891)	(81,724)	(142,706)	(28,891)	(81,724)	(142,706)
Securities abroad – expenses	(699)	(1,420)	(851)	(175)	(410)	(193)
Credit Guarantee Fund	(1,111)	(1,669)	(1,091)	(1,111)	(1,669)	(1,091)
Structured operations certificates – expenses		(113)	(9,670)		(113)	(9,670)
Obligations for operations with assigned credits - expenses	(20)	(54)	(819)	(20)	(54)	(819)
Foreign exchange variation (a)	(4,511)	53,283	(104,235)	(4,511)	53,283	(104,235)
	<b>(156,625)</b>	<b>(226,542)</b>	<b>(352,789)</b>	<b>(155,310)</b>	<b>(223,997)</b>	<b>(350,228)</b>
<b>Loans, assignments and onlending operations</b>						
Loan expenses abroad	(16,103)	(25,417)	(66,588)	(16,103)	(25,417)	(66,588)
Foreign exchange variation (a)	(10,621)	108,064	(77,322)	(10,621)	108,064	(77,322)
	<b>(26,724)</b>	<b>82,647</b>	<b>(143,910)</b>	<b>(26,724)</b>	<b>82,647</b>	<b>(143,910)</b>
<b>Foreign exchange transactions</b>						
Revenue from Advances on Exchange Contracts	159,600	171,398	25,699	159,600	171,398	25,699
Foreign exchange variations and interest differences	(140,119)	(206,408)	98,686	(140,119)	(206,408)	98,686
Other expenses	(130)	(272)	(236)	(130)	(272)	(236)
	<b>19,350</b>	<b>(35,283)</b>	<b>124,149</b>	<b>19,350</b>	<b>(35,283)</b>	<b>124,149</b>

(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.

## 17. Service revenues

	R\$ thousand					
	Bank			Operational consolidated		
	Second half of 2016	12/31/2016	12/31/2015	Second half of 2016	12/31/2016	12/31/2015
Administration and performance fees of investment funds	3,001	5,398	5,126	4,058	7,270	14,804
Other services	7,169	12,124	4,216	6,850	11,476	3,129
	<b>10,171</b>	<b>17,522</b>	<b>9,342</b>	<b>10,908</b>	<b>18,746</b>	<b>17,933</b>

## 18. Other administrative expenses

	R\$ thousand					
	Bank			Operational consolidated		
	Second half of 2016	12/31/2016	12/31/2015	Second half of 2016	12/31/2016	12/31/2015
Other administrative expenses	(3,528)	(6,026)	(4,079)	(3,739)	(6,537)	(4,610)
Specialized technical services	(3,127)	(6,152)	(5,675)	(3,160)	(6,224)	(5,896)
Rent	(2,475)	(4,436)	(3,580)	(2,644)	(4,780)	(4,669)
Financial system services (a)	(1,675)	(2,966)	(2,899)	(1,771)	(3,127)	(3,017)
Travel	(1,427)	(2,417)	(1,786)	(1,427)	(2,417)	(1,887)
Promotion/ Advertising/ Publications	(1,171)	(1,463)	(619)	(1,210)	(1,543)	(831)
Data processing	(1,163)	(2,299)	(2,591)	(1,247)	(2,459)	(2,887)
Third-party services	(1,088)	(2,508)	(1,781)	(1,235)	(2,785)	(2,565)
Communications	(1,062)	(2,047)	(1,719)	(1,071)	(2,065)	(1,796)
Amortization and depreciation	(919)	(1,578)	(1,659)	(919)	(1,579)	(1,789)
Property maintenance and upkeep	(688)	(1,378)	(1,232)	(692)	(1,386)	(1,387)
Water, Energy, Gas	(335)	(851)	(935)	(335)	(851)	(935)
Transportation	(237)	(370)	(630)	(237)	(370)	(662)
Material	(59)	(308)	(72)	(59)	(310)	(102)
Insurance expenses	(23)	(30)	-	(23)	(30)	-
Fine expenses	(13)	(22)	(36)	(13)	(22)	(36)
Surveillance and security services	(11)	(22)	(24)	(11)	(22)	(41)
	<b>(19,001)</b>	<b>(34,873)</b>	<b>(29,317)</b>	<b>(19,793)</b>	<b>(36,507)</b>	<b>(33,110)</b>

(a) This includes brokerage expenses, charges and commissions related to guarantee transactions, with derivative financial instruments in the Bank and the Consolidated Operating statements amounting to R\$871 thousand in 2016 (R\$1,004 thousand in the Bank and Consolidated Operating statements in 2015).



19. Significant transactions with related parties

	R\$ thousand			
	Bank		Operational consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Assets</b>				
<b>Short-term interbank investments</b>				
<b>Investments in foreign currencies</b>	<b>132,731</b>	<b>124,246</b>		
BBM Bank Limited	132,731	124,246		
<b>Marketable Securities</b>		<b>71,247</b>		<b>71,247</b>
Fundo Imobiliário Estrutura II - FII		71,247		71,247
<b>Other receivables</b>	<b>782</b>	<b>458</b>	<b>55</b>	<b>41</b>
BACOR CCVM S.A.	704	370		
BBM Administração de Recursos DTVM S.A.	23	47		
Bahia Fund	55	41	55	41
<b>Derivative financial instruments</b>				<b>11,404</b>
The Southern Atlantic Investments Ltd				11,225
Bahia Fund				179
<b>Liabilities</b>				
<b>Demand deposits</b>	<b>3,107</b>	<b>9,083</b>	<b>5,328</b>	<b>10,025</b>
Ravenala S.A.		8		8
Evora S.A.	10	10	10	10
BBM Bank Limited	53	66		
BACOR CCVM S.A.	153	440		
BBM Administração de Recursos DTVM S.A.	155	551	155	551
The Southern Atlantic Investments Ltd			1,525	524
Bahia Fund			901	1,131
BoCom Brazil Holding Company Ltda	2,251		2,251	
Other related individuals/legal entities	485	8,007	486	7,801
<b>Interbank deposits</b>	<b>18,154</b>	<b>16,585</b>	<b>5,562</b>	<b>5,291</b>
BACOR CCVM S.A.	12,593	11,294		
BBM Administração de Recursos DTVM S.A.	5,562	5,291	5,562	5,291
<b>Time deposits</b>	<b>214,010</b>	<b>63,286</b>	<b>328,062</b>	<b>94,520</b>
Ravenala S.A.		5,583		5,583
Evora S.A.	2,852	55,666	2,852	55,666
The Southern Atlantic Investments Ltd			19,552	
Bahia Fund			94,500	31,234
Bank of Communications Co., Ltd	32,761		32,761	
Other related individuals/legal entities	178,398	2,037	178,398	2,037
<b>Financial Bills</b>	<b>4,672</b>	<b>58,208</b>	<b>4,672</b>	<b>58,208</b>
Other related individuals/legal entities	4,672	58,208	4,672	58,208
<b>Agribusiness credit bills</b>	<b>273,480</b>	<b>249,307</b>	<b>273,480</b>	<b>249,307</b>
Other related individuals/legal entities	273,480	249,307	273,480	249,307
<b>Real estate credit notes</b>	<b>28,475</b>	<b>1,869</b>	<b>28,475</b>	<b>1,869</b>
Other related individuals/legal entities	28,475	1,869	28,475	1,869
<b>Debentures</b>	<b>12,935</b>		<b>12,935</b>	
Other related individuals/legal entities	12,935		12,935	
<b>Liabilities on Marketable Securities abroad</b>	<b>261,292</b>	<b>324,593</b>	<b>160</b>	<b>143</b>
The Southern Atlantic Investments Ltd	261,292	324,593	160	143
<b>Liabilities on Loans abroad</b>	<b>195,507</b>		<b>195,507</b>	
Bank of Communications Co., Ltd	195,507		195,507	
<b>Derivative financial instruments</b>	<b>1,019</b>		<b>1,706</b>	<b>293</b>
BBM Bank Limited	1,019			
Bahia Fund				293
The Southern Atlantic Investments Ltd			1,706	
<b>Dividends and bonuses payable</b>	<b>3,255</b>	<b>7,433</b>	<b>3,255</b>	<b>7,433</b>
Interest on Equity (IOE) credited to shareholders	3,255	7,433	3,255	7,433
<b>Social and statutory</b>	<b>5,814</b>	<b>7,906</b>	<b>5,814</b>	<b>7,906</b>
Bonus payable to managers	5,814	7,906	5,814	7,906
<b>Sundry</b>			<b>15,198</b>	<b>103</b>
The Southern Atlantic Investments Ltd			15,198	103

19. Significant transactions with related parties (Continued)

	R\$ thousand					
	Bank		Operational consolidated			
	Second half of 2016	12/31/2016	12/31/2015	Second half of 2016	12/31/2016	12/31/2015
<b>P&amp;L</b>						
<b>Revenue from investments abroad</b>		(16)	(790)	143	127	(789)
<b>Income (loss) from derivative financial instruments</b>	(4,794)	(13,002)	28,122	(9,793)	(78,263)	94,365
The Southern Atlantic Investments Ltd		-	10,175	(9,745)	(78,250)	93,862
BBM Bank Limited	(4,808)	(13,082)	17,804			
Bahia Fund	14	79	143	(47)	(13)	503
<b>Income from investment funds</b>	(402)	4,787	1,943	(402)	4,787	1,943
Property Fund Structure II - FII	(402)	4,787	2,192	(402)	4,787	2,192
Fund Structure III - FIP			(249)	-	-	(249)
<b>Credit assignment income (loss)</b>		-	19,369		-	19,369
Évora S.A.		-	19,369		-	19,369
<b>Open market funding</b>	(34,287)	37,737	(151,382)	(32,966)	40,291	(148,799)
<b>Securities abroad – expenses</b>	(6,626)	83,026	(105,086)	(6,102)	84,035	(104,429)
The Southern Atlantic Investments Ltd	(5,210)	51,864	(105,086)	(4,686)	52,873	(104,429)
BBM Nassau Branch	(1,416)	31,162		(1,416)	31,162	
<b>Loans liabilities abroad – expenses</b>	(3,796)	6,944	-	(3,796)	6,944	-
Bank of Communications Co., Ltd	(3,796)	6,944		(3,796)	6,944	
<b>Interbank deposit expenses</b>	(1,147)	(2,251)	(2,042)	(349)	(706)	(115)
BACOR CCVM S.A.	(798)	(1,545)	(1,327)			
BBM Administração de Recursos DTVM S.A.	(349)	(706)	(715)	(349)	(706)	(115)
<b>Expenses with term deposits</b>	(4,969)	(8,686)	(2,163)	(4,969)	(8,686)	(2,163)
Ravenala S.A.	(133)	(487)	(617)	(133)	(487)	(617)
Evora S.A.	(2,443)	(5,632)	(1,189)	(2,443)	(5,632)	(1,189)
Participações Industriais do Nordeste S.A.		-	(253)	-	-	(253)
Bank of Communications Co., Ltd	(176)	(176)		(176)	(176)	
Other related individuals/legal entities	(2,217)	(2,391)	(105)	(2,217)	(2,391)	(105)
<b>Financial bill expenses</b>	(1,652)	(6,017)	(13,522)	(1,652)	(6,017)	(13,522)
Other related individuals/legal entities	(1,652)	(6,017)	(13,522)	(1,652)	(6,017)	(13,522)
<b>Agriculture credit bill expenses</b>	(14,495)	(31,068)	(23,243)	(14,495)	(31,068)	(23,243)
Other related individuals/legal entities	(14,495)	(31,068)	(23,243)	(14,495)	(31,068)	(23,243)
<b>Real estate credit bill expenses</b>	(1,601)	(4,211)	(5,326)	(1,601)	(4,211)	(5,326)
Other related individuals/legal entities	(1,601)	(4,211)	(5,326)	(1,601)	(4,211)	(5,326)
<b>Other administrative expenses</b>	(32)	(67)	(66)			
<b>Service rendering</b>	(32)	(67)	(66)			
BBM Bank Limited	(32)	(67)	(66)			
<b>Other operating income</b>	558	1,113	1,157	190	356	50
BBM Bank Limited	293	620	857			
BBM Administração de Recursos DTVM S.A.	150	300	300	150	300	50
BACOR CCVM S.A.	75	138				
Bahia Fund	40	56		40	56	
<b>Marketable securities revenue abroad</b>	427	672	325			
<b>Key management personnel compensation</b>	(1,689)	(4,081)	(4,745)	(1,689)	(4,081)	(4,748)
<b>Total</b>	(40,219)	27,143	(106,068)	(44,517)	(36,783)	(38,608)

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

## 20. Derivative financial instruments

The Bank and the other Consolidated Operating 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 Consolidated Operating 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.

At December 31, 2016, the guarantees involved in the operations with derivative financial instruments are represented mainly by government securities in the total amount of R\$233,017 thousand (R\$124,661 thousand at December 31, 2015).

The commitments undertaken as a result of these financial instruments, as recorded in memorandum accounts at December 31, 2016, mature up to October 2020 (up to January 2023 at December 31, 2015), and may be summarized as follows:

**a.) Recorded in memorandum and equity accounts**

	Bank					Operational consolidated						
	12/31/2016				12/31/2015	12/31/2016					12/31/2015	
	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
<b>Future market</b>												
Long position												
Foreign exchange rate	320	1,788		2,769	4,878	8,817	320	1,788		2,769	4,878	8,817
Interest rate		1		7	8	(26)		1		7	8	(26)
Foreign currency	2,952				2,952	2,625	2,952				2,952	2,625
Short position												
Foreign exchange rate		481	618	427	1,526	(155)		481	618	427	1,526	(155)
Interest rate			3	174	178	(21)			3	174	174	(21)
Foreign currency	835				835		835				835	
<b>NDF</b>												
Asset position												
Currency	23,627	951	8,726		33,304		24,963	951	8,726		34,640	11,225
Short position												
Currency	23,176	849	8,164		32,189		23,863	849	8,164		32,876	8,072
<b>Swaps</b>												
Asset position												
Interest rate	542,688	65,663	91,495	44,599	744,444	118,393	542,688	65,663	91,495	44,599	744,444	118,393
Others												71
Short position												
Interest rate	536,714	64,718	89,157	44,470	735,060	120,933	536,714	64,718	89,157	44,470	735,060	120,933
Others												71
<b>Option market</b>												
Asset position												
Shares						1						1
Currency		50	60		110	2,001		50	60		110	2,389
<b>Liability position</b>												
Currency												1,350

b.) By cost and market value

	R\$ thousand						12/31/2015
	Bank						
	Cost	Market	Within 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	
<b>Future market</b>							
Long position			3,272	1,789	-	2,776	11,416
Short position		7,837	835	481	622	601	(176)
<b>Swaps</b>							
Asset position	739,009	744,444	542,688	65,663	91,495	44,599	118,393
Liability position	729,824	735,060	536,714	64,718	89,157	44,470	120,932
<b>NDF</b>							
Asset position			23,627	951	8,726		
Liability position	34,253	33,304	23,176	849	8,164		
<b>Option market</b>							
Asset position				50	60		2,002
Liability position	210	110					961
	Operational consolidated						12/31/2015
	12/31/2016						
	Cost	Market	Within 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	
<b>Future market</b>							
Long position		7,837	3,272	1,789		2,776	11,416
Short position		2,539	835	481	622	601	(176)
<b>Swaps</b>							
Asset position	739,009	744,444	542,688	65,663	91,495	44,599	118,464
Liability position	729,824	735,060	536,714	64,718	89,157	44,470	121,004
<b>NDF</b>							
Asset position	35,590	34,640	24,963	951	8,726		11,225
Liability position	33,100	32,876	23,863	849	8,164		8,072
<b>Option market</b>							
Asset position	210	110		50	60	-	2,391
Liability position							1,350

c.) Notional value by counterparty

	R\$ thousand						
	Bank						
	12/31/2016					12/31/2015	
Financial institutions	Related parties	Legal entities	Stock Market	Individuals	Total	Total	
<b>Future market</b>							
Long position			7,837		7,837	11,416	
Short position			2,539		2,539	(176)	
<b>Swaps</b>							
Asset position	577,049		167,396		744,445	118,393	
Liability position	576,634		158,426		735,060	120,933	
<b>NDF</b>							
Asset position	1,020		16,130	16,153	33,303		
Liability position		1,019	15,399	15,771	32,189		
<b>Option market</b>							
Asset position			110		110	2,002	
Liability position						961	
	Operational consolidated						
	12/31/2016						12/31/2015
	Financial institutions	Related parties	Legal entities	Stock Market	Individuals	Total	Total
<b>Future market</b>							
Long position			7,837		7,837	11,416	
Short position			2,539		2,539	(176)	
<b>Swaps</b>							
Asset position	577,049		167,396		744,445	118,464	
Liability position	576,634		158,426		735,060	121,004	
<b>NDF</b>							
Asset position	2,357		16,130	16,153	34,640	11,225	
Liability position	1,706		15,399	15,771	32,876	8,072	
<b>Option market</b>							
Asset position			110		110	2,391	
Liability position						1,350	

**20. Derivative financial instruments** (Continued)

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

- Long position of foreign exchange coupons (DDI) amounting to R\$4,877 thousand (long position of foreign exchange coupons (DDI) of R\$8,661 thousand at December 31, 2015);
- Short position of foreign exchange coupons (DDI) amounting to R\$1,526 thousand (no position at December 31, 2015);
- Long position in interest rate (DI1) in the amount of R\$7 thousand (no position at December 31, 2015);
- Short position in interest rate (DI1) in the amount of R\$176 thousand (short position in interest (DI1) in the amount of R\$5 thousand at December 31, 2015);
- Long position in currency (DOL) in the amount of R\$2,951 thousand (long position in currency (DOL) in the amount of R\$2,625 thousand at December 31, 2015);
- Short position in currency (DOL) amounting to R\$835 thousand (short position in currency (DOL) in the amount of R\$ 2,591 thousand at December 31, 2015);

Net revenues and expenses with derivative financial instruments are shown below:

	R\$ thousand					
	Bank			Operational Consolidated		
	Second half of 2016	12/31/2016	12/31/2015	Second half of 2016	12/31/2016	12/31/2015
Futures contracts	(17,569)	(173,122)	86,181	(17,569)	(173,122)	86,188
Option contracts	(158)	(1,028)	2,033	(158)	(1,028)	2,034
Swap and term agreements	13,103	42,552	(8,792)	16,891	47,563	(2,384)
<b>Total</b>	<b>(4,624)</b>	<b>(131,598)</b>	<b>79,422</b>	<b>(837)</b>	<b>(126,587)</b>	<b>85,838</b>

**d.) Hedge accounting**

**Funding hedge (I)**

At September 30, 2014, Banco 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.

**20. Derivative financial instruments (Continued)**

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 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 98.86% (102.12% at December 31, 2015).

***Funding hedge (II)***

For 2016, Banco BBM entered into loan agreements in US dollars with the Bank of Communications Shanghai Branch, for funding purposes: On June 8, 2016, totaling US\$14,000 thousand, subject to fixed interest of 1.68% p.a. On September 23, 2016, totaling US\$20,000 thousand, subject to fixed interest of 1.35% p.a. On October 21, 2016, totaling US\$24,400 thousand, subject to fixed interest of 1.35% p.a. On September 26, 2016, totaling US\$2,400 thousand, subject to fixed interest of 1.35% p.a. On April 20, 2016, totaling US\$1,200 thousand, subject to fixed interest of 1.35% p.a.

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 FRC contracts available and maturity of the operations. Disbursements were made in US dollars, and upon entry of cash into Brazil, market risk hedge was contracted with designation of a derivative financial instrument portfolio, comprising DDI and DOL agreements, for full protection, considering the risk of currency exposure and interest rates. 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 the hedged items and results of derivatives intended to hedge, the effectiveness of the operation has remained 99.86%.

***Funding hedge (III)***

On January 20, 2016, Banco BBM contracted swaps assuming long position in IPCA + spread and short position in CDI + 0% p.a., for the purpose of indexing to the CDI part of its funding portfolio indexed to IPCA.

A derivative financial instrument portfolio was designated, comprised of the referred to swaps and by futures DI1 contracts, to hedge interest rate risk. To balance the effects of mark-to-market of derivative financial instruments designated as hedge instruments, the amount of the funding portfolio indexed to IPCA is stated at fair value and also marked to market.

In view of the mismatch of flows of hedged items and results of derivatives intended to hedge, the ineffectiveness of the operation remained close to 66.25%.



## 21. Risk management

### Market risk

Banco 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 periodic backtesting. Additionally, scenarios are analyzed on a daily basis, defined every month by the Risk Committee, independently from the management areas. A full description of the Bank's market risk management structure is available on Banco BBM's website ([www.bancobbm.com.br](http://www.bancobbm.com.br)).

\*VaR = Maximum potential risk, given the level of reliability and the investment horizon. For Banco 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 BBM's liquidity target is to ensure that at any given time the Bank has sufficient cash to honor its liabilities and all the other commitments, without having to carry out any debt rollover or raise additional funds. In order to reach this objective, we adopt the policy of matching liabilities assumed against assets held: fund raising operations are carried out with terms and volumes at least equal to the terms and volumes of loans, thus ensuring that the volume and term of the funding portfolio, together with the portion of the Bank's equity not intended as fixed assets be higher than the volume and term of the loan portfolio.

Liquidity risk is managed based on cash flow forecasts, considering different scenarios of funding, loan and treasury operations. These cash flow analyses take into consideration: (a) implicit risk of each customer, (b) adventitious additional cash for purposes of 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 fund raising, loan and treasury policies.

Banco BBM has a liquidity risk management structure that comprises the following agents and their related functions: a) Liquidity risk area, subordinated to the Risk Officer, is responsible for centralizing and measuring the information referring to liquidity risk management, ensuring that the operational limits are observed, and for disclosure of reports to support specific liquidity risk decision making. A full description of the Bank's liquidity risk management structure is available on Banco BBM's website ([www.bancobbm.com.br](http://www.bancobbm.com.br)).

21. Risk management (Continued)

	R\$ thousand			
	Bank		Operational consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Current assets	2,501,286	3,148,336	2,536,491	3,207,681
Current liabilities	(2,407,597)	(2,209,274)	(2,526,999)	(2,370,235)
<b>Working capital, net</b>	<b>93,689</b>	<b>939,062</b>	<b>9,492</b>	<b>837,446</b>
Securities available for sale presented in long-term receivables	181,800	190,250	181,800	190,250
	<b>275,489</b>	<b>1,129,312</b>	<b>191,292</b>	<b>1,027,696</b>

**Credit risk**

Banco 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 and limits, 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 is also responsible for issuing contracts to be entered into by Banco BBM and the customer. A full description of the credit risk management structure is available on Banco BBM's website ([www.bancobbm.com.br](http://www.bancobbm.com.br)).

## 21. Risk management (Continued)

### Operational risk

Banco 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 in order to ensure compliance with the Policy above. A full description of the operational risk management structure is available on Banco BBM's website ([www.bancobbm.com.br](http://www.bancobbm.com.br)).

### Capital management

Banco BBM manages its capital through a structure composed of the following agents: Board of Directors, Executive Board, Internal Control, Capital and Risk Board, Treasury Board, Fund Raising Board, BackOffice, Business Units and Audit Board. The Board of Directors is the governing body of 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 approve the methodologies to be used in management and monitoring of the capital adequacy. The Capital and Risk Board is responsible for centralizing capital management, which must continuously work to improve and oversee the Institution's compliance with the capital management policy and its capital plan. The Treasury and Fund Raising Boards are responsible for planning equity instrument issues, if necessary. The Capital management department periodically generates reports on the capital adequacy, which are sent to the Executive Board and to the Board of Directors. These reports include 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 the 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 BBM's website ([www.bancobbm.com.br](http://www.bancobbm.com.br)).

## 22. Operating limits

In October 2013, the new rules related to measurement of regulatory capital became effective. Financial institutions and similar entities are required to maintain minimum equity of 9.875% of their assets weighted by levels of risk to exposures in gold, foreign currencies and operations subject to operational risk and changes in: foreign exchange and interest rates, price of commodities and of shares classified as “trading”, according to BACEN rules and instructions. Banco BBM’s Consolidated Operating statements fall under such operational limit at December 31, 2016.

Based on Circular No. 3748, of January 18, 2016, the Bank is not required to submit the Consolidated Operating Statement of Operating Limits, which is the responsibility of the Prudential Conglomerate.

	R\$ thousand	
	Prudential Conglomerate	
	12/31/2016	12/31/2015
<b>Base Capital (PR) - Tier I</b>	<b>557,081</b>	<b>564,699</b>
Equity	576,313	579,285
Decrease in intangible / deferred assets according to CMN Resolution No. 4192	19,232	14,586
<b>Base Capital (PR)</b>	<b>557,081</b>	<b>564,699</b>
<b>Risk-Weighted Assets (RWA)</b>	<b>258,268</b>	<b>314,192</b>
Portion referring to:		
Credit risk (RWACPAD)	207,360	224,984
Foreign exchange risk (PCAM)	2,185	47,568
Interest rate risk (RWAMPAD)	27,316	18,478
Operating Risk (RWAOPAD)	21,408	23,162
<b>Margin or Insufficiency Value (PR - RWA)</b>	<b>298,813</b>	<b>250,507</b>
<b>Risk Factor – 9.875% of PR</b>	<b>55,012</b>	<b>62,117</b>
<b>Basel Rate (Risk Factor / RWA)</b>	<b>21.30%</b>	<b>19.77%</b>

**23. Income and social contribution taxes**

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

	R\$ thousand			
	Bank		Operational consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Asset tax credit:</b>				
<b>Temporary differences (a)</b>				
- Allowance for loan losses	34,540	23,656	34,540	23,656
- Market value adjustment - marketable securities and derivatives	5,843	7,966	5,843	7,966
- Provision for contingencies (Note 24a)	2,865	2,696	2,865	2,696
- PIS / COFINS (Note 24b)			1,401	1,297
- Others	2,544	1,596	2,688	1,739
<b>Social contribution tax losses</b>	16,198	16,829	16,198	16,829
<b>Tax loss</b>	14,541	15,633	14,541	15,633
<b>Total</b>	<b>76,531</b>	<b>68,376</b>	<b>78,076</b>	<b>69,816</b>
<b>Provision for deferred taxes:</b>				
<b>Temporary differences (a)</b>				
- Market value adjustment - marketable securities and derivatives	201	1,094	203	1,094
- Others	11,253	9,069	11,253	9,069
<b>Total</b>	<b>11,454</b>	<b>10,163</b>	<b>11,456</b>	<b>10,163</b>

23. **Income and social contribution taxes** (Continued)

Changes in tax credits and provision for deferred taxes are as follows:

	R\$ thousand			
	Bank		Operational Consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
<b>Tax asset credit:</b>				
<b>Balance at January 1</b>	<b>68,376</b>	<b>56,289</b>	<b>69,816</b>	<b>57,677</b>
Set up (reversal)				
- With impacts on P&L	10,018	9,404	10,122	9,456
- With impacts on equity (Securities available for sale)	(1,862)	2,683	(1,862)	2,683
<b>Balance at December 31</b>	<b>76,531</b>	<b>68,376</b>	<b>78,076</b>	<b>69,816</b>
<b>Provision for deferred taxes:</b>				
<b>Balance at January 1</b>	<b>10,163</b>	<b>8,539</b>	<b>10,164</b>	<b>8,539</b>
Set up (reversal)				
- With impacts on P&L	2,184	827	2,184	827
- With impacts on equity (Securities available for sale)	(893)	797	(893)	797
<b>Balance at December 31</b>	<b>11,454</b>	<b>10,163</b>	<b>11,456</b>	<b>10,163</b>

(a) Such tax credits, for both the controlling entity and the consolidated operating statements, are expected to be realized by 2018 as regards CSLL, with present value of R\$25 million, and by 2018 as regards IRPJ, with present value of R\$28 million. CSLL on tax credits considered the new tax rate.

23. 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:

	R\$ thousand			
	12/31/2016		12/31/2015	
	IRPJ	CSLL	IRPJ	CSLL
<b>Income before income and social contribution taxes</b>	<b>(16,325)</b>	<b>(16,325)</b>	<b>580</b>	<b>580</b>
Bank's net income	32,750	32,750	43,935	43,935
(-) Interest on equity	(43,836)	(43,836)	(35,726)	(35,726)
(-/+ ) Income and social contribution taxes	(5,239)	(5,239)	(7,629)	(7,629)
<b>Tax rate</b>	<b>25%</b>	<b>20%</b>	<b>25%</b>	<b>20%</b>
<b>Income and social contributions taxes</b>				
At statutory rate	4,081	3,265	(145)	(116)
<b>Permanent additions</b>	<b>38,521</b>	<b>34,424</b>	<b>41,022</b>	<b>36,073</b>
Non-deductible expenses	4,942	845	5,526	577
Addition to income abroad	33,579	33,579	35,496	35,496
<b>Permanent exclusions</b>	<b>29,881</b>	<b>29,881</b>	<b>44,878</b>	<b>44,878</b>
Tax-free income	12	12	15	15
Equity Pick up	29,869	29,869	44,863	44,863
<b>Temporary additions/exclusions</b>	<b>21,348</b>	<b>21,100</b>	<b>(433)</b>	<b>(7,635)</b>
<b>Tax base</b>	<b>13,663</b>	<b>9,318</b>	<b>(3,710)</b>	<b>(15,860)</b>
<b>Income and social contribution tax losses</b>	<b>(4,099)</b>	<b>(2,795)</b>	-	-
<b>Tax base - loss</b>	<b>9,564</b>	<b>6,523</b>	<b>(3,710)</b>	<b>(15,860)</b>
<b>Income and social contribution taxes (a)</b>	<b>(2,367)</b>	<b>(1,305)</b>	-	-
<b>Use of tax incentives and taxes from subsidiaries abroad</b>	<b>417</b>			
<b>Income and social contribution taxes on P&amp;L for the period</b>	<b>(1,950)</b>	<b>(1,305)</b>	-	-
Adjustment DIPJ	661	-	(822)	(126)
Deferred tax liabilities	(1,214)	(971)	113	(940)
<b>Income and social contribution taxes on P&amp;L for the year – Banco BBM</b>	<b>(2,503)</b>	<b>(2,276)</b>	<b>(709)</b>	<b>(1,066)</b>
Income and social contribution taxes other institutions of operational consolidated	(373)	(318)	(678)	(470)
<b>Income and social contribution taxes in P&amp;L for the year – Operational consolidated</b>	<b>(2,876)</b>	<b>(2,594)</b>	<b>(1,387)</b>	<b>(1,536)</b>

- (a) In October 2015, Provisional Executive Order (MP) No. 675 was signed into Law No. 13,169, which deals with the change of Social Contribution on Net Income (CSLL) from financial institutions from 15% to 20%. This rate increase came into effect, according to the Provisional Executive Order, from September 2015 and vigil in force until December 2018.

**23. Income and social contribution taxes** (Continued)

In May 2015, Provisional Executive Order (MP) No. 627 (MP 627/13) was signed into Law No. 12973/2015, amending Federal Tax Legislation on income and social contribution taxes (IR and CS), PIS and COFINS. Among other issues, Law No. 12973/2015, provides for:

The revocation of the Transition Tax Regime (RTT), regulating adjustments arising from new accounting methods and criteria introduced due to convergence of Brazilian accounting standards with the international standards;

Taxation of legal entities domiciled in Brazil, as regards equity increase arising from profit sharing obtained abroad by subsidiaries and affiliates; and

Special installment payment of PIS/PASEP and COFINS.

**24. Provisions and liabilities for legal obligations**

The Bank and Banco 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 information from legal advisors, analysis of the pending legal proceedings, and previous experience with regard to amounts claimed in labor claims, management recorded provisions for amounts considered sufficient to cover possible losses on the ongoing claims, as follows:

	R\$ thousand			
	Bank		Operational consolidated	
	12/31/2016	12/31/2015	12/31/2016	12/31/2015
Labor	6,367	5,991	6,367	5,991
<b>Total - Provisions for contingencies</b>	<b>6,367</b>	<b>5,991</b>	<b>6,367</b>	<b>5,991</b>

Provisions are registered as "Other Liabilities - Sundry" under noncurrent liabilities. For the year ended December 31, 2016, a deposit conversion was carried out in the amount of R\$1,816 thousand and provisions for contingencies in the Bank and in the Operational Consolidated were set up in the amount of R\$2,192 thousand.



**24. Provisions and liabilities for legal obligations (Continued)**

**b) Liabilities for legal obligations (\*)**

Since April 2007, based on a preliminary court order in connection with challenge of the constitutionality of the law that increased the PIS and COFINS tax bases, Banco BBM S.A and BACOR Corretora de Valores Mobiliários S.A. have been paying said taxes calculated only on service revenue, recording a liability for the remaining balance until a final decision is handed down, recorded as "Other Liabilities - Sundry" under noncurrent liabilities, as follows:

	R\$ thousand	
	Operational consolidated	
	12/31/2016	12/31/2015
PIS and COFINS	3,114	2,883
<b>Total - Liabilities for legal obligations</b>	<b>3,114</b>	<b>2,883</b>

(\*) In December 2013, PIS and COFINS liabilities in the Bank arising from the discussion on increase of the tax bases mentioned above were zeroed, as the Bank joined the debt payment/installment payment program with the Brazilian IRS, Office of the Attorney General of the Public Finances (PGFN) and the Brazilian National Social Security Institute (INSS), established by Law No. 11941/2009 and amended by Law No. 12865/2013 ("REFIS").

This discussion is ongoing for the company BACOR Corretora de Valores Mobiliários S.A., a part of the consolidated operations.

**c) BM&F and Bovespa demutualization**

In December 2013, Banco BBM and BACOR Corretora de Câmbio e Valores Mobiliários S.A. joined the program for payment/installment payment of debts with the Brazilian IRS, Office of the Attorney General of the Public Finances (PGFN) and the Brazilian National Social Security Institute (INSS), established by Law No. 11941/2009 and amended by Law No. 12865/2015 ("REFIS"), in order to settle debts challenged in administrative proceedings and tax notices, with benefits that decrease fines and interest, regarding notices served by the Brazilian IRS in December 2011, referring to: (i) IRPJ and CSLL on reserve for restatement of stock exchange seats of BM&F and Bovespa, due to demutualization of these entities and (ii) PIS and COFINS on capital gain from sale of such stock exchange seats. It is worth emphasizing that only Banco BBM joined the program regarding PIS and COFINS, and the amount outstanding net of tax effects totals R\$6,615 thousand for BACOR Corretora de Câmbio e Valores Mobiliários S.A. According to our legal advisors, the likelihood of loss on this proceeding is assessed as possible.

## 25. Non-operating Income

	R\$ thousand					
	Second half of 2016	Bank 12/31/2016	12/31/2015	Operational Second half of 2016	Consolidated 12/31/2016	12/31/2015
(-) Alienation of goods (own use) - loss	(809)	(1,153)	(447)	(809)	(1,153)	(447)
(-) Provision for liabilities by legal obligation	(2,599)	(2,599)	(2,436)	(2,599)	(2,599)	(2,436)
(-) Provision for devaluation of goods (not own use)	(4,831)	(4,831)	(1,131)	(4,831)	(4,831)	(1,131)
Non operating income	24	530	44	24	530	64
<b>Total</b>	<b>(8,215)</b>	<b>(8,053)</b>	<b>(3,970)</b>	<b>(8,215)</b>	<b>(8,053)</b>	<b>(3,950)</b>

## 26. Other information

### (a) Agreement for clearing and settlement of obligations

Banco BBM entered into an agreement for clearing and settlement of obligations under the National Financial System, in accordance with CMN Resolution No. 3263/05, resulting in increased guarantee of settlement of receivables with financial institutions with which such agreements are executed. Total assets mitigated under the clearing agreement at December 31, 2016 was R\$148,215 thousand.

### (b) Use of estimates

The preparation of the financial statement includes estimates and assumptions, such as in determining allowances for loan losses, market value measurement of certain financial instruments, provision for contingencies, impairment losses and other provisions.

### (c) 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).

Banco BBM SA is a long-term borrower with international financial institutions, whose contracts require the maintenance of financial covenants. The financial ratios are calculated based on the accounting information, prepared in compliance with Brazilian legislation and BACEN standards. As of December 31, 2016, Banco BBM SA complies with all financial indexes.

## 27. Subsequent events

Payment of interest on equity, approved at December 31, 2016, will take place on January 5, 2017.

\* \* \*

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