

Financial Statements

Banco BBM S.A.

June 30, 2016 and 2015
with Independent Auditors' Report

Macroeconomic Scenario

Brazil has been going through important economic adjustments in the past two years. Nevertheless, the economy started showing signs of stabilization in the first semester, with stabilization of industrial production and the trust indexes pointing to an improvement. Our forecasts remain pointing to a decline in GDP of -3.0% in 2016, however recent disclosures corroborates to our view that the economy may grow +1.4% in 2017.

The inflation scenario continues to show improvement, with the inflation dropping from +10.7% in December 2015 to +8.8% in June 2016. We expect an additional drop of the inflation to +7.0% in 2016 and +5.0% in 2017. We believe that the deterioration in the labor market, lower inflationary pressures of administrated prices and the recent exchange appreciation will contribute to reduce the inflation in the mid-term. Besides, the appointment of Ilan Goldfajn as president of the Central Bank of Brazil was positive, due to his commitment to bring inflation to the target in December 2017 and for its strong credentials to fulfill this goal.

The adjustment in the external sector persists. The trade balance presented in June 2016 a surplus of US\$ 41.1 billion in the twelve month accumulated, substantially above the result of US\$ 19.7 billion in 2015. The current transaction balance, in turn, reached in June a deficit of +1.7% of the GDP in the twelve-month period, a significant improvement related to the prior year result of +3.3% of the GDP. Direct foreign investment in the country remains solid and funds the entire current accounts balance deficit, and we hope it keeps the favorable trend and reach a result of -1.5% of the GDP in 2016.

The political tension in the National Congress remained elevated at the beginning of 2016 and President Dilma Rousseff's impeachment process began. With approval in the House of Representatives and the Senate, she was suspended during the trial and Vice President Temer became the interim president. The final decision of the Federal Senate may occur in mid-August and the markets expect that Mrs. Rousseff is held responsible of the charges. In this case, Mr. Temer will assume the Presidency permanently until the end of 2018.

Henrique Meirelles, former president of the Central Bank of Brazil, was appointed Minister of Finance in the interim government. He is known for being an orthodox economist and it is well respected by the market agents and announced several proposals to resolve the fiscal imbalance, setting a limit on the growth of primary Government expenditure and a pension reform. The discussion surrounding these propositions should gain strength after the final voting of the impeachment process and its eventual implementation should significantly improve the country's economic scenario.

Our business

Banco BBM is a wholesale financial institution, focused on providing credit facilities to corporate clients and financial advisory services for wealth management of individuals.

We keep corporate governance standards and procedures in place to meet and conciliate the interests of our depositors, in a safe and time convenient environment. To accomplish this, we recruit, assess and motivate people through excellent knowledge, talent, ambition and ethical behavior.

Performance of the BBM Financial Group

The BBM Financial Group posted equity of R\$ 579 million and net income of R\$21 million at June 30, 2016, which corresponds to annual profitability of 7.25% calculated on average equity for the period.

Total assets at the end of the year amounted to R\$ 4.1 billion. The volume of funds raised in the domestic and foreign markets totaled R\$ 2.7 billion at period end, a 39% increase from 06/30/2015. The Bank's Basel ratio was 21.12% at the end of the semester.

Credit for Companies.

The Bank's portfolio of loan transactions totaled R\$ 1.7 billion at the end of the year (including advances on foreign exchange contracts and guarantees provided through sureties and collateral), 44% increase from 06/30/2015.

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

Banco BBM's opinion is that ratings from agencies are an important source of transparency and independent assessment of the quality of our credit. The current rating granted by Moody's Investors Service is "Ba3/NP" and "Aa2.br/BR-1" in the global and national levels respectively. The complete Rating report can be found in our website.

Banco BBM and Bank of Communications

On May 19, 2015, Banco BBM controlling group and Bank of Communications Co., Ltd. (“BoCom”) entered into an Agreement for Purchase and Sale of Shares and Other Covenants. The Agreement establishes that BoCom shall acquire shares that account for 80% of total outstanding common shares of Banco BBM, and 80% of total outstanding preferred shares of Banco BBM, which, as a result, accounts for 80% of total outstanding shares of Banco BBM. The Contract foresees a shareholders’ agreement to take effect when the transaction is fully concluded between BoCom and the current controlling block and future holders of 20% of total outstanding shares. Effectiveness of the Operation is subject to conditions precedent set forth in the Purchase and Sale Agreement, which include (i) obtaining the applicable Presidential Decree, as under article 5 of BACEN Circular No. 3317/2006, and then obtaining approval by BACEN in order to transfer the shareholding control from Banco BBM to BoCom, in compliance with Brazilian National Monetary Board (CMN) Resolution No. 4122/2012 and with BACEN Circular No. 3649/2013; and (ii) the regulatory approvals applicable in People’s Republic of China.

Marketable securities portfolio

On January 22, 2016, facing the worsening of the political and economic scenario that put in risk, among others, the inflationary control, the Executive Committee of Banco BBM approved unanimously that the equity application would be altered from CDI to indexed to inflation until the end of the current government, scheduled to end in 2018. Between January 25th and February 5th of 2016, treasury then bought 150,000 NTN-Bs expiring May 15th, 2019 at a rate of 6.19% per year that were classified as “held to maturity”. Thus, at the end of the period, Banco BBM possessed R\$ 436.83 million market securities classified under the category “held to maturity”, in compliance with Circular No. 3068/01 by the Central Bank of Brazil. The Bank has financial capacity, and for the above reasons, the intention to hold to maturity.

A free-translation from Portuguese into English of Independent Auditors' Report on financial statements prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

Independent auditors' report on financial statements

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

We have audited the accompanying individual and consolidated financial statements of Banco BBM S.A. ("Bank"), identified as Bank and Operational consolidated, respectively, which comprises the balance sheets as at June 30, 2016 and related income statements, statements of changes in equity and cash flow statements for six-month period then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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 controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these individual and consolidated financial statements based on our audit. We conducted our audit in accordance with the Brazilian and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the individual and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the Bank and Operational consolidated financial statements 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 and Operational consolidated internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the individual and consolidated financial statements.



We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 at June 30, 2016, their individual and consolidated operating performance and their individual and consolidated cash flows for the six-month period then ended, in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.

São Paulo, August 08, 2016

ERNST & YOUNG
Auditores Independentes S.S.
CRC - 2SP 015.199/O-6

Grégory Gobetti
Accountant CRC 1PR 039.144/O-8

A free-translation from Portuguese into English of financial statements prepared in accordance with the accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil and in Reais (R\$).

Assets	Note	In R\$ thousand			
		Bank		Operational consolidated	
		06/30/2016	06/30/2015	06/30/2016	06/30/2015
Current assets		2,569,359	2,534,610	2,581,706	2,533,942
Cash and cash equivalents	4	4,477	2,283	5,471	3,607
Free reserves		2,813	135	2,834	138
Funds in foreign currency		1,664	2,148	2,637	3,469
Short-term interbank investments	5	208,671	953,452	192,335	939,546
Open market investments	4	4,498	851,779	4,498	851,779
Interbank deposits		1,382	2,762	1,382	2,762
Investments in foreign currencies		202,791	98,911	186,455	85,005
Marketable securities and derivative financial instruments	6	1,098,317	665,965	1,100,889	667,922
Bank portfolio		1,014,602	332,643	1,014,607	332,648
Subject to repurchase agreements		48,266	82,152	48,266	82,152
Derivative financial instruments		27,420	15,105	29,987	17,057
Linked to guarantees given		8,029	236,065	8,029	236,065
Interbank accounts		5,474	5,649	5,474	5,649
Check Payment Services and Other Papers		150	46	150	46
Deposits – Central Bank of Brazil		774	849	774	849
Correspondent banks		4,550	4,754	4,550	4,754
Loan transactions	7	924,547	632,907	926,384	636,499
Discounted securities and loans		618,688	369,304	618,688	369,304
Financing		348,626	301,240	350,463	304,832
Allowance for loans		(42,767)	(37,637)	(42,767)	(37,637)
Other receivables		326,035	269,202	349,244	275,527
Foreign exchange portfolio	8	295,617	245,339	295,617	245,339
Unearned income		1,155	1,508	1,155	508
Trading and brokerage		82	2,253	133	2,314
Sundry	14	20,436	17,823	43,594	24,975
Tax credits	23	12,361	10,696	12,361	10,808
Allowance for other receivables	7	(3,616)	(8,417)	(3,616)	(8,417)
Other assets		1,838	5,152	1,909	5,192

See accompanying notes.

Balance sheets

Assets	Note	in R\$ thousand			
		Bank		Operational consolidated	
		06/30/2016	06/30/2015	06/30/2016	06/30/2015
Noncurrent assets					
Long-term assets		1,406,829	562,935	1,426,506	581,161
Short-term interbank investments	5	2,773	3,590	2,773	3,590
Interbank deposits		2,773	3,590	2,773	3,590
Marketable securities and derivative financial instruments	6	1,058,745	215,367	1,058,745	215,367
Bank portfolio		167,759	172,845	167,759	172,845
Linked to repurchase agreements		635,100	1,459	635,100	1,459
Derivative financial instruments		148	1	148	1
Linked to guarantees given		255,738	41,062	255,738	41,062
Loan transactions	7	239,216	250,751	257,355	267,744
Discounted securities and loans		170,126	160,123	170,126	160,123
Financing		80,285	96,603	98,424	113,596
Allowance for loans		(11,195)	(5,975)	(11,195)	(5,975)
Other receivables		104,851	91,319	106,389	92,552
Sundry	14	48,074	41,351	48,121	41,351
Tax credits	23	57,347	50,478	58,838	51,711
Allowance for other receivables	7	(570)	(510)	(570)	(510)
Other assets		1,244	1,908	1,244	1,908
Permanent assets		321,438	296,533	127,377	72,795
Investments		316,053	289,653	121,983	65,264
Income from interest in subsidiaries	9				
In Brazil		10,240	15,174		
Abroad		305,763	274,429	121,932	65,214
Other investments		1,810	1,810	2,629	2,628
Provision for losses		(1,760)	(1,760)	(2,578)	(2,578)
Property and equipment in use		2,270	4,256	2,279	4,394
Intangible assets		1,741	935	1,741	1,448
Deferred		1,374	1,689	1,374	1,689
Total assets		4,297,626	3,394,078	4,135,589	3,187,898

See accompanying notes.

Liabilities	Note	in R\$ thousand			
		Bank		Operational consolidated	
		06/30/2016	06/30/2015	06/30/2016	06/30/2015
Current liabilities		2,762,750	1,886,701	2,854,993	1,842,380
Deposits	10	579,713	156,315	656,852	202,228
Demand deposits		34,535	34,039	123,201	39,021
Interbank deposits		57,250	18,434	45,723	1,049
Time deposits		487,928	103,842	487,928	162,158
Repurchase agreements	11	679,046	541,453	679,946	541,453
Bank portfolio		679,046	541,453	679,046	541,453
Funds from acceptance and issue of securities	12	1,041,600	867,827	1,031,891	773,956
Liabilities – marketable securities abroad		9,926	94,238	217	367
Liabilities from issue of agribusiness credit bills		416,731	196,068	416,731	196,068
Liabilities from issue of credit bills		580,554	517,459	580,554	517,459
Liabilities from issue of real estate credit bills		33,924	55,604	33,924	55,604
Funds raised by certificate of structured operations		465	4,458	465	4,458
Interbank accounts		64	178	64	178
Receipts and payments to be settled		64	178	64	178
Interbranch accounts		65,845	48,804	65,845	48,804
Third-party funds in transit		65,845	48,804	65,845	48,804
Borrowings	13	321,628	154,272	321,628	154,272
Loans abroad		321,628	154,272	321,628	154,272
Derivative financial instruments	6	1,722	8,092	3,641	10,412
Derivative financial instruments		1,722	8,092	3,641	10,412
Other liabilities		73,132	109,760	96,026	111,077
Collection of similar taxes		780	176	780	176
Foreign exchange portfolio	8	18,692	185	18,692	185
Social and statutory		17,106	24,065	17,216	25,400
Tax and social security		12,938	2,852	13,267	3,404
Securities trading		3,828	1,014	3,828	1,014
Loans granted with coobligation			69,944		69,944
Sundry		19,788	11,524	42,243	10,954

See accompanying notes,

Liabilities	Note	in R\$ thousand			
		Bank		Operational consolidated	
		06/30/2016	06/30/2015	06/30/2016	06/30/2015
Noncurrent liabilities					
Long-term payables		954,640	931,198	700,360	769,339
Deposits	10	105,612	21,317	105,612	21,317
Interbank deposits		2,713	3,493	2,713	3,493
Time deposits		102,899	17,824	102,899	17,824
Funds from acceptance and issue of securities	12	510,591	846,558	253,311	681,893
Liabilities – marketable securities abroad		257,280	164,665		
Liabilities from issue of agribusiness credit bills		119,595	138,385	119,595	138,385
Liabilities from issue of credit bills		128,728	531,395	128,728	531,395
Liabilities from issue of real estate credit bills		4,988	12,113	4,988	12,113
Borrowings	13	317,969	32,704	317,969	32,704
Loans abroad		317,969	32,704	317,969	32,704
Other liabilities		20,468	30,619	23,468	33,425
Social and statutory		4,302	3,712	4,302	3,712
Tax and social security		4,667	11,424	4,669	11,425
Sundry		11,499	15,483	14,497	18,288
Deferred income		1,581	334	1,581	334
Equity	15	578,655	575,845	578,655	575,845
Capital		411,358	413,131	411,358	413,131
Domiciled in Brazil		411,358	413,131	411,358	413,131
Market value adjustment - marketable securities and financial instruments		(3,839)	(2,613)	(3,839)	(2,613)
Available-for-sale securities		(3,839)	(2,613)	(3,839)	(2,613)
Income reserves		355,605	347,799	355,605	347,799
Treasury stock		(184,469)	(182,472)	(184,469)	(182,472)
Total liabilities and equity		4,297,626	3,394,078	4,135,589	3,187,898

See accompanying notes,

Income statements

	Notes	in R\$ thousand			
		Bank		Operational consolidated	
		06/30/2016	06/30/2015	06/30/2016	06/30/2015
Financial income		327,527	239,774	327,759	243,513
Loan transactions		109,745	87,368	109,894	87,590
Income from marketable securities transactions	5 and 6	108,411	75,260	108,404	75,215
Result of exchange operations	16		62,544		62,544
Loans, assignments and onlending operations	16	109,371		109,371	
Loss (gain) on derivative financial instruments	20		14,602		18,164
Financial expenses		(272,207)	(202,985)	(269,753)	(201,781)
Market funding operations	16	(69,917)	(156,243)	(68,687)	(155,039)
Income from derivative financial instruments	20	(126,974)		(125,750)	
Result of exchange operations	16	(54,633)		(54,633)	
Loans, assignments and onlending operations	16		(37,205)		(37,205)
Set up (reversal) of allowance doubtful accounts	7	(20,683)	(9,537)	(20,683)	(9,537)
Gross financial income		55,320	36,789	58,006	41,732
Other operating income (expenses)		(23,439)	(12,154)	(25,762)	(15,365)
Service revenues	17	7,351	3,921	7,838	9,334
Personnel expenses		(21,553)	(18,778)	(22,042)	(21,180)
Other administrative expenses	18	(15,872)	(13,436)	(16,714)	(15,502)
Tax expenses		(3,425)	(3,358)	(3,525)	(3,835)
Income from interest in subsidiaries	9	9,186	19,513	7,920	16,064
Other operating income		1,111	1,073	1,114	1,080
Other operating expenses		(237)	(1,089)	(353)	(1,326)
Operating income (loss)		31,881	24,635	32,244	26,367
Non-operating income (expenses)		162	(3,056)	162	(3,036)
Income before income taxes and profit sharing		32,043	21,579	32,406	23,331
Income and social contributions taxes	23	(2,691)	1,432	(2,944)	966
Provision for income tax		(2,509)	(64)	(2,672)	(323)
Provision for social contribution tax		(2,766)	(58)	(2,907)	(221)
Deferred tax asset		2,584	1,554	2,635	1,510
Profit sharing – managers and employees		(8,373)	(6,189)	(8,483)	(7,475)
Net income		20,979	16,822	20,979	16,822
Earnings per share		0.11	0.09	0.11	0.09

See accompanying notes.

in R\$ thousand						
Capital	Income reserves		Market value adjustment - marketable securities and derivatives	Treasury shares	Retained earnings	Total
	Legal	Statutory	Bank			
Six month Ended June 30, 2015						
Balances at January 1, 2015	413,131	81,853	265,945	(3,080)	(182,209)	575,640
Market value adjustments - marketable securities				467		467
Purchase of treasury shares				(263)		(263)
Net income for the period					16,822	16,822
Reversal of statutory reserve for payment of interest on capital			(772)		772	
Allocations:						
- Reserves		773			(773)	
- Interest on equity (R\$ 0.09 per share)					(16,821)	(16,821)
Balances at June 30, 2015	413,131	82,626	265,173	(2,613)	(182,472)	575,845
Changes in the period		773	(772)	467	(263)	205
Period Ended at June 30, 2016						
Balances at January 1, 2016	413,131	82,626	273,381	(4,139)	(185,809)	579,190
Market value adjustments - marketable securities				300		300
Scission (Note 15f)	(1,773)		(797)		797	(1,773)
Treasury shares					543	543
Net income for the period					20,979	20,979
Allocations:						
- Reserves			396		(396)	
- Interest on equity (R\$ 0.11 per share)					(20,583)	(20,583)
Balances at June 30, 2016	411,358	82,626	272,979	(3,839)	(184,469)	578,655
Changes in the period	(1,773)		(401)	300	1,340	(534)

See accompanying notes.

	in R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Cash flow statements				
Net income	20,979	16,822	20,979	16,822
Adjustments to net income:	9,839	(8,198)	11,255	(4,635)
Set up (reversal) of allowance doubtful accounts	20,683	9,537	20,683	9,537
Depreciation and amortization	659	754	860	824
Expenses from civil, labor and tax allowances	(397)	3,066	(397)	3,066
Income from interest in subsidiaries	(13,555)	(16,856)	(12,289)	(13,407)
Deferred income and social contribution taxes	(2,584)	(1,554)	(2,635)	(1,510)
Unrealized gains/losses on marketable securities and derivatives	364	(955)	364	(955)
Restatement of membership certificates	300	467	300	467
Equity adjustments	4,369	(2,657)	4,369	(2,657)
Adjusted net income	30,818	8,624	32,234	12,187
(Increase)/decrease in short-term interbank investments	1,221	(30,635)	1,221	4,702
(Increase) in marketable securities and derivative financial instruments	(325,500)	(95,996)	(322,926)	(96,969)
(Increase)/decrease in interbank and interbranch accounts	15,386	5,886	15,386	5,886
(Increase)/decrease in loan and lease transactions	(118,296)	238,735	(113,534)	236,331
(Decrease) in deposits	313,902	(117,083)	270,303	(98,086)
Increase in open market funding	108,389	525,542	108,389	525,542
Increase/(decrease) in securities issue resources	(149,821)	(44,261)	(92,361)	(81,413)
(Decrease) in borrowings and onlending	8,751	(50,954)	8,751	(50,954)
Increase/(decrease) in future period results	681	(32)	681	(32)
(Decrease) in other assets	(8,246)	50,520	(31,394)	50,001
Decrease in other liabilities	19,277	(194,104)	(1,510)	(204,031)
Net cash flow from (used in) operating activities	(134,256)	287,618	(156,994)	294,977
Cash flow from investing activities:				
Increase/(decrease) in investments	(4,668)	2,933	(44,281)	(12,661)
Disposal of investment	(1,773)		(1,773)	
Disposal of property and equipment for use and leased	(927)	(311)	(1,126)	(474)
Disposal of deferred charges	154		154	
Dividends and interest on equity received	300	725	300	725
Net cash provided by (used in) investing activities	(6,914)	3,347	(46,726)	(12,410)
Cash flow from financing activities:				
Dividends and interest on equity paid	(16,329)	(47,007)	(16,329)	(47,007)
Purchases of treasury shares	543	(263)	543	(263)
Net cash provided from (used in) financing activities	(15,786)	(47,270)	(15,786)	(47,270)
Net increase (decrease) in cash and cash equivalents	(126,138)	252,319	(187,272)	247,484
At beginning of period	337,904	601,743	383,696	607,902
At end of period	211,766	854,062	196,424	855,386
Net increase (decrease) in cash and cash equivalents	(126,138)	252,319	(187,272)	247,484
Non-monetary transaction				
Interest on equity	20,583	16,821	20,583	16,821
Deliberate dividends		1,000		1,000

See accompanying notes.

1. Operations

Banco BBM S.A. 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;
- Lease.

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 May 19, 2015, Banco BBM controlling group and Bank of Communications Co., Ltd. ("BoCom") entered into an Agreement for Purchase and Sale of Shares and Other Covenants. The Agreement establishes that BoCom shall acquire shares that account for 80% of total outstanding common shares of Banco BBM, and 80% of total outstanding preferred shares of Banco BBM, which, as a result, accounts for 80% of total outstanding shares of Banco BBM. The Contract foresees a shareholders' agreement to take effect when the transaction is fully concluded between BoCom and the current controlling block and future holders of 20% of total outstanding shares. Effectiveness of the Operation is subject to conditions precedent set forth in the Purchase and Sale Agreement, which include (i) obtaining the applicable Presidential Decree, as under article 5 of BACEN Circular No. 3317/2006, and then obtaining approval by BACEN in order to transfer the shareholding control from Banco BBM to BoCom, in compliance with Brazilian National Monetary Board (CMN) Resolution No. 4122/2012 and with BACEN Circular No. 3649/2013; and (ii) the regulatory approvals applicable in People's Republic of China.

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 Operational Consolidated statements comprise the financial statements at June 30, 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)
- BBM Administração de Recursos DTVM S.A. (c)

- a) The indirect interest of 100% of Banco BBM S.A. in BBM Bank Ltd capital was eliminated from the operational consolidated statements at "Interest in Subsidiaries - The Southern Atlantic Investments Ltd.", according to Note 9.

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

- b) Banco BBM S.A. holds directly 100% of the capital of these entities.
- c) This entity is not part of the operational consolidated. The income statement is consolidated up until October 31, 2015. As of note 9.

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.

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, 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.

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

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" under "Marketable securities".

(c) Current and noncurrent assets

These are presented at realization amounts, including, where applicable, monetary and foreign exchange proceedings and variations, less corresponding proceedings from future realization and/or provision for losses. Balances maturing within 12 months (or 360 days) are classified in current assets. Securities classified as "available for sale" are presented in current assets, regardless of maturity.

(d) Permanent assets

These are stated at cost combined with the following aspects:

3. Summary of significant accounting practices (Continued)

- Significant investments in subsidiaries are accounted for by the equity pickup method in the individual financial statements;
- Property and equipment and leased assets are depreciated on the straight-line basis, at annual rates which 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 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 values, 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.

(f) Income and social contributions 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%.

The deferred tax assets and liabilities arising from temporary differences were recognized in accordance with CMN Resolution No. 3059 issued on December 20, 2002, and CMN Resolution No. 3355, issued on March 31, 2006, and take into account the history of profitability and the expected generation of future taxable income supported by technical feasibility studies. The deferred taxes were recognized based on the expected income and social contribution tax rates of 25% and 20% respectively.

In May 2015 it was published the Provisional Measure No. 675, which amended the rate of Social Contribution on Net Income - CSLL of financial institutions from 15% to 20%. This rate increase went into effect, according to the Provisional Measure, as of September 2015 and remains in effect until December 2018.

(g) Swaps, futures, forward and options

The nominal amounts of contracts are recorded in offsetting accounts. Daily adjustments of transactions conducted in the future 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 value, adjusted at market value matching against P&L. The market value of swap and term operations are individually recorded in asset and liability equity accounts, matching 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 3566/08, and based on management analysis, if the book value of the Bank's and its subsidiaries' assets exceeding their recoverable value, an impairment loss is recognized in P&L.

(j) Contingent assets and liabilities and legal obligations

Recognition, measurement and disclosure of contingent assets and liabilities, and legal obligations are made pursuant to the criteria defined below:

Contingent assets - not recognized in the financial statements, except upon evidence ensuring high reliability level of realization, represented by claims for which a final and unappeasable judgment has been awarded.

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 are measurable with sufficient safety. Contingent liabilities classified by legal advisors as possible losses are only disclosed in notes, whereas those classified as remote losses do not require provision or disclosure.

Legal, tax, and social security liabilities – These refer to litigation that aims at challenging the legality and constitutionality of certain taxes and contributions. The amount challenged is quantified and recorded in books.

(k) Short-term interbank investments

Interbank investments are stated at acquisition, investment or release cost, plus foreign exchange, monetary and interest variations, as contractually defined. When the market value is lower, a provision for adjustment of 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 asset to realization value is set up. Allowance for doubtful accounts is set up in amount considered sufficient to cover any losses, and it considers, in addition to past experiences, the assessment of debtors and their guarantors, as well as specific characteristics of transactions made, in accordance with the requirements of the Brazilian Central Bank Resolution No. 2682. These are recorded at present value on a daily pro rata basis, based on the index variation and on the agreed-upon interest rate, restated up to the 59th day in arrears at the financial companies, observing the estimated receipt date.

Following the 60th day, they are recognized in P&L when their installments are effectively received. Renegotiated transactions are held at least at the same level they were previously classified and if they are written off against provision, they are then classified at H level; gains are recognized in revenue when effectively received.

3. Summary of significant accounting practices (Continued)

(m) Cash and cash equivalents

There are represented by cash and cash equivalents, unlinked balances maintained with the Brazilian Central Bank and financial assets of high liquidity with maturity within three months, subject to immaterial risk of changes in their fair value, used by the Group to manage short-term commitments. See note 4.

(n) Hedge accounting

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

Derivative financial instruments used to mitigate risks arising from exposure to variations in the market value of assets and liabilities, and that are highly correlated referring to changes in its market value in relation to the market value of the item that is being protected, at the beginning and end over the life of the contract and considered effective in reducing the risk associated with exposure to be protected, are considered instruments of protection (hedge) and are classified by its nature in:

(a) Market risk hedge: the financial instruments classified under this category, as well as their related financial assets and liabilities, hedge object, are market at fair value and have their gain/losses realized or not, registered in the result; and

(b) Cash flow hedge: the financial instruments classified under this category, are marked at fair value, being the effective parcel of appreciation or depreciation registered, net of tax effects, in specific account on equity. The non-effective parcel of the respective hedge is recognized direct on the result.

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.

Derivative instruments are used for hedging purposes, as well as the marked-to-market value, disclosed in Note 20.

4. Cash and cash equivalents

	R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Cash and checking accounts in Banks	1,664	2,148	2,637	3,469
Free reserves in cash with the Central Bank	2,813	135	2,834	138
Interbank investments (a)	4,498	851,779	4,498	851,779
Investments in foreign currencies	202,791	98,911	186,455	85,005
Total	211,766	952,973	196,424	940,391

(a) Committed transactions maturing within 90 days.

5. Short-term interbank investments

Short-term interbank investments are as follows:

	in R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Open market investments	4,498	851,779	4,498	851,779
Self-funded position	4,498	387,021	4,498	387,021
National Treasury Bills		92,585		92,585
National Treasury Notes – B serie	4,498	294,436	4,498	294,436
Funded Position		251,495		251,495
National Treasury Bills		80,183		80,183
National Treasury Notes – B serie		171,312		171,312
Short Position		213,263		213,263
National Treasury Notes – B serie		213,263		213,263
Interbank deposits	4,155	6,352	4,155	6,352
Investments in foreign currencies (*)	202,791	98,911	186,455	85,005
	211,444	957,042	195,108	943,136
Current assets	208,671	953,452	192,335	939,546
Long-term receivables	2,773	3,590	2,773	3,590
	211,444	95,704	195,108	943,136

(*) The investments in foreign currencies are comprised of Overnights and Time Deposits.

At June 30, 2016 and 2015, collateral received in repurchase agreements amounted to R\$ 4,499 thousand – Bank and R\$ 83,611 thousand – Operational consolidated. Collateral provided amounted to R\$ 633,714 thousand and R\$ 251,494 thousand in the same periods.

The results of short-term interbank investments for the Bank and Operational consolidated are as follows:

	in R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Open market investments	12,599	40,151	12,599	40,151
Interbank deposits	350	557	350	557
Investments in foreign currencies	41	17	264	71
Income from marketable securities transactions	12,990	40,725	13,213	40,779

6. Marketable securities and derivative financial instruments

	in R\$ thousand							
	Bank				Operational consolidated			
	Cost	Market	Cost	Market	Cost	Market	Cost	Market
06/30/2016		06/30/2015		06/30/2016		06/30/2015		
I - Marketable securities	2,106,415	2,129,494	845,670	866,226	2,106,415	2,129,499	845,671	866,231
Securities for trading	1,005,205	1,028,973	441,776	464,872	1,005,205	1,028,974	441,776	464,873
Own Portfolio	917,413	942,505	363,239	385,226	917,413	942,506	363,239	385,227
Fixed income securities (*)	816,090	815,957	261,989	263,512	816,090	815,958	261,989	263,513
Financial Treasury Bills	2,494	2,494			2,494	2,494		
National Treasury Notes	813,199	813,071			813,199	813,071		
National Treasury Notes – B series	397	391	261,989	263,512	397	392	261,989	263,513
Investment fund shares	101,322	126,548	101,250	121,714	101,322	126,548	101,250	121,714
Fund Shares of securities funds (**)	50,750	75,976	50,750	71,214	50,750	75,976	50,750	71,214
Fund shares in credit rights	50,572	50,572	50,500	50,500	50,572	50,572	50,500	50,500
Subject to repurchase agreements	87,793	86,468	78,537	79,646	87,793	86,468	78,537	79,646
Financial Treasury Bills	521	521			521	521		
National Treasury Notes – B series	87,272	85,947	78,537	79,646	87,272	85,947	78,537	79,646
Available-for-sale securities	664,376	663,689	403,894	401,354	664,377	663,693	403,895	401,358
Own Portfolio	235,742	235,694	120,464	120,262	235,742	235,698	120,465	120,266
Fixed income securities (*)	235,668	235,532	120,391	120,032	235,668	235,532	120,391	120,032
Financial Treasury Bills	32,344	32,334	11,849	11,849	32,344	32,334	11,849	11,849
National Treasury Bills			58,228	58,132			58,228	58,132
National Treasury Notes – B series	3,220	3,191	35,328	35,046	3,220	3,191	35,328	35,046
National Treasury Notes – F series	53	54	49	52	53	54	49	52
Promissory note	108,054	108,059			108,054	108,059		
Debentures	91,997	91,895	14,937	14,953	91,997	91,895	14,937	14,953
Variable income securities	73	162	73	230	74	166	74	234
Shares of listed companies	73	162	73	230	74	166	74	234
Subject to repurchase agreements	164,667	164,227	4,005	3,965	164,667	164,227	4,005	3,965
Financial Treasury Bills	84,767	84,662			84,767	84,662		
National Treasury Bills			2,539	2,506			2,539	2,506
National Treasury Notes – B series	32,476	32,321	1,466	1,459	32,476	32,321	1,466	1,459
Debentures	47,424	47,245			47,424	47,245		
Linked to guarantees given	263,968	263,767	279,425	277,127	263,968	263,767	279,425	277,127
Financial Treasury Bills	243,118	242,917	10,007	10,008	243,118	242,917	10,007	10,008
National Treasury Bills			228,520	226,057			228,520	226,057
National Treasury Notes – B series			40,898	41,062			40,898	41,062
Debentures	20,850	20,850			20,850	20,850		
Held to maturity securities	436,833	436,833			436,833	436,833		
Own Portfolio	4,162	4,162			4,162	4,162		
Fixed income securities (*)	4,162	4,162			4,162	4,162		
National Treasury Notes – B series	4,162	4,162			4,162	4,162		
Subject to repurchase agreements	432,671	432,671			432,671	432,671		
National Treasury Notes – B series	432,671	432,671			432,671	432,671		
II - Derivative financial instruments	27,451	27,568	12,768	15,106	30,018	30,135	15,309	17,058
Swap transactions	25,392	25,793	8,246	9,162	25,391	25,792	8,246	11,114
Forward	1,673	1,592	3,609	2,756	4,241	4,160	6,150	2,756
Options premium	386	183	913	3,188	386	183	913	3,188
Total marketable securities and Derivative financial instruments	2,133,866	2,157,062	858,438	881,332	2,136,433	2,159,634	860,980	883,289
Segregation of portfolio by maturity:								
No maturity	73	162	73	230	74	166	74	234
Within 3 months	964,032	963,854	419,718	425,371	966,600	966,422	422,259	427,323
From 3 to 12 months	134,271	134,301	243,638	240,364	134,270	134,301	243,638	240,365
Above 12 months	1,035,489	1,058,745	195,009	215,367	1,035,489	1,058,745	195,009	215,367
Total	2,133,866	2,157,062	858,438	881,332	2,136,433	2,159,634	860,980	883,289
Current Assets		1,098,317		665,965		1,100,889		667,922
Long-Term Assets		1,058,745		215,367		1,058,745		215,367
Total		2,157,062		881,332		2,159,634		883,289

6. Marketable securities and derivative financial instruments (Continued)

	in R\$ thousand							
	Bank				Operational consolidated			
	Cost	Market	Cost	Market	Cost	Market	Cost	Market
	06/30/2016		06/30/2015		06/30/2016		06/30/2015	
III - Derivative financial instruments								
Short position	1,578	1,722	7,087	8,092	3,498	3,642	7,087	10,412
Swap transactions	(219)	186	3,112	2,941	(219)	186	3,112	2,941
Forward	1,528	1,528	3,060	1,964	3,448	3,448	3,060	4,284
Options	269	8	915	3,187	269	8	915	3,187
Segregation by maturity:								
Within 3 months	1,528	1,527	6,326	7,307	3,448	3,447	6,326	9,627
From 3 to 12 months	50	195	761	785	50	195	761	785
Above 12 months								
Total	1,578	1,722	7,087	8,092	3,498	3,642	7,087	10,412

Gains (losses) on marketable securities for the Bank and Operational Consolidated are as follows:

	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Investment fund shares	8,538	3,336	8,538	3,336
Government securities	69,283	31,187	69,283	31,088
Debentures	17,600	12	17,370	12
Income from marketable securities	95,421	34,535	95,191	34,436

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

(*) Securities classified as "Securities for trading" maturing within more than 12 months, which at June 30, 2016 amount to R\$ 2,885 thousand – Bank and Operational consolidated (R\$ 343,158 thousand at June 30, 2015), are stated in current assets, according to BACEN Circular No. 3068/01. Securities classified as "Securities Available for Sale" maturing within more than 12 months, amounting to R\$ 87,622 thousand – Bank and Operational consolidated at June 30, 2016 (R\$ 37,637 thousand at June 30, 2015), are stated in noncurrent assets, according to BACEN Circular No. 3068/01, irrespective of their liquidity level. The effect of this classification on net working capital is stated in Note 21 – Liquidity Risk.

(**) The breakdown of assets and liabilities referring to the Structure II Fund, the Brazilian Real Estate Investment Fund (FII), a Banco BBM exclusive fund, in the Bank and Operational Consolidated, at June 30, 2016, is as follows:

	in R\$ thousand				
	Assets		Liabilities		
	06/30/2016	06/30/2015		06/30/2016	06/30/2015
Cash and cash equivalents		2	Sundry	469	30
Investment fund shares	705	124			
Fixed income investments	1				
Investment properties	75,739	71,118	Equity	75,976	71,214
Total assets	76,445	71,244	Total liabilities	76,445	71,244

* The fair value of investment properties is obtained from valuation reports prepared by renowned professional entities, using valuation techniques.

7. Loan transactions, sureties and guarantees

At June 30, 2016 and 2015, loans and guarantees provided through sureties or guarantee agreements by the Bank and the Operational Consolidated statements, classified according to the clients' economic activities, are as follows:

Economic activity	in R\$ thousand			
	Bank/ Operational consolidated			
	06/30/2016		06/30/2015	
Agriculture	314,667	18.68%	196,296	16.83%
Sugar and Ethanol	168,299	9.99%	167,285	14.34%
Retail market	161,472	9.59%	59,638	5.11%
Utilities (energy)	114,761	6.81%		
Chemical and Petrochemical	110,329	6.55%	160,146	13.73%
Building and Real Estate	100,505	5.97%	202,553	17.37%
Meat Industry	92,340	5.48%	68,318	5.86%
Oil & Gas	85,047	5.05%		
Pharmaceutics	77,081	4.57%	12,388	1.06%
Capital Goods	62,801	3.73%	20,585	1.76%
Transport Concessions	61,542	3.65%		
Specialized Services	53,769	3.19%	34,039	2.92%
Pulp and Paper	43,158	2.56%	39,375	3.38%
Vehicles and Parts	28,532	1.69%	43,782	3.75%
Transportation and Logistics	27,949	1.66%	10,093	0.87%
Foreign trade	27,649	1.64%	24,955	2.14%
Water and Sewage Concessions	20,346	1.21%		
Others	20,181	1.20%		
Heavy Construction	20,082	1.19%	29,007	2.49%
Beverages	15,856	0.94%	30,000	2.57%
Civil Aviation	15,702	0.93%		
Foods - Sundry	11,751	0.70%	8,780	0.75%
Banks and Insurers	10,177	0.60%	29,662	2.54%
Technology	9,846	0.58%		
Construction Material	9,301	0.55%		
Textile and Leathers	8,176	0.49%	9,727	0.83%
Mining	6,417	0.38%		
Individuals	4,017	0.24%	11,479	0.98%
Metallurgy	2,480	0.15%	8,212	0.70%
Total	1,684,232	100%	1,166,321	100%

7. Loan transactions, sureties and guarantees (Continued)

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

	in R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Current assets				
Loan transactions	967,314	670,544	969,151	674,136
Private sector	961,514	670,544	963,351	674,136
Public sector	5,800		5,800	
Other receivables	12,193	17,771	12,193	17,771
Foreign exchange portfolio – receivables (a)	10,968	11,373	10,968	11,373
Securities and credits receivable (b)	1,225	6,398	1,225	6,398
Noncurrent assets				
Loan transactions	250,410	256,726	268,550	273,719
Private sector	235,865	256,726	254,005	273,719
Public sector	14,545		14,545	
Other receivables	306	275	306	275
Securities and credits receivable (b)	306	275	306	275
Current liabilities				
Other liabilities	302,100	195,367	302,100	195,367
Foreign exchange portfolio - Advances on exchange contracts (a)	302,100	195,367	302,100	195,367
Subtotal	1,532,323	1,140,683	1,552,300	1,161,268
Co-obligations and risks in guarantees provided (c)	151,909	25,638	131,932	5,053
Total	1,684,232	1,166,321	1,684,232	1,166,321

(a) The advances on exchange contracts and the related income receivable are classified as reduction accounts of Other Liabilities – Exchange Portfolio and Other Receivables – Exchange Portfolio, respectively, as shown in Note 8.

(b) These also refer the portfolio of lowered exchange contract advances.

(c) These refer to guarantees granted through sureties, guarantees, and import letters of credit. Guarantees granted are recorded in offsetting accounts, and their respective proceedings are classified in P&L for future years, allocated to P&L for the period in accordance with the guarantees contractual terms. These also include, in the Bank, guarantees provided for loan transactions of BBM Bank Limited, which are eliminated in the Operating Consolidated.

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 amounts in arrears.

7. Loan transactions, sureties and guarantees (Continued)

The classification of loans in the Operational Consolidated financial statements can be shown as follows:

in R\$ thousand													
06/30/2016													
06/30/2015													
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						41,182	111,010	52,546	103,449	308,187		148,641	
A	4,549					279,332	180,889	258,596	36,303	759,668	3,798	534,706	2,673
B	125	59				130,220	74,428	58,675	51,064	314,572	3,146	280,945	2,810
C	3,005	1,695				41,879	32,154	42,447	81,628	202,807	6,084	148,681	4,460
D		9,397	12,644			2,392	10,555	10,216	3,678	48,881	8,469	597	60
E						590	545	1,090	1,953	4,179	1,254	1,532	460
F	1,204	1,205	1,171			14,525	4,149			22,254	13,161	18,297	9,148
G							12	175	7,044	7,232	5,785		
H	1,232	1,232	3,953	2,896	2,235	3,207	5	24	1,667	16,452	16,452	32,922	32,922
	10,115	13,588	17,767	2,896	2,235	513,326	413,748	423,769	286,786	1,684,232	58,148	1,166,321	52,533

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

in R\$ thousand		
	06/30/2016	06/30/2015
Allowance for loan losses	53,913	43,612
Current assets	42,718	37,637
Noncurrent assets	11,195	5,975
Provision for other credits		
Provision for advances on exchange contracts	4,017	8,298
Current assets	3,446	8,298
Noncurrent assets	570	
Provision for co-obligations and risks in guarantees provided	218	623
Current assets	218	113
Noncurrent assets		510
Total	58,148	52,533

Changes in allowance are as follows:

in R\$ thousand		
	06/30/2016	06/30/2015
Balance at January 1	45,601	43,028
Set up / (reversal)	20,683	9,531
Write-offs to loss	(8,136)	(26)
Total	58,148	52,533

7. Loan transactions, sureties and guarantees (Continued)

In the six-month period ended June 30, 2016, renegotiated transactions amounted to R\$ 29,007 thousand – Bank and Operational consolidated (R\$ 7,081 thousand at June 30, 2015).

In the six-month period ended June 30, 2016, there was recovery of losses on loan transactions in the amount of R\$ 6,219 thousand – Bank and Operational consolidated (R\$ 219 thousand at June 30, 2015).

In the six-month period ended on June 30, 2016, the Bank did not conduct sales or transfer transactions of financial assets, and the credit risks of the transferred financial assets were not retained and accounted for as in the table below. These transactions are 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 granted credit operations are used to decrease the mandatory collection balance of the assigning financing institution.

in R\$ thousand				
Assets	06/30/2016	06/30/2015	Liabilities	06/30/2016 06/30/2015
Loan transactions			Other liabilities	
Working capital		60,214	Other liabilities	69,944
Export credit notes		9,628		
Total		69,842	Total	69,944

Breakdown of sales or transfers of assets without substantial retention of risks and rewards in the years ended June 30, 2016 and 2015 is as follows:

in R\$ thousand		
	06/30/2016	06/30/2015
Number of contracts	6	10
Assignment amount	9,115	127,158
Provision net book value	9,040	107,016
Revenue from assignments	75	20,142

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

in R\$ thousand				
	06/30/2016	%	06/30/2015	%
Top debtor	62,468	3.7%	40,966	3.5%
Top 10 debtors	443,197	26.3%	256,466	22.0%
Top 20 debtors	656,716	39.0%	432,543	37.1%
Top 50 debtors	1,126,305	66.9%	799,628	68.6%
Top 100 debtors	1,557,402	92.5%	1,099,843	94.3%

7. Loan transactions, sureties and guarantees. (Continued)

Breakdown of Operational Consolidated portfolio by type is as follows:

	in R\$ thousand	
	06/30/2016	06/30/2015
Working capital	752,275	572,809
Export credit notes	420,685	323,138
Trade Finance	333,045	227,324
Co-obligations	131,931	5,053
Others	46,296	37,992
Payroll loan		5
Total	1,684,232	1,166,321

8. Foreign exchange portfolio (Bank and Operating Consolidated)

	in R\$ thousand	
	06/30/2016	06/30/2015
Other receivables – Foreign exchange portfolio		
Foreign exchange purchases pending settlement	268,153	233,966
Rights on foreign exchange sales	16,496	
Income receivable from advances granted (a)	10,968	11,373
Total	295,617	245,339
Other payables – Foreign exchange portfolio		
Foreign exchange sales pending settlement	16,207	
Exchange purchase obligations	304,585	195,552
Advances on foreign exchange contracts granted (a)	(302,100)	(195,367)
Others		
Total	18,692	185

(a) See Note 7.

At June 30, 2016, federal securities were deposited as guarantee for foreign exchange transactions in the foreign exchange Clearing of BM&F Bovespa S.A. – Bolsa de Valores, Mercadorias e Futuros amounting to R\$ 64,751 thousand (2015 – R\$ 109,738 thousand).

9. Investments – Interest in subsidiaries

	BBM Adm, Recursos DTVM S.A. (a)	BACOR CCVM S.A. (a)	The Southern Atlantic Investments Ltd. (a)	Others (b)	Total
At June 30, 2016:					
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\$)		9,906	292,544		302,450
Net income (loss) for the period – Thousand of Reais (R\$)		332	13,220		13,552
Book value of investments – R\$ thousand					
June 30, 2016		10,240	305,763		316,003
Income from interest in subsidiaries – R\$ thousand					
1 st semester of 2016		334	13,220	(4,369)	9,186
At June 30 2015:					
Number of issued shares	5,849,278	127,374	229,201,370		
Common nominative shares	2,924,639	63,687	229,201,370		
Preferred nominative shares	2,924,639	63,687			
Direct interest	100%	100%	100%		
Capital – Thousand of Reais (R\$)	2,950	8,755	229,201		240,906
Equity – Thousand of Reais (R\$)	5,600	9,574	274,429		289,603
Net income (loss) for the year – Thousand of Reais (R\$)	701	291	15,864		16,856
Book value of investments – R\$ thousand					
June 30, 2015	5,600	9,574	274,429		289,603
Income from interest in subsidiaries – R\$ thousand					
1 st semester of 2015	701	291	15,864	2,657	19,513

(a) This partially refers to exchange variation on equity of the Nassau's agency, not eliminated in the consolidation process.

(b) In October 2015, the Bank disposed of its direct equity interest of 100% in BBM Administração de Recursos Distribuidora de Títulos e Valores Mobiliários S.A. to BBM Holding S.A. This investment disposal generated negative result of R\$ 83 thousand.

9. Investments – Interest in subsidiaries (Continued)

Operational consolidated financial statements

	in R\$ thousand			
	Investment book value		Income from interest in subsidiaries	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
The Southern Atlantic Investments Ltd, (a)	121,932	65,214	12,289	13,166
BBM Investment Management Services (b)				241
Others (c)			(4,369)	2,657
Total	121,932	65,214	7,920	16,064

- (a) The indirect equity interest of 100% of Banco BBM S.A. in BBM Bank Ltd was eliminated in Operational consolidated, in line "Interest in subsidiaries – The Southern Atlantic Investments Ltd.". In the six months ended June 30, 2016, this elimination generated the following effects in Operational consolidated: decrease in permanent investment by R\$ 183,832 thousand (June 30, 2015 – R\$ 209,215 thousand) and decrease in equity pickup by R\$ 930 thousand (June 30, 2015 – R\$ 2,269 thousand).
- (b) BBM Investment Management Services, headquartered in Cayman Islands, was set up in March 2006 by payment of capital, amounting to US\$ 50 thousand, in order to manage investment funds portfolio in the international market.
- (c) Under account "Others", in the operational consolidated, are mainly the equity variations of subsidiaries, which are not eliminated, such as foreign exchange variation of equity interest abroad, restatement of securities and adjustments in prior years, where applicable.

10. Deposits

Maturity	in R\$ thousand							
	Time deposits		Interbank deposits		Total 06/30/2016		Total 06/30/2015	
	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated
Within 1 month	4,596	4,596	797	797	5,393	5,393	43,706	74,414
From 1 to 3 months	38,810	38,810	41,320	40,986	80,130	79,796	15,420	15,420
From 3 to 6 months	210,483	210,482	11,568	902	222,051	211,384	17,105	7,516
From 6 to 12 months	234,039	234,040	3,565	3,038	237,604	237,078	46,045	65,857
More than 12 months	102,899	102,899	2,713	2,713	105,612	105,612	21,317	21,317
Subtotal	590,827	590,827	59,963	48,436	650,790	639,263	143,593	184,524
Cash deposits and other deposits					34,535	123,201	34,039	39,021
Total					685,325	762,464	177,632	223,545

Average term of interbank and time deposits, for outstanding transactions at June 30, 2016, in Operational consolidated, is 408 days and 133 days (June 30, 2015 – 751 and 159 days), respectively.

Maturities upon issue	R\$ thousand							
	Time deposits		Interbank deposits		Total 06/30/2016		Total 06/30/2015	
	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated	Bank	Operational consolidated
Within 1 month	391	391			391	391	110,613	88,749
From 1 to 3 months	28,408	324,771		16,937	28,408	341,708	513	31,222
From 3 to 6 months	40,487	28,409	31,498		71,985	28,409	1,062	1,062
From 6 to 12 months	196,770	40,486		31,499	196,770	71,985	8,829	8,829
More than 12 months	324,771	196,770	28,465		353,236	196,770	22,576	54,662
Subtotal	590,827	590,827	59,963	48,436	650,790	639,263	143,593	184,524
Cash deposits and other deposits					34,535	123,201	34,039	39,021
Total					685,325	762,464	177,632	223,545

The composition per consolidated Operational segment is presented as follows:

	R\$ thousand									
	Demand deposits		Time deposits		Interbank deposits		Total			
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016		06/30/2015	
Legal entities	28,609	30,372	170,106	37,374			198,715	26.06%	67,746	30.31%
Institutional customers	5	653	336,166	51,964			336,171	44.09%	52,617	23.54%
Group	87,908	6,048	58,798	74,497	5,233		151,939	19.93%	80,545	36.03%
Financial institutions	56	9	23,305	11,218	43,203	4,542	66,564	8.73%	15,769	7.05%
Individuals	6,623	1,939	2,452	4,929			9,075	1.19%	6,868	3.07%
Total	123,201	39,021	590,827	179,982	48,436	4,542	762,464	100%	223,545	100%

10. Deposits (Continued)

The top customers portfolio of the operational consolidated are as follows:

	R\$ thousand			
	06/30/2016		06/30/2015	
Top depositor	60,838	7.98%	30,399	13.60%
Top 10 depositors	361,280	47.38%	123,682	55.33%
Top 20 depositors	474,063	62.18%	168,085	75.19%
Top 50 depositors	639,601	83.89%	204,938	91.68%
Top 100 depositors	724,071	94.96%	217,928	97.49%

11. Repurchase agreements

The liabilities from operations in the Bank and Consolidated Operating are composed as follows:

	in R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Own Portfolio	679,046	2,499	679,046	2,499
Financial Treasury Bills	84,984		84,984	
National Treasury Notes		2,499		2,499
National Treasury Notes – B series	544,993		544,993	
Debentures	49,069		49,069	
Third-party Portfolio		80,000		80,000
Financial Treasury Bills		80,000		80,000
Free Trading Portfolio		244,996		244,996
National Treasury Notes		79,999		79,999
National Treasury Notes – B serie		164,997		164,997
Liabilities from Operations		213,958		213,958
National Treasury Notes – B serie		213,958		213,958
	679,046	541,453	679,046	541,453

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

Banco BBM had issued Eurobonds in the amount of R\$ 267,207 thousand, in June 2016 (June 2015 - R\$ 258,903 thousand), acquired by The Southern Atlantic Investments Ltd, company not included in Operational consolidated. On September 20, 2014, there was Eurobonds issue of US\$ 3,000 thousand, maturing on November 30, 2016, on January 31, 2015 there was issue of US\$ 50,000 thousand, maturing on January 31, 2018 and on December 28, 2015 there was issue of US\$ 30,000 thousand, maturing in January 2019.

At June 30, 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:

R\$ thousand								
Bank and Operational consolidated								
Maturity	LCA (a)		LCI (b)		LF (c)		COE (d)	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Within 1 month	33,305	17,604	4,348	4,942	387,779	20,036		
From 1 to 3 months	52,590	50,843	3,963	11,540	18,920	25,895		4,458
From 3 to 6 months	113,308	50,516	17,183	15,514	29,380	146,493	465	
From 6 to 12 months	217,527	77,105	8,430	23,608	144,475	325,035		
More than 12 months	119,595	138,385	4,988	12,113	128,728	531,395		
Total	536,326	334,453	38,911	67,717	709,282	1,048,854	465	4,458

- (a) LCA is issued by the Bank registered with the Brazil's OTC Clearing House – CETIP or at BM&FBOVESPA S.A. – Securities, Commodities and Futures Exchange, under Law No. 11076/2004 and Law No. 11311/2006 and their later amendments.
- (b) LCI is a nominative security created by MP 2223 of September 4, 2011, which resulted in Law No. 10931 of August 2, 2004.
- (c) LF is issued by the Bank 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).
- (d) The Structured Operation Certificate (COE) is exclusively issued by banks and saving banks, as set forth by Law No. 12429/10, unsecured upon registration in authorized system.

13. Borrowings and on-lending

a) Borrowings abroad

Bank's and Operational Consolidated borrowings abroad are comprised as follows:

	R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Obligations with borrowings abroad	439,414	32,704	439,414	32,704
Export credit facility	200,183	154,272	200,183	154,272
	639,597	186,976	639,597	186,976
Current liabilities	321,628	154,272	321,628	154,272
Long-term payables (a)	317,969	32,704	317,969	32,704
	639,597	186,976	639,597	186,976

(a) The amount of R\$ 317,969 thousand – Bank and Operational consolidated in June 2016 (June 30, 2015 – R\$ 32,704 thousand), classified in noncurrent assets, refers to a US dollar raising transaction from the “International Finance Corporation” (IFC), from the World Bank, maturing in December 2019. The amount of R\$ 286,172 thousand bears Libor for six-month US dollar deposits plus 2.70% p.a. spread and the amount of R\$ 31,797 thousand bears “Libor” for six-month US dollar deposits plus 2.40% p.a. spread, maturing in 2017.

14. Other receivables / Sundry

	R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Sundry				
Debtors Deposits on warranty	46,267	44,688	46,314	44,740
Taxes and contributions to offset	7,123	3,998	7,206	4,336
Securities and credits receivable	1,531	6,893	1,531	6,893
Receivables from related parties	36	57	23	33
Sundry debtors – foreign	10,574	1	33,397	7,323
Sundry debtors – domestic	2,266	2,860	2,515	2,204
Advances – Salaries and constructions	713	641	729	761
Advances – Assets account		36		36
Total	68,510	59,174	91,715	66,326
Current	20,436	17,823	43,594	24,975
Long-term payables	48,074	41,351	48,121	41,351
	68,510	59,174	91,715	66,326

15. Equity

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

Capital comprises 256,454,723 registered shares with par value of R\$1.60 each, divided into 171,417,471 common shares and 85,037,252 preferred shares.

(b) **Legal reserve**

This reserve is calculated at the rate of 5% of the 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 Extraordinary General Meeting held on October 1st, 2015 was considered and approved the cancellation of 738,799 common shares and 366,512 preferred shares in treasury. As a result, the balance of treasury shares and Statutory reserves were reduced by R\$ 797 thousand.

On June 30, 2016, a supplementation of price of repurchased shares held in treasury was recognized in the amount of R\$ 542 thousand. This amount refers to the price complement of the shares bought at March 28, 2011. The contract specified that the buyer (Banco BBM S.A.) will inherit the future obligation to pay an amount based on the income of a credit operation then determined.

At June 30, 2016, Banco BBM had 69,335,903 treasury shares in the amount of R\$ 184,469 thousand.

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

According to article 9 of Law No. 9249/95 and its subsequent amendments, Banco BBM S.A., in first six months ended 2016, declared interest on equity of R\$ 20,583 thousand (2015 – R\$ 16,821 thousand), with retention of withholding income tax of R\$ 3,087 thousand (2015 - R\$ 2,523 thousand), calculated at the rate of 15%. Said amount was determined based on the legal limits in force and classified in the official records as “Other operating expenses”.

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

Interest on equity proposed in first six months ended 2016 reduced tax burden by R\$ 9,262 thousand (2015 – R\$ 6,728 thousand).

15. Equity (Continued)

(f) **Split-off**

At the Extraordinary General Meeting held on October 1st, 2015 was deliberated and in March 10, 2016 approved by the Central Bank of Brazil the partial split-off of Banco BBM S.A in favor of Abaeté Administração de Bens Próprios S.A. Due to this, the Asset, as well as the Equity of Banco BBM were reduced in R\$ 1,773 thousand evaluated by its respective book values.

(g) **Dividends**

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

	R\$ thousand	
	06/30/2016	06/30/2015
Net income for the year – Banco BBM S,A,	20,979	16,822
(-) Legal reserve		
Calculation base	20,979	16,822
Mandatory minimum dividends (a)	25%	25%
	5,245	4,206
Dividends – approved and paid		
Interest on Equity (IOE) – approved	20,583	16,821
Total	20,583	16,821

(a) Minimum mandatory dividends were approved as interest on equity.

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

	R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Open market funding				
Deposits remunerated abroad	(3,438)	(1,207)	(2,690)	(303)
Interbank deposits	(26,290)	(11,808)	(26,291)	(11,808)
Time deposits			(3)	
Expenses with obligations related to linked loans granted	(9,979)	(2,510)	(9,979)	(2,510)
Agriculture credit bills – expenses	(30,423)	(20,466)	(30,423)	(20,466)
Real estate credit bills– expenses	(3,322)	(4,597)	(3,322)	(4,597)
Financial bills – expenses	(52,833)	(68,927)	(52,833)	(68,927)
Securities abroad – expenses	(721)	(0,390)	(235)	(90)
Credit Guarantee Fund	(558)	(0,617)	(558)	(617)
Structured operations certificates – expenses	(34)	(0,326)	(34)	(326)
Obligations for operations with assigned credits - expenses	(113)	(8,152)	(113)	(8,152)
Foreign exchange variation (a)	57,794	(37,243)	57,794	(37,243)
	(69,917)	(156,243)	(68,687)	(155,039)
Loans, assignments and onlending operations				
Loan expenses abroad	(9,314)	(37,205)	(9,314)	(37,205)
Foreign exchange variation (a)	118,685		118,685	
	109,371	(37,205)	109,371	(37,205)
Foreign exchange transactions				
Revenue from Advances on Exchange Contracts (ACC)	11,798	11,746	11,798	11,746
Foreign exchange variations and interest differences	(66,289)	50,911	(66,289)	50,911
Other expenses	(142)	(113)	(142)	(113)
	(54,633)	62,544	(54,633)	62,544

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

17. Service revenues

	R\$ thousand			
	Bank		Operational Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Administration and performance fees of investment funds	2,397	2,486	3,212	8,565
Other services	4,954	1,435	4,626	769
	7,351	3,921	7,838	9,334

18. Other administrative expenses

	R\$ thousand			
	Bank		Operational Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Specialized technical services	(3,025)	(2,118)	(3,064)	(2,256)
Rent	(1,961)	(1,924)	(2,136)	(2,566)
Other administrative expenses	(2,498)	(1,860)	(2,798)	(2,175)
Financial system services (a)	(1,291)	(1,645)	(1,356)	(1,699)
Amortization and depreciation	(659)	(754)	(660)	(824)
Data processing	(1,136)	(1,183)	(1,212)	(1,333)
Communications	(985)	(812)	(994)	(852)
Travel	(990)	(604)	(990)	(652)
Third-party services	(1,420)	(1,097)	(1,550)	(1,439)
Property maintenance and upkeep	(690)	(556)	(694)	(631)
Promotion/ Advertising/ Publications	(292)	(254)	(333)	(397)
Water, Energy, Gas	(516)	(464)	(516)	(464)
Transportation	(133)	(87)	(133)	(107)
Material	(249)	(40)	(251)	(60)
Surveillance and security services	(11)	(11)	(11)	(20)
Fine expenses	(9)	(27)	(9)	(26)
Insurance expenses	(7)		(7)	(1)
	(15,872)	(13,436)	(16,714)	(15,502)

(a) This includes brokerage expenses, charges and commissions related to guarantee transactions and derivative financial instruments in the Bank and the Operational Consolidated, amounting to R\$ 376 thousand in first semester 2016 (1st semester 2015 – R\$ 636 thousand in the Bank and in Operational consolidated).

19. Significant transactions with related parties

	R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Assets				
Short-term interbank investments				
Investments in foreign currencies	202,791	98,899		
BBM Bank Limited	202,791	98,899		
Marketable securities and financial instruments	76,406	71,214	76,406	71,214
Property Fund Structure II - FII	76,406	71,214	76,406	71,214
Other receivables	129	1,134	39	174
BACOR CCVM S.A.	90	61		125
BBM Administração de Recursos DTVM S.A.	23	1,024	23	
Évora S/A		33		33
Bahia Fund	16	16	16	16
Derivative financial instruments			140	
Bahia Fund			140	
Liabilities				
Demand deposits	2,396	3,005	88,713	3,004
Ravenala S.A.		327		327
Evora S.A.	10	383	10	383
BBM Bank Limited	55	53		
BACOR CCVM S.A.	330	19		
BBM Administração de Recursos DTVM S.A.	228	252	228	
The Southern Atlantic Investments Ltd			56,129	323
Other related individuals/legal entities	1,773	1,971	32,347	1,971
Interbank deposits	16,760	17,384	5,233	
BACOR CCVM S.A.	11,527	10,827		
BBM Administração de Recursos DTVM S.A.	5,233	6,557	5,233	
Time deposits	60,999	16,551	60,999	74,867
Ravenala S.A.	4,541	5,222	4,541	5,222
Evora S.A.	54,257	6,666	54,257	6,666
Participações Industriais do Nordeste S.A.		4,293		4,293
The Southern Atlantic Investments Ltd				30,399
Bahia Fund				27,917
Other related individuals/legal entities	2,202	370	2,202	370
Repo operations - Debentures	6,167		6,167	
Other related individuals/legal entities	6,167		6,167	
Financial Bills	43,593	115,130	43,593	115,130
Other related individuals/legal entities	43,593	115,130	43,593	115,130
Agribusiness credit bills	278,038	149,479	278,038	149,479
Other related individuals/legal entities	278,038	149,479	278,038	149,479
Real estate credit notes	29,409	44,014	29,409	44,014
Other related individuals/legal entities	29,409	44,014	29,409	44,014
Foreign securities payable	267,207	258,902	217	367
The Southern Atlantic Investments Ltd	267,207	258,902	217	367
Derivative financial instruments	1,527	585	3,306	2,904
BBM Bank Limited	1,508	585		
Bahia Fund	20		130	
The Southern Atlantic Investments Ltd			3,176	2,904
Dividends and bonuses payable	8,732	10,085	8,732	10,085
Interest on Equity (IOE) credited to shareholders	8,732	10,085	8,732	10,085
Social and statutory	6,490	12,054	6,490	12,107
Bonus payable to managers	6,490	12,054	6,490	12,107
Sundry	10,434		32,634	584
The Southern Atlantic Investments Ltd			32,634	584
BBM Bank Limited	10,434			

19. Significant transactions with related parties (Continued)

	R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
P&L				
Revenue from investments abroad	(16)	(932)	(16)	(931)
Income (loss) from derivative financial instruments	(8,208)	23,104	(68,470)	33,876
The Southern Atlantic Investments Ltd		10,175	(68,505)	33,422
BBM Bank Limited	(8,274)	12,929		
Bahia Fund	65		34	454
Income from investment funds	5,189	2,192	5,189	2,192
Property Fund Structure II - FII	5,189	2,192	5,189	2,192
Credit assignment income (loss)		19,369		19,369
Évora S.A.		19,369		19,369
Open market funding	60,971	(60,492)	62,204	(59,288)
Securities abroad – expenses	89,652	(37,632)	90,137	(37,333)
The Southern Atlantic Investments Ltd	57,074	(37,632)	57,559	(37,333)
BBM Nassau Branch	32,578		32,578	
Repo operations - Debentures expenses	(313)		(313)	
Other related individuals/legal entities	(313)		(313)	
Interbank deposit expenses	(1,104)	(905)	(357)	
BACOR CCVM S.A.	(748)	(591)		
BBM Administração de Recursos DTVM S.A.	(357)	(314)	(357)	
Expenses with term deposits	(3,717)	(1,120)	(3,717)	(1,120)
Ravenala S.A.	(354)	(256)	(354)	(256)
Evora S.A.	(3,189)	(561)	(3,189)	(561)
Participações Industriais do Nordeste S.A.		(240)		-240
Other related individuals/legal entities	(174)	(63)	(174)	(8,254)
Financial bill expenses	(4,365)	(8,254)	(4,365)	(8,254)
Other related individuals/legal entities	(4,365)	(8,254)	(4,365)	(8,254)
Agriculture credit bill expenses	(16,573)	(9,996)	(16,573)	(9,996)
Other related individuals/legal entities	(16,573)	(9,996)	(16,573)	(9,996)
Real estate credit bill expenses	(2,610)	(2,585)	(2,610)	(2,585)
Other related individuals/legal entities	(2,610)	(2,585)	(2,610)	(2,585)
Other administrative expenses	(35)	(29)		
Service rendering	(35)	(29)		
BBM Bank Limited	(35)	(29)		
Other operating income	555	667	166	
BBM Bank Limited	327	517		
BBM Administração de Recursos DTVM S.A.	150	150	150	
BACOR CCVM S.A.	63			
Bahia Fund	16		16	
Marketable securities revenue abroad	245	117		
Key management personnel compensation	(2,392)	(551)	(2,392)	(554)
Total	56,308	(16,555)	(3,320)	(5,336)

20. Derivative financial instruments

The Bank and the other Operational Consolidated institutions participate in operations involving derivative financial instruments to meet their own needs as well as on behalf of their clients.

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

In accordance with BACEN Circular 3082, derivative financial instruments designated to compensate, in whole or in part, exposure to risks from assets, liabilities, commitments or projected future transactions (hedged item) are classified as hedge instruments if they are considered effective in reducing the risk associated with the exposure of the hedged item, according to their nature.

These transactions are traded, recorded or held at BM&F Bovespa S.A. or CETIP S.A. – Mercados Organizados. In the Operational Consolidated, international derivative transactions are traded and recorded in the OTC market, at Chicago Board of Trade (CBOT) or Chicago Mercantile Exchange (CME).

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

- Futures: value of daily adjustment of the transactions;
- Swap and term transactions: 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 on the assets prices;
- Options: average trading price on the calculation date or, when not available, estimated price based on pricing models, such as Black & Scholes.

At June, 30 2016 the guarantees involved in the operations with derivative financial instruments are represented mainly by government securities in the total amount of R\$ 225,800 thousand (R\$ 102,317 thousand at June, 30 2015).

20. Derivative financial instruments (Continued)

The commitments undertaken as a result of these financial instruments, as recorded in memorandum accounts at June 30, 2016, mature up to January 2020 (at June,30 2015 – up to January 2023), and may be summarized as follows:

a.) Recorded in offsetting and equity accounts

	Bank					Operational consolidated						
	06/30/2016				06/30/2015	06/30/2016				06/30/2015		
	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
Future market												
Long position												
Foreign exchange rate	4,579	605	667	897	6,748	8,290	4,579	605	667	897	6,748	8,290
Interest rate			9	165	174	391			9	165	174	391
Foreign currency	1,878				1,878		1,878				1,878	
Short position												
Foreign exchange rate	496		36	43	576	4,880	496		36	43	576	4,880
Interest rate				16	16	381				16	16	381
Foreign currency	86				86	2,508	86				86	2,508
NDF												
Asset position												
Currency	1,527		890		2,417	72,520	4,094		890		4,984	75,057
Short position												
Currency	1,527		826		2,353	71,141	3,447		826		4,273	74,045
Swaps												
Asset position												
Currency						30,338						30,338
Interest rate	53,346	55,495	79,079		187,921	46,568	53,346	55,495	79,079		187,921	46,568
Others												
Short position												
Currency						23,080						23,080
Interest rate	42,758	46,255	73,447		162,460	48,193	42,758	46,255	73,447		162,460	48,193
Others												
Option market												
Asset position												
Shares				1	1	1				1	1	1
Currency		8	174		182	3,955		8	174			3,955
Liability position												
Currency		8			8	2,417		8			8	2,417

20. Derivative financial instruments (Continued)

b.) At market cost value

	R\$ thousand							
	Bank							
	06/30/2016						06/30/2015	
Cost	Market	Within 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total		
Future market								
Long position		8,800	6,457	605	676	1,062	8,681	
Short position		678	583		36	60	7,769	
Swaps								
Asset position	203,013	205,451	53,346	55,495	79,079	17,530	76,906	
Liability position	177,402	179,843	42,758	46,255	73,447	17,383	71,272	
NDF								
Asset position	2,520	2,417	1,527		890		72,520	
Liability position	2,375	2,353	1,527		826		71,141	
Option market								
Asset position	385	183		8	174	1	3,955	
Liability position	269	8		8			2,417	
	Operational consolidated							
	06/30/2016							06/30/2015
	Cost	Market	Within 3 months	From 3 to 6 months	From 6 to 12 months	Over 1 year	Total	
Future market								
Long position		8,800	6,457	605	676	1,062	8,681	
Short position		678	583		36	60	7,769	
Swaps								
Asset position	203,013	205,451	53,346	55,495	79,079	17,530	76,906	
Liability position	177,402	179,843	42,758	46,255	73,447	17,383	71,272	
NDF								
Asset position	5,087	4,984	4,094		890		75,057	
Liability position	4,294	4,273	3,447		826		74,045	
Option market								
Asset position	385	183		8	174	1	3,955	
Liability position	269	8		8			2,417	

20. Derivative financial instruments (Continued)

c.) Notional value per counterparty

	R\$ thousand					
	Bank					
	06/30/2016			06/30/2015		
Financial institutions	Related parties	Legal entities	Stock Market	Individuals	Total	Total
Future market						
Long position			8,800		8,800	8,681
Short position			678		678	7,769
Swaps						
Asset position	62,922				205,451	76,905
Liability position	62,961		142,529		179,843	71,272
NDF						
Asset position	1,527			890	2,417	72,520
Liability position		1,527		826	2,353	71,140
Option market						
Asset position			183		183	3,955
Liability position			8		8	2,417
	Operational consolidated					
	06/30/2016			06/30/2015		
Financial institutions	Related parties	Legal entities	Stock Market	Individuals	Total	Total
Future market						
Long position			8,800		8,800	8,681
Short position			678		678	7,769
Swaps						
Asset position	62,922				205,451	76,905
Liability position	62,961		142,529		179,843	71,272
NDF						
Asset position	3,954	140		890	4,984	75,057
Liability position	139	3,308		826	4,273	74,045
Option market						
Asset position			183		183	3,955
Liability position			8		8	2,417

20. Derivative financial instruments (Continued)

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

- Purchased foreign exchange coupon contracts(DDI) in the amount of R\$ 6,748 thousand (June 30, 2015 – purchased foreign exchange coupon contracts (DDI) of R\$ 416 thousand);
- Sold foreign exchange coupon contracts(DDI) in the amount of R\$ 416 thousand (June 30, 2015 – purchased foreign exchange coupon contracts (DDI) of R\$ 575 thousand);
- Purchased interest contracts (DI1) in the amount of R\$ 173 thousand;
- Sold interest contracts (DI1) in the amount of R\$ 16 thousand (June 30, 2015 – sold interest contracts (DI1) of R\$ 164,932 thousand);
- Purchased currency contracts (DOL) in the amount of R\$ 1,877 thousand;
- Sold currency contracts (DOL) in the amount of R\$ 86 thousand (June 30, 2015 – sold currency contracts (DOL) of R\$ 2,242 thousand);

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

	R\$ thousand			
	Bank		Operational Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Futures contracts	(155,552)	5,149	(155,553)	5,149
Option contracts	(870)	1,121	(870)	1,121
Swap and term agreements	29,448	8,332	30,672	11,894
Total	(126,974)	14,602	(125,750)	18,164

20. Derivative financial instruments (Continued)

d.) Hedge Accounting

Funding Hedge (I)

At September 30, 2014, Banco BBM made a loan transaction in order to provide long-term funding to be used in transactions with agribusiness customers, structured by three counterparties: one of which is responsible for 50% of the funds provided, and the other two by 25% each, maturing in 2019 (for two of them, of 50% and 25%) and 2017 (the remaining 25%), amounting to US\$ 100,000 thousand payable with half-yearly post-fixed interest LIBOR six months plus 2.70% p.a. and LIBOR six months plus 2.40% p.a., respectively. Furthermore, additionally to the half-yearly payments, a 1% commission is payable on the total notional value plus a yearly US\$ 35 thousand fee.

This loan grants Banco BBM the disbursement option until March 2016 and, based on the transaction structure, it elect to make the first withdraw, amounting US\$ 10,000 thousand, on December 30, 2014 and the second one, amounting US\$ 90,000 thousand, on August 18, 2015. To said date, Banco BBM has taken out a cash flow hedge transaction against the risks from the exposure to variable interest rate and to future cash flows, for this a swap transaction was taken out, receiving the variable interest rate of the transaction and paying a fixed interest rate, both levied on the amount of principal of the transaction denominated in US dollars. This results in a fixed cash flow in US dollars. In order to peg this cash flow to the CDI, a series of foreign exchange coupon transactions were performed with BMF, according to the maturities and exposures of the agreements, all designated as hedge. The cash outlays were in US dollars and, upon cash receipt, a market risk hedge was taken out, designating derivative financial instruments for total hedge purposes, considering the foreign exchange exposure risk as well as the market funding conditions prevailing abroad.

With a view to equalizing the effects from mark-to-market of derivative financial instruments designated as hedge, the amount of hedge principal, plus interest due, is stated at fair value and also marked to market.

Because the hedge object transaction is matched with the hedge derivative results, the ratio of this transaction remained close to 99.96%.

20. Derivative financial instruments (Continued)

Funding Hedge (II)

During the first half of 2016, Banco BBM signed loan contracts in American dollars with the Bank of Communications Shanghai Branch that has the objective to provide funding. In March 21, 2016, in the amount of U\$ 20 thousand with payment of pre fixed interest of 1.2123%. In April 25, 2016 in the amount of U\$ 2,400 thousand with payment of pre fixed interest of 1.10%; and, in the amount of U\$ 1,200 thousand with payment of pre fixed interest at 1.20%. And in June 08, 2016 in the amount of U\$ 14 thousand with payment of pre fixed interest of 1.68%

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

Because the hedge object transaction is matched with the hedge derivative results, the ratio of this transaction remained close to 99.61%

Funding Hedge (III)

In January 20, 2016, the Banco BBM contracted swaps in which assumed active position in IPCA + spread e passive in CDI +0%e.a, with the objective to index to the CDI part of its funding portfolio indexed to the IPCA.

It was designated a derivative financial instruments portfolio, constituted by the referred swaps e by futures contracts of DI1, with the object to fulfill risk hedge of interest rates. With a view to equalizing the effects from mark-to-market of derivative financial instruments designated as hedge, the value of the funding portfolio indexed to the IPCA is shown by its fair value and also marked to market.

Because the hedge object transaction is matched with the hedge derivative results, the ratio of this transaction remained close to 98.38%.

21. Risk management

Market risk

Banco BBM was a pioneer to quantify market risk in Brazil, and developed a proprietary system in 1997 which became a benchmark for the industry. The market risk management structure includes the following: a) the Executive Board, responsible for reviewing risk management policies and proposing risk management operating limits, submitting these to the approval of the Board of Directors at least annually; b) Board of Directors, which approves the risk policies and limits at least annually; c) the Market Risk area, subordinated to the Risk Officer, is responsible for reporting to the Bank's Chief Internal Control, Capital and Risk Officer, 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 managerial departments; 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 stipulated VaR limit may be allocated by the Chief Treasury Officer among the various risk factors. The VaR calculation model is submitted to periodical back testing. Additionally, scenarios are daily analyzed, which are monthly defined by the Risk Committee, independently of 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).

*VaR = Maximum potential risk, given the level of reliability and the investment scenario. For Banco BBM, the limit is established based on a 95% likelihood of loss at 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 meet its liabilities and all the other commitments, without having for this to carry out any debt rollover or additional fund raising operations. In order to reach this objective, we adopt a policy of matching liabilities assumed with assets held: fund raising operations are carried out with term and volume at least equal to the term and volume of the credit operations, thus ensuring that the volume and term of the funding portfolio, together with the portion of the Bank's equity not destined to fixed assets be higher than the volume and term of the credit portfolio.

21. Risk management (Continued)

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 client, (b) adventitious additional cash for compulsory deposits, (c) derivative adjustments and (d) other existing obligations. The general principle is that of ensuring that the Bank's commitments are aligned with its equity and the current policies on fund raising, credit and treasury.

Banco BBM has a liquidity risk management structure with the following components, and their related duties: a) Liquidity risk area, subordinated to the Risk Director, is responsible for centralizing and measuring the information referring to liquidity risk management, ensuring that the operational limits are observed and disclose reports to support decision making on liquidity risk. A full description of the Bank's liquidity risk management structure is available on Banco BBM's website (www.bancobbm.com.br).

	R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Current assets	2,569,359	2,534,610	2,581,706	2,533,942
Current liabilities	(2,762,750)	(1,886,701)	(2,857,993)	(1,842,380)
Securities available for sale presented in long-term receivables	726,885	77,355	726,885	77,240
	533,494	725,264	453,598	768,802

Credit risk

Banco BBM has a credit risk management structure comprising the following elements, with their duties: 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 credit operations or with a certain guarantee deterioration 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 Director, is responsible for centralizing and evaluating information related to credit risk management, ensuring that operating limits are complied with, disclosing reports facilitating decision making related to credit limits approved by the Credit Committee. It is also responsibility of the risk area previously evaluate 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 clients, 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 clients. A full description of the credit risk management structure is available on Banco BBM's website (www.bancobbm.com.br).

21. Risk management (Continued)

Operational risk

Banco BBM has implemented 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 internal manual "Policy on Operational Risk Management" 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 Chief Internal Control, Capital and Risk Officer. This area is responsible for operating together with the other components of the operational risk structure in order to ensure compliance therewith. A full description of the operational risk management structure is available on Banco BBM's website (www.bancobbm.com.br).

Capital management

Banco BBM manages its capital through a structure composed of the following bodies: Board of Directors, Executive Board, Internal Control, Capital and Risk Board, Treasury Board, Fund Raising Board, BackOffice, Business Units and Audit Board. The Board of Directors is the higher 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 the management and monitoring of the capital adequacy. The capital management and centralization is incumbent upon the Capital and Risk Board, which must continuously work to improve and oversee the institution compliance with the capital management policy and its capital plan. The Treasury and Fund Raising Boards are incumbent upon the planning of equity instrument issues, if necessary. 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 comprise simulations of severe events and extreme market conditions. The Business Units must provide all information that the Internal Control, Capital and Risk Board deems necessary for 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).

22. Operating limits

In October 2013, the new rules related to capital measurement became effective. Financial institutions and similar entities are required to maintain minimum equity of 9.875% of their assets weighted by levels of risk to exposures in gold, foreign currencies and operations subject to operating risk and changes in: foreign exchange and interest rates, price of commodities and of shares classified as “held for trade”, according to BACEN rules and instructions. Banco BBM’s operational consolidated complies with this operational limit at June 30, 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 Prudencial Conglomerate.

	R\$ thousand	
	Operational consolidated	
	06/30/2016	06/30/2015
Base Capital (PR) - Tier I	545,752	558,680
Equity	566,799	575,845
Decrease in intangible / deferred assets according to CMN Resolution No. 4192	21,047	17,165
Base Capital (PR)	545,752	558,680
Risk-Weighted Assets (RWA)	255,137	300,828
Portion referring to:	203,944	197,363
Credit risk (RWACPAD)	2,074	9,642
Foreign exchange risk (PCAM)	30,812	70,734
Interest rate risk (RWAMPAD)	18,307	23,088
Operating Risk (RWAOPAD)	18,307	23,088
Margin or Insufficiency Value (PR - RWA)	290,615	257,853
Risk Factor – 9.875% of PR	53,893	61,455
Basel Rate (Risk Factor / RWA)	21.12%	20.43%

23. Income and social contributions taxes

Breakdown of tax credits and provision for deferred taxes is as follows:

	R\$ thousand			
	Bank		Operational consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Asset tax credit:				
Temporary differences (a)				
- Allowance for loan losses	30,178	21,544	30,178	21,544
- Market value adjustment - marketable securities and derivatives	4,136	5,787	4,136	5,787
- Provision for contingencies (Note 23a)	2,517	2,957	2,517	2,957
- PIS / COFINS (Note 23b)			1,349	1,106
- Others	1,590	2,041	1,733	2,168
Social contribution tax losses	16,376	12,486	16,376	12,525
Tax loss	14,911	16,359	14,911	16,431
Total	69,708	61,174	71,199	62,519
Provision for deferred taxes:				
Temporary differences (a)				
- Market value adjustment - marketable securities and derivatives	87	3,028	87	3,028
- Others	13,290	8,396	13,290	8,396
Total	13,378	11,424	13,378	11,424

23. Income and social contribution taxes (Continued)

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	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Tax asset credit:				
Balance at January 1	68,376	56,289	69,816	57,677
Set up (reversal)				
- With impacts on P&L	2,584	1,554	2,635	1,510
- With impacts on equity (Securities available for sale)	(1,252)	3,331	(1,252)	3,331
Balance at June 30	69,708	61,174	71,199	62,519
Provision for deferred taxes:				
Balance at January 1	10,163	8,539	10,164	8,539
Set up (reversal)				
- With impacts on P&L	4,222	154	4,222	154
- With impacts on equity (Securities available for sale)	(1,007)	2,731	(1,007)	2,731
Balance at June 30	13,378	11,424	13,378	11,424

(a) It is expected that these tax credits, both for controlling entity and operational consolidated, will occur until 2018 for income tax and social contribution, with present value of R\$ 21 million and R\$ 23 million, respectively. The social contribution is valued at its updated statutory 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			
	06/30/2016		06/30/2015	
	IRPJ	CSLL	IRPJ	CSLL
Income before income and social contribution taxes	3,087	3,087	(1,431)	(1,431)
Bank's net income	20,979	20,979	16,822	16,822
(-) Interest on equity	(20,583)	(20,583)	(16,821)	(16,821)
(-/+) Income and social contribution taxes	(2,691)	(2,691)	1,432	1,432
Tax rate	25%	20%	25%	15%
Income and social contributions taxes				
At statutory rate	(772)	(617)	358	215
Permanent additions	16,143	13,735	17,704	17,153
Non-deductible expenses	2,486	78	851	300
Equity Pick up				
Addition to income abroad	13,657	13,657	16,853	16,853
Permanent exclusions	9,455	9,455	20,399	20,399
Tax-free income	8	8		
Equity Pick up	9,447	9,447	20,399	20,399
Temporary additions/exclusions	(1,039)	(1,013)	(2,487)	(10,278)
Tax base	8,736	6,354	(6,612)	(14,955)
Income and social contribution tax losses	(2,621)	(1,906)	-	-
Tax base - loss	6,115	4,448	(6,612)	(14,955)
Income and social contribution taxes (a)	(1,517)	(890)		
Use of tax incentives and taxes from subsidiaries abroad	693			
Income and social contribution taxes on P&L for the period	(824)	(890)		
Adjustment DIPJ	661	-		
Deferred tax liabilities	(2,346)	(1,876)	(97)	(58)
Income and social contribution taxes on P&L for the year – Banco BBM	(2,509)	(2,766)	(64)	(58)
Income and social contribution taxes other institutions of operational consolidated	(163)	(141)	(259)	(163)
Income and social contribution taxes in P&L for the year – Operational consolidated	(2,672)	(2,907)	(323)	(221)

23. Income and social contribution taxes (Continued)

a) In May 2015 it was published the Provisional Measure No. 675 that changed the rate of Social Contribution on Net Income - CSLL of financial institutions from 15% to 20%. This rate increase went into effect, according to the Provisional Measure, starting in September 2015. Thus, deferred tax assets and liabilities were restated in accordance to the new rate of 20%.

In May 2015, Law No. 12973/2015 was published, based on Provisional Executive Order (MP) No. 627/13, thus amending the Federal Tax Legislation on IRPJ, CSLL, PIS and COFINS. Among other matters, Law No. 12973/2015 determines the following:

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

Taxation of legal entities domiciled in Brazil, as for the increase in assets due to profit sharing obtained abroad by subsidiaries and affiliates; and special installment payment of PIS/PASEP and COFINS.

As determined by the Law, Banco BBM shall elect either to anticipate or not the tax effects for calendar year 2015, provided that all provisions of the legislation will enter into effect as for calendar year 2015. After a preliminary analysis, it was found that there will be no material impacts on the organization, therefore, the entity elected to not early adopt the new legislation.

24. Provisions and liabilities by legal obligation

The Bank and the Banco BBM Financial Group are parties to judicial and administrative proceedings, arising from the normal course of operations, 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 from the ongoing claims, as follows:

	R\$ thousand	
	Operational consolidated	
	06/30/2016	06/30/2015
Labor	5,594	7,393
Total - Provisions for contingencies	5,594	7,393

Provisions are registered as "Other Liabilities - Sundry" under noncurrent liabilities. In the course of the period ended at June 30, 2016, an escrow conversion was made at R\$ 397 thousand, reversed from provision for contingencies accounts in the Bank and Operational Consolidated statements.

24. Provisions and liabilities by legal obligation (Continued)

b) Liabilities for legal obligations (*)

Since April 2007, based on a preliminary court order in connection with contesting 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 balances until a final decision is handed down, recorded as "Other Liabilities - Sundry" under noncurrent liabilities, as follows:

	R\$ thousand	
	Operational consolidated	
	06/30/2016	06/30/2015
PIS and COFINS	2,998	2,766
Total - Liabilities for legal obligations	2,998	2,766

(*) In December 2013, for the Bank, PIS and COFINS liabilities, based on discussions to expand the calculation basis mentioned above was zeroed due to adherence to the debt payment/installment program with the Brazilian IRS, National Treasury General Attorney's Office (PGFN) and Brazilian National Social Security Institute (INSS) under Law No. 11941/2009, reopened with amendments made by Law NO. 12865/2014 ("REFIS").

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

c) BM&F and Bovespa demutualization

In December 2013, Banco BBM and BACOR Corretora de Câmbio e Valores Mobiliários S.A. adhered to the program for payment/installment of debts with the Brazilian IRS, the National Treasury General Attorney's Office (PGFN) and the Brazilian National Social Security Institute (INSS), as defined by Law No. 11941/2009, with amendments by Law No. 12865/2015 ("REFIS"), in order to settle debts in administrative proceedings and tax notices, with benefits as decrease in fines and interest, as for notices issued by the Brazilian IRS in December 2011, referring to: (i) IRPJ and CSLL of the restatement reserve of securities at BM&F e Bovespa, due to demutualization of these entities and (ii) PIS and COFINS taxation of capital gain on sale of these securities. It is worth emphasizing that only Banco BBM adhered to the program for PIS and COFINS taxation purposes, with the outstanding net amount of tax effects of R\$ 5,990 for company BACOR Corretora de Câmbio e Valores Mobiliários S.A. In the opinion of our legal advisors, the chances of loss in this cause are possible.

25. Other information

Compensation agreement and settlement of obligations - Banco BBM has agreement of clearing and settlement obligations under the National Financial System, in accordance with CMN Resolution No. 3263/05, resulting in increased liquidation guarantee of its transactions with financial institutions with which they have this type of agreement. Total assets mitigated by compensation agreement in June 30, 2016 was R\$ 131,818 million

26. Subsequent events

The payment of interest on equity, approved on June 30, 2016, will occur in July 22, 2016.

* * *

Aline Gomes – Controller
CRC 087.989/0-9 “S”- BA.