

Banco Industrial e Comercial S/A

Consolidated financial statements for
the years ended December 31, 2014
and 2013



Banco Industrial e Comercial S/A

Consolidated financial statements at December 31, 2014 and 2013

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Management report

Dear shareholders,

The Management of Banco Industrial e Comercial S.A. (“BICBANCO”) hereby submits for your appreciation the Management Report and corresponding Financial Statements prepared including the unqualified opinion of the independent auditors referring to the period ended December 31, 2014. Comments presented here, except when highlighted, are stated on a consolidated basis encompassing subsidiaries and Investment Fund in Credits Receivable (FIDCs), in domestic currency (Reais – R\$). The consolidated financial statements of BICBANCO were prepared in accordance with the International Financial Reporting Standards (IFRS), and reflect the corporate structure of BICBANCO for the respective period.

Main 2014 indicators:

- **R\$ 15.6 billion in assets;**
- **R\$ 12.2 billion in expanded credit portfolio;**
- **R\$ 11.7 billion in total funding;**
- **R\$ 1.4 billion in shareholders’ equity.**

Acquisition of 72% of the total capital of BICBANCO by China Construction Bank – CCB.

On August 29, CCB Brazil Financial Holding – Investimentos e Participações Ltda. (CCB Holding) acquired the shareholding control of BICBANCO, according to the Contract for Purchase and Sale of Shares between China Construction Bank Corporation (CCB) and the former controlling shareholders of the Bank, entered into on October 31, 2013.

In 2014, the conditions precedent and approvals from the Regulatory Authorities were obtained to complete this Transaction. Among the significant acts that occurred previous to closing the disposal of the control, the following are noteworthy:

. **The necessary approvals.** On July 21, 2014, a Presidential Decree was published approving the Transaction, to comply with the provisions of article 84, item IV, of the Constitution of the Federative Republic of Brazil, and, on July 22, 2014, the Central Bank of Brazil approved the Transaction (“Brazilian Approvals”). The Chinese



competent regulatory authorities and the banking authorities of the Cayman Islands approved the Transaction on April 2, 2014 and June 24, 2014, respectively (“Foreign Approvals”, and, together with the “Brazilian Approvals”, the “Required Approvals”). The Administrative Council for Economic Defense (CADE), on January 9, 2014, positioned itself favorable to the Transaction.

. **Corporate Reorganization.** Involved the Bank, its direct former shareholders Gemini Holding S.A. and BIC Corretora de Câmbio e Valores S.A., and the company Primus Holding S.A. From the economic perspective, the interests of the involved parties were addressed neutrally, bringing corporate benefits in view of the integration, simplification and streamlining of the corporate structures into one only company. The corporate restructuring, a condition precedent of the transaction, was completed on August 7, 2014 by filing with the competent boards of trades all the corresponding corporate acts.

. **Consent Solicitation.** For the holders of senior debt and creditors of some international loans that have in their contracts clause about Change of Control, the Bank undertook and completed a Consent Solicitation process.

. **Submission of the Business Plan to the Central Bank of Brazil.** On January 2014, the CCB submitted to the regulatory bodies, particularly to the Central Bank of Brazil, the information required (Business Plan) to obtain the approval of the Transaction.

After closing the disposal of the control, new steps reflect the change in shareholding control:

. **New classification of the Bank’s capital in the National Financial System.** On September 18, the Management of the Financial System Organization of BACEN approved the transfer of the shareholding control from BICBANCO and its subsidiaries to CCB, with headquarters in Beijing, China. From this approval, BICBANCO became a foreign capital bank in the Brazilian Financial System.

. **OPA – Public Offering of Shares.** On September 29, CCB Holding applied to CVM for registration of a public offering for the shares issued by BICBANCO held by non-controlling interests, in view of the disposal of the control of the Institution.

In this application, it was requested from the Securities Commission (CVM) authorization for unifying such offering with the public offering for the Bank shares in free float to: (i) cancel its registration for trading stock in the market as issuer of securities; and (ii) discontinue the differentiated corporate governance practices provided in the special listing segment of BM&FBOVESPA S.A, named Level 1 of corporate governance (collectively referred to as “OPA”).

Morgan Stanley Corretora de Títulos e Valores Mobiliários S.A. was contracted to operate as the intermediary institution of the OPA.

All the documentation related to the application for the OPA registration to the Securities Commission (CVM), containing the information required for proceeding with the transaction, is currently in analysis.

The full text of the Material Facts related to the Transaction and the OPA, as well as the Appraisal Report, are available on the website of the Securities Commission (CVM): www.cvm.gov.br and on the Investor Relations website of BICBANCO: www.bicbanco.com.br/ri.

. Price adjustment process between sellers and buyers of the shareholding control of BICBANCO. On October 29, 2014, CCB Holding delivered to the former controlling shareholders of the Bank a notice indicating, under the terms of the Contract for purchase and sale of 72% of the capital of BICBANCO, that the selling price paid on the closing date would be subject to an adjustment for reduction of approximately R\$ 287.766 million, which would correspond to an adjustment for reduction of R\$ 1.58 per share. On November 14, 2014, the Sellers questioned such Price Adjustment by sending a notice to the Buyer. The parties are still discussing and negotiating a solution to the Price Adjustment. Until the closing of this Report, the parties have not yet arrived at an agreement on the Price Adjustment, or a resolution about the issues in discussion. CCB Holding and the Buyer will inform to the Bank as soon as any material fact arises related to the Transaction. BICBANCO will keep its shareholders and the market duly informed about any material fact related to the public offering that the Company becomes aware of, according to the applicable laws.

Additional details of the price adjustment process were disclosed by means of Material Facts on the dates 10/30/2014, 11/17/2014 and 12/15/2014, which are available on the website of the Securities Commission (CVM): www.cvm.gov.br and on the Investor Relations website of BICBANCO: www.bicbanco.com.br/ri.

Election of the Board of Directors and Executive Board.

According to the Special Shareholders' Meeting held, on September 1, 2014, the new controller elected three new members to the Board of Directors, as follows: Mr. Wensheng Yang, to serve as Chairman; Mr. Tiejun Chen and Ms. Hong Yang to serve as Board Members. The office of these three Board Members shall be taken on condition the BACEN approves it.

The Board of Directors of BICBANCO became composed of six members, three of which were already serving: Mr. José Bezerra de Menezes as Member and Messrs. Heraldo Gilberto de Oliveira and Daniel Joseph McQuoid as Independent Members, and three Members, representatives of the control group, previously mentioned.

At the Board of Directors Meeting (RCA) also held, on September 1, 2014, the following new members were elected to the Executive Management of BICBANCO: Mr. Tiejun Chen to serve as CEO; Ms. Xiaowei Dong and Mr. Jin Li to serve as Vice-Presidents;



Mr. Zhongzu Wang and Ms. Hong Yang to serve as Executive Directors. At the RCA of December 11, 2014, a new member was elected: Mr. Yongdong Jiang to serve as Vice-President. The office of these Executives is conditioned upon approval from the Central Bank of Brazil.

Therefore the Executive Management of the Bank will be composed of six Executives mentioned above and four that were already in office: Mr. Milto Bardini as Executive Vice-President and IR Director, Mr. Paulo Celso del Ciampo as Executive Vice-President, and Messrs. Francisco Edênio B. Nobre and Carlos José Roque as Executive Directors.

Economic environment.

In 2014, the official inflation measured by the National Consumer Price Index (IPCA) reached 6.41%, slighted under the target ceiling set by the monetary authority, at 6.5%. However, the indicator was 0.5 above the variation recorded in 2013, when the index stood at 5.91%. The base interest rate (Selic) ended 2014 at 11.75%. In the meeting held on January 21, 2015, the Monetary Policy Committee of the Central Bank (Copom) raised it to 12.25%.

After showing volatility throughout 2014, the foreign exchange rate ended Dec/14 at R\$ 2.66/US\$, a rate above R\$ 2.34/US\$ traded at the closing of the previous year. In the year ended December 2014, the Brazilian exports totaled US\$ 225.1 billion, down 7.0% as compared to the same period of 2013. In the same direction, imports decreased 4.4%, totaling US\$ 229.0 billion. Despite the lower inflow of imported goods, the pace of the slowdown in purchases did not counterbalance the decrease in sales to foreign markets, consequently, the foreign trade balance recorded a deficit of US\$ 3.9 billion, the highest level since 1998. Such reduction was mainly influenced by reduction in the prices of important commodities exported by the country in view of the slow recovery of economic activity in the world, which reduced the demand for these products; complemented by the deficit in the oil and byproducts account.

Total loans in the financial system reached R\$ 3.0 trillion in December 2014, which represents a growth of 11.3% in twelve months. The credit stock in proportion to the GDP reached 58.9%.

Assets

Total assets.

Total assets amounted to R\$ 15,634.4 million in the end of 2014, a modest growth of 1.5 % as compared to 2013.

Loan operations.

As of December 31, 2014, credit operations totaled R\$ 9,765.7 million. The expanded credit portfolio, which adds endorsements and sureties, totaled R\$ 12,237.9 million.



Corporate credit, the main business of the Bank, accounted for 87.9% of credit operations, while credit to individuals and payroll advance loans accounted for 12.1%, substantially originated by the subsidiary Sul Financeira operations.

Liabilities

Total funding.

The amount of funds raised reached R\$ 11,733.2 million in 2014, down 6.6% over the past 12 months, aligned with the new operating volumes of the Bank.

Time deposits and Funds from Issued Bills.

In 2014, time deposits totaled R\$6,038.2 million, a contraction of 3.6% in relation to the last year. Of the total sum of time deposits, R\$ 3,057.4 million were restricted to the “Time Deposit with Special Guarantee from the Credit Guarantee Fund” – DPGE, pursuant to CMN Resolution No. 3692/09.

As of December 31, 2014, the breakdown of time deposits by type of depositor was as follows: legal entities 57.6%, institutional investors 38.2%, individuals 3.7% and financial institutions 0.5%.

The Bank diversifies its mix of financial products by means of funds from issued bills, such as Agribusiness Credit Bills (LCAs), Financial Bills and Real Estate Credit Bills (LCIs). The set of these funds reached R\$ 746.3 million in the end of the twelve months of 2014, corresponding to 6.4% of total funding.

Shareholders' equity.

As of December 31, 2014, Shareholders' Equity amounted to R\$ 1,350.1 million. The Basel Ratio III stood at 13.63% in December 2014, the minimum regulatory capital in Brazil is 11%.

Recognition.

BICBANCO was selected, for the 5th year in a row, for inclusion in the portfolio of the Corporate Sustainability Index, or ISE (Índice de Sustentabilidade Empresarial), which remains in effect through the end of 2015. Since the Ratio creation in 2005, the Bank is the only medium-sized financial institution to make up this Ratio.

Human Resources and Service Centers.

The Bank ended the year 2014 with 771 employees, up 2.1% as compared to 2013. With its 37 service centers, the Bank maintained its presence and regional distribution of franchise in the main capital cities and cities in the country over the twelve months.



Relationship with auditors.

The Bank and its subsidiary companies have not contracted or received services provided by KPMG Auditores Independentes, except external audit services. The policy adopted fulfills the principles that preserve the independence of the auditor, in accordance with criteria accepted worldwide, which are that the auditor shall not audit his own work, or exercise management roles at his client or promote the interests thereof.

Final considerations.

We thank our shareholders, clients and suppliers for the support and confidence in our management, and our employees for their valuable collaboration.

(Disclosure authorized at the meeting of the Board of Directors on September 16, 2015).

The complete and audited Financial Statements are available on the website of BICBANCO – www.bicbanco.com.br/ri.

	Rating/index	Scope/Classification	Rating Publication Date
Moody's	Baa3 P-3 Aal.br BR 1 Stable	• Global deposits in foreign and domestic currency - Long-term Short-term • National Scale Deposits - Long-term - Short-term • Prospect	12/01/2014
Standard & Poor's	BBB A-3 brAAA Stable	• Global scale deposits, in foreign and domestic currency - Counterpart rating - Long-term - Short-term • National scale • Prospect	10/01/2014
Fitch ratings	AAA(bra) F1+ (bra) Stable	• National scale - Long-term - Short-term • Prospect	02/12/2015
Austin Rating	brAA- Positive note	• National scale - long term • Prospect	04/11/2014
LF rating	AA Neutral	• Domestic currency • Prospect	12/19/2014
Management & Excellence	AA	• Sustainability Rating	Jul 2014

Independent auditors' report on the consolidated financial statements

(Free translation of Portuguese version).

To
The Board of Directors and Shareholders of
Banco Industrial e Comercial S.A.
São Paulo – SP

We have examined the individual and consolidated financial statements of Banco Industrial e Comercial S.A. (“BICBANCO” or “Bank”) and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2014 and the respective statements of income, comprehensive income, changes in shareholders’ equity and cash flows for the year then ended, and a summary of significant accounting practices and other accompanying notes to the financial statements.

Management’s responsibility for the financial statements

The Company's Management is responsible for the preparation and adequate presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the internal controls it deemed necessary to enable the preparation of these financial statements free of significant distortions, regardless of whether the latter were caused by fraud or error.

Responsibility of the independent auditors

Our responsibility is to express an opinion on these consolidated financial statements based on our examination carried out in accordance with the Brazilian auditing and international accounting standards. These standards require compliance with ethical requirements by the auditors and that the audit be planned and executed with the objective of obtaining reasonable assurance that the financial statements are free from significant distortions.

An audit involves the carrying out of procedures selected to obtain evidence related to the amounts and disclosures presented in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of significant distortion in the financial statements, regardless of whether the latter are caused by fraud or error. In this risk assessment, the auditor considers relevant internal controls for the preparation and adequate presentation of the financial statements of the Bank, to plan the audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the efficacy of these internal controls of the Bank. An audit also includes the evaluation of the adequacy of adopted accounting practices and reasonability of accounting estimates made by Management, as well as an assessment of the presentation of financial statements taken as a whole.



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

Opinion

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco Industrial e Comercial S.A. as of December 31, 2014, the performance of its operations and its cash flows, consolidated for the year then ended, in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Emphasis

Transfer of controlling interest

We draw attention to the Note 1 – Operations that informs that after the transfer of the shareholding control of the Bank, occurred on August 29, 2014, the operations started to be conducted in the operational context of its new Controlling Shareholder, which established in its business plan the achievement of taxable profit at levels sufficient for the realization of the stock of tax credits and minimum required capitalization by the Central Bank of Brazil. Our opinion is not qualified in relation to this matter.

Statements of value added

We have also audited the consolidated statements of value added (DVA) for the year ended December 31, 2014, prepared under the Bank's responsibility, whose presentation is required by Brazilian Corporate Law for publicly-held companies and as supplementary information under IFRS that do not require the presentation of a statement of value added. These statements were submitted to the same audit procedures previously described and, in our opinion, these supplementary statements are adequately presented, in all material respects, in relation to the basic financial statements taken as a whole.

São Paulo, September 16, 2015.

KPMG Auditores Independentes
CRC 2SP014428/O-6

Fernando Antonio Rodrigues Alfredo - Accountant
CRC 1SP252419/O-0



CONSOLIDATED BALANCE SHEETS

ASSETS	Note	12/31/2014	12/31/2013
CASH AND CASH EQUIVALENTS AND RESERVES AT THE CENTRAL BANK OF BRAZIL	3	273,249	396,446
FINANCIAL ASSETS FOR TRADING		3,277,507	909,244
Debt instruments	5	2,625,367	275,430
Equity instruments	6	1,867	3,850
Derivatives	7	650,273	629,964
OTHER ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-
Debt instruments		-	-
FINANCIAL ASSETS AVAILABLE FOR SALE		976,894	1,128,907
Debt instruments	5	976,894	1,128,907
LOANS AND RECEIVABLES		9,500,853	11,565,400
Loans and advances to financial institutions	4	409,853	1,241,850
Loans and advances to clients	8	9,765,727	10,617,419
Other loans and receivables	9	42,604	35,602
Other financial assets	10	150,935	78,971
(-) Impairment of loans and receivables	8	(868,266)	(408,442)
ASSETS HELD FOR SALE	11	244,846	431,946
INVESTMENTS	12	4,164	4,848
TANGIBLE ASSETS	13	125,681	131,338
INTANGIBLE ASSETS	14	108,081	108,497
TAX CREDITS		1,019,059	626,927
Current		63,186	65,346
Deferred assets	24	955,873	561,581
OTHER ASSETS	15	104,103	134,410
TOTAL ASSETS		15,634,437	15,437,963

See the accompanying notes to the consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	12/31/2014	12/31/2013
FINANCIAL LIABILITIES FOR TRADING		12,505	3,551
Derivatives	7	12,505	3,551
OTHER LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		2,045,931	2,263,744
Subordinated debts	19	892,515	760,022
Foreign borrowings	21	223,581	680,507
Securities issued	18	929,835	823,215
FINANCIAL LIABILITIES AT AMORTIZED COST		11,322,863	10,536,590
Subordinated debts	19	263,291	232,270
Financial institution deposits	16	2,018,873	465,628
Client deposits	17	6,306,139	6,765,907
Securities issued	18	855,966	1,041,281
Domestic borrowings	20	89,403	89,252
Foreign borrowings	21	1,789,191	1,742,528
Other financial liabilities	22	-	199,724
PROVISIONS	23	714,914	601,603
TAX LIABILITIES		-	-
Current		-	-
Deferred assets		-	-
OTHER LIABILITIES	25	188,153	107,117
TOTAL LIABILITIES		14,284,366	13,512,604
SHAREHOLDERS' EQUITY	26	1,350,071	1,925,359
Capital		2,012,810	1,434,206
Accumulated loss		(651,153)	-
Reserves		-	509,686
Other comprehensive income		(11,586)	(18,532)
TOTAL SHAREHOLDERS' EQUITY		1,350,071	1,925,359
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		15,634,437	15,437,963

See the accompanying notes to the consolidated financial statements.

STATEMENT OF INCOME

	Note	12/31/2014	12/31/2013
Interest income and alike	28	1,718,506	1,836,154
Interest expenses and the like	28	(1,718,336)	(1,499,643)
Gains (losses) with financial assets and liabilities (net)	30	246,837	223,762
Exchange differences (net)	31	175,112	158,966
NET INTEREST INCOME		422,119	719,239
Equity in income of subsidiaries		(685)	(1,205)
Income from fee and commissions	29	88,954	81,746
Other operating income (expenses)	32	(17,850)	(86,073)
TOTAL INCOME		492,538	713,707
Personnel expenses	33	(222,458)	(203,200)
Other administrative expenses	34	(168,791)	(168,516)
Tax expenses	35	(51,280)	(67,589)
Depreciation and amortization	13 and 14	(24,792)	(22,155)
Impairment losses of financial assets	8e	(967,555)	(288,120)
Gains (losses) with other assets (net)		(80,077)	(5,116)
LOSS BEFORE TAX		(1,022,415)	(40,989)
Current and deferred income tax and social contribution	24	429,170	57,221
NET LOSS FOR THE YEAR		(593,245)	16,232

See the accompanying notes to the consolidated financial statements.



STATEMENT OF COMPREHENSIVE INCOME

	<u>12/31/2014</u>	<u>12/31/2013</u>
NET INCOME FOR THE YEAR	(593,245)	16,232
Assets available for sale – Adjustment to market value	11,577	(32,245)
Tax charges on comprehensive income	<u>(4,631)</u>	<u>12,898</u>
COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>(586,299)</u>	<u>(3,115)</u>

See the accompanying notes to the consolidated financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note	Capital	(-) Treasury shares	Profit reserves		Equity evaluation adjustment	Retained earnings/losses	Total
				Legal	Statutory			
Balances at January 01, 2013		1,434,206	(58,593)	75,487	527,833	815	-	1,979,748
Prior-year adjustments - Associated companies		-	-	-	(361)	-	-	(361)
Dividends paid in the year	26 c	-	1,087	-	-	-	-	1,087
Equity evaluation adjustments		-	-	-	-	(19,347)	-	(19,347)
Net income for the year		-	-	-	-	-	16,232	16,232
Allocations:								-
Dividends	26 c	-	-	-	-	-	-	-
Interest on own capital	26 c	-	-	-	-	-	(52,000)	(52,000)
Reserves		-	-	3,051	(38,819)	-	35,768	-
December 31, 2013		<u>1,434,206</u>	<u>(57,506)</u>	<u>78,538</u>	<u>488,653</u>	<u>(18,532)</u>	<u>(0)</u>	<u>1,925,359</u>
Balances at January 01, 2014		1,434,206	(57,506)	78,538	488,653	(18,532)	(0)	1,925,359
Prior-year adjustments - Associated companies		-	-	-	-	-	-	-
Share-based payment	26 c	-	2,401	-	-	-	-	2,401
Capital increase with reserves		578,604	-	(75,487)	(503,117)	-	-	-
Equity evaluation adjustments		-	-	-	-	6,946	-	6,946
Transfer to amortization of loss		-	-	(3,051)	14,464	-	(11,413)	-
Net loss for the year		-	-	-	-	-	(593,244)	(593,244)
Allocations:								-
Dividends	26 c	-	-	-	-	-	-	-
Interest on own capital	26 c	-	-	-	-	-	-	-
Reserves		-	-	-	-	-	8,609	8,609
December 31, 2014		<u>2,012,810</u>	<u>(55,105)</u>	<u>-</u>	<u>-</u>	<u>(11,586)</u>	<u>(596,048)</u>	<u>1,350,071</u>

STATEMENT OF CASH FLOWS

	12/31/2014	12/31/2013
Cash flows from operating activities		
Consolidated net income for the year	(593,244)	16,232
Depreciation and amortization	24,792	22,135
Equity in income of subsidiaries	685	1,205
Changes in tax credits and deferred tax liabilities	(392,132)	(201,662)
Formation of provisions - Impairment of loans and receivables	459,824	(146,316)
Formation of provisions	113,311	65,074
Changes in assets and liabilities	(533,179)	(244,310)
Decrease (increase) in loans and advances to financial institutions	34,155	(27,673)
Decrease (increase) in debt instruments	(2,197,924)	134,634
Decrease (increase) in equity instruments	1,933	13,524
Increase (decrease) in derivatives	(11,355)	10,993
Decrease (increase) in loans and advances to clients	351,692	2,146,277
Decrease (increase) in other loans and receivables	(7,002)	10,465
Decrease (increase) in other financial assets	(71,964)	(17,328)
Decrease (increase) in assets held for sale	187,100	(26,232)
Decrease (increase) in other assets	30,307	32,456
Increase (decrease) in deposits of financial institutions	1,553,245	(326,393)
Increase (decrease) in client deposits	(459,763)	(700,361)
Increase (decrease) in subordinated debts	163,514	42,331
Increase (decrease) in securities issued	(73,695)	(552,937)
Increase (decrease) in domestic borrowings	151	19,321
Increase (decrease) in foreign borrowings	(410,263)	(927,337)
Increase (decrease) in other financial liabilities	(199,724)	(176,701)
Increase (decrease) in other liabilities	76,369	256
Used cash deriving from operating activities	(924,943)	(433,622)
Cash flows from investment activities		
Disposals of intangible assets	7,292	34,290
Investments in intangible assets	(14,163)	(30,464)
Investments in intangible assets	3,828	(10,179)
Cash used (in) investing activities	(3,043)	(6,353)
Cash flows from financing activities		
Dividends paid	-	-
Interest on own capital paid	-	(52,000)
Prior-year adjustments - Associated companies	-	(361)
Share-based payment	-	1,087
Equity evaluation adjustments	6,946	(19,347)
Used cash deriving from financing activities	6,946	(70,621)
Cash flow used in the year	(921,040)	(565,596)
Cash and cash equivalents at the beginning of the year	1,208,505	1,774,101
Cash and cash equivalents at the end of the year	287,465	1,208,505

See the accompanying notes to the consolidated financial statements.

STATEMENT OF ADDED-VALUE

	12/31/2014	12/31/2013
1. Income	1,267,250	1,890,858
1.1 Interest income and the like	1,718,506	1,836,154
1.2 Gains from financial assets and liabilities	246,837	223,762
1.3 Income from fee and commissions	88,954	81,746
1.4 Impairment losses of financial assets	(967,555)	(288,120)
1.5 Others	180,508	37,316
2. Expenses	1,718,336	1,499,643
2.1 Interest expenses and the like	1,718,336	1,499,643
2.2 Losses from financial assets and liabilities	-	-
3. Inputs acquired from third parties	272,114	106,239
3.1 Materials, energy and other	38,948	39,382
3.2 Outsourced services	86,853	88,826
3.3 Loss (recovery) of asset values	146,313	(21,969)
4. Gross added value	(723,200)	284,976
5. Depreciation, amortization and depletion	24,792	22,155
6. Net added value produced by the Entity	(747,992)	262,822
7. Added value received as transfer	(685)	(766)
7.1 Equity income (loss)	(685)	(1,205)
7.2 Other		439
8. Added value payable	(748,677)	262,055
9. Distribution of added value	(748,677)	262,055
9.1 Personnel	222,458	203,200
9.1.1 Direct remuneration	152,753	138,891
9.1.2 Benefits	22,163	19,791
9.1.3 Social charges	44,956	42,083
9.1.4 Other	2,586	2,435
9.2 Taxes, duties and contributions	(377,890)	10,368
9.2.1 Federal	(394,930)	(6,451)
9.2.2 State	1,200	1,217
9.2.3 Municipal	15,840	15,602
9.3 Third-party capital remuneration	-	32,255
9.3.4 Rents		32,255
9.4 Remuneration of own capital	(593,245)	16,232
9.4.1 Interest on own capital	-	52,000
9.4.2 Dividends	-	-
9.4.3 Retained income (Distributed)	(593,245)	(35,768)

See the accompanying notes to the consolidated financial statements.

1. *Operations, presentation of consolidated financial statements, and other information*

a. Operations.

Banco Industrial e Comercial S.A. (“BICBANCO”) is a publicly-held company, established on November 29, 1938 and authorized by the Central Bank of Brazil to operate as a multiple bank in the following portfolios.

Through subsidiaries, it operates in the following markets: Leasing, credit, financing and investments, investment fund management, distribution and brokerage of foreign exchange and securities, and credit card administration, and has a 50% stake in a joint venture aimed at operations in the Factoring and Forfaiting market.

BICBANCO entered, in the capacity of Intervening Party, into the Contract for Purchase and Sale of Shares, signed on 10/31/2013 between China Construction Bank Corporation (CCB) “Buyer”, and the controlling shareholders on that date “Sellers”, with the purpose of performing the direct and indirect acquisition by CCB, of the shares representing 72% of the total capital of BICBANCO.

Once fulfilled the conditions precedents, provided in the contract, among which the completion of a corporate reorganization, the publication of the Presidential Decree, and the Approval from the Central Bank in July 2014, the transfer of the shareholding control was completed on the date 08/29/2014, with the acquisition by CCB Brazil Financial Holding – Investimentos e Participações Ltda (CCB Holding), subsidiary of CCB, of the share representing the shareholding control of Banco Industrial e Comercial S/A – BICBANCO and its subsidiaries.

By means of the Extraordinary Shareholders’ Meeting, held on 09/01/2014, the controlling shareholder of CCB Holding elected three representatives to the Board of Directors, one of which shall serve as its Chairman. On the same date, by means of the Special Shareholders’ Meeting of the Board of Directors, on the instruction of the CCB Holding, five new members were elected to the Executive Management, one of which shall serve as CEO, two as Vice Presidents and two as Officers without designation. The approval from the Central Bank of Brazil was given on 03/23/2015, and the new members are waiting for effectively taking office. The Corporate Governance of BICBANCO is being performed by the remaining members of the former Management, of which three are members of the Board of Directors and four are Statutory Directors, all of which are in their full capacity of independent management members.

Therefore, after the transfer of the shareholding control, the operations of BICBANCO are conducted in the operational context of its new Controller, and include the consistency of internal policies, accounting estimates, alignment of operational practices, the reinvigoration and setting out of funding costs, the repositioning of financial intermediation profit or loss in order to recover positive operating results, the maintenance of taxable results at levels sufficient to cover the stock of tax credits, the fulfillment of minimum operating limits, including by issuing instruments similar to capital. In the context of the latter topic, we find the following: (a) the issue of securities abroad at US\$ 300 million, approved by the Executive Management on June 22, 2015, aimed at classifying into subordinate debt (Tier II), and (b) the preparation of a capitalization plan by means of Tier I – both acts aimed at meeting the needs arising from capital, such as those determined by the Central Bank of Brazil for alignment with the Basel III requirements, and corresponding to the commitment assumed by the new Controller, in its Business Plan, for establishing and operating in Brazil, which is based on the basic assumption of maintaining appropriate capitalization of the financial institution. Besides the abovementioned acts, in the first semester ended June 30, 2015, funding raised from the controller abroad amounted to R\$ 1,556,354 (US\$ 500 million).

According to the effective regulation, CCB Holding submitted on 09/01/2014 to the examination and approval from the Securities Commission (CVM), an application for registration of public offering for the BICBANCO shares held by non-controlling interests, aiming at going private.

b. Presentation of consolidated financial statements.

The consolidated financial statements of BICBANCO were prepared in accordance with International Financial Reporting Standards (IFRS) in compliance with the requirement of Resolution 3786 of the National Monetary Council (“CMN”) that, as of the base date December 31, 2010, required the annual preparation and disclosure of the consolidated financial statements according to the pronouncements issued by the International Accounting Standards Board (IASB), translated to Portuguese by a Brazilian entity accredited by “International Accounting Standards Committee Foundation - IASC”.

The issuance of these financial statements was authorized by the Board of Directors on September 16, 2015.

c. Estimates used.

Consolidated income and the determination of consolidated equity are impacted by accounting policies, assumptions, estimates and measurement methods used by BICBANCO management in the preparation of financial statements. The Management makes estimates and assumptions that affect informed asset and liability amounts of the next fiscal year. All estimates and assumptions emphasized below, applied by Management in conformity with IFRS, are the best estimates in accordance with the applicable standard. The main accounting policies and measurement methods are detailed in **note 2**.

Consolidated financial statements include estimates and assumptions, such as the evaluation of asset and liability fair values, measurement of the recoverable value of financial and non-financial assets and the recognition and evaluation of deferred taxes. These estimates, which were prepared with the best information available, are as follows:

- *Evaluation of fair value for certain financial instruments;*

The fair value of a financial instrument in a certain date is interpreted as the amount by which it could be acquired or sold on that date by two well-informed parties, acting deliberately and with prudence, in a transaction under regular market conditions. The most objective and common reference for the fair value of a financial instrument is the price that would be paid for it in an active, transparent and significant market ("quoted price" or "market price").

If there is no market price available for a financial instrument, its fair value will be estimated based on the price established in recent transactions involving the same instrument or similar instruments and, in the absence of those, based on evaluation techniques normally used by the financial market, considering, when applicable, market observable data, as follows:

The method of discount to present value to evaluate financial instruments (method applicable mainly to debt instruments, swaps, and forward transactions): future expected cash flows are discounted to present value using the curves calculated based on observable market data (PU Anbima, DIIs and Future DDIs, etc.).

The methodology used to evaluate the fair value of certain financial instruments is described in detail in **note 2**:

- *Impairment of financial assets*

BICBANCO recognizes the losses inherent to financial assets not evaluated at fair value taking into consideration the historical experience with impairment and other evaluation circumstances. For this purpose, inherent losses are losses incurred on financial statements base date, calculated through the measurement at present value of estimated cash flows of the transactions in which objective impairment evidences were verified. Further details are discussed in **Note 2.h)**.

Income from loans overdue for more than 60 days, regardless of their level of risk, are only recognized as income when effectively received.

- *Measurement of the recoverable value of tangible and intangible assets*

On financial statements disclosure date, BICBANCO verifies the existence of objective evidences of impairment of non-financial assets. This measurement may involve subjective evaluation criteria, such as the technical and operational obsolescence analysis or the expected replacement of the asset by another asset that generates higher future economic benefits. Calculation criteria for possible impairment of tangible and intangible assets are discussed in detail in **notes 13 and 14**, respectively.

- *Recognition and evaluation of deferred taxes*

Deferred tax assets are recognized only in relation to temporary differences to the extent it is probable that the Bank will have future taxable income that will allow the utilization of deferred tax assets.

Estimates regarding the determination of future taxable income are based on current expectations and estimated future events and trends, which may affect consolidated financial statements. The main assumptions that may affect these estimates, in addition to those already mentioned, are related to:

- Variation in deposited amounts, on the client portfolio and on non-compliance of credit borrowers;
- Changes in interest rates;
- Changes in inflation rates.
- Government regulation and tax issues;
- Adverse lawsuits or legal disputes;
- Credit and market risks and other risks arising from credit and investment activities;

- Changes in market values of Brazilian securities, especially Brazilian government securities;
- Changes in economic and commercial conditions in local, national and international scenarios.

2. *Accounting practices and calculation criteria.*

The accounting practices and calculation criteria used in the preparation of consolidated financial statements are as follows:

a) Foreign currency transactions and functional currency.

The individual financial statements of the entities are presented in the currency of the primary economic environment in which the entity operates (functional currency). For financial statements consolidation purposes, the results and the financial position of consolidated entities are expressed in Brazilian Reais, BICBANCO's functional currency and the consolidated financial statements presentation currency. Monetary assets and liabilities are translated at the foreign exchange rate on balance sheet date.

Foreign exchange variation arising from the translation of foreign currency balances to the functional currency are usually recognized at the net amount as "Net Foreign Exchange Differences" in the consolidated statement of income, except for foreign exchange variation arising from financial instruments at fair value through profit or loss, which are recognized in the consolidated financial statements as "Gains (losses) on financial assets (net)" without separating them from other fair value variation.

b) Consolidation basis

Subsidiaries

The financial statements of the entities controlled by the Bank are consolidated. Accordingly, all intercompany balances and transactions are eliminated on consolidation.

Investment in Joint Venture – BRASILFactors

On April 25, 2011, BICBANCO assumed the commitment of a 40% stake in the capital stock of BRASILFactors S.A, a joint venture that will have FIMBank PLC (40%) and International Finance Corporation - IFC (20%) as its other shareholders.

The Company's main activities are geared towards factoring and forfaiting services, involving the purchase of receivables from the domestic and international markets, having small and midsized businesses as a target market.

Because it is incorporated in the form of a joint venture, BICBANCO, as entrepreneur, starting on January 1, 2013, began to recognize the investment in the consolidated financial statements, using the equity method of accounting, due to the shared control characterized as Joint Venture.

Consolidated financial statements include the individual financial statements of BICBANCO, as well as the following subsidiaries:

Company name	Country of origin	Consolidation method	Interest	
			2014	2013
Foreign branches				
BIC Cayman	Cayman	Full	100%	100%
Direct subsidiaries in the country				
BIC Arrendamento Mercantil S.A	Brazil	Full	100%	100%
BIC Distribuidora de Títulos e Valores Mobiliários S.A.	Brazil	Full	100%	100%
BIC Informática S.A.	Brazil	Full	100%	100%
BIC Administradora de Cartões de Crédito S/C Ltda.	Brazil	Full	100%	100%
Sul Financeira S.A Crédito Financiamento e Investimento	Brazil	Full	100%	100%
Sul Financeira Promotora de Vendas Ltda.	Brazil	Full	100%	100%
Sul Financeira Cobrança Ltda.	Brazil	Full	100%	100%

The subsidiaries had the following equity positions and income (loss) (*):

	Total assets		Total liabilities		Income (loss)		Total shareholders' equity	
	2014	2013	2014	2013	2014	2013	2014	2013
BIC Distribuidora	18,666	17,248	1,745	1,356	1029	815	15,892	15,077
BIC Lease	474,863	549,183	258,184	327,668	-2,612	33,070	219,291	188,445
Sul Financeira CFI	1,178,507	1,005,839	1,050,230	885,069	913	6,924	127,364	113,846
Others	56,210	43,451	43,215	30,708	252	-263	12,743	13,006

(*) Balances presented according to the accounting practices required by BACEN.

Investment funds in credits receivable – FIDCs

In compliance with the CVM standards, in the capacity of originator of receivables assigned to the Investment in Credits Receivable (FIDC), the Fundo de Investimento em Direitos Creditórios Crédito Corporativo II and the Fundo de Investimento em Direitos Creditórios Aberto, the accounting information of such FIDCs were consolidated. Besides these funds, in the consolidated financial statements the Fundo de Investimento

em Direitos Creditórios BrasilFactors Crédito Corporativo was proportionally included, which subordinated quotas are fully held by BrasilFactors (Joint Venture). The Fundo de Investimento em Direitos Creditórios Crédito Corporativo I was settled on August 22, 2014

The FIDCs were established in conformity with CVM Instruction 409/04, with characteristics of closed-end investment funds, arising from loan transactions with indefinite term, and BICBANCO or its subsidiary Sul Financeira subscribed all subordinated quotas.

Additional information on BICBANCO's interest in the FIDCs is disclosed below:

Company name	Country of origin	Consolidation method	Interest (*)	
			2014	2013
FIDCs				
Fundo de Investimento em Direitos Creditórios Crédito Corporativo	Brazil	Full	100%	100%
Fundo de Investimento em Direitos Creditórios Crédito Corporativo II	Brazil	Full	100%	100%
Fundo de Investimento em Direitos Creditórios Crédito Corporativo Aberto	Brazil	Full	100%	100%

(*) Refers to the holdings in subordinated quotas.

BICBANCO's FIDCs presented the following consolidated equity positions (*):

Assets	2014	2013
Cash and cash equivalents	16	26
Interbank funds applied	22,349	32,771
Federal government bonds	41,798	114,148
Credit receivables	47,351	149,581
(-) Allowance for doubtful accounts	(7,068)	(7,786)
(-) Provision for other receivables	(1,127)	(4,217)
Other assets	3	421
Total assets	103,322	284,944
Liabilities		
Obligations	118	165
Shareholders' equity	103,204	284,779
Senior quotas	28,209	195,507
Subordinated quotas	74,995	89,272
Total liabilities	103,322	284,944

(*) Presented according to the accounting practices of such funds.

c) Definitions and classification of financial instruments.

i. Recognition date

All financial assets and liabilities are originally recognized on negotiation date, that is, the date in which BICBANCO becomes an integral part of the instrument contractual relationship. This includes: financial assets purchases or sales requiring the asset to be delivered within a determined period established by the bylaws or market standards.

ii. Initial recognition of financial instruments.

The classification of financial instruments at initial recognition depends on their characteristics and the purpose for which financial instruments were purchased by Management. All financial instruments are initially recognized at fair value plus transaction cost.

iii. Classification of financial assets for measurement purposes.

Financial assets are classified in one of the following categories, for measurement purposes:

- Financial assets for trading (measured at fair value through profit or loss): This category includes financial assets purchased to generate short-term earnings through trading. Based on its characteristics, derivatives are classified into this category.
- Other financial assets at fair value through profit or loss: This category includes financial assets not held for trading and measured at fair value. Financial assets may only be included in this category on the date they are acquired or originated.
- Financial assets available for sale: This category includes financial assets not classified as "Investments held to maturity", "Loans and receivables" or "Financial assets at fair value through profit or loss" and equity instruments issued by entities other than subsidiaries, associated companies and jointly-controlled subsidiaries. Financial assets available for sale are stated at fair value, and changes in fair value are recognized in a separate line of "adjustment to fair value" in shareholders' equity, net of tax effects, except for impairment losses and interest on these assets, which are recognized in income. When the investment is disposed of or there are indications of impairment, income previously accumulated in the adjustment of fair value account in shareholders' equity is reclassified to income.
- Loans and receivables: This category includes loans, financing and other receivables with or without loan characteristics, based on their nature, regardless of the type of borrower and the manner in which credit was granted. The main characteristic of the loans and receivables group is the lack of an active market; they are measured at amortized cost less possible impairments, and the revenues of this group are recognized on the effective return basis, at the effective interest rate.
- Investments held to maturity: This category includes debt instruments traded in an active market, with fixed maturity and fixed or determinable payments for which BICBANCO has the intention and proven capacity of holding to maturity. These investments are measured at amortized cost less impairment losses, with income recognized on the effective return basis.

iv. Classification of financial assets for presentation purposes.

Financial assets are classified by type on the following lines of the balance sheet:

- “Cash and cash equivalents and reserves at the Central Bank of Brazil”: cash and demand deposits in Brazil and abroad and deposits with the Central Bank of Brazil.
- “Debt instruments”: bonus and other securities that represent debts to the issuer yield interest and have been issued on a physical or accounting basis.
- “Equity instruments”: financial instruments issued by other entities, such as shares, which have an equity instrument nature to the issuer, except investments in subsidiaries, jointly-controlled subsidiaries or associated companies.
- “Derivatives”: includes fair value of derivatives not assigned as hedge in hedge accounting.
- “Loans and advances to financial institutions”: receivables of any nature, including those arising from open market transactions on behalf of financial institutions and other entities whose operation depends on authorization from the Central Bank of Brazil.
- “Loans and advances to clients”: includes debt balances of all other receivables and loans granted by the Bank, except those represented by securities.
- “Other loans and receivables” and “Other assets”: refer mainly to short-term receivables from entities not considered as “Financial Institutions” or “Clients”.

v. Classification of financial liabilities for measurement purposes.

- Financial liabilities for trading (measured at fair value through profit or loss): This category includes financial liabilities issued for the purpose of generating income in the short-term, derivatives not assigned as hedge in hedge accounting, and financial liabilities arising from direct sale of third-party capital instruments through repurchase commitments (short positions).
- Other financial liabilities at fair value through profit or loss: This category includes liabilities measured at fair value for the purpose of providing more relevant information to financial statements' users due to the material elimination of measurement inconsistencies (“accounting differences”) with other financial assets and liabilities measured at fair value.
- Financial liabilities at amortized cost: Financial liabilities, regardless of their form and maturity, not included in any of the prior categories and resulting from fund raising carried out by financial institutions.

vi. Classification of financial liabilities for presentation purposes.

Financial liabilities are classified per nature in the following lines of the consolidated statement of financial position:

- “Financial institution deposits”: deposits of any nature including loans and open market transactions, received on behalf of financial institutions.
- “Client deposits”: includes demand deposits received by the Bank and all other credit balances receivable from clients.
- “Subordinated debts”: includes long-term fund raising carried out by the Bank from third parties, liabilities that may become eligible to tier II capital, provided that this procedure is authorized by the Central Bank of Brazil.
- “Domestic loans”: includes fund raising from Brazilian banks.
- “Foreign borrowings”: includes fund raising from foreign banks.
- “Other financial liabilities”: this caption records variations of the foreign currency used to translate spot foreign exchange transactions to the entity's functional currency up to year end.
- “Securities issued”: includes bonus amounts and other debts represented by negotiable securities, except subordinated liabilities.

d) Measurement of financial assets and liabilities and recognition of changes in fair value.

In general, financial assets and liabilities are initially recorded at fair value, which is considered equivalent to the transaction price, unless otherwise proven. Financial instruments not measured at fair value through profit or loss are adjusted at transaction costs. Financial assets and liabilities are later measured, at the end of each year, as follows:

i. Measurement of financial assets.

Financial assets are measured at fair value without the deduction of estimated transaction costs that would possibly be incurred upon disposal, except loans and receivables, investments held to maturity, equity instruments whose fair value cannot be calculated on a sufficiently objective manner, and financial derivatives whose object is this type of equity instruments and that are settled with the delivery of these instruments.

All derivatives are recognized in the balance sheet at fair value since negotiation date. When the fair value is positive, they are recognized as assets; when fair value is negative, they are recognized as liabilities. Fair value on negotiation date is equivalent to the transaction price, unless otherwise proven. Changes in fair value of derivatives since negotiation date are recognized under "Gains (losses) with net financial assets and liabilities" of the consolidated statement of income. Specifically, the fair value of a financial derivative included in portfolios of financial assets or liabilities held for trading is considered as equivalent to its daily quoted price; if, for exceptional reasons, it is not possible to calculate quoted price on a specific date, these derivatives are measured through methods that are similar to those used to measure derivatives traded in the over-the-counter market.

The fair value of derivatives traded in the over-the-counter market is considered equivalent to the sum of the instrument future cash flows, discounted to present value on measurement date ("present value" or "theoretical closing"), using the evaluation techniques commonly adopted by financial markets: NPV (net present value), option pricing models and other methods.

"Loans and receivables" are measured at amortized cost, using the effective interest method. The "amortized cost" is considered as equivalent to the acquisition cost of a financial asset or liability, plus or less, as appropriate, principal and accrued amortization payments (included in the statement of income) of the difference between initial cost and the value on maturity. In the case of financial assets, the amortized cost includes possible impairment losses or losses due to impossible collection. In the case of hedged loans and receivables, changes in fair value related to the hedged risk are recognized.

The "effective interest rate" is the discount rate that corresponds exactly to the initial amount of the financial instrument in relation to total any estimated cash flows during the remaining useful life. For fixed rate financial instruments, the effective interest rate is similar to the contract interest rate defined on contract date plus commissions and transactions costs that, due to their nature, are part of their financial return, as applicable. For variable rate financial instruments, the effective interest rate is equal to the prevailing return rate of all commitments up to the next interest renewal reference date.

Equity instruments whose fair value cannot be calculated in a sufficiently objective basis and financial derivatives whose object is this type of instrument and that are settled with the delivery of these instruments are measured at acquisition cost, adjusted, as applicable, to related impairment losses.

Recognition amounts of financial assets represent, under all material aspects, the maximum exposure of the Bank to credit risk on each of the financial statement dates. In

addition, the Bank received guarantees and other credit improvements to mitigate its credit risk exposure; its receivables are comprised mainly of mortgages, cash collaterals, equity instruments, collateral signatures, assets leased, assets acquired through repurchase commitments, security and derivative loans.

ii. Measurement of financial liabilities.

Generally, financial liabilities are measured at amortized cost, as previously defined, except for those recorded in "Financial liabilities for trading" and hedged financial liabilities (or hedging instruments) at fair value, measured at fair value.

iii. Valuation techniques.

The methods used by BICBANCO to calculate fair value of financial instruments are rated in three different levels, as follows:

- Level 1: Uses public quotations and prices available in the active market as references. This level includes, mainly, securities issued by the national treasury, private issued securities with an "active" secondary market, equity instruments (shares) of other entities.
- Level 2: In the absence of public quotations, BICBANCO, through internal models, makes its best estimate of the price that would be determined by the market for negotiation. For this, it uses data based on observable market parameters. Derivative financial instruments, which are measured using curves determined through rates disclosed by BM&F, are assigned to this level, including the issuances abroad with prices available in the secondary market.
- Level 3: If there is no available data based on observable market parameters, Management uses internal information and models to determine the best fair value of financial assets and liabilities. As of December 31, 2014 and 2013, there were no financial instruments qualifying for this level.

As of December 31, 2014, issuances abroad with prices available in the secondary market were reclassified from Level 1 to Level 2. There were no reclassifications between level 1 and level 2 in the year ended December 31, 2014.

The chart below shows a summary of financial assets and liabilities fair values for the years ended December 31, 2014 and 2013, classified based on several measurement methods adopted by the Company to determine their fair values:

	2014			2013		
	Published price quotes in active markets (Level 1)	Internal models (Level 2)	Total	Published price quotes in active markets (Level 1)	Internal models (Level 2)	Total
Financial assets for trading	3,604,128	650,273	4,454,401	279,280	629,964	909,244
Financial assets available for sale	976,894	-	976,894	1,128,907	-	1,128,907
Financial liabilities for trading	-	12,505	12,505	-	3,551	3,551
Other liabilities at fair value through profit or loss	-	2,045,931	2,045,931	-	2,263,744	2,263,744

The main techniques used by BICBANCO internal models (level 2) to determine the fair value of financial instruments detailed in the chart below are as follows:

	Fair value amounts calculated using internal models		Valuation techniques	Main assumptions
	2014	2013		
Derivatives (assets)	650,273	629,964		
Swap contracts	644,179	627,668	Present value method	Observable market data (discount rates and interest)
Forward transactions	6,094	2,296	Present value method	Observable market data and liquidity (discount rates and interest)
Purchase of stock option	-	-	Black-Scholes model	Observable market data and liquidity (discount rates and interest)
Derivatives Liabilities	12,505	3,551		
Swap contracts	7,599	1,527	Present value method	Observable market data (discount rates and interest)

Forward transactions	-	-	Present value method	Observable market data and liquidity (discount rates and interest)
Purchase/Sale obligation of share option	4,906	2,024	Black-Scholes model	Observable market data and liquidity (discount rates and interest)
Other liabilities at fair value through profit or loss	2,045,931	2,263,744		
Subordinated debts	892,515	760,022	Present value method	Observable market data (discount rates and interest)
Securities issued	929,835	823,215	Present value method	Observable market data (discount rates and interest)
Foreign borrowings	223,581	680,507	Present value method	Observable market data (discount rates and interest)

- For the evaluation of financial instruments that permit static hedge (swaps), the present value method is used. The estimated future cash flow is discounted using interest rate curves of the respective currencies. Interest rate curves are, normally, observable market data.
- For the evaluation of financial instruments that require dynamic hedge (basically options), the Black-Scholes model is used; this model is a statistical model that incorporates the volatility of the asset price, interest rates, the price in the year and the spot price of the merchandise.
- The other liabilities at fair value in income (loss) are valued using the present value method. The estimated future cash flow is discounted using interest rate curves of the respective currencies traded in the foreign market. The interest rate curves are extracted from sources of observable market data abroad, and the operations are negotiated and settled in foreign currency.

The fair value of financial instruments resulting from internal models previously mentioned takes into account, among others, contract terms and observable market data, which includes interest rates, credit risk, foreign exchange rates, raw material and shares price quoted in the market, volatility and prepayments. For financial instruments evaluated based on internal modeling, there may be a difference between fair value at initial recognition and the value that would be determined on the same date by using an evaluation technique. Considering that the terms of financial instruments traded by BICBANCO are simple, and that most instruments' fair value is classified as Level 1 and 2, the entity considers that this difference is not material.

iv. Fair value variation recognition

As a general rule, variation in the carrying amounts of financial assets and liabilities are recognized in the consolidated statement of income, and those arising from the recognition of provision for interest and similar gains - recognized in caption "Income from interest and similar items" or "Expenses with interest and similar items", as applicable - are recognized separately from those arising from other types of measurements at fair value factors, which are recognized at net value under caption "gains (losses) with financial assets and liabilities".

Adjustments due to variations in fair value arising from financial assets available for sale are temporarily recognized in shareholders' equity under "Other comprehensive amounts". Items that are charged or credited to that account remain in the Bank's consolidated shareholders' equity until the corresponding assets are written-off, when they are then charged to the consolidated statement of income.

v. Other financial liabilities at fair value through profit or loss

BICBANCO substantially raises its funds through the issuance of securities to external investors or the hiring of loans from foreign banks. Both fund sources are normally denominated in "US Dollars" (USD). Considering that BICBANCO defined the "Real" (BRL) as its functional currency, these transactions introduce the currency risk and the risk of US dollar interest rates in the balance sheet. Concomitantly with fund raising, BICBANCO contracts swap transactions for the purpose of converting its fixed exposure in USD to a floating rate in "Real" (CDI), which is the index for most loans granted by BICBANCO.

As previously mentioned in this note, all derivatives (financial liabilities for trading) should be necessarily measured at fair value, as well as other financial liabilities at fair value through profit or loss. Although the Bank is economically protected from interest and foreign currency variation, this accounting model may cause volatility in the institutions' results during transactions.

The other financial liabilities are measured at amortized cost.

The classification of external fund raising under category "financial liabilities at fair value through profit or loss" supports the neutralization of derivatives fair value measurement effect, as liabilities originally assigned as such are measured at fair value.

The chart below is intended to compare the fair value that is being used to measure said liabilities (including all risk factors) and the fair value that does not consider the credit

risk factor and the amortized cost (used to measure the base value to settle obligations on maturity):

	2014			2013		
	Amortized cost	Fair value (without credit risk)	Fair value	Amortized cost	Fair value (without credit risk)	Fair value
Subordinated debts	815,616	892,515	892,515	718,464	763,228	760,022
Foreign borrowings	233,842	223,581	223,581	705,273	683,377	680,507
Obligations related to securities issued	920,658	929,835	929,835	811,937	826,687	823,215
Total	1,970,116	2,045,931	2,045,931	2,235,674	2,273,292	2,263,744

e). Fair values of financial assets and liabilities not measured at fair value

Financial assets are measured at fair value in the consolidated balance sheet, except loans and receivables. Similarly, financial liabilities, except financial liabilities for trading and those measured at fair value through profit or loss, are evaluated at the amortized cost.

The purpose of the chart below is to demonstrate the fair value of assets and liabilities not measured to fair value.

	2014		2013	
	Book value	Fair value	Book value	Fair value
LOANS AND RECEIVABLES				
Loans and advances to financial institutions	409,853	409,853	1,241,850	1,242,124
Loans and advances to clients	9,765,727	10,155,116	10,617,419	11,039,301
Other loans and receivables	42,604	42,604	35,602	35,602
Other financial assets	150,935	150,935	78,971	78,971
FINANCIAL LIABILITIES AT AMORTIZED COST				
Subordinated debts	263,291	396,387	232,270	349,217
Financial institution deposits	2,018,873	2,018,960	465,628	506,241
Client deposits	6,303,785	6,483,318	6,765,907	7,030,435
Securities issued	855,966	865,143	1,041,281	1,180,764
Domestic borrowings	89,403	89,403	89,252	89,252
Foreign borrowings	1,789,191	1,778,929	1,742,528	1,931,694
Other financial liabilities	-	-	199,724	199,724

f) Write-off of financial assets and liabilities

The accounting treatment for financial asset transfers depends on the extent to which risks and benefits related to transferred assets are transferred to third parties.

g) Normal purchases of financial assets.

Normal purchases of financial assets are recognized on transaction date. Assets are reversed when the rights to receive cash flows expire or when BICBANCO has substantially transferred all ownership risks and benefits.

h) Net reporting of financial instruments

Assets and liabilities and its respective income and expenses are presented net in the financial statements if, and only if, there is a current legal and enforceable right to offset the recognized amounts and if the intention of offsetting, or realizing the asset and settling the liability simultaneously.

BICBANCO reports net financial assets and liabilities related to the operations of purchase and sale of foreign currencies, in interbank and financial transactions, in which the assets and liabilities are settled simultaneously. On December 31, 2014, the assets and liabilities that were reported net on the financial statement represent the amount of R\$ 1,071,766 (2013 - 941,849).

Income and expenses are presented on a net basis only when referring to Foreign Exchange Variations (net) and Gains and losses on financial assets and liabilities (net), as shown in detail in **notes 31 and 30**, respectively.

i) Non-recoverable financial assets.

At each balance sheet date, BICBANCO evaluates if there are objective evidences that financial assets (except those accounted for at fair value through profit or loss) present any evidence of impairment. Financial assets are considered as impaired when objective evidences demonstrate that a loss occurred after the asset initial recognition, and that this loss represents an impact on the assets future cash flows that may be reliably estimated. BICBANCO considers the evidences of impairment both for individually significant assets and collectively significant assets. All individually significant financial assets are evaluated to detect specific and collective losses. Assets that are not individually significant are collectively evaluated to detect impairment, which is estimated considering the grouping of financial assets (accounted for at the amortized cost) with similar characteristics and risks.

BICBANCO considers the following indicators as "objective evidences of impairment":

- a) A contract breach, such as default or delayed contract payment;
- b) Classifications defined by the credit area of BICBANCO that indicate deterioration of operations;
- c) Transactions of clients in Court-Ordered Reorganization;
- d) Renegotiated loan operations.

For assets of debt or equity instruments negotiated in active market, a significant reduction in the volume of operations or absence of liquidity may also be considered as evidence of impairment, for purposes of such analysis, such assets being periodically evaluated by the Market Risk area of BICBANCO.

Operations individually identified as having objective impairment evidence are assessed as to the expectation of recovery, considering aspects, such as the economic and financial situation of the client, payment capacity of debtor, estimate term for receipt, guarantees, probability of recovery, and other aspects related to the conditions of the operation. This evaluation aims obtaining facts and data to be utilized for measuring the recoverable present value.

Impairment losses of assets accounted for by the amortized cost are measured as being the difference between the carrying value of financial assets and the recoverable present value, discounted by the actual original interest rate of assets. Losses are recognized in income (loss) under "Impairment losses of financial assets". Recognition of interest of financial assets is suspended when transaction is delayed in more than 60 days (term during which receipt of interest and principal is not likely).

In the evaluation and calculation of reduction to the collective recoverable value carried out for assets that do not individually present evidence of impairment, as well as to assets not individually significant, BICBANCO makes use of percentages calculated based on historical loss studies taking into account amounts of loss incurred in the last three years, and the behavior of groups of assets with similar credit risks and characteristics. In situations in which it is verified that the percentages of historical loss do not accurately represent the present conditions of credit risk of a group of assets, these percentages will be adjusted at the management's criterion. The exercise of such criterion, if required, takes into account, among others, the present conditions of the economy (and the domestic credit scenario), and may lead to adjustments to the percentages of historical loss, once it is ascertained that real losses are likely to be higher or lower than those suggested by the historical model.

From September 2014, aiming at aligning the internal policy on impairment of credit operations with the practices of the new controller, the provision for impairment will consider the following aspects considered material:

- a) increase in the base value of exposure for determining significant exposure;
- b) more highlight to the use of guarantees for evaluating the recoverable value of credit operations;
- c) change of impairment indicators, starting to consider defaults over 90 days past due, operations in Court-Ordered Reorganization, and credits classified between D and H, according to the criteria established by BACEN Resolution 2,682/99.
- d) reduction in the number of years for setting the moving average of history of losses for determining the provision for impairment of not significant exposures;
- e) reduction in the threshold of transactions past due to downgrade the entire economic group;

Impairment losses with investment securities available for sale are recognized by transferring the difference between the amortized acquisition cost and the actual fair value, from shareholders' equity to income of the period.

Financial assets are withdrawn from the entity's balance sheet when there is no more expectation of recovery.

i) Purchase and sale commitments.

Purchases (sales) of financial assets based on non-optional fixed price resale (repurchase) agreement are recognized in the consolidated balance sheet as financing awarded (received), based on debtor's (creditor's) nature, under the account "Loans and advances to financial institutions" or "Loans and advances to clients" ("Deposits from financial institutions" or "Deposits from clients").

Differences between purchase and sale prices are recognized as long-term interest of the agreement.

k) Non-financial assets held for sale.

Non-current assets destined to sale include the carrying amount of individual items, or groups of assets for disposal or items making part of a business unit destined to disposal

("Discontinued Operations"), the sale of which in their present condition is highly likely and which shall probably occur within one year as of the base date of financial information. Non-current assets for sale are generally measured for the lower between the fair value less the sale cost and the carrying amount on the date in which they are classified in such category. Non-current assets destined to sale are not depreciated, provided that they remain in such category.

Losses for non-recovery of an asset or disposal group as a result of reduction in its carrying amount to the fair value (less sales cost) are recognized in "Gains (losses) from non-current assets destined to sale not classified as discontinued operations" in the consolidated income statement. Gains from non-current asset destined to sale arisen from subsequent increases in fair value (less sales costs) increase their carrying amount and are recognized in the consolidated income statement up to the value equivalent to losses from non-recovery previously recognized.

l) Residual maturity periods

Analysis of maturities of balances from certain items in consolidated balance sheets is informed in **note 36-b**.

m) Intangible assets

Tangible assets include the value of furniture, vehicles, hardware and other accessories owned by consolidated entities, being presented at acquisition cost less the respective accumulated depreciation and any loss for non-recovery (net carrying amount higher than the recoverable value).

Depreciation is calculated by the straight-line method, based on the acquisition cost of assets less its residual value.

Depreciation expense of tangible assets is recognized in the consolidated income statement and basically calculated utilizing the following depreciation rates (based on average years of estimated useful life of different assets):

Type of asset	Annual rate
Buildings for own use	4%
Furniture	10%
Fixtures	10%
Automobiles	20%
Office and IT equipment	20%
Leasehold improvements	20%

Consolidated entities evaluate, on the base date of financial information, if there is any indication that an asset may or may not be recoverable (that is, proportionally to the revised carrying amount and to the new remaining useful life (if useful life has to be estimated again). s, if its carrying amount exceeds its recoverable value). In case of impairment of a tangible asset, the value determined and respective reversions (as the case may be) are recorded in income of the period in the account "(Net) Gains (Losses) with other assets".

Similarly, in case of recovery of value of the tangible asset, consolidated entities recognize loss reversion from non-recovery recognized in prior periods and adjust expenses from future depreciation accordingly. In no event, reversion of a loss from non-recovery of an asset may increase its carrying amount above the value it would have had, if no loss from non-recovery would have been recognized in previous years.

Conservation and maintenance expenses related to fixed assets for own use are recognized as expenses in the period they will be incurred.

n) Lease accounting.

Financial leases relates to leases transferring substantially all risks and benefits associated to the property of asset leased to the lessee.

Whenever consolidated entities act in the capacity of lessors with respect to an asset, the sum of present value of payments to be received from lessee with respect to lease plus the residual value guaranteed - which, in general, it is the price of exercise of the purchase option of lessee at the end of the term of lease - is recognized as loan to third parties and, therefore, included in the account "loans and advances to clients" in the consolidated balance sheet.

o) Intangible assets.

Intangible assets represent identifiable non-monetary assets (separated from other assets) without physical substance resulting from a legal transaction or which are internally developed by consolidated entities. Assets the costs of which may be reliably estimated, and from which consolidated entities shall deem likely that future economic benefits will be generated are recognized.

Intangible assets are initially recognized at the acquisition or production cost and are subsequently measured at the acquisition cost less any accumulated losses and any losses due to non-recovery (net book value higher than the recoverable value).

i. Goodwill obtained from acquisition of subsidiaries

Goodwill arises from the process of acquisition of subsidiaries.

Goodwill represents the surplus of acquisition cost in view of the entity's interest in fair value of identifiable assets, liabilities and contingent liabilities in the company acquired on the date of acquisition. When such surplus is a negative one (negative goodwill), it is immediately recognized in income. Goodwill is classified as an intangible asset having undefined useful life, hence, it is not subject to amortization for the term of the expected future economic benefit.

Non-recovery of goodwill (that is, a reduction in its recoverable value below its carrying amount) is evaluated at the end of each period presented, and any non-recovery is written-off and charged to the account "(Net) Gains (losses) with other assets - other intangible assets" in the consolidated income statement.

A loss from non-recovery recognized to goodwill is not reversed in a subsequent period.

p) Other assets.

This item includes the balance of all advances, prepaid expenses, and the amount of any other values and goods not included in other items.

q) Other liabilities.

Other obligations include the balance of all expenses provided and deferred income, excluding interest accrued, and the value of any other obligations not included in other categories.

r) Provisions, contingent assets and liabilities.

In preparing the consolidated financial statements, Management makes a distinction between:

- Provisions: creditor balances covering obligations existent on the date of the balance sheet arisen from past events that could have given origin to a loss for consolidated entities, the occurrence of which is considered likely and the nature of which is certain, but value and/or time of which are uncertain. According to

accounting standards, provisions should be recognized in the consolidated financial statements.

- **Contingent assets:** Potential assets arising from past events, the existence of which depends of the occurrence or not of events beyond the control of BICBANCO. Contingent assets are not recognized in the consolidated balance sheet or in the consolidated income statement, but disclosed in the explanatory notes, provided that it is likely that said assets shall give origin to an increase in resources incorporating economic benefits.
- **Contingent liabilities** - potential obligations arisen from past events and the existence of which might only be confirmed by the occurrence or not of one or more future events that are not fully under the control of consolidated entities. They include existing obligations of the consolidated entities, in case it is not likely that an exit of resources incorporating economic benefits will be necessary for settlement. According to accounting standards, contingent liabilities are not recognized in the books, and the effects thereof should only be disclosed in the explanatory notes.

Provisions quantified based on the best information available on the consequences of the event that has given origin to them, and revised and adjusted at the end of each year are used to supply specific obligations for which they have been originally recognized. Provisions are totally or partially reverted when such obligations do not exist anymore or are reduced.

Provisions for contingent liabilities, commitments, provisions for taxes and other legal contingencies, and other provisions include the value of provisions recognized to cover tax and legal contingencies and labor and civil lawsuits and other provisions recognized by consolidated entities.

s) Recognition of income and expenses.

The most significant criteria used by BICBANCO to recognize its income and expenses are summarized as follows:

i. Interest income and expenses and the like

Income and expenses on interest and similar are recognized by the accrual basis, utilizing the effective rate of interest method.

ii. Commissions, fees and similar items

Fees and commissions income and expenses are recognized in the consolidated income statement, using criteria varying according to their nature. The main criteria are the following:

- Income and expenses on fees and commissions, related to financial assets and financial liabilities measured at the fair value through profit or loss, are recognized upon payment.
- Those arising from transactions or services performed during a period of time are recognized throughout the life of such transactions or services.
- Those related to services rendered in one time are recognized upon execution thereof.

iii. Non-financial income and expenses

Are recognized for accounting purposes by the accrual basis of accounting.

t) Financial guarantees.

Financial guarantees are defined as agreements through which an entity undertakes to make specific payments on behalf of a third party in case the third party does not make it, independently of the several legal forms they might take, such as, guarantees, irrevocable documentary credits issued or guaranteed by the entity, etc.

BICBANCO initially recognizes the financial guarantees rendered in liabilities in the consolidated balance sheet at fair value, that is, in general, the present value of fees, commissions and interest receivable from these agreements during the term thereof, and concurrently it recognizes in assets in the consolidated balance sheet the value of fees, commissions and interest receivable at present value.

Financial guarantees, independently of guarantor, instruments or other circumstances, are periodically revised for determination of the credit risk to which they are exposed to, and, as the case may be, to consider if a provision is required. The credit risk is determined by application of criteria similar to those established for quantification of losses on non-recovery on loans and receivables measures at amortized cost.

In case a specific provision shall be required for financial guarantees, the respective commissions to be apportioned recognized under "Financial liabilities at amortized cost -

other financial liabilities" in the consolidated balance sheet are reclassified to the appropriate provision.

As of December 31, 2014 and 2013, no financial guarantee rendered has been identified, the loss of which had been considered likely.

u) Taxes on income.

Income taxes are calculated at the rate of 15%, plus an additional 10%, and social contribution at the rate of 15% for financial institutions, after adjustments determined by tax legislation. For non-financial entities, the tax rate for social contribution is of 9%.

The expectation of realization of the Bank's tax credits, as shown in **note 24**.

Corporate Income Tax - IRPJ expense is recognized in the consolidated income statement, except when resulting from a transaction directly recognized in shareholders' equity, and, in this event, the tax effect is also recognized in shareholders' equity.

Current income tax expense is calculated as the sum of current tax resulting from application of the appropriate tax rate to the taxable income of the year (net of any deductions permitted for tax purposes), and changes in deferred tax assets and liabilities recognized in the consolidated income statement.

Deferred tax assets and liabilities include temporary differences identified as values expected to be paid or recovered upon differences between accounting values of assets and liabilities, and their respective calculation basis, and accumulated tax credits and losses. These values are measured at the rates expected to be applied in the period in which asset will be realized or liability will be liquidated.

Tax asset includes the value of all tax assets classified as "current", value of taxes to be recovered in the next 12 months and "deferred", values of taxes to be recovered in future exercises, including those derived from tax losses or tax credits not utilized.

Tax liability includes the value of all tax liabilities (except provisions for taxes), classified as "current", value payable in relation to income tax on taxable income of the year and other taxes in the next 12 months and "deferred", value of income tax payable in future years.

Deferred tax assets are only recognized for temporary differences in the extent it shall be deemed likely that consolidated entities will have sufficient future taxable income against which deferred tax assets might be utilized, and deferred tax assets will not result from the initial recognition (except in a business combination) of other assets and liabilities in

a transaction that shall not affect taxable income nor the income recorded in the accounting books. Other deferred tax assets (accumulated tax credits and tax losses) are only recognized in the extent it shall be deemed likely that consolidated entities will have sufficient future taxable income against which they might be utilized.

Recognized deferred tax assets and liabilities are revaluated on the date of each balance sheet in order to determine if they are still existent, appropriate adjustment being made based on evidences obtained in analysis carried out.

v) Consolidated statements of cash flows

The terms below are used in the consolidated statements of cash flows and have the following meanings:

- Cash flows: Inflow and outflow of cash and cash equivalents, that are high liquidity interest earning bank deposits subject to insignificant risk of changes in value.
- Operational activities: main activities generators of income from financial institutions and other activities that are not financing or investment activities.
- Investment activities: acquisition and sale of other investments not included in cash and cash equivalents.
- Financing activities: activities resulting in changes in the size and composition of shareholders' equity and liabilities that are not operational activities.

In preparing the consolidated cash flow statement, high liquidity financial applications that are subject to insignificant risk of changes in value have been classified as "Cash and cash equivalent".

w) Statements of added value

BICBANCO prepared individual and consolidated statements of added value in accordance with the rules of technical pronouncement CPC 09 - Statement of Added Value, which are presented as an integral part of the financial statements under BRGAAP applicable to publicly-held companies, whereas under IFRS they represent additional financial information.

x) Standards, changes and interpretations of standards not yet in effect:

The following pronouncements will be effective for periods after the date in these Financial Statements. The Institution did not early adopt standards and/or changes to standards presented below.

- Change in IAS 32 – Financial instruments: Presentation

To clarify the requirements of offsetting of financial instruments on the Balance Sheet, a change to IAS 32 was issued. The change mentioned takes effect after January 1, 2014.

BICBANCO analyzed the impacts of adopting the foregoing standards and changes, and does not expect significant impacts from adopting such changes.

- Changes in IFRS 10 - Consolidated Financial Statements, IFRS 12 - Disclosure of Interests in Other Entities, and IAS 27 - Consolidated and Separate Financial Statements: investment institutions

The changes in IFRS 10 define an investment entity and require any reporting entity that meets the definition of investment entity not to consolidate its subsidiaries, but rather to measure its subsidiaries at fair value through profit or loss on its consolidated and separate financial statements.

To be characterized as an investment entity, a reporting entity must:

- obtain resources from one or more investors in order to provide them with professional investment management services.
- undertake with its investor(s) that its corporate purpose is to invest resources only to obtain returns on appreciation of capital and income from investments, or both.
- measure and evaluate the performance of substantially all of its investments based on fair value.

Changes were made due to IFRS 12 and IAS 27 that introduced new disclosure requirements for investment firms.

Management is analyzing possible impacts of adopting above-mentioned standards and changes and, until now, does not expect relevant impacts on financial statements referring to the year ended December 31, 2014.

- Change in IAS 36 - Asset impairment

Such change introduces requirements for disclosing the computation of recoverable amounts of assets due to the issuance of IFRS 13.

Identified impacts are related to disclosure of recoverable value and measurement methodology and did not generate relevant impacts on consolidated financial statements.

- Change in IAS 39 – Financial instruments (Recognition and Measurement)

This change enables the continuation of Hedge Accounting, even though a derivative is renewed (transferred) to a Clearing, on certain conditions. No material impact from this change was identified on the consolidated financial statements of BICBANCO

No material impact from this change was identified on the consolidated financial statements of BICBANCO.

3. Cash and cash equivalents and reserves at the Central Bank of Brazil

	<u>2014</u>	<u>2013</u>
Cash	1,606	1,445
Foreign currency deposits	173,429	310,479
Compulsory deposits at the Central Bank of Brazil	98,214	84,522
	<u>273,249</u>	<u>396,446</u>

4. *Loans and advances to financial institutions*

The composition by rating, type, and currency of the balances in the item "Loans and advances to financial institutions" in the consolidated balance sheets is as follows:

	2014	2013
Rating:		
Loans and receivables	409,853	1,241,850
	<u>409,853</u>	<u>1,241,850</u>
Type:		
Purchase and sale commitments	22,843	832,800
Interbank deposits	157,703	191,111
Other loans	229,307	217,939
	<u>409,853</u>	<u>1,241,850</u>
Currency:		
Real	370,652	1,189,661
US Dollar	39,201	52,189
	<u>409,853</u>	<u>1,241,850</u>
Changes		
Balances at beginning of years	1,241,850	1,842,743
Net purchase (sales)	(2,550,503)	(665,455)
Interest income	1,718,506	64,562
Balances at end of the reporting periods	<u>409,853</u>	<u>1,241,850</u>

Note 36-b contains details for the periods of residual maturity of loans and receivables.

5. Debt instruments

The composition by rating, type, and currency of the balances in the item "Debt instruments" is as follows:

	2014	2013
Financial assets for trading	2,625,367	275,430
Financial assets available for sale	976,894	1,128,907
	3,602,261	1,404,337
Type:		
<i>Financial assets for trading:</i>	2,625,367	275,430
Brazilian government bonds	2,563,817	220,023
CDB	0	6
Debentures	0	41,492
Multimarket fund quotas	61,550	13,909
<i>Financial assets available for sale:</i>	976,894	1,128,907
Brazilian government bonds	976,894	1,128,907
NTN	962,336	1,103,569
Eurobonds	14,558	25,338
Currency:		
Real	2,625,367	275,430
U.S. dollar	976,894	1,128,907
	3,602,261	1,404,337
Changes		
Balances at beginning of years	1,404,337	1,588,971
Net purchase (sales)	2,037,602	(266,098)
<i>Exchange differences</i>	(1,245)	(6,980)
Gains on financial assets	159,530	88,444
Balances at the end of reporting periods	3,602,261	1,404,337

6. *Equity instruments*

The composition by rating and type, of the balances in the item "Asset instruments" is as follows:

a) **Breakdown**

	<u>2014</u>	<u>2013</u>
Rating:		
Financial assets for trading	1,867	3,850
	<u>1,867</u>	<u>3,850</u>
Type:		
Shares of domestic companies	1,615	3,598
Other financial assets	252	252
	<u>1,867</u>	<u>3,850</u>

Nota 36-b contains details on residual maturity periods of financial assets for trading, equity instruments.

7. Derivative financial instruments

The details per type of inherent risk, of the market value of tradable derivatives are shown as follows:

a) Breakdown of fair value by risk factor

			2014
	Reference value	Receive	Payable
<i>Derivatives</i>			
<i>Swap contracts</i>			
CDI x DOLLAR	98,291	34	5,126
BIC x CDI SHARES	26,249	2,188	2,935
DOLLAR x CDI	1,001,483	594,677	-
DOLLAR X FIXED RATE	1,590	381	-
EURIBOR x CDI	6,857	2,840	-
LIBOR x CDI	79,872	38,820	-
Mark-to-market	-	5,239	(461)
Subtotal	1,214,342	644,179	7,600
<i>Forward contracts/Non-deliverable forwards - NDF</i>			
Forward sale/NDF – Bank	166,186	1,121	4,592
Forward purchase/NDF – Bank	136,133	4,973	313
Subtotal	302,319	6,094	4,905
Total Portfolio	1,516,661	650,273	12,505
<i>Currency:</i>			
Interest	185,020	41,693	5,126
Foreign currency	1,305,392	601,152	4,905
Shares	26,249	2,188	2935
Other	0	5,239	(461)
Total	1,516,661	650,273	12,505

			2013
	Reference value	Receive	Payable
<i>Derivatives</i>			
Swap contracts			
CDI x DOLLAR	20,854	18	1,327
BIC x CDI SHARES	71,861	17,689	36
DOLLAR x CDI	1,036,982	407,705	-
DOLLAR X FIXED RATE	2,540	262	-
EURIBOR x CDI	43,368	18,072	-
IPCA x CDI	100,000	16,001	-
LIBOR x CDI	406,838	135,558	-
PRE x CDI	938	-	27
Mark-to-market	-	32,363	137
Subtotal	1,683,381	627,668	1,527
Forward contracts/Non-deliverable forwards - NDF			
Forward sale/NDF – Bank	38,390	443	1,810
Forward purchase/NDF – Bank	12,595	1,853	214
Subtotal	50,985	2,296	2,024
Total Portfolio	1,734,366	629,964	3,551
Currency:			
Interest	471,998	153,648	1,354
Foreign currency	1,090,507	410,263	2,024
Price indexes	100,000	16,001	-
Shares	71,861	17,689	36
Other	-	32,363	137
Total	1,734,366	629,964	3,551

Note 36-b contains details for the periods of residual maturity of derivatives.

The Bank operates with traditional derivatives intended to meet client needs and to practice its risk management policy, as a form of minimizing risks arising from financial transactions. The derivatives traded are acquired for two basic functions:

- Hedge - to hedge a structural portfolio. BICBANCO's strategy with these transactions is related to a "business hedge", with no intention of applying hedge accounting. Swap transactions are included under this notion, used to protect interest rate and foreign currency risks in overseas funding.
- Trading – as an instrument to assume proprietary and risk management positions with regard to derivatives traded with clients, aimed at managing market risks arising basically from fluctuations in interest rate, foreign exchange, and asset prices.

BICBANCO operates with derivative financial instruments as part of a list of services provided to its clients and to meet its own needs in connection with the management of market risks, arising basically from normal mismatches between currencies, interest rates, indices, and terms of its asset and liability transactions. Derivative financial instruments represent future obligations of a currency or indexator exchange, or the purchase or sale of financial assets subject to pre-defined contractual dates and conditions.

8. Loans and advances to clients

a) Breakdown

The composition by rating of the balances in the item "Loans and advances to clients" in the consolidated balance sheets is as follows:

Description	2014	2013
Loans and advance to clients		
Advance to depositor	-	330
Working capital	4,584,027	5,736,187
CDC	547,385	296,919
Overdraft protection (<i>cheque especial</i>) and secured account	445,957	840,826
Other Loans - Debt Composition	473,834	251,467
Payroll loan	803,015	761,406
Guarantees	5,161	847
Consumer financing	328,878	474,487
Import/Export financing	2,229,488	1,758,190
Real estate	2,018	2,298
Other loans	1,717	342,499
Rural	116,867	145,363
Discounted securities	227,380	6,600
Total loans and advances to clients	9,765,727	10,617,419

Lease transactions comprise the "Financing to consumption" balance.

Note 36-b contains details for the periods of residual maturity of loans and receivables.

There are no loans and advances to clients of expressive sums without defined maturity dates.

b) Diversification per index

Below follow details by type, activity of borrower, and interest rate formula of loans and advances to clients reflecting the Bank's credit risk exposure in its predominant activity, gross of losses due to non-recovery:

						2014
Type of operation	Prefixed rates	CDI	TR / TBF	Dollar	Others (*)	Total
Loans and advance to clients	2,143,877	5,799,789	80,115	1,715,395	26,551	9,765,727
Total	2,143,877	5,799,789	80,115	1,715,395	26,551	9,765,727

(*) Comprised mainly by transactions subject to indices – TJLP (long-term interest rate), UMBNDES and IGPM (general market price index).

						2013
Type of operation	Prefixed rates	CDI	TR / TBF	Dollar	Other	Total
Loans and advance to clients	2,113,810	6,988,614	23,457	1,469,932	20,388	10,617,419
Total	2,113,810	6,988,614	23,457	1,469,932	20,388	10,617,419

c) Diversification by sector of activity

Sector of activity	2014	2013
Public sector	175,379	241,328
Private sector	8,342,321	9,280,915
Agribusiness	276,792	256,136
Industry	3,981,429	4,286,321
Commerce	1,394,554	1,388,956
Financial intermediaries	67,153	129,379
Other services	2,622,393	3,220,123
Individuals	1,248,027	1,095,176
Total	9,765,727	10,617,419

d) Credit assignment

d.1) Assignment of credit to credit securitization company (formerly related company)

In the year ended December 31, 2014, there were no credit assignment to credit securitization company. Working capital credit transactions classified as “transactions with substantial transfer of risks and benefits” - which were fully provisioned - were assigned for the year ended December 31, 2013, resulting in the recognition of income in the amount of R\$ 12,121. Furthermore, defaulted credit operations already written-off to loss were sold, resulting in the recognition of income in the amount of R\$ 21,039. Assignments were performed considering internal assessments regarding the prospects for recovery of loans, which are the basis for the assignment price model, and analysis of a specialized company regarding debtors and conditions of credits were used as a source of information for said assessments of prospects for recovering loans.

d.2) Credit assignment to non-financial institution

In the year ended December 31, 2014, loan operations with substantial transfer of risks and benefits in the amount of R\$ 31,472 (December/13 - R\$ 98,855) were assigned for legal entities not belonging to the national financial system, generating a negative result of R\$ 654 (December/13 - R\$ 13,826). Additionally, credit operations already written-off of losses were sold, generating a profit of R\$ 1,879 (December/13 - R\$ 6,123).

e) Breakdown of impairment.

The changes in provisions for losses due to non-recovery in the balances of the item "Loans and financing - loans and advances to clients" are the following:

Loans and advances to clients

	2014	2013
Operations individually assessed	698,038	600,262
Provision for impairment	(366,884)	(267,037)
	<u>331,154</u>	<u>333,225</u>
Operations collectively assessed	9,046,159	10,017,156
Provision for impairment	(491,122)	(141,403)
	<u>8,555,037</u>	<u>9,875,753</u>
Total loans and advances to clients	9,744,197	10,617,418
Total provision for impairment	(858,006)	(408,440)
Net balance of loans and advances to clients	<u>8,886,191</u>	<u>10,208,978</u>
	<u>2,014</u>	<u>2,013</u>
Opening balance of provision for impairment losses	408,442	555,257
Formation/(reversal) of balances against the provision for losses in recoverable value	957,295	269,521
Write-down of balances against the provision for losses due to the decrease in recoverable value	(507,731)	(416,336)
Ending balance of the provision for losses due to the decrease in recoverable value	<u>858,006</u>	<u>408,442</u>
Recovery of credits offset	16,420	94,535
Credits traded during the period	433,363	232,826
Percentage of provision on credit portfolio	8.81%	3.85%

f) Analysis of credits individually determined as impaired,

BICBANCO's exposure to credit risk of transactions that were individually analyzed as impaired, higher than R\$6.5 million, is mainly influenced by individual characteristics of each client. However, management considers economic performance, macroeconomic and sectorial analyses, and punctuality in payments and guarantees received in its evaluation. In addition, the credit risk area monitors clients closely and takes actions to limit its exposure or reinforce guarantees when these transactions present a particular economic volatility. BICBANCO establishes the provision for impairment losses that represents its estimate of expenses incurred with credit transactions. The main component of this provision is the item of specific loss related to individual exposure, which is determined based on expected receipt of such credits, considering given or reinforced guarantees on impairment test base date. As of December 31, 2014 and 2013, provision for impairment losses in individual assets with loss evidences was R\$366,884 and R\$138,921, respectively.

g) Operations collectively assessed – Portfolio falling due and renegotiated operations.

Operations within this group encompass loans and advances to clients with no outstanding payments for which BICBANCO has not detected individual impairment indications, and renegotiated operations or whose terms were renegotiated with clients. Considering the linearity and regularity of historical losses particularly identified for renegotiated operations, BICBANCO formed a collective provision for impairment for these assets on December 31, 2014 and 2013. As of December 31, 2014 and 2013, provision for losses of collectively evaluated transactions was R\$491,122 and R\$141,404, respectively. Average loss percentage of transactions collectively evaluated is 0.63% as of December 31, 2014 and 0.91% as of December 31, 2013.

h) Assets that would represent losses if they had not been renegotiated.

Loan and receivable operations, and debt instruments with renegotiated terms refer to transactions that were restructured owing to the borrowers' declining financial condition, and those cases in which the Bank made agreements and concessions that it would not consider in normal market circumstances.

Net formations of allowance for impairment of financial assets were sensitized by the recovery of credits written-off to loss in the amount of R\$ 16,420 (R\$ 94,536 - 2013). In

2014, credits in the amount of R\$ 474,280 (R\$ 232,826 - 2013) with an allowance of R\$ 166,303 (R\$ 81,044 - 2013) were renegotiated.

9. *Other loans and receivables.*

All the balances of counterparties that are not clients or financial institutions are considered "Other Loans and Receivables." As of December 31, 2014, this item is composed basically of balances outstanding with stock exchanges (under usual market terms) and credits granted and not typified as loans, totaling the sum of R\$ 42,604 (2013 - R\$ 35,602).

10. Other financial assets

The composition of this item's balances is as follows:

	<u>2014</u>	<u>2013</u>
Foreign exchange portfolio (net)	150,935	78,971
	<u>150,935</u>	<u>78,971</u>

11. Assets held for sale

Non-financial assets stated as held for sale are recorded in the balance sheet when actually appropriated or intended for sale. In BICBANCO's case, these assets mainly refer to property available for sale and received as payment for debt, which were initially stated at the lowest value between book and market values, less sales costs.

BICBANCO's policy consists in having control of a real property (though it is not yet in possession) when it obtains the adjudication order or writ of public bid or payment in kind (control of asset), and in the case of vehicles / others this will be based on the definite sentence (control of asset). At the moment the asset is owned, credit agreement is written off and accounted for in "Assets Held For Sale" at the amount included in an appraisal report prepared by an expert accredited by BICBANCO conglomerate, limited to the debt amount.

The certificate should specify the appraisal criteria and the comparison parameters employed to arrive at the value. The asset should be put up for sale only after settling any outstanding items (except writ of delivery). It should be reassessed following the regulatory term (1 year) plus extensions and the mandatory public auction. A provision for loss should be created or increased whenever the market value (assessment) is below book value.

Management makes efforts to sell assets held for sale in a maximum of 3 years, beginning as of the term date, provided that there is no legal hindrance. If property is not sold within mentioned period, factors preventing the sale will be reviewed and considered in the process of periodic assessment of recoverable value of the asset.

Any subsequent reductions of the asset's book value should be recorded as losses due to reduction to fair value, less cost of sale, and should be stated in Statement of comprehensive income under "Gains (losses) with other assets (net)." Gains and losses arising from the disposal of assets intended for sale should be recorded under "Gains (losses) with financial assets (net)."

a) Breakdown

	<u>2014</u>	<u>2013</u>
Rating:		
Assets held for sale	244,846	431,946
	<u>244,846</u>	<u>431,946</u>
Type:		
Machinery and equipment	26,078	35,705
Real estate	282,922	387,887
Vehicles	12,220	11,447
Other		13,805
Inventories	367	
Provision for impairment losses	<u>(76,741)</u>	<u>(16,898)</u>
	244,846	431,946

b) Changes

	<u>2014</u>	<u>2013</u>
Opening balance	431,946	405,714
Assets seized	34,065	113,401
Disposals	(221,165)	(87,169)
Balance at the end of the year	<u>244,846</u>	<u>431,946</u>

12. Investments

The composition of this item's balances is as follows:

	2014	2013
Jointly controlled entities - BrasilFactors	4,164	4,848
	4,164	4,848

On April 25, 2011, BICBANCO assumed the 40% interest in the capital stock of BRASILFactors S.A, a joint venture that has FIMBank PLC (40%) and International Finance Corporation - IFC (20%) as its other shareholders.

The Company's main activities are geared towards factoring and forfaiting services, involving the purchase of receivables from the domestic and international markets, having small and midsize businesses as a target market.

Since it is established as a joint venture, BICBANCO, as an entrepreneur, recognizes its investment in the entity through the equity method, proportional to the interest held, i.e. 40%, in the financial statements of the Bank.

13. Tangible assets

BICBANCO's tangible assets consist in fixed assets in use. BICBANCO has no tangible assets stated as investment property or leased under operating lease operations.

As of December 31, 2014 and 2013, BICBANCO assessed losses due to non-recovery in the tangible assets groups. In 2014, impairment losses amounting to R\$686 were detected, as shown in the table below.

Details by types of assets, of the tangible assets in the consolidated balance sheets are as follows:

	Cost	Accumulated depreciation	Impairment	Net balance
Land and buildings	155,790	(39,357)	(212)	116,221
Data processing systems	13,186	(11,121)	(707)	1,358
Facilities, furniture and equipment in use	35,103	(21,528)	(1,797)	11,778
Leasehold improvements	35,498	(35,498)	-	0
Construction in process	-	-	-	0
Other	5,685	(3,665)	(39)	1,981
Balances at December 31, 2013	245,262	(111,169)	(2,755)	131,338
Land and buildings	164,275	(54,845)	(10)	109,420
Data processing systems	12,966	(11,644)	(42)	1,280
Facilities, furniture and equipment in use	20,474	(8,914)	(615)	10,945
Leasehold improvements	32,132	(32,132)	-	0
Construction in process	2,159	-	-	2,159
Other	2,880	(984)	(19)	1,877
Balances at December 31, 2014	234,886	(108,519)	(686)	125,681

The changes in the "Tangible assets" item in the consolidated balance sheets are as follows:

	<u>2014</u>	<u>2013</u>
Cost:		
Balances at the beginning of the year	245,262	271,894
Additions	12,127	22
Disposals	(22,503)	(26,654)
Balances at the end of the year	234,886	245,262
Impairment	(686)	(2,755)
Accumulated depreciation:		
Balances at the beginning of the year	(111,169)	(122,241)
Additions	(3,779)	(7,015)
Disposals	6,429	18,087
Total depreciation at yearend	(108,519)	(111,169)
Net balance of intangible assets	125,681	131,338

Depreciation expenses were stated under "Depreciation and amortization", in the statement of income.

14. Intangible assets

The composition of the item "Other intangible assets" is as follows:

	Estimated useful life	2014	2013
With defined useful life:			
Expenses on software acquisition and development	Other	8,555	12,717
Accumulated amortization	Up to 5 years	(5,664)	(9,411)
Without defined useful life:			
Ágio Sul Financeira		105,190	105,191
		<u>108,081</u>	<u>108,497</u>

The changes in the item "Other intangible assets" are as follows:

	2014	2013
Opening balances	108,497	109,435
Additions	(4,164)	2,984
Amortizations	3,748	(3,922)
Balances at the end of the year	<u>108,081</u>	<u>108,497</u>

Depreciation and amortization expenses were included under "Depreciation and amortization", in the statement of income.

BICBANCO assessed losses due to non-recovery in the intangible assets groups. . Impairment losses were not detected in these assets on analyzed base date.

a) Business combination (Intangible assets)

In accordance with its strategy of expanding its financing activities, BICBANCO acquired 100% of the equity capital of Sul Financeira S.A. Crédito, Financiamento e Investimento. The transaction was approved by Central Bank of Brazil conditioned to a R\$ 150,000 capital contribution, made on June 1, 2010, on which date the entity's transfer of control took place. The key activity of Sul Financeira is in the retail area, chiefly by granting payroll-based loans to individuals.

The goodwill of R\$ 105,190, represented by the excess fair value in the consideration paid to former controlling shareholders and the fair value of shareholders' equity, is based on the expected future profitability from the synergy between BICBANCO and Sul Financeira. This expectation is duly supported by a report of specialized company.

The recorded goodwill is subject to a recoverability test once a year, or more often if there is an indication of reduction in the recoverable value of the asset, and was allocated to cash generating units identified in accordance with operating segments (Note 37).

The basis used for the recoverability test is the value in use, and for this purpose Management estimates the cash flow that is subject to several factors, such as: (i) macro-economic projections of the interest rate, inflation, and others; (ii) National financial system's behavior and growth estimates; (iii) increased costs, returns, synergies and investment plan; (iv) client behavior; and (v) growth rates and adjustments applied to perpetuity flows. The adoption of these estimates involves the probability of the occurrence of future events and changes in one of these factors could have a different result.

Based on the aforementioned assumptions no goodwill recoverable value loss was identified in 2014.

Sul Financeira S.A. Crédito, Financiamentos e Investimentos	105,190
	105,190
Operating segment:	
Retail	105,190
	105,190
	Retail
Main assumptions:	
Evaluation basis	Value in use: cash flows
Cash flow projection period (1)	10 years
Growth rate in perpetuity	5.0% p.a.
Discount rate (2)	17.53%

(1) Cash flow projections are based on internal budget and on management's growth plans, taking into account historical data, expectations and market conditions such as industrial growth, interest rate and inflation indexes.

(2) The discount rate is calculated with basis on the capital asset pricing model (CAPM), considering the method for calculation: $KE = RF + \beta \cdot (RM - RF)$ of the factors described below:

R _F	BMF Reference Rate for 10 years in Dec-12 (BMFBovespa)	11.77%
Beta	Adjusted Beta (Scholes & Williams model) per liquidity/size of BICB4, 5Y, weekly returns (FBM)	0.96
R _M – R _F	Implicit market premium, DEC-12 (Damodaran/NYU)	6.0%
K _E BRL	Cost of own capital in nominal - reais	17.53%

A sensitivity test was conducted for the main assumptions that could have reasonable changes, and no loss in goodwill recoverable value was identified.

15. *Other assets*

a) Breakdown of “Other assets” balance is as follows:

	2014	2013
Dividends receivable	18	18
Salary advances	1,492	5,200
Advances for payments on our account	3,345	84
Other payments	4,920	6,539
Prepaid expenses	65,193	48,674
Sundry receivables	28,671	44,411
Sundry accounts	464	29,484
	104,103	134,410

16. Financial institution deposits

The composition by rating, counterpart, type, and currency of the balances in these items is as follows:

	2014	2013
Rating:		
Financial liabilities at amortized cost	2,018,873	465,628
	2,018,873	465,628
Type:		
Interbank deposits	401,990	422,294
Obligations related to purchase and sale commitments	1,614,644	41,101
Other banks	2,239	2,233
	2,018,873	465,628
Currency:		
Real	2,018,873	465,628

As of December 31, 2014 and 2013, BICBANCO's own portfolio contained no linked debt instruments as guarantee of repurchase agreements.

Note 36-b contains details on residual maturity periods of financial liabilities at amortized cost, deposits from financial institutions.

17. Client deposits

The composition by rating, type, in the item “Client deposits” is as follows:

	2014	2013
Rating:		
Financial liabilities at amortized cost	6,306,139	6,765,907
	6,306,139	6,765,907
Type:		
Time Deposits	6,040,543	6,267,921
Demand deposits	217,298	346,599
Savings deposit	12,834	14,288
Other deposits	21,975	137,099
Correspondent accounts	10,332	-
Foreign currency deposit	3,157	-
	6,306,139	6,765,907
Currency:		
Real	6,302,982	6,765,907
US Dollar	3,157	-
	6,306,139	6,765,907

Note 36-b contains details on residual maturity periods of financial liabilities at amortized cost, deposits to clients.

18. Securities issued

The composition by rating, type, and currency of the balances in the item "Securities issued" is as follows:

	2014	2013
Rating:		
Financial liabilities at amortized cost	855,966	1,041,281
Other liabilities at fair value through profit or loss	929,835	823,215
	1,785,801	1,864,496
Type:		
<i>Financial liabilities at amortized cost</i>		
Securities issued abroad	109,453	178,954
Domestic currency funds	746,304	861,853
Liabilities due to acceptances of tradable notes	209	474
	855,966	1,041,281
<i>Other liabilities at fair value through profit or loss</i>		
Securities issued abroad	929,835	823,215
	929,835	823,215

Note 36-b contains details on residual maturity periods of financial liabilities at amortized cost, obligations due to securities.

The composition by currency of denomination of this item's balance is as follows:

Currency of denomination	2014	2013
Real	746,304	861,854
US Dollar	1,039,497	1,006,311
Balances at the end of the year	1,785,801	1,868,165

19. Subordinated debts

Details of the balance of "Subordinated debt" are as follows:

	2014	2013
Rating:		
Other liabilities at fair value through profit or loss	892,515	760,022
Financial liabilities at amortized cost	263,291	232,270
	<u>1,155,806</u>	<u>992,292</u>
Type:		
Other liabilities at fair value through profit or loss		
Foreign securities	86,308	133,764
Eurobonds	806,207	626,258
	<u>892,515</u>	<u>760,022</u>
Financial liabilities at amortized cost		
Subordinated CDB	263,291	232,270
	<u>263,291</u>	<u>232,270</u>

Details by currency of denomination of the balance of "Subordinated debt" are as follows:

	2014	2013
Currency:		
US Dollar	892,515	861,854
Real	263,291	1,006,311
	<u>1,155,806</u>	<u>1,868,165</u>

Note 36-b contains details on residual maturity periods of subordinated debts at each yearend.

20. Domestic borrowings

The composition of the item "Liabilities due to domestic loans" is as follows:

	2014	2013
Rating:		
Financial liabilities at amortized cost	89,403	89,252
	89,403	89,252
With:		
Obligations due to onlending - Other official institutions	78,069	74,621
Other funds and programs	11,334	14,631
	89,403	89,252
Currency:		
Real	89,403	89,252
	89,403	89,252

Note 36-b contains details on residual maturity periods of financial liabilities at amortized cost, obligations due to domestic loans.

21. Foreign borrowings

The breakdown of the balances in the item "Foreign borrowings" is as follows:

	2014	2013
Rating:		
Financial liabilities at amortized cost	1,789,191	1,742,528
Other liabilities at fair value through profit or loss	223,581	680,507
	<u>2,012,772</u>	<u>2,423,035</u>
With:		
Financial liabilities at amortized cost		
Import/export financing	1,728,612	1,645,439
Foreign onlendings	49,098	76,622
Other liabilities	11,481	20,467
	<u>1,789,191</u>	<u>1,742,528</u>
Other liabilities at fair value through profit or loss		
Import/export financing	20,264	35,893
Foreign onlendings	203,317	644,614
	<u>223,581</u>	<u>680,507</u>
Currency:		
US dollar	2,012,772	2,423,035
	<u>2,012,772</u>	<u>2,423,035</u>

Note 36-b contains details on residual maturity periods of financial liabilities at amortized cost, obligations due to foreign loans.

22. Other financial liabilities

Refer to the value of FIDCs senior quotas recorded as liabilities in FDICs consolidation process.

	2014	2013
FIDIC obligations	-	199,724
	-	199,724

Note 36-b contains details on residual maturity periods of financial liabilities at amortized cost, other financial liabilities.

23. Provisions

BICBANCO and its subsidiaries are parties in lawsuits and administrative proceedings arising from the normal course of business, involving issues of a civil, labor, fiscal, and welfare nature.

a) Liabilities of a civil, labor, and fiscal nature

Based on information from its legal advisors, on examinations of outstanding court proceedings, and on the background of losses in labor issues, Management created a provision for contingent liabilities of an amount deemed to be sufficient to cover estimated losses in the lawsuits in progress.

b) Legal obligations and contingent liabilities classified as probable losses

Legal liabilities and contingent liabilities stated as likely losses are fully stated, the most relevant being:

b.1) CSLL x Equal treatment: claims the suspension of CSLL payments for the base period from 2008 onwards, in connection with the rate increase from 9% applied to other legal entities, to 15% applied to financial institutions, in view of non-compliance with the constitutional principal of equal treatment. **The involved amount is under a judicial deposit.**

b.2) COFINS x Law No. 9.718/98: claims payment of the contribution as of November 2005, based on the calculation provided in Complementary Law no. 7/70, in view of the unconstitutionality of expanding the calculation basis provided for in Law 9718/98.

b.3) PIS x Law No. 9.718/98: claims payment of the contribution as of November 2005, based on the calculation provided in Complementary Law no. 7/70, in view of the unconstitutionality of expanding the calculation basis provided for in Law 9718/98.

b.4) PIS tax - Constitutional amendment 17/96: claims to annul the requirement for the retroactive PIS tax and for a 90-day period from March 7, 1995 to June 07, 1996, in view of principles against retroactivity and 90-day time limit and to ensure the right to calculate and pay the PIS tax on gross operating income, understood as that arising solely from the provision of services and sale of goods as established in article 44 of Law No. 4506/64, in article 12 of Decree-

Law 1587/77 and in article 226 of Decree 1041/94. The amount involved was placed in a judicial deposit.

b.5) PIS tax - Constitutional amendment 17/97: claims to annul the requirement for the retroactive PIS tax and for a 90-day period from November 25, 1997 to February 23, 1998, in view of principles against retroactivity and 90-day time limit and to ensure the right to calculate and pay the PIS tax after February 23, 1998 in accordance with Complementary Law No. 7/70.

b.6) INSS – Sundry/Autonomous/Management: claims to offset undue tax payments since the Federal Supreme Court has declared unconstitutional the words "entrepreneurs" and "autonomous" since they were found to lack support under Federal Constitution article 195.I, which, until the Constitutional Amendment No. 20/98, established that social contribution taxes were due only on the payroll, gross sales and profit. The amount involved was placed in a judicial deposit. Decision fully favorable and unappealable in the 1st semester of 2013. Awaiting full deposit in court.

c) Contingent liabilities classified as possible losses

c.1) Tax and social security processes

Contingent liabilities stated as likely losses are monitored by the institution and are based on opinions by legal counsel, with regard to each of the lawsuits and administrative proceedings. Hence, pursuant to the rules in force, any likely losses are not recognized in the accounting records, and these are composed basically of the following issues:

Withholding income tax on interest remittances to foreign countries - amount involved, R\$ 10,101: claims to offset the unduly withheld amounts of withholding income tax on remittances of interest to foreign countries, against the same corporate income tax, as allowed by article 39 of Law No. 9250/96, and excluding restrictions contained in Circular Letters 2269/92 and 2372/93 and Communication 2747/92, which placed a condition that the zero income tax rate requires observance of minimum amortization periods, considering that condition as a clear violation of legal principles. **The amount involved was placed in a judicial deposit.**

ISS - Service Tax - São Paulo - Taxed services - Correctness of levying the service tax on services listed in the attachment to complementary law No. 56/87- involved amount of R\$ 16,489: claims to discontinue the charges of the service tax levied on supposed income from provision of taxable services, not expressly included in the list of services attached to complementary law No. 56/87, with the allegation that the list

contains mere examples, contrary to understanding taken for granted at the Superior Court of Justice, which adopts the interpretation that only the listed services are taxed. **The amount involved was placed in a judicial deposit.**

Allowance for doubtful accounts of 1994 - involved amount R\$ 18,285: claims to deduct, from the calculation of income tax and social contribution on net income, for the tax base year of 1994, the expense related to the setting up of the Allowance for loan losses, as specified by the National Monetary Council and the Central Bank of Brazil, as allowed by Resolution No. 1748/90 and subsequent amendments, and dismissing, due to unconstitutionality and unlawfulness, the provision of article 43, paragraph 4, of Law No. 8981/95. The amount involved was placed in a judicial deposit.

INSS - Payment differences - amount involved R\$ 14,844: determined in the inspection process, were included in the Refis IV of Law 11941/2009, in the form of cash payment upon conversion of court deposit in income of the Federal Government. **The amount involved was placed in a judicial deposit.**

INSS - Profit Sharing of Directors - amount involved R\$ 57,884: pleads cancellation of alleged INSS debt for the base periods of 2006 to 2011 generated by Tax Assessment Notice since the debts regarding the taxable events that occurred up to 10/10/2006 have already elapsed and also because it does not affect Social Security Tax on profit under the terms of Article 7, XI of the Federal Constitution and Article 28, § 9, j, of Law 8812/1991.

INSS - Indemnified Previous Notice - amount involved R\$ 1,069: pleads rejecting the requirement of INSS tax on amounts paid to employees as Indemnified Previous Notice in the face of legal nature of indemnity and, therefore, not subject to Social Security contribution provided for in article 22, paragraph I, and Article 28 of Law 8212/2009.

Law 12,865/13 (conversion of Provisional Measure 615/2013) was enacted on October 9, 2013, which among other provisions, provides for the option for joining the new payment arrangements or installment payment of federal tax debts. Management of BICBANCO, after consultation with its legal advisors, decided not to include its debts in the Refis IV program since it understands that the likelihood of a favorable outcome for this matters continue.

c.2) Labor lawsuits

BICBANCO is party to 95 (Dec/13 - 94) labor lawsuits, evaluated as having a probable risk, which have been fully accrued and amount to R\$ 17,533 (Dec/13 - R\$

13,522). BICBANCO has 121 lawsuits (Dec/13 - 120) with the indemnities claimed rising to R\$ 41,618 (Dec/13 - R\$ 20,564), which are stated as a likely risk, and no provisions were formed for these cases. According to an estimate by legal counsel, the maximum sum of reparations for these lawsuits in case of losses will be R\$ 14,412 (Dec/13 - R\$ 11,157). Contingencies relate to lawsuits discussing labor claims referring to labor law that is specific of the professional category, such as overtime, salary equalization, additional payment due to transfer and other.

c.3) Civil lawsuits

BICBANCO is party to 2,861 civil lawsuits (Dec/13 - 2,887) evaluated as having a probable risk, which have been fully accrued and amount to R\$ 71,908 (Dec/13 - R\$ 34,837). BICBANCO has 614 lawsuits (Dec/13 - 652) with the amounts claimed rising to R\$ 883,576 (Dec/13 - R\$ 696,308), which are stated as a likely risk, and as such, no provision was formed. According to an estimate by legal counsel, the likely sum of reparations for these lawsuits is R\$ 355,764 (Dec/13 - R\$ 264,540). In general the contingencies are the result of contract revisions and indemnities for material damages and pain and suffering, mostly under the Special Civil Court.

d) Changes in provisions for legal obligations and contingent liabilities, classified as probable losses:

Description	CONSOLIDATED BICBANCO				
	2013	Addition	Reversal	Usage	2014
Civil	34,837	45,606	(3,814)	(4,721)	71,908
Labor	13,522	8,865	(463)	(4,391)	17,533
Subtotal	48,359	54,471	(4,277)	(9,112)	89,441
Tax and social security	2013	Addition	Reversal	Updating	2014
CSLL - Equal Treatment in Rates - 2008 onwards	110,665	-	-	8,082	118,747
PIS - Gross Operating Income - EC 10/96 and EC 17/97	11,446	-	-	316	11,762
PIS - Expansion of Calculation Basis - Law 9718/98	60,049	3,835	(100)	4,705	68,489
COFINS - Expansion of Calculation Basis - Law 9718/98	369,792	24,702	-	30,387	424,881
Service Tax (ISS) – Non taxed Services - LC No. 56/87	947	-	-	488	1,435
ISS – Lease transactions outside the head office	347	-	(188)	-	159
Subtotal	553,246	28,537	(288)	43,978	625,473
Total	601,605	83,008	(4,565)	34,866	714,914

In the case of the above-described contingencies, BICBANCO made a judicial deposit (Note 11 - Other receivables - Sundry) totaling R\$ 8,607 (2013 – R\$ 8,967), of which for civil lawsuits R\$ 13,067 (2013 – R\$ 10,880) - for labor lawsuits, and R\$ 207,595 (2013 – R\$ 198,019) for tax lawsuits, these values were allocated under “Loans and Advances to Financial Institutions”.

24. Current income tax

a) Statement of calculation of income tax and social contribution charges

Total charges for the fiscal year may be reconcile with book profits as follows:

	2014		2013	
	Income tax	CS	Income tax	CS
Income before tax on profit	(952,141)	(952,141)	(40,989)	(40,989)
(-) Interest on own capital	-	-	(52,000)	(52,000)
(-) Profit sharing	-	-	(8,571)	(8,571)
Calculation basis	(952,141)	(952,141)	(101,560)	(101,560)
Temporary additions	1,485,612	1,485,620	667,240	667,053
Permanent additions	166,354	158,487	157,061	148,490
Exclusions	(674,245)	(712,449)	(838,405)	(842,640)
Taxable Income and CSLL calculation basis	25,580	(20,483)	(115,664)	(128,657)
(+) Negative taxable result of consolidated companies	364,796	372,280	122,528	129,727
(-) Offsetting of tax loss / negative calculation basis of social contribution	(28,384)	(9,780)	(31,324)	(15,753)
Taxable Income and CSLL calculation basis	361,992	342,017	(24,460)	(14,683)
Charges at the rates of 15% for Income Tax and Social Contribution	8,230	5,234	8,780	10,247
10% IR Surtax	5,463	-	5,830	-
Current taxes	13,693	5,234	14,610	10,247
Reconciliation of Income (loss)				
Current taxes	13,693	5,234	14,610	10,247
Tax deductions (fiscal incentives)	-	-	-	-
Income tax and deferred CSLL	(13,486)	(2,236)	7,091	5,225
(=) Provision for income and social contribution taxes	207	2,998	21,701	15,472
Formation of tax credits (on temporary additions)	(293,246)	(177,954)	(185,048)	(111,222)
Setting up of tax credits (without tax loss carryforwards)	(91,199)	(55,842)	(30,632)	(19,459)
Realization of tax credit (Reversal of temporary additions)	128,384	77,028	151,195	90,577
Realization of tax credits (without offsetting of tax loss carryforwards)	7,096	1,467	7,832	2,363
(=) Net effect of tax credit	(248,965)	(155,301)	(56,653)	(37,741)
Total	(248,758)	(152,303)	(34,952)	(22,269)
Income and social contribution taxes		<u>(401,061)</u>		<u>(57,221)</u>

a. Effective tax rate calculation

Effective tax rates are as follows:

	2014	2013
Income (loss) before taxes	(952,141)	(40,989)
Current income tax (Note 24.a)	(18,927)	(24,857)
Effective rate	1.99%	60.64%

The effective tax rate differs from the prevailing rate applied to the calculation of income tax, as per additions and exclusions presented below:

	2014	Rate
Income before income tax	(951,457)	
Income tax at effective rates	(380,583)	40%
Additions and exclusions in tax calculation:		
Gain on foreign branch	(8,563)	
Profit sharing	(7,867)	
Non-deductible expenses - Deposit restatement	(2,622)	
Other non-deductible permanent additions	(1,152)	
Income tax for the year	(401,061)	42%

b) Income and social contribution taxes – current

Breakdown of “Current income tax” balances:

	2014	2013
Income and social contribution taxes recoverable	96,185	113,439
Income and social contribution taxes on profits	(27,409)	(33,822)
Income and social contribution taxes on salaries	(11,090)	(11,135)
Other	5,500	(3,136)
Total current income and social contribution taxes (*)	63,186	65,346

(*) In the year ended December 31, 2014 and 2013, income tax and social contribution net amounts of R\$63,186 and R\$65,346, were disclosed in assets and liabilities, respectively, under caption "Income tax - current".

c) Deferred taxes

Breakdown of "Deferred taxes" Assets/ (Liabilities) is as follows:

	2014	2013
Tax credits	1,029,715	615,894
Deferred liabilities		
Income and social contribution taxes on MTM positive adjustment	(8,211)	(14,000)
Income tax on excess depreciation	(30,554)	(40,313)
	(38,765)	(54,313)
Total deferred taxes	990,950	561,581

d) Realization of the credits

Based on a technical study, it was possible to estimate the generation of future taxable income over which the tax credits will be realized. For the tax credits existing as of the balance sheet date, the following realization percentages were estimated: 34.4% up to December 2015, 31.5% up to December 2016, 3.9% up to December 2017, 1.0% up to December 2018, 27.7% up to December 2019, 0.2% up to December 2020, 0.2% up to December 2021, 0.2% up to December 2022, 0.2% up to December 2023 and 0.7% up to December 2024.

The tax credit record and its maintenance depend on the realization of future taxable income, based on technical studies, and the deferred tax asset is recognized only to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered over time.

Management believes that the efforts made in the generation of future taxable income, as shown in the aforementioned technical study, will be sufficient to support the maintenance of the record of tax credits.

25. Other liabilities

The breakdown of the balance of "Other liabilities" is as follows:

	2014	2013
Dividends payable	914	914
Bonuses and profit sharing payable	440	400
Liabilities due to acquisitions of assets and rights	12,711	12,711
Personnel expenses	17,708	14,010
Other administrative expenses	4,146	5,671
Other payments	30,596	45,973
Sundry creditors - domestic	95,539	7,241
Prepaid revenues	26,099	20,196
	188,153	107,116

26. Shareholders' equity

a) Capital

The Bank's capital is R\$2,012,810 and is divided into 252,903,569 nominative shares, being 160,206,833 common and 92,696,736 preferred shares, with no par value, fully paid and homologated by the Central Bank of Brazil.

The composition of paid in capital ratified by Central Bank of Brazil is displayed in the table below:

	Shares					
	2014			2013		
	Common	Preferred	Total	Common	Preferred	Total
Local residents	160,206,832	60,174,926	220,381,758	160,206,832	60,174,926	220,381,758
Foreign residents	1	32,521,810	32,521,811	1	32,521,810	32,521,811
Total shares	160,206,833	92,696,736	252,903,569	160,206,833	92,696,736	252,903,569
Total reais	867,955,095	566,250,703	1,434,205,798	867,955,095	566,250,703	1,434,205,798

b) Treasury shares

The Management of BICBANCO, in view of decisions of Board of Directors' meetings, authorized the repurchase of shares issued by the Bank to hold them in treasury and subsequent cancellation.

On July 6, 2011, Management was authorized to repurchase shares in the period from July 6, 2011 to July 5, 2012, without reducing the capital, up to the limit of 10% of the outstanding registered preferred shares, i.e., up to 6,879,540 shares (4th Share Repurchase Program).

Effects of Article 21 of CVM Instruction 10, from February 14, 1980, are:

- 1) The purpose of authorizations decided in Board of Directors' meetings is the application of resources available, deriving from capital reserve;
- 2) From January 1, 2011 to December 31, 2011 the Bank acquired a total of 6,879,540 nominative shares in the amount of R\$ 58,593. The average costs of repurchased shares was of R\$ 8.52 per share, the highest cost was R\$ 9.70 and the lowest cost was R\$ 6.96.
- 3) The market value of the shares as of December 31, 2014 was R\$ 5.70 (December/13 – R\$ 7.39).

In the first semester of 2014, BICBANCO transferred shares issued by itself, which were held in treasury for managers as payment of the portion of variable remuneration for the year 2013 (307,188 shares) and in the first semester of 2013 for 2012 (173,834 shares) by means of delivery of shares, in accordance with Resolution 3.921/10, in the amount of R\$ 2,042 (Jun/13 – R\$ 1,086) at an average cost of R\$ 7.82 (Jun/13 – R\$ 6.25). (See note 16.b).

The treasury shares recorded the following transactions in the year:

Description	<u>In thousand of reais</u>	<u>Number of shares</u>
<u>Closing balance at 12/31/2013</u>	-	-
Repurchase of shares (4 th program)	57,507	6,705,706
Share-based payment – Resolution No. 3,921/10	(2,402)	(307,188)
<u>Closing balance at 12/31/2014</u>	<u>55.105</u>	<u>6.398.518</u>

c) Interest on own capital and dividends

Shareholders are entitled to minimum dividends corresponding to 25% of net income for the year, in accordance with the applicable corporate legislation.

	<u>2014</u>	<u>2013</u>
Net income (BRGAAP – Corporate Law)	(735,158)	61,256
Legal reserve	-	(3,063)
Calculation basis	(735,158)	58,193
Interest on own capital	-	52,000
IRRF – 15%	-	(7,800)
Dividends		
Paid amount	-	44,200
% on calculation base	0.00%	75.95%

d) Reserves

Legal reserve – The constitution of the legal reserve is equivalent to 5% of the net income, limited to 20% of the capital stock.

Statutory Reserve - The constitution of the statutory reserve was made through the allocation of the remaining net income for the periods ended, less the constitution of legal reserve, dividends and interest on own capital, and its purpose is to strengthen the Bank's capital and working capital upon accumulation of remaining profits not distributed to shareholders..

27. Guarantees provided

BICBANCO offers many guarantees for their clients to improve their credit position and become competitive. The following table shows all the guarantees as of December 31, 2014 and 2013.

As required, the "Maximum Potential Amount of Future Payments" represents the notional amounts that could be lost in case of a total default of the amounts guaranteed, without considering the possible recovery of sureties maintained or provided, or recoveries in progress. There is no correlation between these amounts and the possible losses on these guarantees. It is a fact that the "Maximum Potential Amount of Future Payments" exceeds substantially the inherent losses.

Maximum potential amount of future payments	2014	2013
Guarantees provided		
Sureties and guarantees	2,472,199	2,145,362
Export Performance	1,685,203	1,871,458
Standby letter	61,873	17,966
Custody	80,031	76,923
Export Billing	1,543,299	1,776,569
Total guarantees provided	4,157,402	4,016,820

Financial guarantees are provided to the Bank's clients under commitments with third-parties. The Bank has the right to charge from its clients the reimbursement of any amount payable by the Bank in relation to these guarantees. In addition, money or any other high liquidity guarantee can be held in cash for these commitments. These agreements are subject to the same credit analysis carried out when evaluating loans.

The Bank's expectation is that these guarantees mature without the need of making cash advances. Therefore, during the normal course of business, the Bank expects these transactions not to have any impact on its liquidity. As of December 31, 2014 and 2013, no guarantees provided by BICBANCO and whose exercise was considered "probable" were detected. Bearing this in mind, the maximum amount of the liabilities recorded was the fair value of the commissions received, which are recognized as income during the term of the guarantees. No provisions were recorded to make up for these probable losses.

Performance warranties are issued to guarantee client commitments, such as contract-specified investments, and to provide specified products, basic products or the maintenance or guarantee of services to third parties, completion of projects in

accordance with contract terms, etc. Standby financial credit letters include guarantees for loan, credit facilities, promissory notes and commercial acceptance payments. The Bank always requires surety to grant this type of financial guarantee. In relation to documentary credits, the Bank acts as a mediator of payments between business companies located in different countries (import/export operations). In relation to the documentary loan operations, the parties involved deal with documents instead of dealing with the products related to these documents. Usually, the basic products sold are used as guarantees of the operation and the Bank can provide some credit lines. The loan commitments redeemable by third parties include most credit card lines and business commitments. The credit card lines can be canceled unilaterally by the issuer. The business commitments are to a great extent lines with a one-year term subject to information given by the client.

Risk criteria for the issue of all types of guarantees, letters of financial credit standby and documentary credits and all types of execution risks are, in general, the same used for other credit risk products and, therefore, are subject to the same admission and tracking standards. The guarantees granted on behalf of the clients are subject to the same review of credit quality that any other risk product. Regularly, at least once a year, the solvency of the clients is verified, just as is also verified the probability that these guarantees be executed. In case there are any doubts on the solvency of the client, provisions are debited to net income, in the amount of the inherent losses, even if there are no actions taken against the Bank.

28. Interest income and expenses and the like

Interest and the like in the consolidated statement of income (loss) are comprised of interest accrued in the year on all financial assets with implicit or explicit return, calculated using the effective interest method, regardless of the fair value measurement and of the errors in results due to the accounting of hedge. Interest is recognized for their gross amount, without the deduction of tax withheld at source.

Expenses from interest and similar in the consolidated statement of income (loss) comprise interest accrued in the year on all financial liabilities with implicit or explicit returns, including compensation in cash, calculated using the effective interest method, regardless of the measurement of fair value.

	2014	2013
Interest income and the like	1,718,506	1,836,154
Loans and advances to financial institutions	113,808	64,562
Loans and advances to clients		
- Loan operations	1,559,244	1,698,642
Non-impaired transactions	1,513,978	1,653,376
Impaired transactions	45,266	45,266
- Leases	45,454	72,950
Non-impaired transactions	45,454	72,950
Interest income and the like	(1,718,336)	(1,499,643)
Financial institution deposits		
- Interbank deposits	(36,532)	(38,316)
- Money market funding	(14,066)	(4,359)
Client deposits		
- Savings	(933)	(806)
- Time	(797,404)	(649,557)
Securities issued	(422,877)	(335,355)
Domestic borrowings	(43,500)	(37,581)
Foreign borrowings	(372,110)	(402,756)
Commissions for payroll loans	(30,913)	(30,913)
Net interest income	170	336,511

29. Income from fee and commissions

The "Fee and commission income" line comprises all fees and commissions accumulated on behalf of the Bank in the year, except for those that make up the effective interest rate on financial instruments.

The breakdown of the balance related to this line is shown below:

	2014	2013
Other Income from bank fees – Legal entities	30,380	32,931
Income from guarantees	38,542	31,544
Income from other services	19,343	17,091
Bank fee income - Individual	144	180
Income from investment fund management	545	-
	<u>88,954</u>	<u>81,746</u>

The table above shows the balance of fees and commissions, net of ISS (service tax).

30. Gains from financial assets and liabilities (Net)

Gains (losses) from financial assets and liabilities are composed of the amounts of adjustments from the evaluation of financial instruments, except for those attributed to interest accrued as results after the application of the effective interest method and provisions, and of gains (or losses) from the sale or purchase of financial instruments.

a) Breakdown

The breakdown of the balance of this line, by type of instrument, is shown below:

	2014	2013
Gains (losses) with:		
Financial assets for trading	292,784	238,639
Other assets at fair value through profit or loss	1,798	6,210
Other liabilities at fair value through profit or loss	(47,745)	(21,087)
With:		
Financial assets for trading		
Debt instruments	157,733	82,234
Equity instruments	2,684	(9,728)
Derivatives	132,367	166,132
Other assets at fair value through profit or loss		
Debt instruments	1,798	6,210
Other liabilities at fair value through profit or loss	(47,745)	(21,087)
	246,837	223,762

31. Exchange differences (net)

The foreign exchange differences show basically the gains and losses in currency transactions, the differences arising from the conversion of monetary items from foreign currency into functional currency and gains or losses disclosed for non-monetary assets in foreign currency upon alienation.

	2014	2013
Gains (losses) with:		
Foreign Exchange Variation from assets and liabilities	175,112	158,966
From financial assets:		
Loans and advances to clients	4,153	12,715
Debt instrument	(1,245)	(6,980)
From financial liabilities:		
Securities issued	(192,513)	(200,732)
Foreign borrowings	(314,559)	(314,559)
Other financial liabilities (foreign exchange portfolio)	679,276	668,522
	175,112	158,966

32. Other operating income (expenses)

In this line of the consolidated statement of income (loss) are:

	<u>2014</u>	<u>2013</u>
Recovery of charges and expenses	4.52	3,452
Compensation program for employees	(71,772)	(65,124)
Management remuneration	(25,196)	(25,900)
Reversal of tax contingencies	-	-
Civil, labor and tax provisions	(38,842)	(38,842)
Other income (expenses)	113,436	40,340
	<u>(17,850)</u>	<u>(86,074)</u>

33. Personnel expenses

The composition of the "Other Personnel Expenses" line is shown below:

	<u>2014</u>	<u>2013</u>
Salaries	138,160	124,000
Benefits	22,163	19,791
Social charges	44,956	42,083
Management fees	14,593	14,892
Other	<u>2,586</u>	<u>2,434</u>
	222,458	203,200

34. Other administrative expenses

a) Breakdown

The breakdown of the balance of this line is as follows:

	2014	2013
Property, facilities and materials	43,155	41,533
Technology and systems	17,675	16,576
Advertising	5,153	6,121
Communications	4,066	5,109
Reimbursement and travel expenses	2,344	2,865
Third party services	62,806	61,090
Insurance premiums	1,082	927
Transportation system	2,172	2,660
Expenses of the financial system	12,884	14,762
Other administrative expenses	17,454	16,873
	168,791	168,516

35. Tax expenses

Refers mainly to federal contributions to Taxes on Income (PIS and COFINS) which amounted to R\$ 51,280 (2013 - R\$ 67,589).

36. Other disclosures

a) Third-party securities held in custody

As of December 31, 2014 and 2013, the Bank held no third-party debt bonds or securities under its custody.

b) Residual maturity

Pursuant to IFRS7 - Financial Instruments - Evidencing, we present as follows the composition of the financial instruments, cash balance, cash and cash equivalents, as well as the corresponding liquidity gap of said assets and liabilities, according to the maturity brackets.

	December 31, 2014						Total
	Without maturity	Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	After 5 years	
Assets:							
Cash and cash equivalents and reserves at the Central Bank of Brazil	101,160	172,089	-	-	-	-	273,249
Debt instruments	15,452	58	77,270	937,869	302,164	2,269,448	3,602,261
Equity instruments	1,867	-	-	-	-	-	1,867
Derivatives	-	2,305	367,747	280,221	-	-	650,273
Loans and advances to financial institutions	-	155,051	22,354	232,443	-	-	409,853
Loans and advances to clients	368,315	3,048,868	2,994,181	2,840,918	87,734	425,711	9,765,727
Other loans and receivables	-	17,138	3,954	21,512	-	-	42,604
Other financial assets	-	469,663	753,040	(1,071,766)	-	-	150,935
Total	486,794	3,365,172	4,218,545	3,241,202	389,898	2,695,159	14,896,769
Liabilities:							
Financial institution deposits	2,239	71,412	196,437	231,401	1,379,298	138,086	2,018,873
Client deposits	242,028	1,298,069	2,326,036	2,437,710	2,236	-	6,306,139
Derivatives	-	10,524	1,287	694	-	-	12,505
Securities issued	-	240,043	1,305,222	240,534	-	-	1,785,801
Subordinated debts	-	-	13,406	424,140	-	713,260	1,155,806
Domestic borrowings	-	55,463	30,800	3,140	-	-	89,403
Foreign borrowings	-	519,141	820,471	612,460	30,350	30,350	2,012,772
Other financial liabilities	-	-	-	-	-	-	-
Total	244,257	2,194,652	4,693,659	3,950,079	1,411,943	886,696	13,381,299
Liquidity gap	242,527	1,670,519	(475,114)	(708,877)	(1,022,045)	1,808,463	1,515,473

	Without maturity	Up to 3 months	From 3 to 12 months	1–3 years	From 3 to 5 years	After 5 years	Total
Assets:							
Cash and cash equivalents and reserves at the Central Bank of Brazil	87,505	308,941	-	-	-	-	396,446
Debt instruments	16,200	6	137,940	986,011	252,497	11,683	1,404,337
Equity instruments	3,850	-	-	-	-	-	3,850
Derivatives	-	70,243	94,349	304,838	63,187	97,346	629,963
Loans and advances to financial institutions	-	945,221	44,729	251,900	-	-	1,241,850
Loans and advances to clients	-	3,980,500	3,711,539	2,659,921	86,823	178,636	10,617,413
Other loans and receivables	-	9,470	4,326	21,806	-	-	35,602
Other financial assets	-	53,054	25,917	-	-	-	78,971
Total	107,555	5,367,435	4,018,800	4,224,476	402,507	287,665	14,408,338
Liabilities:							
Financial institution deposits	2,233	149,052	44,180	82,507	102,094	85,551	465,627
Client deposits	372,098	942,636	1,532,493	3,798,184	120,491	-	6,765,907
Derivatives	-	2,693	858	-	-	-	3,551
Obligations related to securities issued	-	387,527	362,602	269,768	21,385	-	1,041,282
Subordinated debts	-	-	10,062	-	72,968	149,240	232,270
Domestic borrowings	-	37,707	25,660	25,885	-	-	89,252
Foreign borrowings	-	804,039	702,079	149,941	46,321	40,149	1,742,529
Other financial liabilities	199,724	-	-	-	-	-	199,724
Total	574,055	2,323,664	2,677,939	4,326,285	363,259	274,940	10,540,142
Liquidity gap	(466,500)	3,043,771	1,340,861	(101,809)	39,248	12,725	3,868,297

d) Cash and cash equivalents for the cash flow

	2014	2013
Cash and cash equivalents	175,098	308,503
Investments in the Open market	22,843	832,800
Interbank deposits	50,324	59,901
Investments in foreign currency	39,201	7,301
	287,466	1,208,505

e) Commitments assumed for guarantees received and funding from international bodies

BICBANCO is a borrower of guarantees from international bodies IDB (Inter-American Development Bank), IFC (International Finance Corporation) and debtor due to loans taken from IIC (Inter-American Investment Corporation), IDB (Inter-American Development Bank) and IFC (International Finance Corporation), for onlending to Brazilian companies, at terms ranging from 2 to 5 years, whose agreements require the maintenance of certain minimum financial indexes (financial covenants) in addition to the assumption of social and environmental responsibility obligations.

The indicators are monitored and quarterly checked by the aforementioned creditors.

The financial indexes are calculated with basis on the financial statements, which are prepared in accordance with the Brazilian legislation and the Central Bank standards.

f) Earnings per share

The basic and diluted earnings per share was calculated in accordance with the following tables, for the indicated years.

Basic earnings per share	2014	2013
Net income available for shareholders	(551,080)	16,233
Weighted average number of outstanding common shares (thousands)	160,207	160,207
Weighted average number of outstanding preferred shares (thousands)	92,697	92,697
Basic earnings per share attributable to common shareholders	(3.44)	0.10
Basic earnings per share attributable to preferred shareholders	(5.94)	0.18
Diluted earnings per share	2014	2013
Net income available for common shareholders	(336,750)	9,919
Net income available for preferred shareholders	(194,846)	5,739
Weighted average number of outstanding common shares (thousands)	160,207	160,207
Weighted average number of outstanding preferred shares (thousands)	92,697	92,697
Diluted earnings per share attributable to common shareholders	(2.10)	0.06
Basic earnings per share attributable to preferred shareholders	(2.10)	0.06

g) Insurance contracts

The Bank adopts the policy of contracting insurance coverage for assets subject to risks for amounts considered to be sufficient to cover eventual claims, considering the nature of its activity.

37. Operating segments

According to the international accounting standards, an operating segment is a component of an entity:

- (a) That operates activities which may generate income and incur expenses (including income and expenses related operations with other components of the same entity).
- (b) Whose operating results are regularly reviewed by the person in charge of making the entity's operating decisions related to the allocation of funds to the segment and the evaluation of its performance.
- (c) For which the individual financial information is available.

The Bank has identified, based on these instructions, the following business segments as being its operating segments:

- Wholesale
- Retail

The Bank maintains as main strategic focus the operations in the Wholesale segment. This segment basically includes the concession of loan operations with guarantee of receivables, and the Working Capital is the most profitable product of this segment. A significant portion of the wholesale portfolio is represented by short-term loans that provide higher liquidity and greater risk control to the Bank. Additionally, the Bank participates actively in the foreign exchange market, whose funding is carried out with international banks.

The Retail segment includes operations of Payroll loans for employees in the public sector. The Bank has been operating in this sector for over 10 years with history of low default rates.

Information on the geographical distribution of income generated from the Wholesale and Retail segments is not relevant for making decisions at the top management of the institution. Considering this scenario and also the fact that this information is not available, BICBANCO chose not to disclose it.

All income shown in the segmentation table were obtained from external clients. In 2014 and 2013 there were no income between the Wholesale and the Retail segments.

The condensed statements of income (loss) and other significant data are listed as follows. There are no material differences between the total of income from the segments and BICBANCO's accounting result.

	Wholesale	Retail	2014	Wholesale	Retail	2013
Interest income and alike	1,526,820	191,685	1,718,506	1,670,805	165,349	1,836,154
Interest expenses and the like	(1,622,985)	(95,034)	(1,718,019)	(1,431,561)	(68,082)	(1,499,643)
Gains (losses) with financial assets and liabilities (net)	246,521	-	246,521	223,762	-	223,762
Exchange differences (net)	175,112	-	175,112	158,966	-	158,966
Net interest income	325,468	96,651	422,120	621,972	97,267	719,239
Equity in income of subsidiaries	(685)	-	(685)	-1,205	-	-1,205
Income from fee and commissions	78,875	10,079	88,954	76,699	5,047	81,746
Other operating income (expenses)	(17,850)	-	(17,850)	(86,073)	-	(86,073)
Personnel expenses	(207,615)	(14,843)	(222,458)	(190,255)	(12,945)	(203,200)
Other administrative expenses	(149,929)	(18,862)	(168,791)	(134,984)	(33,532)	(168,516)
Tax expenses	(45,305)	(5,975)	(51,280)	(62,219)	(5,370)	(67,589)
Depreciation and amortization	(24,792)	-	(24,792)	(22,155)	-	(22,155)
Deductions from recoverable value of financial assets	(872,725)	(24,557)	(897,282)	(265,343)	(22,777)	(288,120)
Gains (losses) with other assets (net)	(50,215)	(29,862)	(80,077)	(66)	(5,050)	(5,116)
Income before taxation	(964,772)	12,631	(952,141)	(63,629)	22,640	(40,989)
 Total assets	 14,484,108	 1,189,444	 15,673,552	 14,421,186	 1,016,777	 15,437,963
 Main asset line:						
Loans and advances to clients	8,678,207	1,087,520	9,765,727	9,701,676	915,743	10,617,419
 Total liabilities	 12,332,602	 1,944,048	 14,276,650	 12,623,160	 889,444	 13,512,604
Main liability line:						
Client deposits	5,272,954	1,033,185	6,306,139	5,899,003	866,904	6,765,907

38. Related party transactions

BICBANCO's related parties should include parties with joint control over the entity, joint ventures in which the entity is an investor and post-employment benefit plans to benefit workers of an entity or any other entity qualified as a related party to this entity.

BICBANCO and its direct subsidiaries carry out transactions between themselves, which were eliminated in the consolidated statement.

The Bank's balances related to transactions with direct and indirect subsidiaries, related companies and key personnel from the Management are shown below:

	Assets / (liabilities)		Income / (expenses)	
	2014	2013	2014	2013
Credit assignment operations	-	-	-	12,495
Fênix Securitizadora de Créditos Financeiros Ltda. (b)			-	12,495
Other receivables – Sundry	-	-	-	21,039
Fênix Securitizadora de Créditos Financeiros Ltda. (b)	-	-	-	21,039
Demand deposits	(326)	(7,308)	-	-
Fênix Securitizadora de Créditos Financeiros Ltda. (b)	-	(3,198)	-	-
Golden Key Participações e Empreendimentos Ltda. (b)	-	(157)	-	-
Primus Holding S.A. (c)		(83)	-	-
Gemini Holding S.A. (c)		(116)	-	-
Controllers and key Management personnel (c)	(326)	(3,754)	-	-
Savings deposits	-	(49)	-	(8)
Controllers and key Management personnel (c)	-	(49)	-	(8)
Time deposits	(1,025)	(15,631)	(147)	(4,575)
Fênix Securitizadora de Créditos Financeiros Ltda. (b)	-	(10,900)	-	(639)
Golden Key Participações e Empreendimentos Ltda. (b)	-	(540)	-	(31)
Gemini Holding S.A. (c)	-	-	-	(25)
Primus Holding S.A. (c)	-	(56)	-	(11)
Controllers and key Management personnel (c)	(1,025)	(4,135)	(147)	(3,869)
LCA	-	(8,513)	(19)	(1,597)
Controllers and Key management personnel (c)	-	(8,513)	(19)	(1,597)
LCI	(2,693)	(40,736)	(44)	(304)
Controllers and key Management personnel (c)	(2,693)	(40,736)	(44)	(304)

(a) Subsidiaries and associated companies – direct or indirect;

(b) Controlling shareholders and key management personnel.

Related party transactions due dates and rates:

LCA transactions were carried out at floating rate of 97% of CDI and fixed rate of 8%, with final maturity in up to one year. Term deposits are remunerated at the average rate of 106% of CDI (2013 – 106% of CDI), directly related to the invested amount, with final maturity in up to 03 years.

Management compensation

At the annual shareholders' meeting the maximum aggregate compensation for administrators who are members of the Board of Directors, Executive Board and Audit Committee is established, as well as a ceiling on administrators' profit sharing for each year.

CMN Resolution 3,921/10 took effect as of January 01, 2012, determining the minimum structure of variable remuneration to be paid to Directors of Financial Institutions, with the following delimitation: 50% of the variable remuneration can be paid in cash; 10% of the variable remuneration should be paid in shares of BICBANCO, with deliberation and immediate availability; and 40% of the variable remuneration should be paid in shares of BICBANCO with availability deferred proportionately for 03 consecutive years, contingent upon the attainment, in each one of those years, of the individual, team and corporate targets established in a specific plan, which ties the payment of variable remuneration to the effective positive performance of the institution. BICBANCO paid remuneration in the first semester of 2013 related to the year 2012, following the provisions of Resolution 3921/10 for payment in cash and payment in shares. The accounting effect is recorded in profit sharing, according to the statutory limits.

i) Short term benefits

Remuneration of the Board of Directors, Executive Board and of the Audit Committee of the BICBANCO Múltiplo e Consolidado:

	2014	2013
Fixed Compensation	14,593	14,892
Variable compensation	7,536	8,571
Other	1,759	2,437
Total	23,888	25,900

ii) Long-term and post-employment benefits

BICBANCO does not have post-employment nor long term benefits to key management personnel.

iii) Agreement termination

The employment contracts have undetermined term. The closing of an employment relationship due to failure to fulfill obligations or personal decision entails no rights to any financial compensation, and therefore there are no long-term benefits connected to an employment agreement termination.

iii) Other benefits

BICBANCO has not granted, until now, any type of long-term benefit or post-employment benefit to the management of the entity.

Loan operations

Pursuant to prevailing rules, financial institutions cannot grant loans or advances to:

i) Any individual or legal entities controlling the institution or any entity under common control of the institution, or any director, board member or member of the fiscal council or members of the immediate family of said individuals.

ii) Any entity controlled by the institution.

Any entity in which the Banks holds directly or indirectly 10% or more of the capital stock.

Accordingly, no loans or advances are given to any subsidiaries, executive officers, members of the Board of Directors or their families.

Equity interest

Members of the Board of Directors and the Executive Board have together the following shareholding interest:

	2014		
	Interests		
	Direct		
Common shares	0.00%		
Preferred shares	0.35%		
Total shares			

	2013		
	Interests		
	Direct	Indirect	Total
Common shares	34.70%	58.15%	92.85%
Preferred shares	22.91%	3.71%	26.62%
Total shares			68.58%

39. Risk management

Risk management

The control structure of market, credit and operating risks is centralized, aiming to ensure compliance with the policies established and improved identification of the risks that may affect the business strategy, as well as compliance with objectives. Additionally, it provides a global vision of the exposures to improve and streamline strategic decisions. The Risk Management Policy establishes the underlying principles of the institutional strategy with regards to the control and management of risks in all operations. In the administrative scope, the shares are valued in the several committees that guarantee management compliance, considering the complexity of the products, the exposure to risk and the risk-return ratio that involves all the Institution's business decisions.

The Bank has several policies, standards and procedures to perform risk management. These instruments provide the basic operational guidelines expressed by senior management in accordance with the standards of integrity and ethical values of the institution and cover all the activities of the organization.

Policies, standards and procedures ensure that the organization has a control structure compatible with the nature of its operations, the complexity of its products and services, activities, processes, systems and the definition of its risk exposure, allowing its proper management.

The risk management policies of BICBANCO are aligned with the organization's strategic objectives, best practices and are in compliance with regulations established by supervisory bodies, being reviewed and updated regularly to reflect changes in markets, products and regulations.

Risk governance and responsibility

The organizational structure of BICBANCO presents an adequate level of segregation of duties in the subordination process of the various boards responsible for Internal Audit, Risk Management and Internal Controls, which is consistent with the size of the Institution.

Regarding Risk Management, BICBANCO has three independent Risk Management units - Operational, Market and Credit - subordinate to the Corporate Governance Board, which reports directly to the Operations Vice-President, which was assigned the director responsible for Capital Management before the Central Bank.

Risk appetite

Risk appetite refers to the types and levels of risks that the institution is willing to take in achieving its objectives and is reflected in the philosophy of corporate risk management which in turn influences the culture and mode of operation of the Institution.

This tolerance is influenced by several factors, including the assessment of the consistency of risk with corporate strategy.

For BICBANCO, the risk appetite structure is regarded as a key element in meeting the obligations of existing capital requirements.

Stress testing scenarios

The analysis of scenarios for stress testing is important mechanisms to understand BICBANCO's capital sensibility and business plans in extreme but plausible events. This tool not only considers the potential financial effect on business plans, but it also enables the Executive Board the possibility of establishing action plans to mitigate these events, if they happen.

Exercises are carried out on a regular basis to compare the existing capital required with the volume demanded by stress scenarios, including the most severe deterioration of the global economic scenario. Qualitative and quantitative techniques are used to estimate the potential impact on capital position in these scenarios.

These instruments help to mitigate the risks presented by financial crisis. While the prediction of future events may not cover all events, or identify precisely future events, the scenarios analyzed in the past may be related to insider information concerning the identification of actions needed to mitigate risks when similar events happen.

Risks and risk representativeness can be seen in the table below. The table's analysis shows that the Bank has surplus of RA - Reference Shareholders' Equity to fight against the risks identified.

Table I – Amounts emphasized for each risk portion

<u>MULTIPLE AND CONSOLIDATED BICBANCO</u>		
2014		
Description	Highlighted amount	Risk
Portion of credit risk – (Pepr)	1,374,929	
Portion of exchange risk – (Pcam)	-	
Portion of interest rate risk – (Pjur)	-	
Share risk portion – (Pacs)	8,712	
Portion of operational risk – (Popr)	170,136	
REQUIRED REFERENCE SHAREHOLDERS' EQUITY (PRE)	1,553,777	
REFERENCE SHAREHOLDERS' EQUITY – Level I	1,160,451	
REFERENCE SHAREHOLDERS' EQUITY – Level II	764,734	
REFERENCE SHAREHOLDERS' EQUITY – Level I + II	1,925,185	
Risk factor - 11% under (PR)		211,770
Basel index – (Risk factor/ PRE)		13.63%
2013		
Description	Highlighted amount	Risk
Portion of credit risk – (Pepr)	1,440,195	
Portion of exchange risk – (Pcam)	-	
Portion of interest rate risk – (Pjur)	-	
Share risk portion – (Pacs)	33,536	
Portion of operational risk – (Popr)	155,657	
REQUIRED REFERENCE SHAREHOLDERS' EQUITY (PRE)	1,629,388	
REFERENCE SHAREHOLDERS' EQUITY – Level I	1,964,622	
REFERENCE SHAREHOLDERS' EQUITY – Level II	860,326	
REFERENCE SHAREHOLDERS' EQUITY – Level I + II	2,824,948	
Risk factor - 11% under (PR)		310,744
Basel index – (Risk factor/ PRE)		19.07%

The Bank is categorized within the limits established in CMN Resolution nº 2,099/94, with alterations introduced by Resolutions nº. 3,444/07 and 3,490/07 and Circular nº 3,360/07, presenting a Shareholders' equity Index in relation to the Weighted Assets as follow:

<u>MULTIPLE AND CONSOLIDATED BICBANCO</u>			
		Basel III	Basel II
Calculation of Basel Index		<u>Dec 2014</u>	<u>Dec 2013</u>
Tier II Referential Shareholders' Equity		1,160,451	1,964,622
- Main Capital		1,160,451	1,964,622
Tier II Referential Shareholders' Equity		764,734	860,326
- Subordinated debt		764,734	860,326
REFERENTIAL SHAREHOLDERS' EQUITY		1,925,185	2,824,948
Credit risk		1,374,929	1,440,195
Market risk		8,712	33,536
Operational risk		170,136	155,657
RISK-WEIGHTED ASSETS - RWA		1,553,777	1,629,388
Basel Ratio		13.63%	19.07%
Price-earnings ratio – Level I		8.22%	13.26%
Price-earnings ratio – Level II		5.41%	5.81%

Market risk

Market risk is defined as the possibility of losses arising from the variation in the market value of positions held by the institution.

BICBANCO's Market Risk Management Policy defines a set of controls, process, tools, systems and standard reports, needed to provide the appropriate control and management of Market Risk.

The Market Risk Management Department is responsible to maintain and update the Policy and the area's structure and discuss it with the executive board annually. It is independent in relation to the business areas and has a duty to monitor and analyze market risks arising from business activities and the Bank's treasury. It also has a duty to guarantee that the levels of exposure to risk comply with the limits adopted by the Financial Committee and to identify and recommend capitalization levels that are appropriate and compatible with these risks.

The Bank has designated the Controller as the person in charge of the Market Risk Structure with the Central Bank. He is not responsible for functions related to the management of third-party resources or treasury transactions.

Below is a summary of the main market risks taken into account by the Bank:

Interest rate risk: The risk associated with changes in the market value of a certain assets arising from variations in interest rates practiced by the market.

Share Risk: It involves shares indices and quotation and arises from the fluctuations of shares prices and indices.

Foreign Exchange Risk: It is the risk associated with fluctuations in the foreign exchange rates and their volatility.

Commodity Risk: It is the risk associated with the fluctuation in commodity prices (e.g.: oil, gas, agricultural products).

Inflation risk: It arises from the fluctuation in prices of goods and services.

Methodology for market risk

Market Risk can be characterized by four main types of measurements: Positions, sensibilities (PV 01), stress testing and "Value-at-Risk" (including adherence and validation tests).

All risk metrics are monitored continuously on an integrated basis with the purpose of offering a global view of BICBANCO's risk profile.

Positions

The monitoring and control of the bank's positions for its market value alone does not provide appropriate sensibility to the actual exposure to the several factors involving the bank's risk. Complementing this measure with the other risk control tools is necessary to provide improved monitoring and analysis of exposures.

During 2014, average market risk levels did not present significant changes, remained practically stable and were reduced when compared to Shareholders' equity of the Institution. As of December 31, 2014, VaR for trading exposure reached R\$529.2 thousand and Global VaR (Trading and Banking) reached R\$64.5 million. In comparison, as of December 31, 2013, VaR for trading position reached R\$ 675.6 thousand and Global VaR reached R\$ 57.3 million.

Analysis of stress scenarios

Stress testing is a method for measuring the potential loss from a portfolio due to extreme market events (low probability). Carrying out stress testing for the market risk areas complies with the Bank's global policies in relation to the demands of regulatory authorities.

Stress testing is an important tool for complementing the primary model of the VaR (Value-at-Risk).

The Market Risk area is responsible for:

- Defining and reviewing the internal methodology used for stress testing;
- Carrying out and monitoring stress testing on a regular basis;
- Preparation of reports from test results.

The market risk area is also responsible for conducting and defining the parameters used in stress testing required by the regulatory authorities.

Sensitivity analysis

The sensibility analysis shows the impact that a change in a certain risk factor has on the institution's portfolio. The sensibility analyses are a particularly important metric to manage the institution's market risk, since small changes in risk factors may lead to significant losses/gains if we take into account all portfolios.

The Institution performed sensitivity analysis using the probable scenario (Scenario I) and foreign exchange devaluations of 25% (Scenario II) and 50% (Scenario III). It is necessary to disclose a sensitivity analysis demonstration chart for each type of relevant market risk originated by financial instruments to which the Institution is exposed in each period's closing date. For its preparation we identified the types of risks that could generate material losses, including transactions with derivative financial instruments in a more probable scenario, as well as two (2) scenarios that could generate adverse results for the Institution. In the definition of the scenarios, the situation considered probable by management had as reference an independent external source BM&F - BOVESPA and a situation with depreciation of 25% and 50% in the risk variable was considered.

We present in the sensibility analysis table the set of operations involving financial instruments registered in equity accounts that BICBANCO has with the purpose of managing its exposure to market risks and that aims to protect it, especially in periods of historical records. This valuation is systematically carried out by the risk management

area and evaluated by the Treasury Committee, which assembles to define a set of scenarios in a crisis environment. A scenario, in this context, is regarded as a certain combination of prices and interest rates. The preparation of the table followed the procedure below:

- (i) In each scenario, the amounts of the trading portfolio (Trading Book) and the structural transactions from several of the Institution's business lines and their respective hedges (Banking Book) were calculated;
- (ii) For each one of the risk factors, we chose the calculation that incurred in the highest loss and, based on it, applied the defined increase or decrease;
- (iii) Finally, we obtained the losses, corresponding to the related hypothetical scenario.

The following scenarios do not necessarily reflect the market risk management of the Institution neither is it associated with the accounting practices. The stress models may represent extreme situations that are distant from a day-to-day situation.

Below is the summary of the premises for each one of the scenarios.

We chose for each portfolio the trend (increase or decrease) that maximizes loss for each risk factor. The parallel dislocations of the curve were maintained, that is, a dislocation of + 1,000 basis means that in all future curves there was a 10% increase to the current rates.

Scenario 1: Probable situation, which reflects the Bank's perception in relation to the scenario with greater probability of occurring, for prospect of 3 months, considering the macroeconomic factors and market information (BM&FBOVESPA, ANBIMA, CETIP, etc.)

Scenario 2: Potential situation. Assumptions made: Parallel shock of 25% in risk variables, based on market conditions seen on December 31, 2014, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

Scenario 3: Potential situation. Assumptions made: Parallel shock of 50% in risk variables, based on market conditions seen on December 31, 2014, and considering the most significant losses from risk factor, not including the relationship dynamics between the macroeconomic variables.

The scenarios adopted for the Banking Portfolio are shown in the following table, and also reflects the deterioration in the macroeconomic expectations since it maximizes loss for each risk factor in this portfolio. (Fixed) interest rates strongly increase (10%; 25%; and, 50%), there is a substantial parallel dislocation of the foreign exchange coupon curves, the foreign exchange rates increase widely, the Brazilian stock exchange faces a downfall and the inflation has expanded considerably, reflecting in the indicators and indexed contracts.

Trading Portfolio - assumptions for risk factors			
	Scenario 1	Scenario 2	Scenario 3
(Fixed) Interest Rate Curve	parallel shift of + 1,000 basis points	parallel shift of + 2,500 basis points	parallel shift of + 5,000 basis points
Foreign Exchange Coupon Curve	parallel shift of + 1,000 basis points	parallel shift of + 2,500 basis points	parallel shift of (+) 5,000 basis points
Dollar - Spot	10% increase	25% increase	50% increase
Inflation	increase of 10%	increase of 25%	increase of 50%

The scenarios shown in the table above related to the Trading Portfolio reflects the situation of deterioration in the macroeconomic expectations; interest rates (fixed) increase swiftly (10%; 25%; and 50%), there is a substantial parallel dislocation of the foreign exchange coupon curves.

Banking Portfolio - premises for risk factors			
	Scenario 1	Scenario 2	Scenario 3
(Fixed) Interest Rate Curve	parallel shift of + 1,000 basis points	parallel shift of + 2,500 basis points	parallel shift of + 5,000 basis points
Foreign Exchange Coupon Curve	parallel shift of - 1,000 basis points	parallel shift of - 2,500 basis points	parallel shift of - 5,000 basis points
Dollar - Spot	reduction of 10%	reduction of 25%	reduction of 50%
BM&F BOVESPA Stock Exchange	10% decrease	decrease of 25%	decrease of 50%
Inflation	up 10%	up 25%	up 50%

The results of the losses calculated in the scenarios presented summarize the losses from market fluctuations by risk factor, generated by BICBANCO's systems and calculated for the portfolios (Trading and Banking). These losses are shown in the following table:

Trading Portfolio - results for risk factors (R\$ thousand)			
Risk factors	Scenario 1	Scenario 2	Scenario 3
Fixed rate in reais	(891)	(2,428)	(4,710)

Shares and Indices	(302)	(756)	(1,513)
Inflation			(1)
Total loss	(1,193)	(3,184)	(6,224)
Banking Portfolio - results for risk factors (R\$ thousand)			
Risk factors	Scenario 1	Scenario 2	Scenario 3
Dollar and dollar coupon	(30,907)	(78,567)	(161,177)
Fixed rate in reais	(27,041)	(64,130)	(117,954)
Shares and Indices	(160)	(402)	(804)
Inflation	(4,418)	(11,151)	(22,659)
Total loss	(62,526)	(154,250)	(302,594)

The risk factors are presented as follows:

- Includes all the products that have price variations pegged to dollar variations and interest rates in dollars.
- Fixed rate in real – Includes all products that have price variations pegged to dollar variations and interest rates in Real.
- Shares and Indices – Comprises the shares and indices of stock exchanges, shares and options pegged to share indices.
- Inflation – Refers to all products that have price variations pegged to inflation coupon variations and inflation rates.

For calculation purposes, we adopted as premise a 99% confidence interval to calculate VaR and a time frame of 10 days to leave this position.

The Sensibility Analysis Table has limitations and the economic impact on a potential fluctuation in interest rates might not represent necessarily a profit or a material accounting loss for the institution. The specific combination of prices which determine each scenario is an arbitrary decision, though possible. The signs of historical correlations between the assets were not necessarily respected and the scenarios chosen were analyzed according to a past time frame.

The accounting of the "Banking" Portfolio instruments, at a large extent, is made by the contract curve, which is different from the derivative financial instruments in the "Trading" Portfolio that are subject to fluctuations in the respective accounting record due to mark-to-market.

The results presented in the chart referring to the banking portfolio may, at first glance, give the impression of high sensitivity to volatility. For a better analysis of results obtained in this portfolio, the management chart below - which includes derivatives, assets and others - indicates the mismatching of the Institution's operations. It shows that there is substantial mismatching of prefixed positions, which would produce a negative impact on results, if there were an increase in interest rates. Nevertheless, the sensitivity chart presented does not consider correlations between and among the different risk factors. This means that the analysis disregards the correlation between the prefixed and CDI factors, that is, losses of prefixed rates are not offset by gains in CDI.

Likewise, in the sensitivity chart, interest rates and foreign exchange were considered unrelated. The limitations of the analysis of scenarios also involve the marking to market of all positions, which contradicts the Institution's determination in taking operations (especially foreign currency funding operations) to maturity, which may lead readers to make a mistake in judging that the losses presented in the scenarios will materialize, even if the oscillations provided for in the risk factors are verified.

2014		
Index	Assets	Liabilities
Prefixed	1,399,327	761,765
LFT / LBC	2,368,218	569,462
CDI	6,035,819	6,176,020
Dollar - BCC Sale	1,891,687	4,005,802
Monthly TR	66,355	12,657
IGPM	26,614	15,294
IPCA	1,136,623	1,086,793
UR1516-BTN	3,028	
LIBOR-SIX-MONTH		
PERIOD	8,744	-
Total	12,936,415	12,627,793

2013		
Index	Assets	Liabilities
Prefixed	1,866,666	1,102,411
LFT / LBC	25,940	664,835
CDI	7,249,614	8,314,939
Dollar - BCC Sale	4,371,797	4,254,750
Monthly TR	23,134	14,129
IGPM	21,638	27,628
IPCA	1,356,290	1,056,084
Ibovespa Futures	4,661	-
Total	14,919,740	15,434,776

Backtesting

Backtesting is a method used to assess the quality of the VaR model used by the bank.

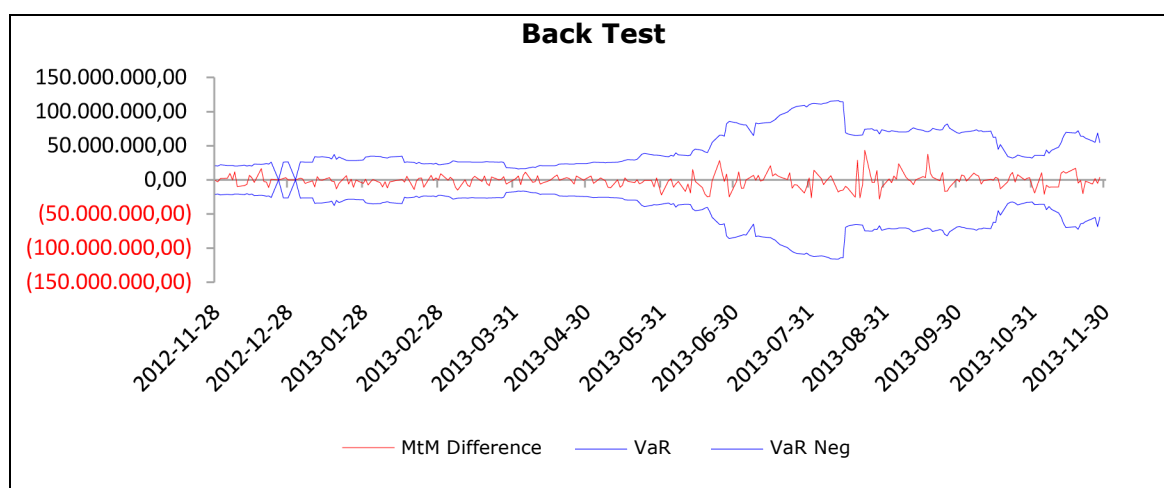
The method compares the results predicted by the VaR model with the effective results measured by the differences of amounts of the portfolio every day, when marked to market. (clean P&L).

Its purpose is to measure the potential loss prediction ability of the VaR model under normal market conditions, given a certain confidence level. If the P&L exceeds the VaR we have an outlier, and if the quantity of outliers surpasses the confidence level, the model should be reviewed.

The Bank uses backtesting as a practice in the validation and adherence of the Value-at-Risk model in its portfolios.

The market risk area is responsible for the performance of backtesting.

The methodology applied and the existing statistical models are validated daily using backtesting techniques. Backtesting compares the daily VaR calculated with the result obtained with these positions (excluding result with intraday positions, brokerage fees and commissions). Its main purpose is to monitor, validate and evaluate the adherence of the VaR model, whereas the number of disruptions must be in accordance with the confidence interval pre-established in the modeling. The graph below shows the daily VaR and the corresponding result of the last 12 months, in which adverse results did not exceed the estimate, that is, the number of disruptions is within the limit defined by the confidence level of the model adopted, proof of its consistency.



Value-at-Risk

The Value-at-Risk (VaR) of a portfolio represents the maximum potential loss expected for a given confidence level and over a particular period of time (holding period).

The Value-at-Risk is an important risk management tool used internally and also employed for calculating regulatory capital.

The parameters used in the VaR calculation can vary according to the profile of the positions being analyzed. Regulatory and proprietary models may have different holding periods and confidence intervals.

Systems

BICBANCO uses the following systems for calculation and monitoring of market risk:

- MAPS - RMS Risk Management System : Global System for Calculation of market risk and control of positions and calculation of regulatory market risk;
- Proteu - CRK Soluções Financeiras: Global System for the calculation of results of the trading portfolio.

Responsibilities

The Market Risk area is responsible for:

- Monitoring and analyzing positions to the risk factors;
- Ensuring that positions are in accordance with established limits approved internally;
- Ensuring that internal procedures are in accordance with the market risk policies defined by the Financial Committee;
- Analyzing the risk factors of new operations in advance;
- Calculating and sending the regulatory reports concerning market risk;
- Preparing and reviewing the documentation of policies and procedures of the market risk area.

Credit risk

Introduction to the handling of credit risk

Credit risk consists of the possibility of occurrence of losses associated with the non-performance, by the borrower or counterparty, of financial obligations under the agreed

terms, as well as with the devaluation of a loan agreement resulting from deterioration in the borrower's risk rating, with the reduction of earnings or remuneration, with advantages granted in the renegotiation and with the recovery costs.

The decision-making process guarantees agility and focus in credit actions, taking into account business opportunities and changing scenarios. The priority has been to increase the volume of assets, maximizing the risk/return ratio. For this purpose, BICBANCO has an independent area for managing credit risk, in accordance with best governance practices. This area operates independently from the credit approval structure, calculates the ratings of clients based on metrics that consider their behavior in the market as well as that arising from their operations at the Institution. Thus it differs from the concepts used by the credit approval area, whose structure is built on careful analysis procedures, developed from the expertise acquired throughout the Bank's history.

In line with benchmarking practices benchmark, the Bank continues to upgrade its controls and analytical models. In compliance with Resolution CMN 3,721 and the new Basel accord, there are specific structures of committees and commissions for better management, control and monitoring of this risk.

For some operations involving more significant sums, BICBANCO extends credit against presentation of a guarantee that mitigates the counterparty risk.

	2014	2013
Debt instruments	3,599,908	1,404,337
Derivatives	650,273	629,964
Loans and advances to financial institutions	409,853	1,241,850
Loans and advances to clients	9,765,727	10,554,820
Other loans and receivables	42,604	35,602
Guarantees provided	4,157,402	4,016,820
Maximum exposure to credit risk	18,625,767	17,883,393

Guarantees received (mitigating maximum exposure to credit risk)

The bank guarantees used for financial transactions at BICBANCO are usually collateral securities and personal guarantees. Collateral securities are those that apply to an asset or specific object, and the most common are mortgage, pledge (or escrow) and chattel mortgage. Personal guarantees apply to the entire equity of the joint obligors without express determination on a specific asset. These guarantees only apply to equity, which puts an insolvent debtor, without equity, beyond the range of any contract execution measure.

Personal guarantees may be granted by individuals or legal entities, where these take on the obligation of honoring commitments assumed in the loan operation maintained with the client. Personal guarantees in use are the guarantee and the surety. The bank guarantee is an autonomous and accessory guarantee agreement whereby the guarantor undertakes to perform the obligations of the principal before the bank, and requires the qualification of the parties. This guarantee can only be expressly formalized by a written public or private instrument. The surety is a contract that guarantees contracts (loan for consumption, credit facility, etc.). The guarantor is accountable with all their equity and is entitled, if they do not waive this right, to the benefit of order, that is, this party can only have their assets executed after the execution of the assets of the principal. The surety is a characteristic of a credit instrument, which allows a third party, merely by signing the instrument, to agree to act as joint obligors in relation to the obligations of the secured party. If the surety does not identify the secured party, the guarantor will be securing the last debtor of the bill. The surety does not require the concession of the spouse or the qualification of the guarantor and does not have benefit of order, whereas the guarantor is co-obliged to make the full payment of the bill. The Bank makes use of personal guarantees in almost all loan operations, although they represent a lower mitigation than that of collateral securities.

The collateral securities used in the operations are assets or rights to receivables pledged as collateral for obligations relating to loan operations. Operations with receivables (escrow) represent the second major credit risk mitigator at BICBANCO and are represented by contracts that the borrowers have with third parties, trade notes and credit receivables in general. The pledge of rights, money or credit instruments may also be called collateral.

The commercial pledge is classified as other guarantees and its main advantage is the possibility of its use in operations where other guarantees cannot be used (as in the case of rural credit). Its main drawback is connected to the nature or to the value of the assets that are the subject of a pledge: depreciation, removal, transportation, obsolescence,

difficulties finding a buyer etc. This guarantee is not used whenever it is possible to form collateral given in guarantee, since the pledge should respect the preference of privileged debts (labor and tax). The mercantile or industrial pledge can be formed in the inventory of raw materials or of finished products, as an asset subject of the relationship.

The pledge is also basically a privilege in the execution of chattel. As in the case of the mortgage, the property should be described through a contract formalized by a written instrument, although it does not require authentication. The contract also has to be registered at a Notary Public for precautionary action against third party rights. Pledge may follow different legal standards: Civil, commercial, banknote etc. However, all the types of guarantee used in the bank's operations waive the requirement of delivery of the property for their formation, and a depositary may be constituted to assume responsibility for the property, if necessary.

Among guarantees, special emphasis is placed on the collateral and the mortgage, whereas in the first there is the transfer to the creditor of the conditional property of the asset, that is, the creditor will have the ownership of the asset related to a term or to a resolutive condition, while in the second, real estate of the debtor or third party is pledged to secure the payment of a particular debt, without the transfer of possession of the asset to the creditor.

The mortgage is the security right classified in the chart as "Movable properties" that grants the creditor the privilege in the execution of a property and of its added parts. In Brazilian Civil Law, real estate is basically the land. The buildings and the movable properties introduced thereupon represent accessories and can be incorporated to the property. A mortgage is a formal contract, which requires a public deed (engrossed in the respective book of the Notary Public) and registration at the Real Estate Registry (RGI) of the judicial district in which the property is located, for its constitution. Its main drawback is the preference that it suffers for labor and tax creditors, which are entitled to receive before the mortgagees and the period of its execution.

Collateral given in guarantee applies to movable properties, classified in the chart as "equipment and property" and, more recently, real estate, and consists of the transfer of ownership of the property to the creditor for the duration of the secured obligation. This characteristic allows us to waive the right of preferential creditors, since we are dealing with third party property, foreign to the equity of the debtor until the settlement of the debt. Collateral, in principle, will not be affected by bankruptcy, as it is an asset foreign to the bankrupt estate. In case of bankruptcy, the chances of recovery of loans with mortgage guarantee or guarantee with pledge of collateral are even more remote, since the framework of credit rating to be paid, after the entire lengthy inquiry process,

requires beforehand the payment of labor and tax credits, expenses incurred by third parties for conservation of the property and charges of the estate.

Measurements and Tools for Measurement of Credit Risk in the Portfolio

Rating tools

BICBANCO uses its own internal rating models with respect to the risk analysis of the operation, in compliance with Resolution 2,682, which refers to the classification and formation of provision for loan operations, through the use of the nine levels of risk. Operations are classified according to the judgment of Management, taking into account the economic situation, past experience and specific risks in relation to the operation, debtors and guarantors, periods of delay and economic group.

For the purpose of assessing the loan portfolio, the risk management area adopted an internal model for measuring the credit VaR, with theoretical grounds based on an actuarial approach. The VaR of the loan portfolio is associated with a distribution of aggregate loss for a given confidence level. The mean of this distribution is the Expected Loss (EL), which represents the average loss expectation over a given period of time, which is hedged through provision. The Economic Capital, which is associated with Unexpected Loss, is determined by the difference between the VaR and the EL. For this portion, the Bank protects itself by allocating capital to cover risks. Thus, the VaR with confidence level of 99% (standard adopted by the Bank) is the maximum loss that a portfolio can sustain in 99% of cases, disregarding rare events with a likelihood of occurrence of only 1%, i.e. the likelihood that the portfolio loss will exceed the VaR is 1%.

The Bank uses the Monte Carlo simulation methodology to calculate VaR and other statistical measures. It is a methodology where credit events are simulated in a computational environment for a very large number of times, where the amounts of losses, for each one of the simulated scenarios, are stored and grouped statistically in a collection from where the values at risk (VaR) are calculated directly for each one of the confidence levels.

Calculation of probability of individual default

Scale of Risk

To be able to calculate the risk of the loan portfolio, it is necessary to evaluate each client and to define differentiated risk thresholds. Represented by a numerical scale from 1 to

22 (1 = lowest risk and 22 = highest risk), companies are grouped into homogeneous classes of risk, which indicates the degree of risk of the company analyzed and the respective probability of default.

The scale adopted presents 19 active classes and 3 classes indicating default used to rank companies at default at the time of the inquiry, (which present at least one of the events characterizing default).

Probability of default

The risk management area has evaluation independent from the credit concession area of the risk classes of clients. The 22 classes follow the indication of the probability of default associated with each class of risk, which offers the objective measurement of the degree of risk. We present below the probabilities of default associated with the risk classes.

Equivalent to Serasa Experian	Probability of default	Average default probability	Risk
1	0.00% 0.10%	0.05%	Very low
2	From 0.10 to 0.20%	0.15%	Very low
3	From 0.30 to 0.30%	0.25%	Very low
4	From 0.30 to 0.40%	0.35%	Very low
5	From 0.40 to 0.50%	0.45%	Low
6	From 0.50 to 0.75%	0.62%	Low
7	From 0.75% to 1.0%	0.87%	Low
8	From 1.00 to 1.25%	1.12%	Low
9	From 1.25 to 1.50%	1.37%	Moderate
10	From 1.50 to 2.00%	1.75%	Moderate
11	From 2.00 to 3.00%	2.50%	Moderate
12	From 3.00 to 4.00%	3.50%	Moderate
13	From 4.00% to 5.00%	4.50%	Moderate
14	From 5.00 to 8.00%	6.50%	Moderate
15	From 8.00% to 10.00%	9.00%	Moderate
16	From 10.00 to 15.00%	12.50%	High
17	From 15.00 to 30.00%	22.50%	High
18	From 30.00 to 50.00%	40.00%	High
19	From 50.00 to 99.99%	75.00%	High
20	Default	Basket of events	Very high
21	Default	Judicial and Extrajudicial Recovery	Very high
22	Default	Bankruptcy	Very high

Calculation of the credit VaR

The Bank makes use of the tool developed together with SERASA EXPERIAN, called *Portfólio Multi-Análise* (Multi-Analysis Portfolio). Developed according to the market criteria of SERASA, it receives the probabilities of default adjusted for each one of the flows and, given the confidence level specified in its input, calculates the VaR (Value-at-Risk) of the loan portfolio.

In the actuarial paradigm the risk is measured in terms of future cash flows, i.e. the default risk of a present contract up to its expiry date. As it is an actuarial methodology and not a methodology for the measurement of values, the actuarial methodology does not consider the effects of interest rates on risk exposures, calculating losses in terms of face value, adjusted to the recovery rate determined by BICBANCO based on evaluation and historical experience, since the unrecovered portions are the effective exposures under credit risk. Thus, the actuarial paradigm correctly captures the credit risk component, adjusting the probabilities of default to the contract expiry dates. The calculation methodology is sensitive to the fact that contracts with longer validity periods have a higher credit risk than contracts expiring sooner.

Credit risk parameters

The estimates of risk parameters (RP) are based on the evaluation of Serasa Experian and consider the Transition Matrix that is the main tool for determining the likelihood that a debtor with a given qualification will change qualification during a specific period.

The calculation of LGD (loss given default) is based on the observation of the recovery of non-performing loans, taking into account not only income and expenses related to the recovery process, but also its timing and the indirect costs resulting from this process.

Management of assets and liabilities and liquidity risk

Overview

The Bank uses the Immediately Available Liquidity (IAL) concept as the amount of resources that can be used by the Bank, without discussion or contingencies, in a timeframe that characterizes the settlement window of 24 hours. The liquidity evaluation in this short period is justified given the limited time available for resolution of problems within the settlement window and also the limited scope for making use of other instruments that usually can only occur on D+1, D+2 or D+3. In this scenario we consider the disposal of assets, assignment or settlement of operations, with a realization time that can exceed that defined, thus limiting their use in a growing contingency regime.

Maintenance of IAL is intended to fulfill any needs arising from the non-consummation of planned events in the normal flow of assets and/or liabilities, in a time horizon, and materializes through the addition of assets recorded in cash, Federal Government Securities held in a specific portfolio, investments backed by federal securities and surpluses provided for in the cash flow, which includes return of reserve requirements.

The resources for its maintenance, in turn, may arise from transactions with CBD and own Working Capital of the institution.

Some of the factors that may impact the IAL originate outside the Bank: Changes in the Brazil Risk, international crisis causing severe narrowing of liquidity over Brazil (international crises), sharp interest rate hike or tightening of liquidity in the market, loss of some mid-sized bank, followed by a "herding" effect of investors, request for liquidity of term deposits before the scheduled date, sudden increase in demand for reserve requirements.

And others, originating outside the Bank: non-performing loan assets, including LCs not covered by the importers, activation of Guarantees provided, withdrawals from Guaranteed Checking Accounts (by the committed and unused part), withdrawal of investors due to a negative event affecting the Bank's image, and significant deterioration in the Bank's performance.

Determination of the Potential Need for Liquidity of BICBANCO

Regularity (frequency) of scenario evaluations

The liquidity scenarios are evaluated daily, enabling the evaluation of the flow of resources for a horizon of up to 180 days. Considers the BANK'S potential need for cash, which results from the risks borne and also of the number of clients that might not renew their operations simultaneously.

In order to determine the BANK'S liquidity requirement, one initially works under the assumption that it will only be capable of executing the assets after their settlement window. This hypothesis is of a conservative nature and justifiable given the short time available for the resolution of problems within this timeframe and also due to the possibility of reduction or execution of the assets whose settlement will only occur on D+1, D+2 or D+3.

BICBANCO's potential liquidity requirement is analyzed according to two different and complementary methods, one of which is backward-looking and the other forward-looking, that is, analysis of the historical volumes of securities and analysis of the current portfolio by means of stress tests, respectively. The two proposed methods are complementary, as the first reflects what actually happened in the past while the second is "forward looking", based on the current portfolios and on the stress scenarios determined.

Analysis of historical volumes settled by clients - Backward-looking

It is possible to conduct a retrospective analysis of the BANK'S liquidity risk observing the impacts, day by day, suffered due to the non-renewal of clients.

Analysis of the liquidity risk by means of stress test: *Forward-looking*

The BANK'S potential liquidity requirement is analyzed BANK "looking forward", that is, taking the following sets of information as a reference:

- (i) the stress scenarios considered by the Financial Committee;
- (ii) the consolidated positions of clients; and
- (iii) the theoretical number of clients that might not renew operations with liabilities or not pay operations with assets simultaneously. Possible delays in reception are included in the stress scenarios.

The Financial Committee uses these elements when analyzing its projections.

Based on the analysis of the Potential Liquidity Requirement Matrix and also in keeping with the composition of its assets, the Bank may size the total volume of contracted credit facilities or the need for ready availability of its cash and have enough time to obtain alternatives in the domestic or international market.

Liquidity risk

The liquidity risk is defined as the possibility of cash scarcity, which might entail an inability for the Institution to honor its short-term commitments. The Bank conducts a continuous monitoring of the degree of mismatch between primary risk factors, rates and terms between portfolio assets and liabilities.

The Bank maintains adequate liquidity levels resulting from the quality of its assets, and risk control, in accordance with the Market and Liquidity Risk Policy established for the Institution, by adopting as management instruments the short, medium and long-term liquidity projections; risk limits and liquidity contingency plan.

BICBANCO has an integrated system for liquidity risk management which allows it to meet Central Bank regulatory requirements (Resolution No. 2804). Results of Liquidity Gap analyses are presented on a monthly basis at the Risk Committee.

Operational risks

Operational risk is defined as the possibility of losses arising from any failure, deficiency or inadequacy of internal processes, people or systems, or from external events. It also includes the legal risk associated to the inadequacy or deficiency in contracts signed by the institution, and to fines due to failure to abide by legal provisions and indemnities for damages to third parties arising from activities performed by the institution.

The operating risk management process starts with the application of an appropriate methodology for mapping the risks and controls inherent to the processes. As required, action plans are prepared to mitigate the main threats identified in the processes. Operating risk management comprises the following steps: Risk identification, evaluation, monitoring, control and mitigation, communication and elaboration and monitoring of the action plan.

In addition, records are made in the database system for operating losses and operating risk management, all events occurring in the institution. This procedure's purpose is the compilation of a database to be used in calculating capital allocation for covering the operating risk, as established by the Basel II accord, and it provides sufficient information to identify the causes of these risks.

The combination of risk mapping and monitoring actions with the information obtained from the records of incurred losses allows a continuous improvement in the adopted policies and procedures, as well as the reduction of existing risks.

Exposure to operational risk is reviewed at least every six months, including the assessment of its controls and adjusting them in accordance with the strategy and risk appetite. Operational risk governance is carried out by the area and the entire management of the Institution, with supervision by the Audit Committee. The management structure is different from those that deal with market risk and credit risk, allowing an effective system of internal controls aimed at reducing the likelihood of human errors and irregularities in processes, products and systems. The Risk and Internal Control Committees determine the acceptable risk tolerance level.

Category of loss event	2014	2013
Inad. Practices Relat. to Clients/Products/Services	80.21%	80.05%
External fraud	0.00%	7.02%
Labor claims	19.79%	12.93%
Failures in the Execution and Fulfillment of Deadlines	0.00%	0.40%
Internal fraud	0.00%	0.00%
Damage to Own Assets or Assets in Use by the Institution	0.00%	0.00%
Activity Interruption Events	0.00%	0.00%
Failures in Information Technology Systems	0.00%	0.00%
Total	100.00%	100.00%

40. Convergence of the accounting standard to the international accounting standards (IFRS)

As detailed in note 1.b, the transition to IFRS was accounted for according to IFRS 1 and the date of transition chosen by BICBANCO was January 1st, 2009. Consequently, the accounting policies adopted in these financial statements have been amended in this same date with the purpose of satisfying IFRS in relation to those applied for purposes of BR GAAP.

The changes in accounting policies derived from transition to IFRS and the reconciliation of the effects of such transition are presented below.

Reconciliation between BRGAAP and IFRS applicable to consolidated Shareholders' equity and Comprehensive Income of BICBANCO as of December 31, 2014 and 2013

In thousands of reais	Note	12/31/2014	12/31/2013
Shareholders' equity attributable to the Parent company - BR GAAP		1,219,448	1,952,183
Effect of consolidation of Receivables Investment Funds		(4,667)	(3,994)
Shareholders' equity – IFRS base		1,214,781	1,948,189
IFRS adjustments, net of taxes:			
Fair value measurement of foreign funding	d	(75,814)	(28,070)
Alteration in the rates of conversion of foreign currency-denominated transaction	c	-	(16,778)
Classifications of operations in the category held to maturity	g	(15,767)	(6,916)
Measurement of Loans and Receivables at amortized cost as per the Effective Rate of Interest	b	(8,690)	(6,600)
Impairment of financial assets	a	319,640	12,589
Measurement of discount granted on loans to clients	h	(43,514)	(29,819)
Reversal of Sul Financeira goodwill amortization	f	49,627	42,153
Deferred taxes		(90,192)	10,610
Shareholders' equity attributed to the Parent company in IFRS		1,350,071	1,925,359
Net income attributed to the Parent company in BR GAAP		(735,158)	61,256
IFRS adjustments, net of taxes:			
Fair value measurement of foreign funding	d	(47,744)	(21,088)
Alteration in the rates of conversion of foreign currency-denominated transaction	c	16,778	(15,345)
Designation of hybrid instruments in the category "fair value through profit or loss"	and	(8,851)	-
Measurement of Loans and Receivables at amortized cost as per adoption of effective interest rate	b	(2,090)	6,175
Impairment of financial assets	a	307,051	(28,447)
Measurement of discount granted on loans to clients	h	(13,695)	(29,819)
Reversal of Sul Financeira goodwill amortization	f	7,474	13,486
Deferred taxes		(117,009)	30,016
Net income attributed to the Parent company in IFRS		(593,244)	16,232

Description of the main differences between BRGAAP and IFRS

We present below the accounting practices applicable to BICBANCO in conformity with BRGAAP which materially differ from IFRS and which are presented in the above reconciliations

a. Impairment of financial assets

In BRGAAP, the allowance for doubtful accounts is set up based on analysis of the risks of credit realization, according to a specific rule of the National Monetary Council. According to such regulation, provisions are set up as from credit concession, based on credit risk rating, taking into consideration a periodic analysis of a client's quality and the segments of activity, and not only upon occurrence of default. In BRGAAP, the provision cannot be lower than the minimum required by regulator's standards.

IAS 39 establishes that the entity should evaluate at each base date if there is objective evidence that loan operation or a group of loan operations is subject to impairment loss. A loan operation or group of loan operations is subject to loss for reduction in its recoverable value and impairment losses, if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the loan operation (event of loss) and this event or events have an impact on its future estimated cash flow and may be reliably estimated.

First, we need to evaluate individually if an objective evidence of impairment exists for operations that are individually significant and individually or collectively for operations that are not individually significant. If an objective evidence does not exist for an individually evaluated operation, significant or not, it must be included in a group of operations with similar characteristics and be collectively evaluated. Those operations that are individually evaluated and for which an impairment loss is recorded should not be included in the collective evaluation.

For individually significant assets, an impairment loss is measured by the difference between carrying amount and present value of future estimated cash flows (excluding future credit losses that did not occur), discounted at the original effective rate of interest of the loan operation.

Differences between BRGAAP and IFRS standards have resulted in distinct values of impairment losses and consequently, the adjustment was recognized.

New internal methodology for classifying clients and assignment of rating (Effective from September 2014), under the BRGAAP.

Loan operations are classified with respect to the level of risk, taking into consideration the economic panorama, past experience and specific risks in relation to the operation, to obligators and guarantors, observing the parameters established by BACEN Resolution 2682/99, which requires the periodic analysis of the portfolio and its rating at nine levels, ranging from AA (minimum risk) to H (loss).

From September 2014, aiming at aligning the internal policy on classifying clients and rating, for alignment with the practices of the new controller, the allowance for doubtful accounts started to consider the following aspects considered material:

a) greater importance to the weight of the result from the evaluation of the financial condition of companies, prevailing over other factors taken into account in the risk analysis; b) review of the importance given to restricted collaterals, when they cause improvement in the ratings of clients; c) review of the minimum terms for downgrading, when they arise from late payments; d) reduction in the threshold for late payments to cause downgrading of the entire economic group; e) immediate rating review to higher risk level of transactions with companies that declare court-supervised reorganization in any phase of the use of such resource. Finally, the management understood to be necessary to reposition the main elements that were considered in the economic analysis of its clients, and thus adopt these precepts in the calculation of provision for losses in loan operations, observing the minimum required conditions of BACEN Resolution No. 2,682/99.

As a result of the change mentioned above, there was a significant increase in the difference between the provision for impairment under BRGAAP and that under IFRS, given that the latter consider only the losses incurred in the process of calculating this provision.

b. Measurement of Loans and Receivables at amortized cost as per the Effective Rate of Interest

According to BRGAAP, Fee income charged to clients constituting an effective income should be recognized in income of the year to which it refers. Costs paid by the institution for origination of operations (originator commissions) are presently recorded under "prepaid expenses", and recognized as expenses according to the accrual basis and straight-line basis for the same term of the loan operations generated. According to IAS 18, recognition of income for financial service fees depends on the purposes for which the fees are fixed and the accounting basis of any associated instrument. Rates that are part of the Effective Rate of Interest include basically fees / origination commissions received by the entity by the generation of financial assets not classified in the category "fair value through profit or loss".

In such concept the following are included: Credit Opening Tariff (TAC - PJ) and Credit Receivables Management Tariff (TADC). Such fees include remuneration for activities of assessment of financial conditions of borrower, evaluation and registration of guarantees, administration of the financial flow of receivables guaranteeing debt, among others. These fees are an integral part in the generation of a continuous involvement with the resulting financial instruments, and jointly with the respective costs of transaction, are deferred and recognized as adjustment to the effective rate of interest.

Considering the above concept, the following are qualified under this concept: Credit Opening Tariff (TAC - PJ) and Credits Receivable Management Tariff (TADC).

The difference between interest appropriation by the contractual rate (BRGAAP) and by the effective rate of interest (IFRS) generates adjustment in accounting criterion.

c. Alteration in the rates of conversion of foreign currency-denominated transaction

In BRGAAP, foreign currency-denominated operations are converted to the functional currency of the entity (Real) through the use of "PTAX 800" quotation (average practiced in the day), as determined by the rules of the Central Bank of Brazil. According to IAS 21, foreign currency operations should be converted to the functional currency of the entity on the dates of closing of balance sheet as of the utilization of the purchase (for foreign currency assets) and sale (for foreign currency liabilities) closing rates.

d. Fair value measurement of foreign funding

According to BRGAAP standards, all liabilities issued by the entity should be measured at amortized cost, through valuation of contract by the nominal rate agreed upon with investor. According to IFRS, an entity may designate a financial liability at fair value through profit or loss whenever such measurement result in a more relevant information, once it significantly eliminates or reduces an inconsistency in measurement or in recognition (sometimes called accounting inconsistency) which, otherwise, would result from measurement of assets and liabilities or from recognition of gains or losses upon them by distinct measurement criteria. BICBANCO has designated foreign funding (measured at amortized cost according to BRGAAP) in the category "financial liabilities at fair value through profit or loss" with the purpose of equaling the measurement model of those liabilities to that of linked derivatives, that are also measured at fair value.

The difference between amortized cost and the fair value of liabilities classified in the category "financial liabilities at fair value through profit or loss" has generated adjustment to accounting criterion.

e. Designation of hybrid instruments in the category "fair value through profit or loss"

In 2010, BICBANCO acquired Credit Linked Notes issued by a foreign financial institution. These financial instruments are characterized as "hybrid financial instruments" due to the existence of an implicit derivative (credit derivative linked to the underlying risk of a third party) not intimately related to the main contract (debt instrument whose credit risk remains with the issuer). As an alternative to the segregated measurement of two components of the structure, BICBANCO elected by classifying the instrument, in its totality, in the category "assets at fair value through profit or loss".

In view of non-existence of the option of measuring assets "to the fair value through profit or loss" in BRGAAP, the difference between amortized cost of such instrument (classified in BRGAAP as held to maturity) and the fair value generated adjustment to accounting criterion.

f. Reversal of amortization of goodwill

Under BRGAAP, goodwill is amortized over the amount equivalent to profit or loss earned by the company acquired, and the recorded goodwill is subject to a recoverability test once a year or more often, if there is any indication of reduction in the asset's recoverable value.

Under the IFRS, goodwill is not amortized but is reviewed annually to devalue its value recorded at the level of cash generating units (as defined by IAS 36 - Impairment of Assets) or if and when indicators arise of reduction in the recoverable value (impairment).

Accordingly, the amount of the amortization of the goodwill amortized in the previous GAAP was recomposed due to the absence of evidences of impairment.

g. Classifications of operations in the category maintained until maturity

According to IAS 39, the entity should classify operations in the category held to maturity whenever shall exist the intention and the financial capacity to take investment until maturity. Differently from the Brazilian standard, reclassification of this category to others is not permitted. Given the penalties provided for the international standard, BICBANCO elected by reclassifying, on the date of initial adoption, to available for sale, all operations classified as held to maturity in BRGAAP.

h. Measurement of discount granted in renegotiation of loans, not required by BRGAAP

Measurement of present value of long-term loan operations not required by BRGAAP

According to IAS 39, the entity must measure the discount arising from the adjustment to present value of loans and advances to clients and recognize the asset at its present value in the equity position. The contractual or implicit discount rate shall be consistently adopted through the realization of the asset in future periods, recognizing the effect on interests on the statement of profit or loss for the year.

Income Tax and Social Contribution on IFRS Adjustments

IAS 12 requires accounting for the deferred income tax and social contribution for all temporary taxable or deductible differences, except for deferred taxes originated from initial recognition of goodwill, initial recognition of a liability originated or asset acquired that does not qualify as a business combination, and that on the date of transaction does not affect income and does not affect profit (or loss) for tax purposes. The adjustments of deferred Income Tax and Social Contribution have been calculated upon IFRS adjustments.

Other differences of criterion

At the time of forming the opening balance sheet, BICBANCO made some asset reclassifications with the purpose of better meeting the characteristics of assets and liabilities at the light of the international accounting standards. These adjustments generate reclassifications between asset and liability lines, but do not have impact on shareholders' equity or income of the year.

Foreign exchange portfolio

A financial asset and a financial liability will be offset and the net value presented in the financial statements whenever, and just whenever, an entity: (a) shall have a legally enforceable right of offsetting recognized values; (b) attempt to settle on a net basis or realize the assets and settle the liability simultaneously. Considering that the exchange transactions in Brazil meet these requirements, they were stated on a net basis for IFRS purposes, and may be shown in assets or liabilities depending on the net amount (credit or debit) at the end of the reporting period.

Leases

Domestic lease operations covered by Law 6099 are deemed to be, pursuant to international rules, financial instruments with fixed and defined payments and with no active market. These features lead to their being stated in the line - "loans and receivables - client loans and advances."

Subsequent events

On August 25, 2015, the Superintendence of Securities Registration of Securities Commission (CVM), by means of Official Letter No. CVM/SRE/OPA/CAN/2015/005, granted the registration for performing unified public offering aimed at acquiring up to the totaling of the common and preferred shares issued by the Company to be carried out (i) in view of the disposal of the control of the Company; (ii) for canceling the Company's registration for trading shares in the market as issuer of "A"-type securities; and (iii) in view of the discontinuity of the differentiated corporate governance practices provided in the special listing segment of BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros ("BM&FBOVESPA"), called Level 1 of Corporate Governance, as required by the bylaws of the Company (items (i), (ii) and (iii), collectively referred to as "Offering"), according to the terms and conditions established in the Bid Notice of the Unified Public Offering for Common and Preferred Shares Issued by the Banco Industrial e Comercial S.A.

The Bid Notice was published on August 27, 2015 in the newspapers Diário do Comércio, Indústria & Serviços and Valor Econômico. The Auction of the Offer shall be made on September 28, 2015 at 4:00 p.m. (Brasília time), in the electronic trading system of the BOVESPA Segment of BM&FBOVESPA.