CCB Brazil Financial Holding – Investimentos e Participações Ltda.
Valuation of Banco Industrial e Comercial S.A.

September 25, 2014

Building a better working world

EY – Ernst & Young Assessoria Empresarial Ltda.
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To the Management of
CCB Brazil Financial Holding – Investimentos e Participações Ltda.
Rua Boa Vista 254, 13º andar, Centro, CEP 01014-907.
São Paulo, Brasil.

September 25, 2014

Dear Sirs,

In accordance with the Engagement Letter executed on September 8, 2014 between Ernst & Young Assessoria Empresarial Ltda. ("**EY**") and CCB Brazil Financial Holding – Investimentos e Participações Ltda. ("**CCB Brazil**") we are pleased to present this report ("**Report**") covering the valuation of 100% of Banco Industrial e Comercial S.A. ("**BIC Banco**" or "**Bank**"), as of June 30, 2014 ("**Reference Date**").

The purpose of this **Report** is to assist the management of **CCB Brazil** ("**Management**") in its process of the public offer to acquire the totality of **BIC Banco**'s outstanding shares ("**OPA**"), in compliance with the Instruction 361/02 of Comissão de Valores Imobiliários ("**CVM**"), later amended by CVM Instructions 436/06, 480/09, 487/10 and 492/11 (jointly herein named "**IN CVM**"), Law 6.404/ 76 as amended from time to time, Section VII of the Regulation of Level 1 of Corporate Governance Practices of the **BM&FBovespa** and Chapter X of the bylaws of BIC (together, "**Applicable Law**"). Accordingly, this **Report** should not be used for any other purpose.

This **Report** is aimed to comply with the terms of Annex III of **IN CVM**, therefore it contemplates the valuation of **BIC Banco** based on the following methodologies:

1. **BIC Banco**'s weighted average prices of traded shares, per type and class: (A) weighted average prices of the 12 (twelve) months immediately prior to the date of disclosure of the Material Fact related to the **OPA** (August 29, 2014); and (B) between the date of this **Report** (September 25, 2014) and the date of disclosure of the Material Fact related to the **OPA.** Additionally, we calculated the (C) weighted average prices of the 12 (twelve) months immediately prior to the date of disclosure of the Material Fact related to **BIC Banco**'s acquisition by **CCB Brazil** (October 31, 2013). The sources of information of the weighted average prices in all cases are the public quotes of the shares of **BIC Banco** in the securities market, obtained through Capital IQ[1];

2. **BIC Banco**'s equity value per share, based on financial statements of June 30, 2014 sent to CVM and audited by **KPMG** Auditores Independentes ("**KPMG**"); and

3. **BIC Banco**'s economic value per share, based on Discounted Cash Flow to Equity ("**DCF**") and Multiples of Comparable Companies methodologies.

[1] S&P Capital IQ a division of McGraw Hill Financial, which provides web-based information services on companies worldwide

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We point out that our work did not include any sort of judgment in relation to the distribution of the economic value calculated among the different types and/classes of shares of **BIC Banco**, to minority shareholding, or to lack of liquidity. We understand that these factors are solely reflected in the market price of traded shares.

This **Report** describes the objective, scope, procedures and methodology applied by **EY**, as well as the market and operating assumptions used to develop **BIC Banco**'s estimated economic value.

We appreciate the opportunity of having collaborated with **CCB Brazil** in this process and we make ourselves available to clarify any queries or provide additional information through the contact of Mrs. Andréa Fuga or Mr. Jamiu Nogueira Antunes de Souza, at the phone number (+ 55 11) 2573-3000.

Yours truly,

Andréa de Brito Fuga
Partner (legal representative and technical responsible)
EY

Jamiu Nogueira Antunes de Souza
Senior Manager (responsible for the Valuation)
EY

Douglas S. Oliveira
Partner (legal representative and independent reviewer)
EY

Contents

1. Executive Summary

1.1 Executive Summary

Context

BIC Banco is a Brazilian bank with Chinese control, exercised indirectly by a Brazilian holding, whose shares are publicly traded on B**M&FBovespa**. It is the eighth largest privately owned Brazilian bank in terms of loan portfolio size, based on the asset position of Brazilian banks as of June 30, 2013, according to the Central Bank. It has over 75 years of experience in the middle market. In June of 2014, **BIC Banco** had 37 service centers in Brazil and one international (the Cayman Islands), in addition to 788 employees. [2]

China Construction Bank – **CCB** – is a leading commercial bank in China, providing a comprehensive range of commercial banking products and services. Its business consists of three principal business segments: corporate banking, personal banking, and treasury operations. At the end of June 2013, the market capitalization of **CCB** reached US$176.7 billion, ranking 5th among listed banks in the world. The **Bank** has a network of 14,925 branches in China and overseas branches in Hong Kong, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Ho Chi Minh City, Sydney, London, Russia, Dubai and Taipei.[3]

In October 31, 2013 **BIC Banco** issued a Material Fact announcing that **CCB Brazil** acquired its controlling shares. According to the Material Fact published in October 31, 2013, **CCB Brazil** acquired directly and indirectly, 157.394.932 ordinary shares and 24.702.582 preferred shares (equivalent to 72% of total capital, or 73,96% excluding treasury shares) for R$ 1.620.976.548,00, or R$ 8,9017 per share, regardless their classes, such price is subject to upward or downward adjustments after the closing of the transaction, as stated in the Material Fact [4]

The transfer of control of **BIC Banco** triggered the need for **CCB Brazil** to present a public offer to acquire the **Bank**'s outstanding traded shares, the **OPA**. In addition, **CCB Brazil** will request CVM authorization in order to integrate such mandatory tender offer with a voluntary tender offer for cancellation of registration of the **Bank** as an issuer of securities, in accordance with paragraph 4th of article 4th of the Law 6.404/476 and with articles 6th and 51st of the By-laws of **BIC Banco**, as well as a voluntary tender offer for leaving the Level 1 of Corporate Governance Practices of **BM&FBovespa**, in accordance with article 57st of the By-laws of the **Bank**.

[2] http://www5.bicbanco.com.br/port/download/demon/BICBANCO_DF_BRGAAP_2T14.pdf
[3] http://www5.bicbanco.com.br/port/download/Fato_Relevante_31_10_2013.pdf
[4] http://www5.bicbanco.com.br/port/download/Fato_Relevante_31_10_2013.pdf

Methodology and Results

1. Weighted Average Prices of Shares

As required in **IN CVM**, the weighted average prices of the shares was calculated and presented in following ways:

(A) Weighted average of the 12 (twelve) months immediately prior to the date of disclosure of the Material Fact related to the **OPA** (August 29, 2014): **R$ 7.07 (seven Reais and seven cents)** per preferred share (ticker: BICB4) and **R$ 7.61 (seven Reais and sixty-one cents)** per common share (ticker: BICB3). [5]

(B) Weighted average between the date of disclosure of the Material Fact and the date of this **Report**, resulting in **R$ 7.66 (Seven Reais and Sixty six cents)** per preferred share and **R$ 7.66 (Seven Reais and Sixty six cents)** per common share.[5]

(C) Weighted average of the 12 (twelve) months immediately prior to the date of disclosure of the Material Fact related to **BIC Banco**'s acquisition by **CCB Brazil** (October 31, 2013), resulting in **R$ 5.40 (five Reais and forty cents)** per preferred share and **R$ 5.71 (Five Reais and seventy one cents)** per common share.[5]

It is important to highlight that the liquidity of **BIC Banco'**s common shares is substantially lower than that of its preferred shares. Additionally, the price changes after October 31, 2013 might be impacted by the announcement of the acquisition of **BIC Banco** by **CCB Brazil**, which would result in the **OPA.**

2. Equity Book Value

As required in **IN CVM**, the value of **BIC Banco**'s shares was calculated based on the latest audited financial statements of the **Bank** presented to CVM. On June 30, 2014, the Equity Book Value of **BIC Banco** was R$ 1,815,282 thousand. As presented previously, **BIC Banco** has a total of 252,903,569 shares (of which 160,206,833 are common shares and 92,696,736 are preferred shares). Therefore, the equity book value resulted in **R$ 7.18 (seven Reais and eighteen cents)** per share. In June 2014, the **Bank**'s Financial Statements were audited by **KPMG**.

3. Economic Value

Pursuant to **IN CVM**, the economic value of **BIC Banco** should be calculated based on at least one of the following methodologies:

[5] https://www.capitaliq.com/CIQDotNet/company.aspx?companyId=11254435

3.1 Discounted Cash Flow to Equity

To calculate the economic value of **BIC Banco** based on the **DCF** Method**,** the following procedures were considered:

1. Obtaining historical accounting, operating, and management data of **BIC Banco**;
2. Meetings and discussions with the executives and employees of **CCB Brazil** during the performance of the work;
3. Market analysis in which **BIC Banco** is inserted, to identify future growth and profitability perspectives, including independent studies of the industry in which the company operates;
4. Discussion of assumptions, of market behavior, and the sensitivities of the valuation with the management of **CCB Brazil**; and
5. Critical analysis of the budget perspectives provided by the management of **CCB Brazil**.

We point out that our work did not include any sort of judgment in relation to the distribution of the economic value calculated among the different types and/classes of shares of **BIC Banco**, or in relation to minority shareholding or lack of liquidity. We understand that these factors are solely reflected in the average market price of the outstanding shares.

The main assumptions considered in the **DCF** Method are described below:

- **Reference Date:** June 30, 2014;
- **Methodology:** Income approach – Discounted Cash Flow to Equity;
- **Projection period:** 9 (nine) years and 6 (six) months, from June 30, 2014 through December 31, 2023 and in perpetuity;
- **Currency:** Brazilian Reais (BRL) in nominal terms, thus, considering the impact of inflation;
- **Discount rate:** Calculated in R$ in nominal terms for the whole period, according to the Cost of Equity methodology ("**CAPM**"), resulting in 14.26% a.a.;
- **Perpetuity:** For the perpetuity, the growth considered was the estimated inflation plus 1/3 of real gross domestic product ("**GDP**"), resulting in 6.24% per year;
- **Specific Assumptions:** The projections are based on: (i) budget perspectives of **BIC Banco**; (ii) audited financial statements of **BIC Banco**; (iii) management information provided by **BIC Banco** and (iv) public market information.

- **Macroeconomic Assumptions:**

Macroeconomic Assumptions	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
GDP[1]	1,00%	2,28%	1,17%	1,52%	2,45%	2,83%	2,89%	2,72%	2,81%	2,81%	2,78%	2,80%
Nominal GDP	6,26%	9,89%	7,68%	7,79%	8,16%	8,31%	8,25%	8,24%	8,27%	8,25%	8,25%	8,26%
IPCA[1]	5,84%	5,91%	6,43%	6,18%	5,57%	5,33%	5,21%	5,37%	5,30%	5,29%	5,32%	5,31%
CPI - US[2]	2,08%	1,47%	1,80%	2,10%	2,10%	2,10%	2,10%	2,10%	2,10%	2,10%	2,10%	2,10%
Inflation Differential	3,69%	4,38%	4,55%	4,00%	3,40%	3,16%	3,05%	3,20%	3,14%	3,13%	3,16%	3,14%
Selic[3]	8,49%	9,90%	10,92%	11,74%	11,28%	10,56%	10,25%	10,25%	10,25%	10,25%	10,25%	10,25%
Exchange Rate[4]	1,96	2,34	2,30	2,45	2,53	2,56	2,60	2,68	2,77	2,85	2,94	3,04

Source: BACEN (http://www.bcb.gov.br/?FOCUSRELMERC) / Business Monitor (https://bmo.businessmonitor.com/sar/sa?iso=US)/ IPEA Data (http://www.ipeadata.gov.br/)

1. Three years moving average starting in 2019
2. Projection until 2015. Kept constant starting in 2016.
3. Projection until 2018. Kept constant starting in 2019.
3. Projection until 2018. Growth in line with inflation differential starting in 2019.

- **Subsidiaries: BIC Banco**'s subsidiaries were treated consolidated with the **Bank.**

The results contained in this **Report** depend on the assumptions that would serve as basis for the projections. The **DCF** method does not anticipate changes in the external and internal environments in which the company is inserted, except for those stated in this **Report**. It is worth highlighting that the **DCF** methodology presents some limitations, as mentioned in section *5.8. General Considerations* of this **Report** related to the choice for the methodology used in this work.

Still based on the **DCF** methodology, we performed sensitivity analyses regarding the discount rates, utilizing a range of 35 bps up and down, and obtained an estimate of economic value for **BIC Banco** between **R$ 1,797.576 thousand (one billion, seven hundred and ninety seven millions, five hundred and seventy six thousand Reais)** and **R$ 1,644,904 thousand (one billion, six hundred and forty four millions, nine hundred and four thousand Reais).** Such amounts resulted in a value interval between **R$ 7.11 (seven Reais and eleven cents)** per share and **R$ 6.50 (six Reais and fifty cents)** per share. Further details on the analyses of sensitivity and on the developed alternative scenarios will be presented in section *4. Value Determined by a Different Criteria* of this **Report**.

Total capital value	R$ Thousands
(+) Present value of explicit cash flow	784.364
(+) Present valor of perpetuity	933.471
(=) Total capital value	1.717.835
Value per Share (R$)	6,79

Source: **BIC Banco/ CCB Brazil /EY**

It is important to highlight that the values obtained using the **DCF** methodology corresponds to **BIC Banco**'s stand-alone value. Therefore, these values do not take into account possible synergies due to the integration with **CCB Brazil**.

In the projection, we assumed the non-operating assets/ liabilities are realized in the first projected period (second semester of 2014), as described in Section *4.3 Economic value - Discounted Cash Flow to Equity (**DCF**)*.

3.2 Market Multiples Valuation

In addition, **EY** presents an analysis of value using the market multiples of comparable companies methodology. According to this methodology, the value of **BIC Banco** is between **R$ 1,516 million thousand (one billion, five hundred and sixteen million Reais)** and **R$ 1,772 million (one billion, seven hundred and seventy seven million Reais)**, or **R$ 5.99 (five Reais and ninety nine cents)** to **R$ 7.01 (seven Reais and one cent)** per share.

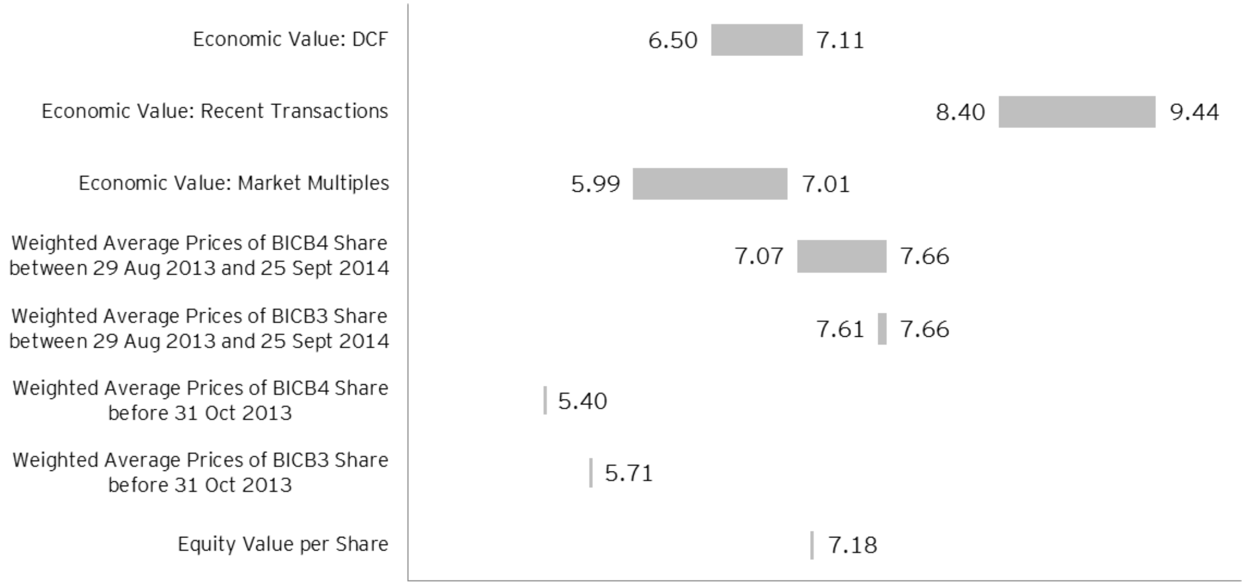
3.3 Market Multiples from Recent Transactions

In addition, **EY** presents an analysis of value using the market multiples from recent transactions methodology. According to this methodology, the value of **BIC Banco** is between **R$ 2,123 Million (two billions, one hundred and twenty three million Reais)** and R$ **2,387 Million (two billions, three hundred and eighty seven million Reais)**, or **R$ 8.40 (eight Reais and forty cents)** to **R$ 9.44 (nine Reais and forty four cents)** per share.

Conclusions

Based on the methodologies applied in the **Report**, the results obtained were:

Comparative chart of the values obtained by the several valuation methodologies



Source: BIC Banco/ CCB Brazil/ EY/ Capital IQ

Given that:

1. **BIC Banco** shares do not have great liquidity in the market, and are held by few shareholders, e with few transactions, making it difficult to capture the potential valuation or devaluation of the **Bank**. Therefore, the methodology of the weighted average price of the shares of **BIC Banco** is possibly not capturing correctly the value of the **Bank**;
2. The equity value is substantiated in historical and accounting values, not considering **BIC Banco**'s current financial margins, as well as future growth perspectives of the company and its subsidiaries;
3. The value obtained by the Market Multiples of comparable companies methodology is based on banks whose operations and characteristics are not necessarily equivalent to **BIC Banco**'s, and, with the goal of narrowing the sample of comparable banks to those with more similarities to **BIC Banco**, the sample resulted in banks whose shares have low liquidity;
4. The recent transactions methodology resulted in a small sample of comparable transactions and, in addition to that, reflects the specific situations (such as eventual synergies) of each transaction; and
5. The **DCF** methodology is recognized as the one that more appropriately translates the economic value of a venture, whether a company or business integrating a greater structure for capturing the entire potential growth of the market and evaluated company, on its market segment.

We conclude that the fair value calculated by the **DCF** methodology is the one to best reflect the economic value of **BIC Banco** and that the value for 100% shares of the **Bank** in June 30, 2014 was **R$ 1,797.576 thousand (one billion, seven hundred and ninety seven millions, five hundred and seventy six thousand Reais)** and **R$ 1,644,904 thousand (one billion, six hundred and forty four millions, nine hundred and four thousand Reais)**, resulting in a value per share between **R$ 7.11 (seven Reais and eleven cents)** and **R$ 6.50 (six Reais and fifty cents)**.

2. Appraiser's Information

2.1 EY Brazil

History

This **Report** was prepared by **EY** (Ernst & Young Assessoria Empresarial Ltda.), which is part of Grupo Ernst & Young Brasil, connected to the Ernst & Young Global network, one of the leading audit, consulting, and business advisory firms globally, resulting from the merger of accounting and advisory firms that emerged in the United States and the UK in the early 1900's.

In 1906, Scotsman Arthur Young set up an accounting firm in Chicago to take care of British companies' business, forming Arthur Young &Co. Meanwhile, in Cleveland, a small accounting office was in operation, Ernst & Ernst, founded by brothers A.C. and Theodore Ernst in 1903.

In the following years, both firms acquired other accounting firms and opened new branches. They also opened offices abroad, mainly in Europe.

In 1979, the international relation initiated by A. C. Ernst peaked in the merger with a British firm Whinney Murray &Co., creating a global company, Ernst & Whinney.

In 1989, Ernst & Whinney merged with Arthur Young, creating Ernst & Young, a company currently operating in more than 140 countries. Ernst& Young employs 145 thousand employees, with an annual revenue of US$ 25 billion (fiscal year of 2013).

In Brazil, the 1st Ernst & Young office was set up in 1933. Today, Ernst & Young has offices in 12 Brazilian cities, employing about 5,000 people nationwide.

TAS – Transaction Advisory Services

EY's Transaction Advisory Services (TAS) department renders services related to aspects of Mergers and Acquisitions, Project Finance, Real Estate Advisory Services, Financial Strategy, Transaction Support (Due Diligence services), Appraisals of Fixed and Intangible Assets, Business Modeling and Valuation services.

EY's Valuation & Business Modeling unit of the TAS department was responsible for the financial and economic valuation of **BIC Banco**.

2.2 Quality Procedure in EY

EY's review process is careful and comprises several steps, in which qualified professionals of all hierarchical levels, who participated and who didn't directly participated in the work, are engaged.

Specifically as to the Valuation & Business Modeling unit, responsible for the financial and economic valuation of **BIC Banco**, all valuation models, spreadsheets and reports go through a review process initiated by the Manager in charge of the project. After its approval, the documents are again reviewed by a Senior Manager. In order to ensure the quality of the project, the models, spreadsheets, and reports are then reviewed not only by the responsible Partner but by a Partner independent reviewer, who has not effectively participated in the project. The last phase of the process refers to the approval by the Partner responsible for the project.

2.3 Responsible Team for Valuation Analysis

Our approach considers the human element to be essential in order to achieve the objectives. Thus, we seek to build a team with experience in the area in which **BIC Banco** operates.

People, processes, and technology are three necessary elements for offering services of the highest quality, in order to meet the client's expectations. Among them, the element which brings the greatest difference to our clients is the people responsible for the performance of the processes and for the development and implementation of ideas.

All the existing technology and the best methodology are not sufficient if there isn't a team with proper knowledge and experience level and full interaction with **BIC Banco**'s team.

The project was conducted by professionals with experience in Valuation of Companies, Financial Advisory and Corporate Finance of **EY**'s TAS Unit.

Our team was led by Ms. Andréa B. Fuga, one of the Partners responsible for the Valuation & Business Modeling group in the TAS unit of **EY**, who coordinated the entire project. For this work, a second Partner was engaged in the review process (independent reviewer). This second Partner was Mr. Douglas S. Oliveira.

The responsibility for the execution of the services was held by Ms. Andréa de Brito Fuga, Partner of the Valuation & Business Modelling and Mr. Jamiu N. Antunes, Senior Manager of the Valuation & Business Modeling group in the TAS unit of **EY**.

- **Andréa B. Fuga** (andrea.fuga@br.ey.com) – **Partner**

Partner within Capital Transformation Group, in the area of Valuation Advisory Services of Ernst & Young Brazil, Andréa has broad experience in projects of Economic Valuations and Mergers & Acquisitions. Leads several economic valuations projects, undertaken with the objective of supporting financial reporting, tax, restructuring, public offering and negotiations.

Andréa is a Bachelor in Public Administration, by Fundação Getulio Vargas (SP, Brazil) and MBA in Finance and Strategy by Simon Graduate School of Business, at University of Rochester (NY, USA).

Main credentials:Itaú Unibanco, Mitsui Insurance, CNP Brasil (Caixa Seguros), Banco Bradesco, Banco do Brasil, Ohio International and XP Investimentos.

▶ Douglas S. Oliveira (douglas.s.oliveira@br.ey.com) – Partner

Douglas is the Lead Partner for Transactions in the Financial Services Industry within the Transaction Advisory Services of EY Brazil. He was responsible for coordination in many transactions involving financial institutions and non-financial entities. His experience encompasses deals in Brazil and Latin America, contemplating due diligences, valuations, structuring, business plans. His experience includes auditing financial institutions, insurance and listed companies, with focus on internal controls, risks evaluation, financial statements under Brazilian and international accounting practices.

Douglas is a Bachelor in Business Administration, by Fundação Armando Alvares Penteado (FAAP) and in Accounting by Universidade Paulista, an Executive MBA from Business School of São Paulo and a Managing in Global Business Executive Program – Rotman School of Management from University of Toronto, Canada.

Main credentials: Banco do Brasil, CNP Brasil (Caixa Seguros), JP Morgan Brasil, Caixa Econômica Federal, Mizuho Bank, Banco PSA and ItaúUnibanco.

▶ Jamiu N. Antunes (jamiu.antunes@br.ey.com) – Senior Manager

Jamiu Antunes is a Senior Manager within our Transaction Advisory Services practice of Ernst & Young Brazil, his expertise includes transaction advisory, valuation and M&A in developing economic-financial valuation models, economic feasibility studies and investment analyses. Jamiu Antunes is part of the EY Valuation & Business Modeling team for over than 5 years.

M.Sc. in Economics at Escola de Economia de São Paulo of Fundação Getúlio Vargas. Specialization in Investment Banking and Corporate Finance at Fundação Instituto de Administração (FIA) of Universidade de São Paulo. BA in Economics at Universidade Federal deJuiz de Fora.

Main credentials: Banco do Brasil, Itaú Unibanco, HSBC Vida e Previdência, CNP (Caixa Seguros), Ohio Internacional, IRB, Mitsui Insurance, Banco Bradesco, XP Investimentos, among others.

▶ Michel Tagima (michel.tagima@br.ey.com) – Senior Consultant

Michel is a senior consultant within the Transaction Advisory Services practice at Ernst & Young Brazil. Michel has been part of the **EY** Valuation & Business Modeling team for 2 years, working in developing economic-financial valuation models and reports, as well as investment analyses.

His experience includes two years of experience in the equity research business. Michel has Bachelor degree of Social Sciences in Economics at the University of São Paulo.

- **Caroline R. Contin** (caroline.contin@br.ey.com) – **Senior Consultant**

Caroline is a senior consultant within the Transaction Advisory Services practice at Ernst & Young Brazil. Caroline has been part of the **EY** Valuation & Business Modeling team for more than 2 years, working in developing economic-financial valuation models and reports, as well as investment analyses.

Caroline has Bachelor degree of Social Sciences in Economics at the Universidade Estadual Paulista (UNESP).

2.4 Credentials

The **EY** TAS department has provided services to clients from various sectors, demonstrating proven technical ability.

We highlight the following main services: Economic-financial Valuation, Equity Valuation, Financial Advisory, Mergers and Acquisitions and Real Estate Advisory services, among others.

Among the companies for which we provide services we can highlight the following:

Company	Sector	Work performed	Date
Works performed due to CVM's regulations			
Banco Máxima	Banking	Financial-Economic Evaluation for invested company for CVM nº 476	2014
Ultrapar Participações	Diverse	Financial-Economic Evaluation for CVM nº 319	2013
Redecard	Acquirers	Financial-Economic Evaluation for Tender Offer	2012
Amil	HealthInsurance	Financial-Economic Evaluation for Tender Offer	2012
Yara Fertilizantes	Fertilizers	Financial-Economic Evaluation for Tender Offer	2011
Dixie Toga	Packaging	Financial-Economic Evaluation for Tender Offer	2010
Banking Industry			
Bradesco	Banking	Financial-Economic Evaluation Services	2014
Itaú Unibanco	Banking	Financial-Economic Evaluation and Purchase Price Allocation Services	2013/ 2014
Banco Luso-Brasileiro	Banking	Financial-Economic Evaluation and Purchase Price Allocation	2013/2014
Citibank	Banking	Fair Value and Financial-Economic Evaluation	2013
Banco Máxima	Banking	Financial-Economic Evaluation	2013
Banco Modal	Banking	Financial-Economic Evaluation	2013
Credit Suisse	Banking	Financial-Economic Evaluation Services	2012
Diversified Financials Services Industry			
Ohio National	Insurance	Financial-Economic Evaluation and Purchase Price Allocation	2014
XP Investimentos	Securities Brokerage	Financial-Economic Evaluation and Purchase Price Allocation	2013
Caixa Seguros	Insurance	Financial-Economic Evaluation of Previsul	2012/2013

Source: **EY**

Company	Sector	Work performed	Date
Diversified Financials Services Industry (Cont.)			
Caixa Seguros	Insurance	Financial-Economic Valuation of IRB	2012
MetLife	Insurance	Financial-Economic Evaluation of 2 Subsidaries	2012
HSBC Vida e Previdência	Insurance	Financial-Economic Evaluation	2011
Other Industries			
Ambev	Beverages	Several Financial-Economic Evaluation Services	2013
Boticário	Consumer Goods	Financial-Economic Evaluation	2013
Bunge	Diverse	Several Financial-Economic Evaluation Services	2013
Galderma Pharma S. A.	Pharmaceutical	Financial-Economic Evaluation	2013
General Eletric do Brasil	Diverse	Several Financial-Economic Evaluation Services	2013
Johnson & Johnson	Pharmaceutical	Financial-Economic Evaluation	2013
Merck	Pharmaceutical	Financial-Economic Evaluation	2013
Votorantim Cimentos	Cement	Several Financial-Economic Evaluation Services	2013
Gereral Mills	Foods	Financial-Economic Evaluation	2012
International Paper	Pulp and Paper	Several Financial-Economic Evaluation Services	2012
Procter & Gamble	Diverse	Several Financial-Economic Evaluation Services	2012
Daiichi Sankyo Brasil Farmacêutica	Pharmaceutical	Financial-Economic Evaluation	2011
Eurofarma	Pharmaceutical	Financial-Economic Evaluation	2011
Aché Laboratórios Farmacêuticos	Pharmaceutical	Financial-Economic Evaluation	2003

Source: EY

2.5 Statements

Pursuant to Annex **III** Item X of **IN CVM** 436, letter “d”, **EY** declares that:

1. Together with its partners and/or professionals, they do not have any securities issued by **BIC Banco**, and they do not administrate any of its securities;

2. There are no commercial and credit relations of any nature that may impact the financial and economic **Report** of **BIC Banco**;

3. There is no conflict of interest that may compromise the necessary independence for the performance of the activities related to this **Report**;

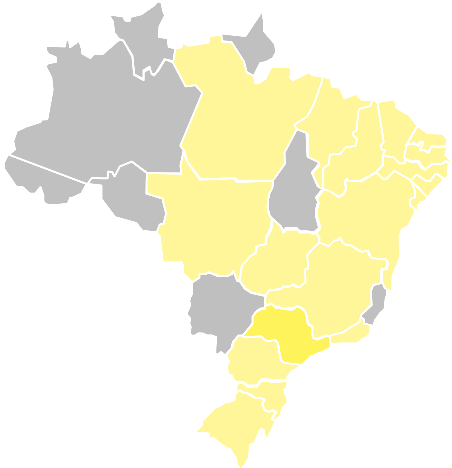
4. The amount received for the execution of the **Report** of **BIC Banco** was R$ 175,000.00 (one hundred and seventy-five thousand Reais); and

5. Over the last 12 (twelve) months prior to the request of registration, **EY** did not perform any work, remunerated or not, for **CCB Brazil** or for **BIC Banco.**

3. BIC Banco's Information

3.1 BIC Banco

Brazilian Branches



Branches
Headquarters
Source: **BIC Banco/ EY**

BIC Banco

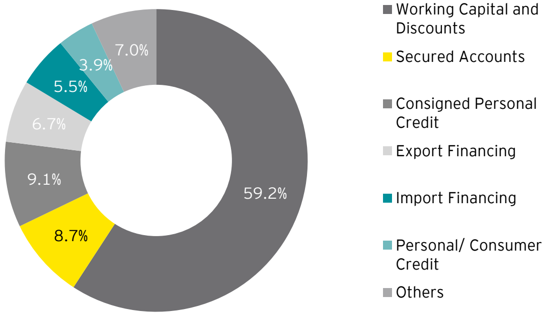
BIC Banco started its activities in 1938 by setting up *Cooperativa de Credito do Joazeiro*, which then became *Banco do Joazeiro* in 1944, expanding its operations to its cooperated producers. In 1972, the *Banco do Cariri* was purchased, creating *Banco Industrial do Cariri*, which in 1974 takes over Banco dos Proprietários, enabling the diversification of its products and services. When the bank's headquarters were transferred to Fortaleza, its corporate name changed to *BIC – Banco Industrial do Ceará*. In 1981, with the opening of the first branch in São Paulo and the new **BIC Banco** dimension nationwide, a new corporate name, *Banco Industrial e Comercial S.A.*, was adopted.

In 1989, **BIC Banco** starts to operate as a multi-service bank and creates the associated companies *BIC Corretora de Câmbio*, *BIC Distribuidora de Títulos e Valores Mobiliários* and *BIC Arrendamento Mercantil*. In 1992, the focus was expanded to middle market and in 1995 the headquarters migrated to the city of São Paulo, in addition to the new global focus of **BIC Banco.** In 2008, **BIC Banco** shares starts to integrate the IBRX-100 index and in 2014, **CCB Brazil** became the new controller of **BIC Banco.**

Operating Structure

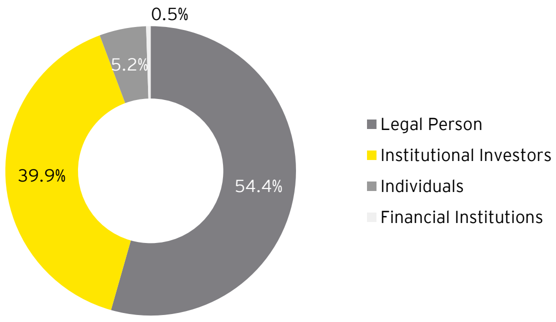
In June of 2014, **BIC Banco** had 37 service centers nationwide and one international (the Cayman Islands), in addition to 788 employees. According to **BIC Banco**'s data of 2013, the Southeastern regions corresponds to 47% of the credit operations, followed by the Northeastern region (21%), Southern region (15%), Central West region (11%), the Cayman Islands (5%) and the Northern region (1%).

Credit Operations



Source: **BIC Banco**

Funding



Soure: **BIC Banco**

Business Description

Among the medium-sized banks, **BIC Banco** is ranked as one of the largest in terms of credit operations, and most of its clients are middle market companies. **BIC Banco**'s main products and services are credit operations, exchange operations and foreign trade transactions to companies, in addition to the payroll loans to individuals.

In June of 2014, corporate credit corresponded to 89.2% of the total credit portfolio of **BIC Banco.** The most representative product of the credit portfolio in June, 2014 were the working capital operations (59.2%), followed by payroll loans to individuals (9.1%), as can be observed in the side graph.

BIC Banco's funding occurs through long term deposits, funds and financial bills, in addition to the raising of funds in the international market. In 2013, the domestic market represented 67.6% of total funding, while the international market contributed with 32.4%. In line with credit operations, total funding posted a reduction, both in 2013, and in the first half of 2014.

In June of 2014, long term deposits were mainly made from to corporate deposits, followed by institutional investors, as can be seen in the side graph. Of the total long term deposits, 47.7% was tied to DPGE of the FGC. **BIC Banco** also started to diversify its financial products, using funds from issued bills, such as LCAs, LFs and LCIs, which represented 5.8% of the total funding in the period.

BIC Banco is currently going through a period of transition, relative to the change of its equity control, thus, **BIC Banco** prioritized the liquidity and the quality of its credit portfolio, to the detriment of the expansion of the transacted volumes and its risk exposure.

Products and Services Offered

The institution offers different products, such as:

- Working capital: main product, meets the needs of companies' cash, usually with periods lower than one year;
- Secured Accounts: credits related to accounts of legal entities, meeting clients' needs in a more streamlined way;
- Retail: relative to payroll credit operations, financing of vehicles and credit cards;
- Trade finance: related to advancements on exchange agreements, funding of exports and bills in foreign currency;
- Leasing: aimed at industries;
- Agriculture Financing: earmarked credit lines to agribusiness;
- Financing of machinery and heavy vehicles: credit line aimed at the acquisition of durable goods; and
- Other credits: comprising overdraft accounts, 'Compror' and 'Vendor', and debtors due to purchases of securities and assets.

3.2 Financial Sector Analysis

Global Banking Market

At the end of 2011, due to the risk of a global liquidity crisis and political uncertainties regarding the support of more affected countries, specifically countries bordering the Euro Zone, the Euro Zone banking sector and the government debt markets were under pressure.

Owing to the several political measures to help countries in trouble and the discussion of reforms, the spreads of government bonds presented a reduction, the markets for bank funding were partially reopened and the price of shares recovered. However, the poor economic growth of the Euro Zone, high refinancing requirements for the public and private sectors, and the need to strengthen the capital reserves in order to regain the investor's trust led to an effort for the reduction of the size of the banking institutions balance sheet.

The International Monetary Fund (IMF) suggested that the largest banks of the European Union reduced their balance sheets by up to US$ 2.6 trillion until the end of 2013, that is, around 7% of the total assets. Despite the uncertainties, the IMF estimated that about one fourth of this deleveraging could occur through a reduction in loans, with the remaining portion deriving mainly from sale of non-essential securities and assets. [6]

Although the reduction of the balance sheet of individual banks was necessary, in order to reduce the leverage of these institutions, no longer supported by its market or regulators, renewed supervisory efforts were necessary to manage the potential consequences of a synchronized large-scale deleverage in order to avoid damage in the price of assets, in the credit offer, and economic activity in Europe and in the global market.

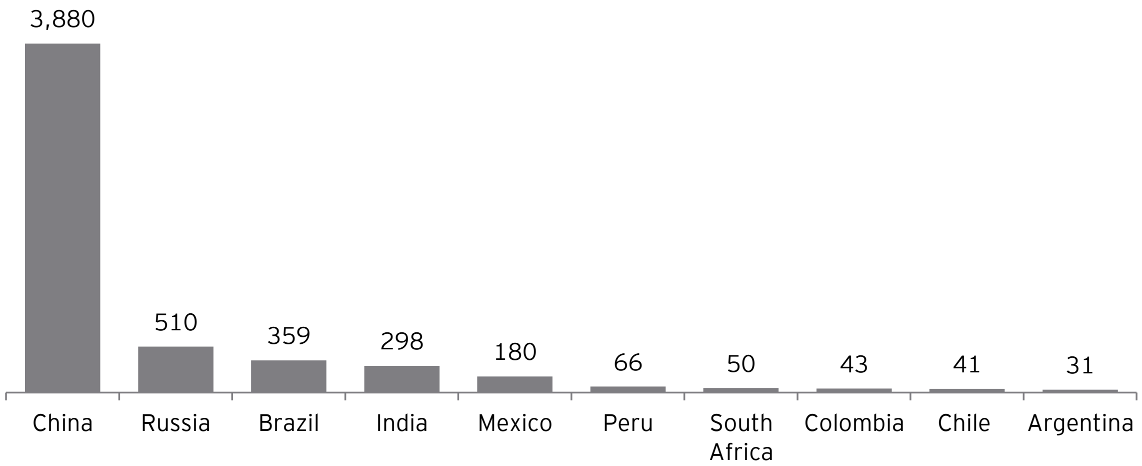
The decision to combine the European Stability Mechanism with the European Financial Stability Fund was welcomed and, together with other recent European efforts, reinforced the mechanism to fight the European crisis and helped the efforts of the International Monetary Fund (IMF) to support a global firewall. However, in order to consistently reach the economic stability and fully recover global trust, such crisis management policies are to be developed within a greater financial and fiscal integration of the European Countries.

[6] https://www.imf.org/External/Pubs/FT/GFSR/2012/01/pdf/text.pdf

The global financial situation of regulations went through reviews aimed at reinforcing surveillance and transparency of the operations of its participants. This transition period, although viewed as favorable in the long run, added current challenges to the already delicate situation of the financial institutions.

Regionally, while the US and Japan were still seeking a political consensus for the reduction of the fiscal deficit, emerging markets, such as Brazil and China, demonstrated economic conditions and political space for the deleverage effects coming from the European Union. The emerging markets created large currency reserves, meaning that the proper and flexible combination of the macroeconomic and financial policies could be utilized to limit the external shocks.

Currency Reserves of Emerging Counties - 2013



Values in US$billion.
Source: World Bank (http://data.worldbank.org/indicator/FI.RES.TOTL.CD)

Still recovering from the crisis, and after a period of expansion of the credit offer as a mean to mitigate the impacts generated by 2008, the global banking market operates in a conservative way, decelerating the credit expansion in general. Thus, it is expected for the market to recover slowly, but consistently.

Fonte: **EY**

Banking Market in Brazil

Brazilian banking sector

Overview

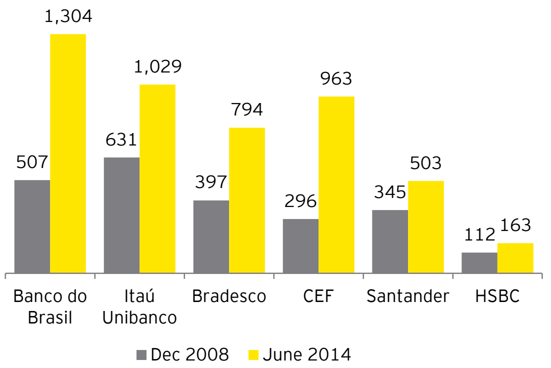
In the second quarter of 2014, the credit offer in the financial sector showed an accumulated expansion of 11.8% (last 12 months), compared to 16.4% in the same period of 2013, and the Credit/GDP ratio reached 56.3%, above the 55.2% posted in 2013. The balance of corporate loans rose 9.7%, totaling R$ 1,506 billion, while the loans for individuals increased 14.3% in last 12 months and 2.8% in 2014, totaling R$ 1,324 billion. [7]

Compared to the same period of 2013, in June 2014, there was a deceleration in the operations with nonearmarked credit and with earmarked credit, reflected by the deceleration in the families' consumption and increase of the Special System for Settlement and Custody (**"Selic")** rate. Among earmarked credits, the growth of real estate financing can be highlighted; especially the ones which use market rates, which increased 96.4% in last 12 months. In June 2014, we observed a monthly decrease on interest rates, however, when compared to the beginning of the year and the last 12 months, the interest rates showed an increase, the same movement can be seen on bank spreads. On the other hand, the terms showed a reduction considering the year of 2014, but an increase in June and in the last 12 months. At the same time, the delinquency continues to decrease, as seen in 2013, with its levels reaching the lowest level of the historical series started in March 2011.

The basic interest rate presented a consistent reduction from August 2011, but started to rise again since March 2013. In 2014, there were 3 rate hikes of 0.5 p.p. in January, followed by a 0.25 p.p. increase in April, remaining constant during the rest of the semester.

[7] http://www.bcb.gov.br/ftp/notaecon/ni201407pmp.zip

Growth of the largest Brazilian banks considering total assets between December 2008 and June 2014 – R$ Billion



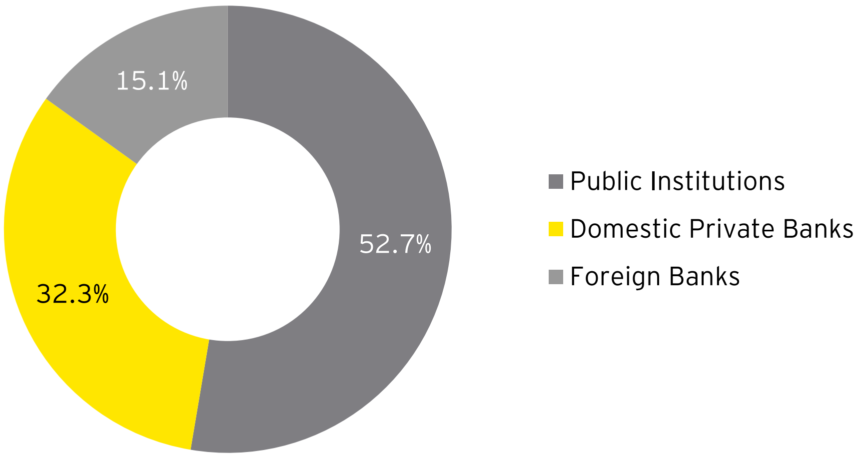
Source: BACEN (http://www4.bcb.gov.br/top50/port/top50.asp)

Participation of banks according to their capital structure

In spite of Brazil being the focus of foreign financial institutions, interested in operating in emerging markets, and the several applications sent to the Central Bank by foreign banks seeking to set up branches in the Brazilian financial sector, public institutions have shown increasing importance in the Brazilian financial system, headed by loans of BNDES, Caixa Econômica Federal and Banco do Brasil.

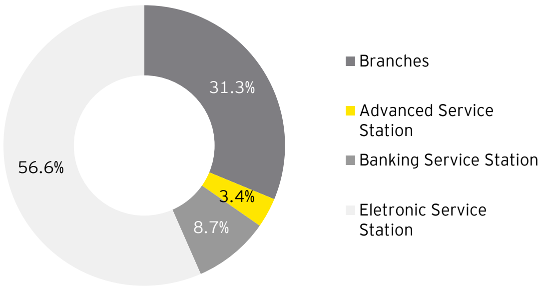
Between 2008 and June 2014, the participation of public institutions, considering credit operations, rose from 36.3% to 52.7% of the country's banking market. Domestic private banks held 32.3% of participation, while private banks with foreign control held 15.1% of market share.

Bank Participation in Credit Operations considering the shareholder control



Source: BACEN (http://www.bcb.gov.br/ftp/notaecon/ni201407pmp.zip)

Customer Service Channels of SFN – June 2014



Source: BACEN (http://www.bcb.gov.br/?RED-RELAGPAB)

All municipalities in Brazil have available service channels, with 75.1 thousand units.

The search for cost reduction led banks to expand their availability of services through alternative channels. This fact attracted continuous investments in information technology in order to provide safe alternatives at reasonable costs, aimed at the growth of internet banking, which, according to the Brazilian Bank Federation, represented 47% of total banking transactions in 2013, in addition to transactions via cell phone, which comprised 2% of the transactions in 2011 but grew to 10% in 2013.

It can be observed that between 2007 and June 2014, the number of Electronic Service Stations grew by approximately 35%, while the number of branches presented growth of 24%, mainly due to implementation cost differences.

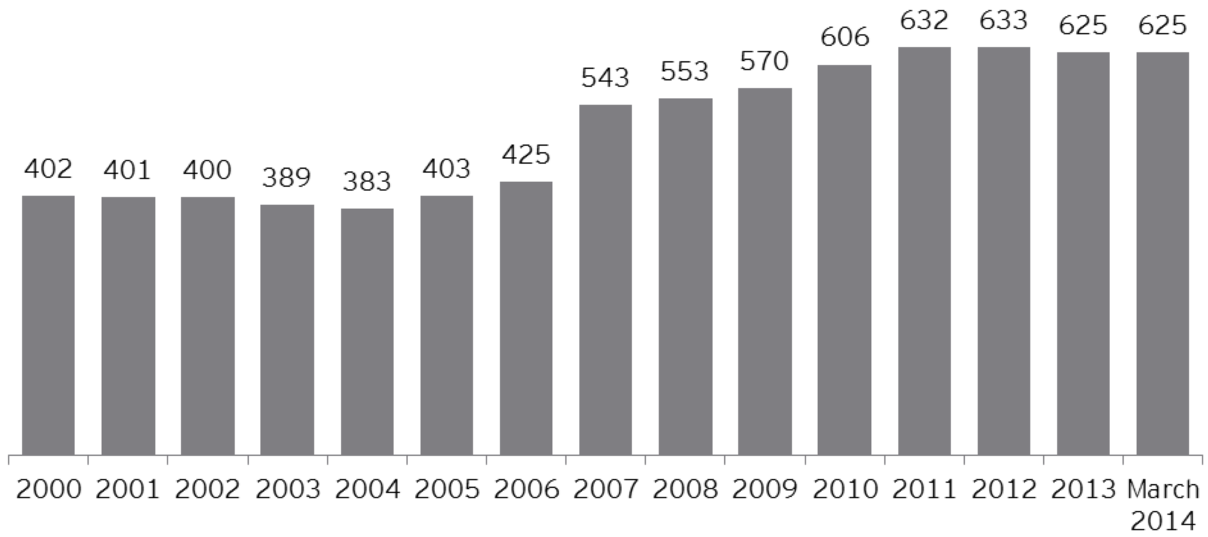
Customer Service Channels	2007	2008	2009	2010	2011	2012	2013	June 2014
Branches	18,572	19,142	20,046	19,813	21,278	22,219	22,290	23,026
Advanced Service Station	476	1,359	1,689	1,978	1,892	2,678	2,514	2,534
Banking Service Station	6,709	6,750	6,663	6,678	6,620	6,706	6,598	6,436
Eletronic Service Station	30,796	33,404	34,303	35,361	37,316	37,681	38,930	41,685
Total	56,553	60,655	62,701	63,830	67,106	69,284	70,332	73,681

Source: BACEN (http://www.bcb.gov.br/?RED-RELAGPAB)

The number of bank employees in Brazil increased 55.5% between 2000 and March 2014, from 402 thousand employees to 625 thousand, the main factors supporting this growth are presented below:

- Growth of the Brazilian economy;
- Increase of the bank-user population;
- Growth of the number of banking transactions; and
- Consolidation of social mobility.

Evolution of the Number of Employees in the Banking Sector



Values in Thousand
Source: BACEN (http://www4.bcb.gov.br/top50/port/top50.asp)

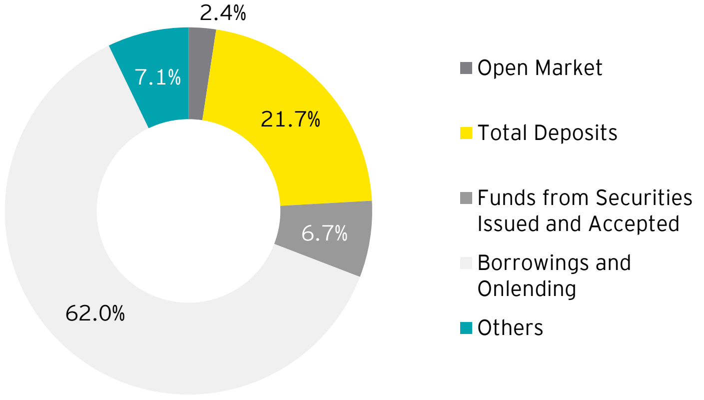
Small and mid-sized banks

Small and mid-sized banks represent financial institutions with total assets of up to R$17 billion, and together represented 20.3% of the total assets of the financial system, in June 2014. With a relevant role in the Brazilian market, mid-sized banks raise most of their funds through borrowings and onlendings, which represents 62.0% of the funding forms, followed by long term deposits with 21.7%, as shown in the graph below. [8]

Brazilian small and mid-sized banks are more dependent on interbank and institutional funds, since they lack capacity to carry out large funding in retail. Such small and mid-sized banks were also affected by the global financial crisis of 2008, because besides reducing access to foreign funds, the market uncertainties led to the contraction of long term deposits, thus the years following the crisis were affected by liquidity and funding difficulties faced by these small and mid-sized banks.

Due to this economic and operational situation, mid-sized banks have received special attention from the Central Bank of Brazil ("BACEN"), which has overseen and closely followed up on their liquidity and operations. This concern owes to the difficultly that mid-sized banks have to attract funds, since they lack the capillarity of branches to attract deposits as large retail banks do. Despite the gradual recovery of these banks in 2013, this funding reduction increases the capital costs for the banks, therefore generating a profitability reduction.

Funding Forms June 2014



Source: BACEN (http://www4.bcb.gov.br/top50/port/top50.asp)

[8] http://www4.bcb.gov.br/top50/port/top50.asp

Credit Operations

Overview

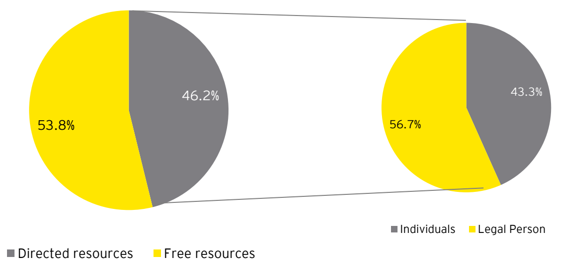
The balance of the credit operations of the financial system reached R$ 2,830 billion in June 2014, presenting a growth of 11.8% in twelve months, corresponding to 56.3% of the GDP. The annual expansion was lower than the same period in 2013 – of 16.4%, mainly due to monetary policy actions and macro-prudential measures adopted by the BACEN in November 2011, which established procedures for the calculation of the Required Reference Equity (PRE) portion. [9]

However, the volume of credit operations in Brazil rose significantly over the last 5 years. When comparing this volume to GDP, it's possible to see that the relation increased 21 p.p. between 2007 and June 2014, from 35% to 56%. The expansion of the credit volume is a reflection of the following factors:

- Reduction of the reference interest rate of the banking spreads;
- Good results of the Brazilian economy, encouraging the growth of investment in capital assets;
- Expansion of new types of credit, such as payroll loans;
- Increase of synergies of the banking sector with the retail sector, expanding the financing volume through credit cards and facilitating the access to credit for the low-income population; and
- Intensifying competition.

[9] http://www.bcb.gov.br/ftp/notaecon/ni201407pmp.zip

Composition of NFS' Credit Operations June 2014



Source: BACEN
(http://www.bcb.gov.br/ftp/notaecon/ni201407pmp.zip)

Credit Operations (continuation)

Composition[10]

The earmarked credit continued to gain relevance, reaching 46.2% of credit operations in June 2014 compared with 32.5% at the end of 2009, with its expansion being favored by the growth of the housing funding, which represented 34.4% of earmarked credit in June 2014, against 19% in December 2009.

According to BACEN, in June 2014, the balance of nonearmarked loans was split equally between individuals and corporations, both representing approximately 50% of the total. For corporations, the credit for working capital was the most relevant product, with a balance of R$389 billion; this type of credit amounted to 50.8% of total nonearmarked credit to corporations in June 2014.

In the case of credit to individuals, the personal credit (payroll or not) is the most relevant product with a balance of R$340 billion, composing 25.7% of the total credit to individuals. The credit for the acquisition of goods (vehicles and others) also presented significant share, corresponding to 26.2% of operations with nonearmarked funds for individuals.

Interest Rates, Terms, and Delinquency Rate[10]

Even with credit operations with arrears of more than 90 days amounting to only 3% of total operations, the lowest level of the historical series initiated in March 2011, the interest rates charged by the banking institutions reached 21.1% in June 2014, presenting an accumulated expansion of 1.4 p.p. in the year and 2.6 p.p. in the last 12 months. This trend may be observed in further detail on the rates for corporations, which presented an increase of 1.6 p.p. in relation to June 2014, more significant than that observed in the case of individuals, which reached an average of 27.9%, an increase of 3.7 p.p. in the last 12 months.

Lastly, the average term of the operations continued to show a growth path, reaching 26 months for nonearmarked loans to corporations and 47.7 months for loans to individuals. This can be seen as one of the indicators of increasing maturity of the Brazilian credit market.

[10] http://www.bcb.gov.br/ftp/notaecon/ni201407pmp.zip

Deposits[11]

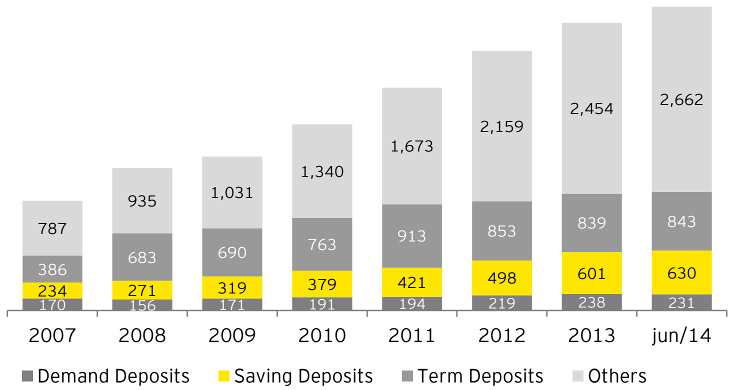
The total balance of funding of the Brazilian financial system increased 97.5% between 2009 and June 2014 mainly due to long term deposits, issuance of securities, borrowings and onlendings, and open market. The total volume of deposits reached R$1,810 billion in June 2014, with a positive variation of 44.7% in relation to 2009, caused by the following factors, among others:

- Expansion of service channels; and
- Increase of credit demand and the consequent need to raise funds.

The largest growth of bank deposits occurred in 2008, when the deposit volumes increased 40.8% in relation to the previous year, this was due to the measures adopted by BACEN to confer greater liquidity to the market in the midst of the global financial crisis.

From September 2008, BACEN started to make the compulsory deposit rules more flexible, mainly for long term deposits, with the purpose of replacing the foreign funding by domestic funds. The graph below shows the total funds raised between 2007 and June 2014, with a Compound Annual Growth Rate ("CAGR") of 17% for the period.

Evolution of the balance of funding from 2007 to June 2014



Values in R$ billion
Source: BACEN

[11] http://www.bcb.gov.br/ftp/notaecon/ni201407pmp.zip

Basel Index[12]

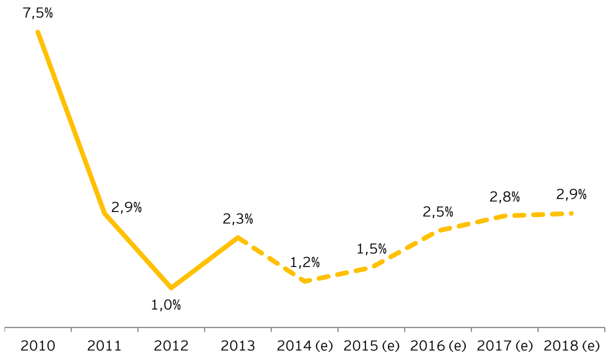
The Basel rules of the Brazilian banking system already presented higher requirements than the international standards, with a minimum required index of 11%, superior to the 8% recommended by the Basel committee.

When analyzing the effective index of the banking institutions, we observe that the Basel index of the system, using the total asset as weights, decreased from 19.2% in 2009 to 16.1% in June 2014. The level of capitalization of the system is visible, since the exceeding 5.1% Basel index would allow the system to increase its assets weighted by the risk of approximately 46.4%, without the need to increase the reference equity.

[12] http://www.bcb.gov.br/ftp/notaecon/ni201407pmp.zip

3.3 Macroeconomic Analysis

Brazil: History and growth expectations for GDP



Source: IBGE/BACEN

Macroeconomic Analysis

The main information on international macroeconomic context and Brazil are presented below. The analysis below refers to the **Reference Date** of this work, according to information from BACEN, Focus Bulletin, Fundação Getúlio Vargas (FGV), Business Monitor International and JP Morgan.

Brazilian Economy[13]

Economic activity

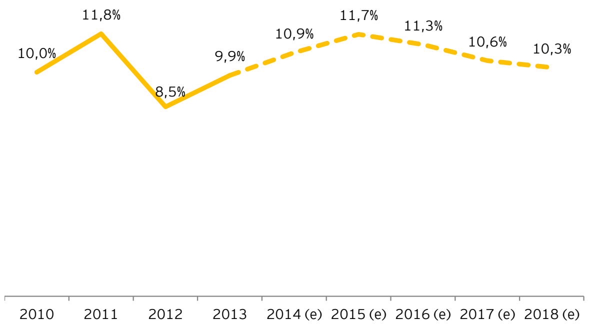
In the fourth quarter of 2013, economic activity grew 2.3%, reflecting the growth of the agricultural and industrial sectors and the increase of capital formation. It is expected a lower economic growth in the short term, due to unfavorable macroeconomic scenario, with recovery expected only in the long term, thus, according the Focus Bulletin the market expectation for GDP growth is 1.2% for 2014 and 1.5% for 2015.

Inflation

The current price scenario contemplates the rise in prices of agricultural products and the decline in prices of industrial products, as counterweight. The official inflation index, IPCA (Extended Consumer Price Index) closed the year 2013 at 5.9%. According to market expectations presented in the Focus Bulletin of June 27, 2014, it's expected that the IPCA stand at 6.4% in 2014 and 6.2% in 2015.

[13] Market Expectations refer to the Focus Bulletin of June 27, 2014.

Brazil: History and expectations for the Selic rate (annual average)



Source: BACEN

Monetary policy[14]

The Monetary Policy Committee (COPOM) considered the macroeconomic situation and prospects for the Brazilian inflation, and decided to keep the Selic rate in 11.0% p.a. This decision was made because of the recent downturn in the price level, however, trying to keep the IPCA in 6.5%, target of 4.5% inflation target.

Brazilian Country-Risk[15]

The index explains the difference in daily performance of the securities of American debt and emerging countries and it's an indicator of the financial health of the country in question. The index ended the month of January at 208 basis points, which indicates a difference of 2.08 p.p. between the performance of Brazilian securities and American titles. The monthly average was 206 basis points.

[14] Market Expectations refer to the meeting on 27 and 28 May 2014 of COPOM. (http://www.bcb.gov.br/?FOCUSRELMERC)
[15] Source: EMBI+ calculated by JP Morgan. (http://www.ipeadata.gov.br/)

4. Value Determined by Different Criteria

4.1 Weighted average quoted price of traded shares

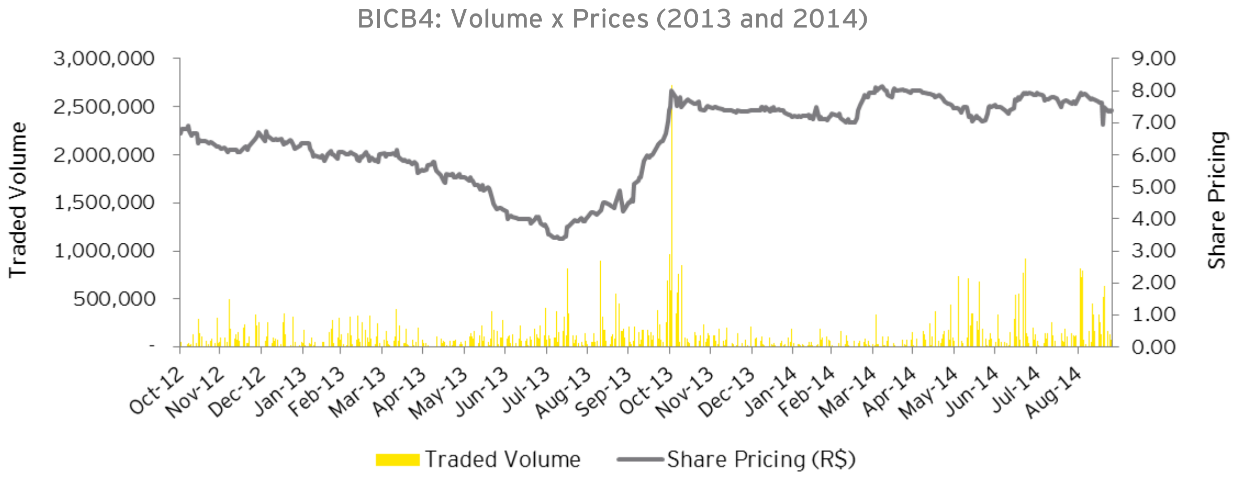
As required by the **IN CVM**, we present the weighted average prices of the Preferred Shares of **BIC Banco** (ticker:BICB4) and of the Common Shares of **BIC Banco** (ticker:BICB3) for the following periods: (A) weighted average prices of the 12 (twelve) months immediately prior to the date of disclosure of the Material Fact related to the **OPA** (August 29, 2014); and (B) weighted average prices between the date of this **Report** (September 25, 2014) and the date of disclosure of the Material Fact. Additionally, we calculated the (C) weighted average prices of the 12 (twelve) months immediately prior to the date of disclosure of the Material Fact related to **BIC Banco**'s acquisition by **CCB Brazil** (October 31, 2013).

The table below contains the average price values (A), (B) and (C) detailed above:

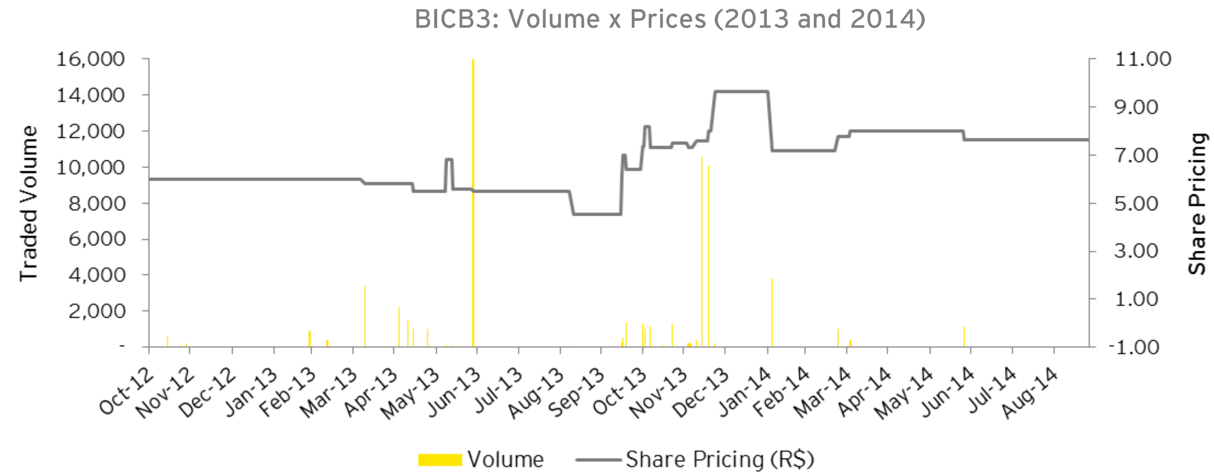
BIC Banco	Weighted Share Pricing (R$)	Average Volume of Traded Shares
(A) Weighted average prices between August 29,2013 and August 29, 2014		
Common Share: BICB3	7.61	157
Preferred Share: BICB4	7.07	141,902
(B) Weighted average prices between August 29,2014 and September 26, 2014		
Common Share: BICB3	7.66	0
Preferred Share: BICB4	7.66	302,695
(C) Weighted average prices between October 31, 2012 and October 31, 2013		
Common Share: BICB3	5.71	161
Preferred Share: BICB4	5.40	143,767

Source: Capital IQ (https://www.capitaliq.com/CIQDotNet/company.aspx?companyId=11254435)/ Yahoo Finanças (https://br.financas.yahoo.com/q/hp?s=BICB4.SA)/ EY

The charts below contain the daily prices and volumes for the period of October 31, 2012 and September 25, 2014:



Source: Capital IQ (https://www.capitaliq.com/CIQDotNet/company.aspx?companyId=11254435)



Source: Yahoo Finanças (https://br.financas.yahoo.com/q/hp?s=BICB4.SA)/

For the analyzed period, the trading volume of the preferred shares (BICB4) was substantially higher than the trading volume of the common shares (BICB3).

4.2 Equity Book Value

Value per Share of BIC Banco Calculated based on the Financial Statements of June 30, 2014 sent to CVM and audited by KPMG

Equity Value per Share	June 30, 2014
Equity of BIC Banco (R$ Thousand)	1,815,282
Number of Shares	252,903,569
Total Value per Share (R$)	7.18

Source: BIC Banco/ EY

It should be stressed that the equity value is substantiated in historical and accounting values, and do not take into consideration the current results, as well as the future business perspectives.

According to Equity Book Value methodology, the value per share of **BIC Banco** is **R$ 7.18 (seven Reais and eighteen cents).**

We also highlight that the equity value per share does not capture eventual differences of value between the different share classes issued by the **Bank**.

4.3 Economic value - Discounted Cash Flow to Equity (**DCF**)

The **DCF** method is recognized as the one that more appropriately translates the economic value of a venture, whether a company or business integrating a greater structure, whether in an operational or project phase, and it is considered as the model that best determines the relative value between companies.

The general assumptions used as reference for the valuation described below are shown in the *Executive Summary* of this **Report**.

Below, we detail the assumptions on which **BIC Banco**'s forecasts were based:

Projection Assumptions – BIC Banco

Operating revenues

BIC Banco revenues are composed of financial operations income, service and banking services fees income and other operating income. The assumptions made in the forecasts of those incomes were the following:

Financial operations income

The financial operations income is the main component of **BIC Banco**'s revenues, and it's mainly composed of loans income, leases income and securities income. The forecast assumptions are as follows:

Loans and leases income:

i. The loans and leases portfolio were forecasted in line with **Management**'s expectations of growth, without any change in the mix of products.

ii. After a period of decrease, due to the strategy of improving credit delinquency, the loans portfolio is expected to grow 4.7% in 2015. Assuming a CAGR of 10.6% for the entire industry, **BIC Banco** is expected to increase its market-share from 0.39% in 2013 to 0.41% in 2023.

iii. The revenues forecast were based on the historical return (as a percentage of Selic) of the loans and leases portfolios.

iv. The Selic rate is based on BACEN's forecast available on the **Reference Date**, which estimated the Selic would go from 10.92% in 2014 to 11.74% in 2015. This, in addition to the portfolio growth, leads to loans and leases income growth of 23.5% in 2015.

v. These revenues include the recovery of loans written off as losses, which were projected as the historical recovery as a percentage of accumulated write-offs.

Loans and leases income (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Gross loans and leases portfolio	11,559	12,727	10,591	10,645	11,140	12,746	14,627	16,822	19,345	22,247	25,027	27,530	30,283
Loans and leases income	2,348	1,701	1,708	1,586	1,943	2,038	2,203	2,440	2,794	3,207	3,635	4,042	4,451
% of gross loans	18.9%	14.0%	14.7%	14.9%	17.8%	17.1%	16.1%	15.5%	15.5%	15.4%	15.4%	15.4%	15.4%

Source: **BIC Banco/ CCB Brazil/ EY**

Securities income:

i. The revenues forecast were based on the historical return (as a percentage of Selic) of the balance of each type of security.

ii. The Selic rate is based on BACEN's forecast available on the **Reference Date**.

iii. The securities portfolio was forecasted in line with the indexer of each type of security, which resulted in a CAGR of 6.8% for the projection period.

Securities income (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Securities portfolio	4,600	3,888	3,073	3,119	3,274	3,478	3,691	3,917	4,165	4,495	4,872	5,240	5,633
Securities income	310	328	135	288	359	365	362	372	394	422	456	492	529
% of securities portfolio	9.3%	7.7%	3.9%	9.3%	11.2%	10.8%	10.1%	9.8%	9.8%	9.7%	9.7%	9.7%	9.7%

Source: **BIC Banco/ CCB Brazil/ EY**

Service and banking services fees income

i. The service and banking income revenues were forecasted in line with **Management**'s expectations of growth.

Service and banking services fees income (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Service fees	34	45	65	74	86	97	109	123	138	155	175	197	221
Banking services fees	42	28	32	28	33	37	41	47	52	59	66	75	84

Source: **BIC Banco/ CCB Brazil/ EY**

Other operating income

The other operating income is composed of the remuneration of funds deposited with BACEN, recovery of charges and expenses and other operating income. The forecast assumptions are as follows:

<u>Remuneration of funds deposited with BACEN:</u>

i. The revenues forecast were based on the historical return (as a percentage of Selic) of the balance of funds deposited with BACEN.
ii. The Selic rate is based on BACEN's forecast available on the **Reference Date**.
iii. The balance of funds deposited with BACEN was projected in line with the historical percentage of deposits.

<u>Recovery of charges and expenses:</u>

i. The revenues forecast were based on expected inflation for the projected period.
ii. The inflation rate forecast until 2018 was based on the projections available on BACEN's website on the **Reference Date**. After 2018, we assumed a moving average of the last three years.

<u>Other operating income:</u>

i. In discussions with the **Management**, it was observed that the other operating income are recurrent and part of **BIC Bancos**'s operations.
ii. By the nature of each of the accounts that make up the other operating income, it was determined that growth in line with inflation would be a fitting parameter.
iii. The inflation rate forecast until 2018 was based on the projections available on BACEN's website on the **Reference Date**. After 2018, we assumed a moving average of the last three years.

Other operating income (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Remuneration of funds deposited with Bacen	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Recovery of charges and expenses	2	5	3	7	8	8	8	9	9	10	10	11	11
Other operating income	2	9	10	31	29	31	33	35	37	39	42	44	47

Source: **BIC Banco/ CCB Brazil/ EY**

Operating expenses

BIC Banco's operating expenses are composed of financial operations expenses, personnel expenses, tax expenses, depreciation and amortization, other administrative expenses and other operating expenses. Below we detail the forecasts of those expenses:

Financial operations expenses

The financial operations expenses are the main component of **BIC Banco**'s expenses, and it's mainly composed of funding expenses, onlending expenses, and allowance for credit losses expenses. The forecast assumptions are as follows:

Funding expenses:

i. The expenses forecast were based on the historical percentage (as a percentage of Selic) of expenses in relation to the balance of funding.

ii. The Selic rate was based on BACEN's forecast available on the **Reference Date**, which explains the changes in the percentage of expenses in relation to the balance of funding.

iii. The balance of funding was projected in order to maintain a similar level to the credit operations, without any material changes in the mix of funding.

Funding expenses (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Funding portfolio	14,450	15,190	12,563	12,338	12,579	14,239	16,165	18,392	20,943	23,861	26,683	29,263	32,096
% of gross loans	125%	119%	119%	116%	113%	112%	111%	109%	108%	107%	107%	106%	106%
Funding expenses	(1,418)	(1,210)	(1,169)	(963)	(1,149)	(1,231)	(1,290)	(1,432)	(1,644)	(1,868)	(2,109)	(2,333)	(2,541)
% of funding portfolio	-9.4%	-8.2%	-8.4%	-7.7%	-9.2%	-9.2%	-8.5%	-8.3%	-8.4%	-8.3%	-8.3%	-8.3%	-8.3%

Source: **BIC Banco/ CCB Brazil/ EY**

Onlending expenses:

i. The expenses forecast were based on the historical percentage of expenses in relation to the onlending balance (as a percentage of Selic).

ii. The Selic rate was based on BACEN's forecast available on the **Reference Date**.

iii. The onlending balance projection was based on expected inflation for the projected period.

Onlending expenses (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Onlending expenses	n.a.	(216)	(317)	96	(2)	(2)	(2)	(2)	(2)	(3)	(3)	(3)	(4)

Source: **BIC Banco/ CCB Brazil/ EY**

Allowance for credit losses expenses:

i. The expenses forecast were based on the change in the balance of allowance for credit losses and write-offs of the period.

ii. The **Management** expects a higher level of provisioning in 2014, returning to the historical levels afterwards. The balance of allowance for credit losses was projected in order to keep the historical proportion of the credit portfolio reached in 2014.

iii. The write-offs in the period were projected in line with the historical loss as percentage of the credit portfolio, which implies the maintenance of the participation of non-performing loans in the total portfolio

Allowance for loan losses (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Allowance for credit lossses	**565**	**596**	**419**	**802**	**840**	**961**	**1,103**	**1,268**	**1,458**	**1,677**	**1,887**	**2,075**	**2,283**
% of loans and leases portfolio	4.9%	4.7%	4.0%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Allowance for credit losses expenses	**(492)**	**(548)**	**(260)**	**(608)**	**(269)**	**(375)**	**(432)**	**(499)**	**(574)**	**(660)**	**(712)**	**(747)**	**(821)**

Source: **BIC Banco/ CCB Brazil/ EY**

Personnel expenses

i. Wage expenses were projected in line with the nominal GDP growth expected for the projected period.

ii. Other personnel related expenses were projected in line with inflation expected for the projected period.

Tax expenses

i. The expenses were projected in line with the historical percentage of revenues.

Depreciation and Amortization

i. The depreciation and amortization expenses were projected based on the depreciation/ amortization rate published by **BIC Banco** and the balance of fixed assets.

ii. The balance of tangible fixed assets was projected in order to keep the historical immobilization index.

iii. There was no projection of new investment in intangible assets.

Other administrative expenses

i. The expenses were projected in line with the inflation expected for the projected period.

Other operating expenses

i. Commissions on payroll loans were forecasted in line with the historical proportion of the balance of this credit operation.

ii. The remaining operating expenses were projected in line with the inflation expected for the projected period.

Operating expenses (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Personnel expenses	(196)	(212)	(206)	(225)	(246)	(264)	(284)	(305)	(328)	(352)	(379)	(408)	(438)
Tax expenses	(68)	(79)	(73)	(39)	(71)	(75)	(81)	(88)	(98)	(110)	(122)	(134)	(147)
Depreciation and Amortization	(22)	(30)	(36)	(29)	(22)	(22)	(22)	(24)	(25)	(15)	(18)	(20)	(23)
Other administrative expenses	(143)	(173)	(169)	(162)	(174)	(184)	(194)	(204)	(215)	(226)	(238)	(251)	(264)
Other operating expenses	(214)	(162)	(158)	(205)	(161)	(179)	(188)	(210)	(236)	(262)	(292)	(319)	(347)

Source: BIC Banco/ CCB Brazil/ EY

Statutory profit sharing

i. The expense was projected in line with the historical average percentage of the operating result.

Statutory profit sharing (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Operating result	**481**	**123**	**47**	**(260)**	**437**	**322**	**345**	**353**	**409**	**517**	**651**	**799**	**927**
Statutory profit sharing	**(27)**	**(13)**	**(9)**	**(1)**	**(50)**	**(37)**	**(40)**	**(41)**	**(47)**	**(60)**	**(75)**	**(92)**	**(107)**
% of Operating result	-5.7%	-10.8%	-18.2%	0.5%	-11.5%	-11.5%	-11.5%	-11.5%	-11.5%	-11.5%	-11.5%	-11.5%	-11.5%

Source: BIC Banco/ CCB Brazil/ EY

Direct Taxes

i. The expenses were projected based on the statutory tax rate of 40%.

ii. The projection considered the tax benefit of deferred tax assets, which included tax loss carryforwards amounting to R$ 878,702 thousand in 2014.

iii. On the **Reference Date, BIC Banco** had contingencies provisioned related to tax and social proceeding and labor/ civil processes amounting to R$ 644,750 thousand. We assumed the payment of these contingencies in 2014, which generated tax loss carryforwards of R$ 529.732 thousand, which are realized in accordance to the projected profit and legal limitations.

Direct Taxes (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
EBT	**452**	**110**	**33**	**(282)**	**387**	**284**	**305**	**312**	**362**	**457**	**576**	**707**	**820**
Direct taxes	**(10)**	**1**	**28**	132	**(176)**	**(132)**	**(141)**	**(145)**	**(167)**	**(209)**	**(261)**	**(318)**	**(368)**
% of EBT	2.3%	-0.9%	-83.2%	n.a.	45.5%	46.4%	46.4%	46.4%	46.2%	45.7%	45.3%	45.0%	44.8%

Source: **BIC Banco/ CCB Brazil/ EY**

Basel Index

i. **BIC Banco** uses subordinated debt to compose its Basel index. The projection assumes the maintenance of the current subordinated debt participation in the total funding.

ii. **BIC Banco**'s Basel ratio projection was based on estimates of the risk of the total assets and additional requirements for market risk and operational risk.

Basel Index (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Basel Index before retention	**n.a.**	**n.a.**	**n.a.**	**17.5%**	**17.2%**	**16.1%**	**15.2%**	**14.3%**	**13.4%**	**12.4%**	**12.2%**	**12.4%**	**12.4%**
Earnings retention	n.a.	n.a.	n.a.	**0**	**0**	**0**	**0**	**0**	**0**	**146**	**223**	**182**	**196**
Projected Basel Index	**18.1%**	**17.5%**	**19.1%**	**17.5%**	**17.2%**	**16.1%**	**15.2%**	**14.3%**	**13.4%**	**13.0%**	**13.0%**	**13.0%**	**13.0%**

Source: **BIC Banco/ CCB Brazil/ EY**

Cash flow to Equity

i. The forecast considered the retention of profit due to legal reserve constitution and minimum regulatory capital requirements.

Cash flow (R$ Millions)	6M 2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P	Perpetuity
Net profit	**0**	**211**	**152**	**164**	**167**	**195**	**248**	**315**	**389**	**452**	
(-) Legal reserve	0	(11)	(8)	(8)	(8)	(10)	(12)	(16)	(19)	(23)	
(-) Profit retention	-	-	-	-	-	-	(146)	(223)	(182)	(196)	
Free cash flow to equity	**0**	**200**	**145**	**155**	**159**	**185**	**90**	**76**	**188**	**234**	**3,097**

Source: **BIC Banco/ CCB Brazil/ EY**

Residual Value

The residual value of **BIC Banco** after 2023 was calculated through the perpetuity of Free cash flow to Equity, based on 2023 cash flow to equity and annual nominal growth of 6,24% a.a. (estimated inflation plus 1/3 of GDP), according to the correlation between GDP and the historical growth of the Brazilian financial system, as presented in *Appendix 5.6 Historical correlation between the financial sector growth and real GDP*.

Non-Operating Assets and Liabilities

The accounts considered as Non-Operating Assets were:

i. Debtors from guaranteed deposits: Deposits made due to fiscal and labor processes;

ii. Loans linked to assignments: Loan portfolio acquired with a coobligation clause;

iii. Assets not for own use: Assets received due to the liquidation of credit operations, as detailed in the footnote 12 of the financial statements of **Bic Banco** on the **Reference Date**; and

iv. Other Investments: Permanent investments.

The accounts considered as Non-Operating Liabilities were:

i. Debentures: Debentures issued by BRASILFactors S.A. maturing in November 2014, as described in the footnote 20 of the financial statements of **BIC Banco** on the **Reference Date**; and

ii. Provisions for contingencies: Comprised of provisions for liabilities of tax, civil and labor nature, as detailed in the footnote 24 of the financial statements of **BIC Banco** on the **Reference Date.**

These accounts, despite being non-operational, were considered in the cash flow, with their realization in the beginning of the projection, once it impacts the minimum regulatory capital of **BIC Banco.**

Results

According to the discounted cash flow to equity methodology and assumptions described herein, the results for the valuation of **BIC Banco**, in June 30, 2014 are presented as follows:

Total capital value	R$ Thousands
(+) Present value of explicit cash flow	**834,659**
(+) Present valor of perpetuity	**933,471**
(+) Non-operating assets	**575,546**
Debtors from guaranteed deposits	220,240
Loans linked to assignments	3,836
Assets not for own use	350,777
Other Investments	693
(-) Non operating liabilities	**(625,841)**
Debentures	(2,218)
Provisions for contingencies	(623,623)
(=) Total capital value	1,717,835
Value per Share (R$)	6.79

Source: BIC Banco/ CCB Brazil/ EY

In the projection, we assumed the non-operating assets/ liabilities are realized in the first projected period (second semester of 2014). In the table above, for demonstration purpose, we added back their present value to the explicit cash flow to equity and presented them separately to demonstrate their impact on the total value.

As mentioned previously and pursuant to **IN CVM**, this **Report** presents the value of **BIC Banco** within a minimum and maximum value bracket, with a value difference not exceeding 10% (ten percent).

Below, we present the chart with the analysis of sensitivity of the value of **BIC Banco** based on the variation of discount rates:

- Discount rate: with intervals of 0.35 pp. up and down.

Discount rate sensitivity	-35bps	Discount Rate	+35bps
	13.91%	14.26%	14.61%
Total capital value	1,797,576	1,717,835	1,644,904
Value per share	7.11	6.79	6.50
(=) Total capital value	1,797,576	1,717,835	1,644,904

Source: **BIC Banco/ CCB Brazil/ EY**

Based on analyses of sensitivity in the side chart, we obtained an estimate of the economic value for **BIC Banco** between **R$ 1,797.576 thousand (one billion, seven hundred and ninety seven millions, five hundred and seventy six thousand Reais)** and **R$ 1,644,904 thousand (one billion, six hundred and forty four millions, nine hundred and four thousand Reais)**. Such amounts resulted in a value interval between **R$ 7.11 (seven Reais and eleven cents)** per share and **R$ 6.50 (six Reais and fifty cents)** per share.

It is important to highlight that the values obtained using the **DCF** methodology corresponds to **BIC Banco**'s stand-alone value. Therefore, these values do not take into account possible synergies due to the integration with **CCB Brazil**.

Considerations on the results

The results obtained by the use of the **DCF** methodology are relevant in the context of the planned operation, given that:

- The growth and profitability assumptions are in line with the historical data and with market trends; and
- The valuation parameters are consistent with the assumptions discussed with the **Management**, with the size of **BIC Banco** and of its subsidiaries, and with long-term growth expectation of the companies' which operates in this market.

4.4 Economic Value - Market Multiples Valuation

The following demonstrates the results of applying the market multiples method:

Market Multiples

The multiples used by **EY** are as follows:

- P/ Equity; and
- P/ Assets.

Where:

- P = Market Capitalization (Price);
- Equity = Total Equity; and
- Assets= Total Assets.

The market multiples, which were calculated for the **Reference Date** June 30, 2014, are as follows:

Comparable Companies	P/Assets	P/ Equity	Market Value (R$ Thousand)
Banco ABC Brasil S.A.	0.11x	0.98x	1,992,707
Banco Pine S.A.	0.09x	0.72x	910,279
Banco Daycoval S.A.	0.15x	0.94x	2,344,191
Banco Sofisa SA	0.13x	0.71x	468,341
Maximum	0.15x	0.98x	2,344,191
Average	0.12x	0.84x	1,428,880
Median	0.12x	0.83x	1,451,493
Minimum	0.09x	0.71x	468,341

Source: Capital IQ (https://www.capitaliq.com/CIQDotNet/Comps/Comparables.aspx?companyId=11254435&statekey=2a026c6a51f94df5b53554c747012451)

The results for the valuation of **BIC Banco** using such multiples are the following:

BIC Banco - Implicit Value (R$ Thousand)	P/Assets	P/ Equity	Average
Maximum	2,187,314	1,780,705	1,984,010
Minimum	1,279,981	1,282,275	1,281,128
Median	1,809,794	1,500,786	1,655,290
Average	**1,771,721**	**1,516,138**	1,643,930
Average per share	**7.01**	**5.99**	6.50

Source: Capital IQ / **EY Brazil**

According to the market multiples methodology, the value of **BIC Banco** is between **R$ 1,516,138 Thousand (one Billion five hundred and sixteen Million and one hundred and thirty eight Thousand Reais)** and **R$ 1,771,721 Thousand (one Billion seven hundred and seventy one Million and seven hundred and twenty one Thousand Reais)**, equivalent to **R$ 5.99 (five Reais and ninety nine cents)** to **R$ 7.01 (seven Reais and one cent)** per share.

We note that the results derived from market multiple methods should be used with caution, since the businesses used and operations do not necessarily have similar characteristics. Additionally, we emphasize that public information should be carefully considered, since relevant data about the business (such as escrow accounts and earn-outs) are often not published. In this sense, the results of the market multiples method were used to support discussions related to the values derived from the **DCF**.

4.5 Economic Value – Market Multiples from Recent Transactions

We show below the market multiples from recent transaction involving medium sized banks, obtained from public information. Although there have been other transactions, the lack of conclusive data about these transactions does not allow the establishment of multiples with comparative significance.

The transaction list considered and the multiples used are market value versus asset (P/ Asset) and market value versus equity (P/ Equity) in June 30, 2014 were the following:

Announced date	Target	Transaction type	Buyer	Seller	Transaction value	Percent Sought (%)	Implied value (R$ Milions)	P/ Assets	P/ Equity
10/31/2013	**BIC Banco**	Merger/Acquisition	China Construction Bank Corporation	**BIC Banco**	1,621	72.0	2,251	0.15x	1.15x
6/27/2014	Banco ABC Brasil S.A.	Public Offering	n.a.	Banco ABC Brasil S.A.	41	2.5	1,637	0.09x	0.81x
11/1/2013	Banco Indusval S.A.	Public Offering	n.a.	Banco Indusval S.A.	107	24.1	446	0.11x	0.78x
6/10/2013	Banco Mercantil do Brasil S.A.	Public Offering	n.a.	Banco Mercantil do Brasil S.A.	41	18.2	224	0.02x	0.27x
8/13/2012	Banco Pine S.A.	Public Offering	n.a.	Banco Pine S.A.	150	11.2	1,334	0.13x	1.10x
01/16/2012	Banco Luso Brasileiro	Merger/Acquisition	APMR Investimentos e Participações Ltda. e VT Cunha	Banco Luso Brasileiro	48	31.4	153	0.36x	3.62x
Maximum					150	31.4	1,637	0.36x	3.62x
Average					77	17.5	759	0.14x	1.31x
Median					48	18.2	446	0.11x	0.81x
Minimum					41	2.5	153	0.02x	0.27x

* The maximum, average, median and minimum values do not take into account the values from Bic Banco's acquisition.
Source: Capital IQ
(https://www.capitaliq.com/CIQDotNet/Screening/ScreenBuilderViper.aspx?UniqueScreenId=876609662&screentypeid=5&clear=all)

BIC Banco's total capital value through the market multiples from recent transactions methodology is presented below:

BIC Banco - Implicit Value (R$ Million)	P/Assets	P/ Equity	Average
Maximum	5,451	6,576	**6,014**
Minimum	242	492	**367**
Median	1,606	1,463	**1,534**
Average	**2,123**	**2,387**	2,255
Average per Share	**8.40**	**9.44**	8.92

Source: Capital IQ/ EY

According to the market multiples from recent transaction methodology, the value of **BIC Banco** is between **R$ 2,123 Million (two Billion one hundred and twenty three Million Reais)** and **R$ 2,387 Million (two Billion three hundred and eighty seven Million Reais)**, equivalent to **R$ 8.40 (eight Reais and forty cents)** to **R$ 9.44(nine Reais and forty four cents)** per share.

The values derived from market multiples should be used with caution, since public data does not necessarily capture all issues that are negotiated into the price (i.e. existence of earn-outs, escrow accounts), and market multiples are subject to market whims, and rarely capture control premiums.

5. Appendix

5.1 Discounted Cash Flow to Equity Methodology

There are no defined formulas to be adopted or set rules to be followed under every circumstance when conducting the valuation of a company or business. However, market experts and professionals have developed valuation approaches and methodologies that are usually commonly accepted.

Such approaches and methodologies differ since they each concentrate on different aspects of a business. Even so, although formally correct, when such models are applied they give rise to peculiar aspects and issues when treating the company's core variables.

As such, the valuation approaches must be carefully chosen, considering the nature and characteristics of the business to be valued and the purpose of the valuation.

The main approaches and methodologies proposed by experts and adopted by market professionals are summarized below:

- Income Approach
  - Discounted Cash Flow Method (**DCF**); and
- Market Approach
  - Analysis of Guideline Transactions; and
  - Analysis of Guideline Public Companies.
- Cost Approach
  - Book Value or Adjusted Book Value;
  - Liquidation Value; and
  - Equity Method.

For this economic-financial valuation, the **DCF** method of the income approach was used. This method is considered as the one that best translates the value of an entity, whether a company or a business that is part of a bigger structure, already operating or in the project phase, in addition to being the model that best determines the relative value between companies.

The methodology of **DCF** consists in calculating the present value of company's free cash flows to equity, taking into account the value of the main drivers of the company.

The choice of this methodology was based on:

- The nature of **BIC Banco** operations;
- The availability of financial statements; and
- Discussions with **CCB Brazil**.

The result obtained through the economic-financial valuation by the Discounted Cash Flow to Equity method was adjusted for certain items, including:

- The value of non-operating assets and liabilities; and
- Others specific provisions, if applicable and if not considered in free cash flow or in the yields.

When applying the **DCF** method, the company's performance is analyzed according to operational results, and non-operating income (including financial result) is assessed separately.

The economic–financial valuation process consists of projecting the future behavior of the company's basic economic parameters. The work is performed in two consecutive steps:

- Identification of economic parameters that influence the operation of the institution, and
- Projection of the expected results.

The identification stage of **BIC Banco**'s economic parameters was based on: analyzing data and historical financial statements, and comparing **BIC Banco**'s historical data with macroeconomic variables which encompass the economic, social and political environments in which they operate.

In the next stage, which is the actual economic–financial valuation, the scenario was projected in such a way that it seeks to realistically portray the expectations of the institution being analyzed.

The projected results are then discounted back to present values using the discount rate, the result being the operational value of the institution. All assets and liabilities which do not generate cash flows are then added to/ subtracted from this value, thus obtaining an estimated/ expected fair value for **BIC Banco** on this valuation's **Reference Date**. Accordingly, the estimated / expected fair value for **BIC Banco** was determined using the following formula:

$$V_N = PV_{FOP} + PV_P +/- V_{NOP}$$

Where:

V_N = Fair Value;
Pv_{FOP} = Present value of the operating cash flows for the projected period;
Pv_P = Present value of the residual value, calculated by the perpetuity method; and
V_{NOP} = Value of all non-operational assets/ liabilities as of the **Reference Date** of the Valuation.

Cash Flow to Equity

The following guidelines were adopted in the projection of cash flow from operations of **BIC Banco**:

- Projection Horizon: The time period considered was 9 (nine) years and 6(six) months, from July 01, 2014 to December 31, 2023 and in perpetuity;
- Income Tax and Social Contribution Payable on Net Income: calculated in accordance with prevailing fiscal legislation;
- Working Capital Necessity: calculated considering the projected operating uses and sources;
- Minimum capital requirements: calculated considering the minimum legal requirement (Basel index) to support the assets growth forecast;
- Cash Flow: for calculating the cash flow, we started from net profit and subtracted any possible needs of investments; and
- Residual Value: expresses the cash flow to equity generated after the considered forecast horizon. The most common method for calculating the residual value is the perpetuity method, which calculates the residual value as the present value of a stream of standard cash flows, perpetuated after the last projection year.

Discounted Cash Flow to Equity Calculation

The free cash flow to equity corresponds to the available cash flow for shareholders after statutory and regulatory retentions.

Methodology

The discount rate used to bring the cash flows to the present value corresponds to the **CAPM.**

- **Cost of Equity (R_E):**
  - The Cost of Equity is estimated by **CAPM** Method, which shows the expected return and the level of risk for the investor. The calculation of risk considers three factors: country risk, industry risk and liquidity risk.
  - To estimate the financing costs through equity, data from the North American market was used, since data from the stock markets in South America can cause distortions in the model. Thus, it is necessary to add "country risk" to the model.

The **CAPM** model is as follows:

$$RE = RF + \beta * [E(RM) - RF] + \alpha BR + SP$$

Where:

R_F	=	Rate of return of a risk free asset;
β	=	Systematic risk compared to that of comparable companies;
[E(RM) - RF]	=	Expected return of the market portfolio compared to the rate of return of a risk-free asset;
α_{BR}	=	Country Risk (*);
SP	=	*Size Premium (**).*

(*) The Country Risk considered was taken from the EMBI+ (the last 12 month average from the **Reference Date**).
(**) Represent the additional amount (premium) that the investor requires for investing in lower banks than the ones which compound the S&P 500[16].

The starting point for estimating the Cost of Equity is the risk-free rate of return. In practice, the interest rate for long-term risk-free financial investments (e.g. pre-fixed public bills or treasuries) is used as a guide to determine the rate of interest.

[16] S&P 500 is an index of 500 American stocks chosen by market value, liquidity, industry and other factors.

The market risk premium is defined as the difference between the expected return on the market portfolio and the risk-free rate. Long-term capital market studies have historically shown that investments in stocks generate returns of between 4.0% and 6.0% higher than investments in low-risk assets.

The average risk premium should be adjusted to reflect the specific risk structures. The **CAPM** takes into account the specific risk factors through the company's beta. Such factors represent a weighting which measures the sensitivity of the returns of the company compared with the trend of the whole market. The beta, therefore, measures the volatility of systemic risk. The greater the positive difference between the beta and "one", the greater the volatility. The greater the negative difference between the beta and "one", the lower the volatility relative to market average. Beta factors are ideally determined by reference to the whole capital market, since the concepts of systemic risk and specific risk require that individual stocks be measured with respect to the market portfolio.

When activities in different countries are taken into consideration, it may be appropriate to use the risk premium of each specific country.

Calculation of Discount Rate

The dividend flows of **BIC Banco** were discounted at the **Company**'s cost of equity, in nominal terms (considering inflation), calculated using the **CAPM.**

The tables below present the main parameters used to calculate **BIC Banco**'s discount rate:

Calculation of the Industry Beta

For an appropriate beta view, we considered betas observable in companies involved in the industry where **BIC Banco** operates.

▶ Beta

Company Name	Market Cap. (R$ Thousand)	Beta
Banco ABC Brasil S.A.	1,993	0.88
Banco Pine S.A.	910	0.67
Banco Daycoval S.A.	2,344	0.76
Banco Sofisa SA	468	0.60
Leveraged Beta (average)*		0.73

Source: Capital IQ (https://www.capitaliq.com/CIQDotNet/Comps/Comparables.aspx?companyId=11254435&statekey=2a026c6a51f94df5b53554c747012451)

▶ Discount Rate – **BIC Banco**

Capital Asset Pricing Model – em R$ nominais.

Description	Abbr.	Source	Parameters
US Risk Free Rate[1]	Rf	Federal Reserve	3,4%
Country Risk EMBI +	αbr	Ipeadata	2,3%
Inflation Differential[2]	μ	Business Monitor	3,2%
Leveraged Beta[3]	β	Capital IQ	0,73
Market Risk Premium[4]	[E(Rm) - Rf]	E&Y LLP	6,0%
Size Premium[5]	p	Ibbotson	0,9%
CAPM = [(1+ Rf) x (1+ μ) -1] + β x [E(Rm) - Rf] + p + αbr			14,26%

Source: EY/ Federal Reserve/ Ipeadata/ Global Insight/ Capital IQ/ Ibbotson

1. Historical Average of the last 12 months of the US bonds yield (T-Bonds 20 years) - (http://www.federalreserve.gov/datadownload/Output.aspx?rel=H15&series=a1ebeb6e84ca6389772dd054dc980191&lastObs=&from=&to=&filetype=csv&label=include&layout=seriescolumn)

2. Average inflation differential projected between 2015 and 2040, based on the values in the 1.1 Executive Summary section until 2023. From 2024 onwards, the CPI is kept constant at 2.1% and the IPCA varies according to the moving average of the last three years. (https://bmo.businessmonitor.com/sar/sa?iso=US)

3. Due to the characteristics of the banking sector, it is not a market practice to deleverage the beta of comparable companies. (https://www.capitaliq.com/CIQDotNet/Analytics.aspx)

4. Market risk premium in line with the global guidelines of **EY**.

5. Size premium according to Ibbotson for companies with a market capitalization between US$610.53 million and US$1,104.12 million ([sn] 2013 Ibbotson SBBI Risk Premia Over Time Report: Estimates for 1926-2012 Morning Star, 2013 7 p.)

5.3 Residual Value

The most common method for calculating the residual value is the perpetuity method, which calculates the residual value as the present value of a cash flow considered standard, and this cash flow is perpetuated after the last projection year.

For the subsequent period of the projected period, this method relies on certain assumptions, as described below:

- The evaluated company obtains constant margins, constant growth and constants returns on invested capital;
- The evaluated company invests a constant proportion of operating cash flow, sufficient to replace the annual depreciation (or to increase its operational capacity to generate cash, investing more than the annual depreciation) and maintaining the company operating in perfect condition; and
- The evaluated company obtains constant and equal return to **CAPM** over any new investment in posterior period.

The residual value at the date of the last projected flow is given by the formula below:

Residual Value = [Stable Cash Flow * (1+g)]/(CAPM – g)

Where: **g** = growth rate.

5.4 Market Multiples Methodology

The Market Multiples methodology proposes that the value of a company can be estimated by comparing their financial and operational ratios with those similar to companies in the same industry.

Based on this methodology, the results obtained can be determined with value ranges. These intervals are determined according to the four steps below:

- Determining a group of comparable companies;
- Selecting the most appropriate quantitative indicators, according to circumstances;
- Analyzing the factors affecting the assessment of each comparable company, such as growth rates, investors' perceptions, etc.; and
- Selecting and applying of quantitative rates which would be most appropriate for the company under analysis to determine a range of values.

In applying this methodology, valuations contemplate such multiples as:

- P/ E or FV/ E;
- P/ EBITDA or FV/ EBITDA;
- P/ Assets or FV/ Assets;
- P/ Equity or FV/ Equity; and
- Other relevant multiples specific to each sector (e.g. sales per client, earnings per volume sold).

Where:

P =	Market Capitalization (Price);
FV =	Firm value (Market Cap.+ Debt - Cash);
E =	Earnings;
Assets =	Total Assets;
EBITDA =	Earnings Before Interest, Taxes, Depreciation, and Amortization; and
Equity =	Total Equity.

5.5 Market Multiples from Recent Transactions Methodology

According to this methodology, the value range of a company is estimated by comparing past transactions in the market with similar companies from the same industry.

This methodology considers the premium that a strategic investor assigns to the acquisition, since the results take into account the amount actually paid.

Similar to the Market Multiples methodology, the value range is determined according to four steps:

- Determining a group of comparable transactions;
- Selecting the most relevant quantitative indicators;
- Analyzing the factors affecting each comparable transaction individually, such as growth rate, investors perception, etc.; and
- Selecting and applying of quantitative rates which would be most appropriate for the company under analysis to determine a range of values.

The most used indicators in applying this methodology are listed in the section *4.4 Economic Value – Market Multiples Valuation*.

5.6 Historical correlation between the financial sector growth and real GDP

As demonstrated in the table below, the real growth of the Brazilian financial sector was, on average, 1/3 of the real GDP between 2001 and 2013.

Historical correlation between the financial sector growth and real GDP

Date	Balance of Credit Operations (R$ Bi)	Nominal growth (a)	IPCA (b)	Real Growth (c)	Real GDP (d)	Real GDP Multiplier (e)
Dec-00	320	n.a.	6.0%	n.a.	4.3%	n.a.
Dec-01	332	3.9%	7.7%	-3.5%	1.3%	-2.70x
Dec-02	378	13.8%	12.5%	1.1%	2.7%	0.43x
Dec-03	411	8.7%	9.3%	-0.5%	1.1%	-0.44x
Dec-04	500	21.4%	7.6%	12.9%	5.7%	2.25x
Dec-05	607	21.5%	5.7%	15.0%	3.2%	4.73x
Dec-06	733	20.7%	3.1%	17.0%	4.0%	4.30x
Dec-07	936	27.8%	4.5%	22.3%	6.1%	3.66x
Dec-08	1,227	31.1%	5.9%	23.8%	5.2%	4.61x
Dec-09	1,414	15.2%	4.3%	10.5%	-0.3%	-31.77x
Dec-10	1,706	20.6%	5.9%	13.9%	7.5%	1.84x
Dec-11	2,034	19.2%	6.5%	12.0%	2.7%	4.37x
Dec-12	2,368	16.4%	5.8%	10.0%	1.0%	9.72x
Dec-13	2,711	14.5%	5.9%	8.1%	2.5%	3.24x
Average (f)						**0.33x**

(a) Balance of credit operations growth. Source: http://www.bcb.gov.br/htms/infecon/notas.asp?idioma=p

(b) Historical IPCA (Inflation Index). Source: http://www.ipeadata.gov.br/

(c) Deflationated growth of the balance of credit operations, according to the formula: [1+(a)]/[1+(b)]-1

(d) Real GDP. Source: http://www.ipeadata.gov.br/

(e) Ratio of the real growth of credit operation and real GDP. According to the formula: (c)/(d)

(f) Balance of credit operations real growth is, on average, 1/3 of real GDP.

5.7 Projected Financial Statements

Projected Income Statement

Income Statement (R$ Millions)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Financial Operations Income	2,925	2,651	2,277	1,701	2,337	2,441	2,602	2,855	3,239	3,686	4,157	4,607	5,059
Financial Operations Expenses	(1,675)	(1,426)	(1,500)	(867)	(1,151)	(1,233)	(1,292)	(1,434)	(1,646)	(1,871)	(2,112)	(2,337)	(2,544)
Result from Financial operations (before. PLL)	1,250	1,225	777	834	1,186	1,208	1,310	1,422	1,593	1,815	2,045	2,270	2,515
Provision for Loan Losses (PLL)	(492)	(548)	(260)	(608)	(269)	(375)	(432)	(499)	(574)	(660)	(712)	(747)	(821)
Result from Financial operations	758	677	517	226	918	833	877	922	1,018	1,155	1,333	1,524	1,693
Banking Services Fees	76	73	97	103	119	134	150	169	191	214	241	271	305
Total Revenues	834	750	614	328	1,037	967	1,028	1,092	1,209	1,369	1,575	1,795	1,999
Other Operating Income (expenses)	(611)	(628)	(567)	(589)	(599)	(646)	(683)	(739)	(800)	(852)	(924)	(996)	(1,072)
Operating result	224	122	47	(260)	437	322	345	353	409	517	651	799	927
Non-operating income	(2)	0	(5)	(20)	0	0	0	0	0	0	0	0	0
Income before taxes	222	123	42	(280)	437	322	345	353	409	517	651	799	927
Income Tax & Social Contribution	(178)	(120)	28	132	(176)	(132)	(141)	(145)	(167)	(209)	(261)	(318)	(368)
Deferred tax credits	0	0	0	0	0	0	0	0	0	0	0	0	0
Profit sharing	(27)	(13)	(9)	(1)	(50)	(37)	(40)	(41)	(47)	(60)	(75)	(92)	(107)
Net income	16	(10)	61	(150)	211	152	164	167	195	248	315	389	452

Source: EY/ BIC Banco/ CCB Brazil

Projected Balance Sheet

Balance Sheet (R$ Million)	2011H	2012H	2013H	2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P
Cash and Securities	4,962	4,238	3,495	3,531	3,711	3,940	4,178	4,428	4,704	5,063	5,470	5,870	6,296
Loans, net	10,994	12,130	10,172	9,842	10,300	11,785	13,525	15,554	17,887	20,570	23,141	25,455	28,000
Gross Loans and leases portfolio	11,559	12,727	10,591	10,645	11,140	12,746	14,627	16,822	19,345	22,247	25,027	27,530	30,283
Allowance for Loan Losses	(565)	(596)	(419)	(802)	(840)	(961)	(1,103)	(1,268)	(1,458)	(1,677)	(1,887)	(2,075)	(2,283)
Debtors from guaranteed deposits	147	198	218	0	0	0	0	0	0	0	0	0	0
Loans linked to assignments	0	11	18	0	0	0	0	0	0	0	0	0	0
Assets not for own use	165	406	432	0	0	0	0	0	0	0	0	0	0
Other Assets	988	1,050	973	962	1,007	1,022	1,045	1,075	1,110	1,175	1,293	1,403	1,523
Other Investments	1	1	1	0	0	0	0	0	0	0	0	0	0
Fixed Assets, net	110	147	132	123	128	143	160	180	202	228	255	279	305
Intangibles, net	93	81	66	55	43	31	21	10	0	0	0	0	0
Total Assets	17,461	18,262	15,506	14,513	15,191	16,921	18,928	21,246	23,902	27,036	30,159	33,007	36,124
Funding portfolio	14,450	15,190	12,563	12,338	12,579	14,239	16,165	18,392	20,943	23,861	26,683	29,263	32,096
Debentures	105	103	2	0	0	0	0	0	0	0	0	0	0
Provisions for contingencies	465	634	602	0	0	0	0	0	0	0	0	0	0
Other Liabilities	475	381	387	367	792	855	927	1,010	1,106	1,163	1,226	1,292	1,357
Total Liabilities	15,495	16,308	13,554	12,704	13,371	15,094	17,092	19,402	22,049	25,024	27,909	30,555	33,453
Total Shareholder's Equity	1,965	1,954	1,952	1,809	1,819	1,827	1,835	1,844	1,853	2,012	2,251	2,452	2,671
Total Liabilities and Equity	17,461	18,262	15,506	14,513	15,191	16,921	18,928	21,246	23,902	27,036	30,159	33,007	36,124

Source: EY/ BIC Banco/ CCB Brazil

Projected Cash Flow to Equity

Cash flow (R$ Millions)	6M 2014P	2015P	2016P	2017P	2018P	2019P	2020P	2021P	2022P	2023P	Perpetuity
Net profit	0	211	152	164	167	195	248	315	389	452	
(-) Legal reserve	0	(11)	(8)	(8)	(8)	(10)	(12)	(16)	(19)	(23)	
(-) Profit retention	-	-	-	-	-	-	(146)	(223)	(182)	(196)	
Free cash flow to equity	0	200	145	155	159	185	90	76	188	234	3,097

Source: EY/ BIC Banco/ CCB Brazil

5.8 Terms and Definitions

ANBIMA	*Brazilian Financial and Capital Markets Association*
Applicable Law	**IN CVM**, Law 6.404/ 76 as amended from time to time, Section VII of the Regulation of Level 1 of Corporate Governance Practices of the BM&FBovespa and Chapter X of the bylaws of **BIC Banco**
BACEN	*Banco Central do Brazil* – Central Bank of Brazil
BIC Banco or **Bank**	*Banco Comercial e Industrial S.A.*
BM&FBovespa	*Bolsa de Valores de São Paulo* – Stock Exchange of São Paulo
CAGR	*Compound Annual Growth Rate*
CAPM	*Capital Asset Pricing Model*
CCB Brazil	*CCB Brazil Financial Holding – Investimentos e Participações Ltda.*
COPOM	*Comitê de Política Monetária do Banco Central* – Central Bank of Brazil's Monetary Policy Committee
CVM	*Comissão de Valores Mobiliários* – Brazilian Securities and Exchange Comission
DCF	Discounted Cash Flow to Equity
DPGE	*Depósito a Prazo com Garantia Especial* – Credit Guarantee Fund
EY	Ernst & Young Assessoria Empresarial Ltda.
FIDC	*Fundos de Investimento em Direitos Creditórios* – Credit Receivables Investment Funds
IBGE	*Instituto Brasileiro de Geografia e Estatística* - Brazilian Institute for Geography and Statistics
IBRX-100	*Índice Brasil* – Brazilian Index
IMF	International Monetary Fund

IN CVM	*Instrução CVM* 436/06, 480/09, 487/10 *e* 492/11 - CVM Instruction 436/06, 480/09, 487/10 and 492/11
IPCA	*Índice de Preços ao Consumidor Amplo* – Extended Consumer Price Index
GDP	Gross Domestic Product
KPMG	KPMG Auditores Independentes
LCA	*Letra de Crédito do Agronegócio* – Agriculture Credit Bills
LCI	*Letra de Crédito Imobiliário* – Mortgage Bills
LF	*Letra Financeira – Financial* Bills
Management	Management of **CCB Brazil**
OECD	Organization for Economic Co-operation and Development
OPA	Oferta Pública de Aquisição – Offer for Acquisition
PRE	Required Reference Equity
Reference Date	June 30, 2014
Report	Economic-Financial Valuation of **BIC Banco**
R$ ou BRL	Brazilian Reais
Selic	*Sistema Especial de Liquidação e Custodia* – Special System for Settlement and Custody, the reference rate for Brazilian monetary policy
SFN	*Sistema Financeiro Nacional* – Brazilian National Financial System
US$ or USD	American Dollars

5.9 General Considerations

General Considerations

EY recommends the reading of the General Considerations and Limitations listed below, and will not be responsible for any interpretation, conclusion, decision, and/or other business judgments erroneously made from this **Report**.

The purpose of this **Report** is to comply with the terms of **Applicable Law.** In order to reach this objective, procedures always based on historic, economic, and market facts, in force on June 30 2014, the **Reference Date** of this valuation, have been applied, and deserve the following considerations:

- The scope of this work does not include the calculation of economic values by class or type of shares (**EY** did not make any sort of judgment in relation to the distribution of the economic value calculated among the several types and/classes of shares of **BIC Banco**). Likewise, the calculation of economic value of **BIC Banco** shares did not include any consideration about minority shareholding or lack of liquidity of shares;
- It is a fact that shareholders of **BIC Banco** qualified to participate in the **OPA** will have access to this **Report.** We point out that this **Report** does not constitute a proposal, offer, or recommendation of any type by **EY** to the shareholders of **BIC Banco**, and the decision to accept or not the **OPA** is of the sole and exclusive responsibility of the shareholders of **BIC Banco.** In this sense, **EY** is exempt from any liability before such shareholders;
- The shareholders of **BIC Banco** are to carry out their own analyses as to the convenience and opportunity to join the **OPA** and should consult their own legal, fiscal, and financial consultants in order to establish their own opinions on the operation and its risks. Thus, both **EY** and its partners and professionals are exempt from any liability in relation to all and any losses deriving from the agreement or not with the **OPA** by the shareholders;
- Pursuant to the **IN CVM**, this **Report** reflects the opinion of the assessor as to the reasonable value for the object of the offer on the date of its preparation, and this opinion should not be understood as a recommendation of the price of the offer, which should be determined by **CCB Brazil**;
- According to the **IN CVM**, this **Report** presents the value of **BIC Banco** within a minimum and maximum value bracket, with a value difference not exceeding 10% (ten percent);

- The considerations presented in this **Report** were analyzed by **EY** professionals and prepared based on data and facts provided by **CCB Brazil**;
- Pursuant to the **IN CVM**, the information contained in this **Report** is based on the audited financial statements of **BIC Banco**, and may additionally be based on managerial information related to the **Bank**, provided by **CCB Brazil**, and on information available to the public in general. **EY** was not responsible for conducting an independent verification of the information received from **BIC Banco**, from **Management** or from third parties, and accepted and used it for its analysis, except when it deemed such information as not consistent. Therefore, **EY** will not assume any future responsibility for the accuracy of the historic information used in this **Report**;
- Our work did not include any audit procedure, due diligence, or tax advisory services, nor were any investigations made on securities owned by the company involved in this **Report**, or verifications of the existence of any burdens or liens thereon;
- The financial projections were based on the information contained in the audited financial statements and on the business plans provided, as well as on our view on **BIC Banco**'s services and products and of its assessed subsidiaries, the acquired experience, and discussions with **CCB Brazil**;
- **EY** is not responsible for updating this **Report** for events and circumstances taking place after its issuance; and
- None of **EY** partner or professionals has any interest in **BIC Banco**, characterizing its independence. The fees related to the performance of this work were not based on and bear no relation with the values reported herein.

General Considerations on the Methodology Choice

As foreseen in the **IN CVM**, the economic value of **BIC Banco** was calculated by the **DCF**. This methodology assumes specific assumptions and a level of subjectivity whose main limitations are described as follows:

1. Some of the considerations described in this **Report** were based on future events that are part of the expectation of **CCB Brazil**, and were analyzed by **EY**, as explained in discussions with **Management**. Such future events may or may not occur and the results presented in this document may differ from the actual figures;
2. Factors that may result in differences between the projected cash flows and the real results include changes in the external environment, changes in the internal operational environment of **BIC Banco**, and modeling differences. The **DCF** method does not anticipate changes in the external and internal environments in which the **Bank** is inserted, except for those stated in this **Report**;

3. The **DCF** method presupposes some assumptions and a given level of subjectivity to be considered at the time of interpretation of the results obtained. This subjectivity is constantly analyzed by academic and market scholars. The paragraphs below illustrate some of the conclusions evidenced by such scholars:

   - Due to the possible changes in scenario in which **BIC Banco** is inserted, it is worth highlighting professor Aswath Damodaran's opinion, as follows: *"Even at the end of the most careful and detailed valuation, there will be uncertainty about the final numbers, colored as they are by assumptions that we make about the future of the company and the economy. It is unrealistic to expect or demand absolute certainty in valuation, since cash flows and discount rates are estimated. This also means that the analysts have to give themselves a reasonable margin for error in making recommendations on the basis of valuation."* [17]*;*

   - It is also worth pointing out Brudney and Chirelstein's opinion, as written originally: "*Valuation is not an exact science and the available methods for determining the value of an enterprise and the value of its securities may produce different values for the same enterprise or security. Differences may result not only from the use of one method of valuation rather than another (e.g. capitalized earnings rather than asset appraisal) but also from differences among the factual and judgmental in-puts in the application of a particular method (e.g. the identification of facts deemed relevant in determining past earnings or the judgment involved in determining an appropriate capitalization rate or an appropriate future earnings figure to capitalize).*" [18];and

[17]Damodaran, Aswath. Investment Valuation Tools and Techniques for Determining the Value of Any Asset. 2nd Ed.John Wiley & Sons, Inc., 2002, p. 4.

[18]Brudney and Chirelstein's Corporate Finance.Foundation Press. 4th Edition, p. 79.

4. Another point widely discussed in studies of this sort concerns the value of the company generated after the projection period. The most common method to calculate the residual value is the perpetuity method, which calculates the residual value as the present value of a cash flow considered to be standard, which is perpetuated after the last year of projection. As will be observed further in this **Report**, the methodology of perpetuity was used to calculate the value of **BIC Banco** generated after the projection period. Academic and market scholars corroborate the use of this technique, as described in the paragraphs below:

   - To achieve the objective of the work, the adopted calculation of perpetuity was the Gordon model, which is characterized by the use of factor K-g in the denominator and the cash flow to equity projected in the numerator, where K is the discount rate and g is the growth rate in perpetuity. This model presents certain limitations, being the most important that cannot fully recognize the necessary cash outflow in order to comply with the necessary investments to allow the maintenance of the company's growth in perpetuity. The topic of capital structure is also not addressed. Growth in the cash flows may frequently lead to significant changes in the capital structure that may be unreal or unwanted. In addition, it is worth mentioning the observations of Professor Aswath Damodaran, according to whom "The Gordon growth model is extremely sensitive to the inputs for the growth rate. Used incorrectly, it can yield misleading or even absurd results since as the growth rate converges on the discount rate, the value goes to infinity [19]".

[19]Damodaran, Aswath. Investment Valuation/ 2nd edition, Wiley Finance, page 324.

General Considerations on the Utilization and Distribution of the Report

This **Report** and the opinions and conclusions contained herein are for the use of **CCB Brazil** in the context described. Therefore, **CCB Brazil** and its related parties may not distribute this document to other parties, except under the following conditions:

- This **Report** may only be used in the context of the **OPA**;
- This **Report** should not be distributed in parts;
- Any user of this **Report** should be aware of the conditions that guided this work, as well as Brazilian's market and economic situations; and
- **EY** hereby authorizes the disclosure of the **Report**, and/or of the results of the valuation of **BIC Banco** to the administrators and shareholders of **BIC Banco**, to its advisors, to the Brazilian Securities and Exchange Commission (CVM), and to the Stock Exchange of São Paulo (**BM&FBovespa**).

Other Considerations

BIC Banco has investments in several operating companies whose economic valuation was part of the scope of this work. Taking into account the importance of these investments in the economic value of the **Bank**, it is important to consider them from the standpoint of the same methodology.

Currently, the companies controlled by **BIC Banco** and which were included in this valuation are the following:

- **BIC Arrendamento Mercantil S.A.:** Company 100% controlled by **BIC Banco** and which was consolidated with **BIC Banco** for valuation purposes;
- **BIC Distribuidora de Títulos e Valores Mobiliários S.A.:** Company 100% controlled by **BIC Banco** and which was consolidated with **BIC Banco** for valuation purposes;
- **BIC Informática S.A.:** Company 100% controlled by **BIC Banco** and which was consolidated with **BIC Banco** for valuation purposes;
- **BIC Administradora de Cartões de Crédito S/C Ltda.:** Company 100% controlled by **BIC Banco** and which was consolidated with **BIC Banco** for valuation purposes;
- **Sul Financeira S.A. Crédito, Financiamentos e Investimentos:** Company 100% controlled by **BIC Banco** and which was consolidated with **BIC Banco** for valuation purposes;
- **Sul Financeira Promotora de Vendas Ltda.:** Company 100% controlled by **BIC Banco** and which was consolidated with **BIC Banco** for valuation purposes;

- **Sul Financeira Cobrança Ltda.:** Company 100% controlled by **BIC Banco** and which was consolidated with **BIC Banco** for valuation purposes; and
- **BRASILFactors:** Company controlled by **BIC Banco**, whose ownership interest is 40%, and which was proportionally consolidated with **BIC Banco** for valuation purposes.

BIC Banco also holds investment in Credit Receivables Investment Funds (FIDCs), whose values are included in the consolidated financial statements used in this valuation.

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