Banco Votorantim S.A.

Consolidated financial statements in IFRS as of December 31, 2013

Contents

KPMG Auditores Independentes
R. Dr. Renato Paes de Barros, 33
04530-904 - São Paulo, SP - Brasil
Caixa Postal 2467
01060-970 - São Paulo, SP - Brasil

Central Tel 55 (11) 2183-3000
Fax Nacional 55 (11) 2183-3001
Internacional 55 (11) 2183-3034
Internet www.kpmg.com.br

Independent auditors' report on the consolidated financial statements

To
The Board of Directors and Shareholders of
Banco Votorantim S.A.
São Paulo - SP

We have audited the consolidated financial statements of Banco Votorantim S.A. ("Bank") and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2013 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows, for the year then ended, and a summary of the significant accounting practices and other explanatory notes.

Responsibility of management for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the internal controls it deemed necessary to enable the preparation of these consolidated financial statements free of material misstatements, regardless of whether due to fraud or error.

Responsibility of the Independent auditors
Our responsibility is to express an opinion on these consolidated financial statements based on our audit carried out in accordance with the Brazilian and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditors consider internal control relevant to the Bank's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Banco Votorantim S.A. and its subsidiaries as of December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Emphasis of matter

Restatement of corresponding amounts

As mentioned in Note 2n, as a result of the changes in accounting policies adopted in 2013, the corresponding consolidated amounts relating to the consolidated balance sheet as of December 31, 2012 and the corresponding values relating to the consolidated financial statements of income, of comprehensive income, of changes in stockholders' equity and of cash flows, for the years ended December 31, 2012, presented for comparative purposes, were adjusted and are being restated as provided in IAS 8 - Accounting Policies, Changes in Accounting Estimates and Correction of Errors and IAS 1 - Presentation of Financial Statements. Our opinion is not qualified in respect of this matter.

Sao Paulo, March 7, 2014

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Alberto Spilborghs Neto
Accountant CRC 1SP167455/O-0

Banco Votorantim S.A.

Consolidated balance sheets

December 31, 2013 and 2012

(In thousands of reais)

	Note	2013	2012*
Assets		111,189,451	133,142,379
Cash and cash equivalents	4	5,049,961	1,178,101
Financial assets with resale agreements	5	5,848,911	13,914,873
Financial assets at fair value through profit or loss	6a	5,842,870	12,225,873
Financial assets available for sale	6b	20,027,187	22,928,411
Financial assets held to maturity	6c	5,181,200	-
Derivative financial instruments	7	1,313,202	1,979,551
Loans and receivables	8	57,864,293	70,242,288
Dividends receivable		14,610	34,705
Current tax assets	9	255,967	666,641
Deferred tax assets	10	6,690,795	4,929,358
Non-financial assets held for sale	11	159,476	152,556
Investments	12	518,532	234,982
Other assets	13	2,251,276	4,486,252
Tangible assets	14	118,506	116,387
Intangible assets	15	52,665	52,401
Total assets		111,189,451	133,142,379

	Note	2013	2012*
Liabilities		104,265,411	125,506,356
Financial liabilities at fair value through profit or loss	16	411,681	607,437
Financial liabilities at amortized cost	17	97,024,821	114,181,077
Derivative financial instruments	7	1,290,605	1,735,250
Provisions	18	1,649,247	1,275,295
Current tax liabilities	19	160,752	299,761
Deferred tax liabilities	20	763,838	543,701
Legal obligations	21	4,774	1,617,768
Other liabilities	22	2,959,693	5,246,067
Total stockholders’ equity attributable to controlling shareholders		6,924,039	7,636,022
Capital stock		7,125,761	7,026,841
Reserves	23b	133,468	302,046
Equity assessment adjustments	23d	(335,190)	307,135
Total stockholders' equity attributable to non-controlling shareholders		1	1
Total liabilities and stockholders' equity		111,189,451	133,142,379

***The 2012 amounts have been restated in compliance with IFRS 10, as explained in Note 2n.**

The explanatory notes are constituent parts of the financial statements.

Banco Votorantim S.A.

Consolidated statements of income

Years ended December 31, 2013 and 2012

(In thousands of reais)

	Note	2013	2012*
Interest revenue	24	14,253,954	17,289,969
Interest expenses	25	(7,724,118)	(9,918,548)
Financial margin		6,529,836	7,371,421
Result from fees and commissions	26	(478,820)	(928,352)
Result from financial instruments at fair value through profit or loss	27	(1,745,796)	1,174,351
Result from financial assets available for sale		68,754	(6,562)
Result from derivative financial instruments	28	1,456,843	(1,743,549)
Other operational results	29	1,035,379	(735,089)
Gross income from financial intermediation		6,866,196	5,132,220
Result from impairment losses	30	(4,172,665)	(5,679,489)
Personnel expenses	31	(1,033,206)	(978,774)
Other administrative expenses	32	(501,363)	(505,087)
Depreciation and amortization	33	(33,535)	(29,443)
Tax expenses	34	(1,719,873)	(513,361)
Result from the equity method		27,061	(9,013)
Income from disposal of non-current assets for sale	35	(28,702)	(145,255)
Results before taxes, contributions and profit sharing		(596,087)	(2,728,202)
Taxes and contributions on current income	36a	(458,196)	(1,289,234)
Deferred income taxes and contributions	36b	1,093,839	2,646,783
Profit sharing		(231,667)	(295,468)
Net income for the year attributable to controlling shareholders		(192,111)	(1,666,121)
Net income for the year		(192,111)	(1,666,121)

*The 2012 amounts have been restated in compliance with IFRS 10 and to improve presentation of the income statement, as explained in Note 2n.

The explanatory notes are constituent parts of the financial statements.

Banco Votorantim S.A.

Consolidated statements of comprehensive income

Years ended December 31, 2013 and 2012

(In thousands of reais)

	2013	2012
Net income for the year	(192,111)	(1,666,121)
Other comprehensive results that subsequently will be reclassified to the income statement:		
Net variation in the fair value of financial assets available for sale	(1,046,855)	400,683
Fair value adjustment against stockholders' equity	(978,101)	394,121
Reclassification of realized income to income	(68,754)	6,562
Income from derivative financial instruments (Hedge)	-	5,005
Income and social contribution taxes on comprehensive income	404,530	(116,948)
Total comprehensive income	(834,436)	(1,377,381)

The explanatory notes are constituent parts of the financial statements.

Banco Votorantim S.A.

Statements of changes in stockholders' equity

Years ended December 31, 2013 and 2012

(In thousands of reais)

	Stockholders' equity attributable to the controlling shareholders							
	Capital stock	**Capital reserves**	**Profit retention**	**Equity assessment adjustments**	**Accumulated income/(loss)**	**Total**	**Non-controlling ownership**	**Total stockholders' equity**
Balances at December 31, 2011	5,026,841	585,104	1,383,063	18,395	-	7,013,403	9	7,013,412
Increase of capital stock	2,000,000	-	-	-	-	2,000,000	(6)	1,999,994
Constitution / (reversal) of reserves	-	(283,058)	(1,383,063)	-	1,666,121	-	(2)	(2)
Equity assessment adjustments	-	-	-	288,740	-	288,740	-	288,740
Net income for the year	-	-	-	-	(1,666,121)	(1,666,121)	-	(1,666,121)
Balances at December 31, 2012	7,026,841	302,046	-	307,135	-	7,636,022	1	7,636,023
Increase of capital stock	98,920	-	-	-	-	98,920	-	98,920
Constitution / (reversal) of reserves	-	(192,631)	-	-	192,631	-	-	-
Other events	-	-	-	-	(520)	(520)	-	(520)
Equity assessment adjustments	-	24,053	-	(642,325)	-	(618,272)	-	(618,272)
Net income for the year	-	-	-	-	(192,111)	(192,111)	-	(192,111)
Balances at December 31, 2013	7,125,761	133,468	-	(335,190)	-	6,924,039	1	6,924,040

The explanatory notes are constituent parts of the financial statements.

Banco Votorantim S.A.

Consolidated statements of cash flows

Years ended December 31, 2013 and 2012

(In thousands of reais)

	2013	2012*
Cash flows from operating activities		
Net income for the year	(192,111)	(1,666,121)
Adjustments to net income/loss:	3,448,776	6,468,072
Depreciation and amortization	33,535	29,443
Result from impairment losses	4,495,967	5,392,327
Legal provisions and obligations	(1,053,665)	1,037,289
Result from the equity method	(27,061)	9,013
Net increase (decrease) in operational assets	23,894,730	(1,700,593)
Financial assets with resale agreements	8,065,962	(4,296,648)
Financial assets at fair value through profit or loss	6,383,003	(2,214,069)
Derivative financial instruments	666,349	(302,606)
Loans and receivables	7,882,028	10,296,629
Dividends receivable	20,095	(8,557)
Current tax assets	410,674	298,560
Deferred tax assets	(1,761,437)	(2,405,994)
Non-financial assets held for sale	(6,920)	(50,730)
Other assets	2,234,976	(3,017,178)
Net increase (decrease) in operational liabilities	(21,805,890)	(7,224,003)
Financial liabilities at fair value through profit or loss	(195,755)	483,731
Financial liabilities at amortized cost	(18,774,867)	(11,471,260)
Derivative financial instruments	(444,645)	253,246
Current tax liabilities	243,280	402,338
Cash payments relating to current tax liabilities	(382,289)	(201,153)
Deferred tax liabilities	220,137	(116,348)
Legal provisions and obligations	(185,377)	(5,733)
Other liabilities	(2,286,374)	3,431,176
Cash generated/(used) in operations	5,345,505	(4,122,645)
Cash flows from financing activities		
Capital increase	98,920	2,000,000
Other events against stockholders’ equity	(519)	-
Increase or decrease of non-controlling interest	-	(8)
Securities issued	1,251,608	4,967,121
Subordinated liabilities	367,002	(406,100)
Cash generated/(used) in financing activities	1,717,011	6,561,013
Cash flow from investment activities		
Investments	(256,489)	(243,995)
Financial assets available for sale	(1,916,561)	(6,594,201)
Financial assets held to maturity	(981,688)	-
Tangible assets	(25,083)	(1,902)
Intangible assets	(10,835)	(15,073)
Cash generated/(used) in investment activities	(3,190,656)	(6,855,171)
Net variation for cash and cash equivalents	3,871,860	(4,416,803)
Cash and cash equivalents at the beginning of the year	1,178,101	5,594,904
Cash and cash equivalents at the end of the year	5,049,961	1,178,101
Increase /(decrease) in cash and cash equivalents	3,871,860	(4,416,803)

*****The 2012 amounts have been restated in compliance with IFRS 10, as explained in Note 2n.

The explanatory notes are constituent parts of the financial statements.

Notes to the consolidated financial statements

(In thousands of Reais)

1 Operational context

Banco Votorantim is a non-public stock company that, operating in the form of a Multiple Bank, carries out banking activities in authorized categories, by means of its commercial, investment, financing and foreign exchange operation portfolios. Domiciled in Brazil, Banco Votorantim is located at Avenida das Nações Unidas, 14171 - São Paulo - SP.

Banco Votorantim and its subsidiaries BV Financeira S.A.- Crédito, Financiamento e Investimento, Votorantim Asset Management Distribuidora de Títulos e Valores Mobiliários Ltda., Votorantim Corretora de Títulos e Valores Mobiliários Ltda., and BV Leasing - Arrendamento Mercantil S.A. (Conglomerate) also work in various other modalities, particularly activities of consumer credit, leasing, and management of third-party funds.

Transactions are conducted in the financial market, including in relation to risk management, and certain transactions have the joint participation or the intermediation of associated institutions. The benefits of the services provided between these institutions and the costs of the operational and administrative structure, are absorbed based on the practicality and reasonableness of the allocation of benefits and costs, jointly or individually.

On July 31, 2013, Banco Votorantim management approved the incorporation of BV Participações pursuant to the terms of the Merger Agreement. The incorporated net assets were evaluated at book value as of June 30, 2013, base date of the transaction, as R$98,920. plus equity changes occurred from base date of accounting appraisal report as at the incorporation date. The transaction is justified because it represents an improvement of respective corporate structure, rationalizes transactions, simplifies management, facilitates accounting and financial procedures, and minimizes administrative expenses, thus optimizing its assets and income. As a natural outcome, legal personality of BV Participações was extinct and Banco Votorantim became the universal successor of all its rights and obligations. The merger caused an increase in the Bank's capital stock at the same amount of shareholders' equity merged, through the issuance of 1,442,096,204 new shares, being 1,179,896,894 common shares and 262,199,310 preferred shares, all of them with no par value, to be assigned to Votorantim Finanças and Banco do Brasil, the only shareholders of BV Participações, in proportion to the interest each of them holds in BV Participações capital, to replace shares of BV Participações that will be extinct.

BV Participações balance sheet balances incorporated by Banco Votorantim are as follows:

- Assets: 99,090
- Liabilities: 170
- Stockholders' equity: 98,920

On July 31, 2013, Banco Votorantim managers approved the incorporation of CP Promotora to BV Financeira pursuant to the terms of the Merger Agreement. The incorporated net assets were evaluated at book value as of June 30, 2013, base date of the transaction, as R$ 65,046; plus equity changes occurred from base date of accounting appraisal report as at the incorporation date. The transaction is justified because it represents an improvement of respective corporate structure, rationalizes transactions, simplifies management, facilitates accounting and financial procedures, and minimizes administrative expenses. As a natural outcome, legal personality of CP Promotora was extinct and BV Financeira became the universal successor of all its rights and obligations. The merger caused an increase in BV Financeira's capital stock at the same amount of stockholders' equity merged, through the issuance of 80,601 new common shares, nominative and with no par value, to be assigned to BV Financeira, the only shareholder of CP Promotora, to replace shares of CP Promotora that will be extinct.

Balance sheet balances of CP Promotora that were merged by BV Financeira are as follows:

- Assets: 220,916
- Liabilities: 155,870
- Stockholders' equity: 65,046

2 Basis for preparation of financial statements

a. Statement of conformity

The consolidated financial statements were prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

b. Recognition and measurement basis

Regular purchases and sales of financial instruments, including derivatives, are recognized on date of trading – the date on which the Conglomerate agrees to the purchase or sale of the asset.

Financial instruments are derecognized when rights to receive cash flows from the investments have been expired or transferred, in the latter, as long as the Conglomerate has transferred virtually all ownership risks and benefits of the financial instrument. Financial assets available for sale and financial assets measured at fair value through profit or loss as subsequently measured at fair value. Loans and receivables are calculated at the amortized cost using the effective interest rate method.

Gains or losses arising from changes in fair value of financial assets measured at fair value through results are shown in the income statement under "income from financial assets at fair value through profit or loss" in the period in which they occur.

When securities classified as available for sale are sold or impaired, the cumulative fair value adjustments recognized in stockholders' equity are included in the income statement as "income from financial assets available for sale".

The fair value of publicly listed financial assets is based on current purchase prices. If the market for a financial asset (and securities not unregistered on exchange) is not active, the Conglomerate establishes the fair value based on evaluation techniques. Those techniques include the use of operations recently contracted with third parties, reference to other instruments that are substantially similar, analysis of discounted cash flows and pricing models for options using, as much as possible, market-generated information, and counting on, as least as possible, information generated by the Management.

The Conglomerate evaluates, periodically, on balance sheet date if there is any objective evidence that a financial asset or group of financial assets is recorded at its recoverable value. In the case of financial assets classified as available for sale, a significant or prolonged fall in the fair value of a security to below its cost value is taken as impairment. If there is any such evidence for financial assets available for sale, the cumulative loss - measured as the difference between acquisition cost and current fair value, is removed from equity and recognized in the income statement.

c. Functional currency and presentation currency

The consolidated financial statements are presented in Brazilian *Reais*, which is its functional and reporting currency for these consolidated financial statements. Banco Votorantim S.A., which has investment control over its foreign subsidiaries, defined the Brazilian *Real* as the functional currency of the entities, because the activities of the operations abroad are carried out as an extension of Banco Votorantim and do not follow a significant level of autonomy.

IAS 21 - The Effects of Changes in Foreign Exchange Rates, defines the "functional currency" as the currency of the primary economic environment in which the entity operates.

d. Accounting estimates and judgment

The preparation of the financial statements requires that management uses its judgment in determining and recording accounting estimates. The settlement of transactions involving these estimates may result in significantly different amounts due to the lack of precision inherent to the process of their determination. Significant items subject to such estimates and assumptions include valuations of financial assets and liabilities, financial derivative instruments at fair value, credit risk analysis to determine allowance for impairment, and analysis of contingent liabilities. The Management reviews the estimates and assumptions on a regular basis.

The principal values recognized in the financial statements by means of estimates are included in the following explanatory notes:

- Note 6 – Financial assets
- Note 7 – Derivative financial instruments
- Note 8 – Loans and receivables
- Note 10 – Deferred tax assets
- Note 16 – Financial liabilities at fair value through profit or loss
- Note 18 – Provisions

e. Consolidation basis

Investee over which the Company exercises control are considered as subsidiaries, based on the evaluation of an investor having power over the investee; exposure to, or rights over, variable returns from its involvement with the investee; and the ability to use its power over the investee to affect their return. Subsidiaries are fully consolidated as of the Conglomerate's assuming control over their activities through the date that such control ceases.

The consolidated financial statements include the transactions of Banco Votorantim (parent company) and the following controlled investees:

		Ownership interest	
		2013	2012
Domestic subsidiaries (direct interest)			
Votorantim CTVM Ltda.		99.99	99.99
Votorantim Asset Management DTVM Ltda.		99.99	99.99
BV Financeira S.A. Crédito, Financiamento e Investimento		100.00	100.00
BV Leasing Arrendamento Mercantil S.A.		100.00	99.99
BVIP - BV Investimentos e Participações S.A.		100.00	100.00
BVIA - BV Inv. Alternativos e Gestão de Recursos S.A.		100.00	100.00
Votorantim Corretora de Seguros S.A.		100.00	100.00
BV Sistemas de Tecnologia da Informação S.A.	(a)	100.00	-
BV Financeira FIDC V - Not standardized	(d)	100.00	52.09
BVIA Fundo Invest. Participações		100.00	100.00
Domestic subsidiaries (indirect interest)			
Fundo Invest. Nióbio I Renda Fixa	(b)	-	100.00
BV Financeira FIDC I	(d)	58.71	48.65
BV Financeira FIDC II	(d)	22.16	14.63
BV Financeira FIDC III		100.00	100.00
BV Financeira FIDC IV		100.00	100.00
BV Financeira FIDC VI	(d)	26.73	29.93
BV Empreendimentos e Participações S.A.	(c)	100.00	100.00
BV Empreendimentos Imobiliários SPE I	(c)	100.00	100.00
BV Empreendimentos Imobiliários SPE II	(c)	100.00	100.00
IRE República Empreendimento Imobiliário S.A.	(c)	100.00	100.00
Senador Dantas Empreendimento Imobiliário SPE S.A.	(c)	80.00	80.00
Subsidiaries abroad (direct interest)			
Votorantim Bank Limited		99.99	100.00
Banco Votorantim Securities Inc.		100.00	100.00
Votorantim Securities (UK) Limited		100.00	100.00

a) Consolidation due to the incorporation of BV Participações that took place on July 31, 2013; see Note 1.
b) In October 2013, the conglomerate incorporated the Investment Fund. Nióbio I Renda Fixa.
c) Starting January 1, 2013, due to mandatory application of IFRS 10, the Conglomerate started to fully consolidate the "Specific Purpose Corporations" (SPEs), which are subsidiaries of BV Empreendimentos e Participações S.A. The 2012 amounts have been restated in compliance with IFRS 10, as explained in Note 2n.
d) Participation represented on all the shares of the FIDCs (receivables investment funds). The Conglomerate holds 100% of the subordinated shares. The balances relating to net assets of FIDC attributed to senior shareholders are shown in Note 17c.

f. Investments in associates

An associated company is an entity in which the Conglomerate holds significant influence and which is not characterized as a subsidiary or an investment in a joint venture. Significant influence is the power to participate in decisions on the financial and operating policies of the investee, without jointly or severally controlling such policies. Changes in stockholders' equity of the investments included in this kind of investment are recognized in the Group's income statement by the equity method.

g. Jointly-controlled operations

A jointly-controlled operation is an operation in which an investor uses their own assets aiming at jointly-controlled operation. The consolidated financial statements include the assets that the Conglomerate controls and the liabilities incurred during the course of the activities of the joint operation, the expenses incurred by the Conglomerate and its share in the revenue generated by joint operation. Changes in stockholders' equity of the investments included in this kind of investment are recognized in the Group's income statement by the equity method.

h. Transactions eliminated in the consolidation

Intergroup balances and transactions, and any income or expenses derived from intergroup transactions, are eliminated in the preparation of the consolidated financial statements. Unrealized gains originating from transactions with investee companies recorded using the equity method, are eliminated against the investment in the proportion of the Conglomerate's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only up to the point where there is no evidence of loss due to impairment.

i. Financial position of subsidiaries

i. Domestic subsidiaries (direct interest)

December 31, 2013

	Vot. CTVM	Vot. DTVM	BV Financeira	BV Leasing	BVIP	BVIA	Vot. Corretora de Seguros	BV Sistemas	FIDC V	BVIA FIP
Current assets	348,464	160,621	25,095,942	23,365,714	11	93	238,615	40,358	43,339	596,436
Non-current assets	16,054	8,594	30,687,555	6,898,723	-	-	26	25,494	-	-
Total assets	364,518	169,215	55,783,497	30,264,437	11	93	238,641	65,852	43,339	596,436
Current liabilities	99,590	68,661	45,392,490	5,023,336	-	-	172,858	32,205	162	121
Non-current liabilities	8,699	9,860	7,952,064	23,850,174	-	-	22	1,477	-	-
Stockholders' equity	256,229	90,694	2,438,943	1,390,927	11	93	65,761	32,170	43,177	596,315
Total liabilities	364,518	169,215	55,783,497	30,264,437	11	93	238,641	65,852	43,339	596,436

December 31, 2012

	Vot. CTVM	Vot. DTVM	BV Financeira	BV Leasing	BVIP	BVIA	Vot. Corretora de Seguros	FIDC V	BVIA FIP
Current assets	370,637	67,763	18,141,480	8,581,885	36	112	106,378	664,536	632,415
Non-current assets	22,977	77,189	34,410,564	21,450,621	-	-	109,934	-	-
Total assets	393,614	144,952	52,552,044	30,032,506	36	112	216,312	664,536	632,415
Current liabilities	111,978	51,587	47,007,787	1,991,537	-	-	52,941	366	50,104
Non-current liabilities	24,674	327	2,417,569	26,719,228	-	-	-	-	-
Stockholders' equity	256,962	93,038	3,126,688	1,321,741	36	112	163,371	664,170	582,311
Total liabilities	393,614	144,952	52,552,044	30,032,506	36	112	216,312	664,536	632,415

ii. Domestic subsidiaries (indirect interest)

December 31, 2013

	FIDC I	FIDC II	FIDC III	FIDC IV	FIDC VI	BV Emp. e Part.	SPE I	SPE II	Senador Dantas SPE	IRE República
Current assets	251,194	328,687	36,723	26,236	1,753,972	147,050	1	1	87,958	38
Non-current assets	2,787	-	-	-	622,708	617,640	-	-	-	52,562
Total assets	253,981	328,687	36,723	26,236	2,376,680	764,690	1	1	87,958	52,600
Current liabilities	987	7,158	184	25,477	951	115,505	-	-	42,171	1
Non-current liabilities	-	-	-	-	-	-	-	-	-	-
Stockholders' equity	252,994	321,529	36,539	759	2,375,729	649,185	1	1	45,787	52,599
Total liabilities	253,981	328,687	36,723	26,236	2,376,680	764,690	1	1	87,958	52,600

December 31, 2012

	FIDC I	FDIC II	FIDC III	FIDC IV	FIDC VI	FI Nióbio I	BV Emp. e Part.	SPE I	SPE II	Senador Dantas SPE	IRE República
Current assets	269,400	894,840	105,670	439,028	3,048,118	1,788,153	196,294	1	1	83,804	148
Non-current assets	-	-	-	-	-	-	348,603	-	-	348	52,531
Total assets	269,400	894,840	105,670	439,028	3,048,118	1,788,153	544,897	1	1	84,152	52,679
Current liabilities	1,012	586	163	420	1,094	680	51,756	-	-	13,996	99
Non-current liabilities	-	-	-	-	-	-	-	-	-	28,837	-
Stockholders' equity	268,388	894,254	105,507	438,608	3,047,024	1,787,473	493,141	1	1	41,319	52,580
Total liabilities	269,400	894,840	105,670	439,028	3,048,118	1,788,153	544,897	1	1	84,152	52,679

iii. Subsidiaries abroad (direct interest)

	2013			2012		
	VBL	**BV Securities**	**BV Securities UK**	**VBL**	**BV Securities**	**BV Securities UK**
Current assets	63,992	19,344	14,786	46,005	16,098	12,819
Non-current assets	1,357	378	32	1,550	426	-
Total assets	65,349	19,722	14,818	47,555	16,524	12,819
Current liabilities	20,925	206	23	7,191	535	-
Non-current liabilities	-	-	-	-	-	-
Stockholders' equity	44,424	19,516	14,795	40,364	15,989	12,819
Total liabilities	65,349	19,722	14,818	47,555	16,524	12,819

j. Foreign Currency

Monetary assets and liabilities denominated and calculated in foreign currencies on the date of presentation are reconverted into the functional currency at the exchange rate determined on that date.

Exchange gain or loss in monetary items is the difference between the amortized cost of the functional currency at the beginning of the period, adjusted by interest and effective payments during the period, and the amortized cost in foreign currency at the exchange rate at the end of the presentation period. On the base date, assets and liabilities of the subsidiary and branch located abroad are converted into the submission currency adopted by the Company at the current exchange rate on balance date.

k. Offsetting of financial instruments

Financial assets and liabilities are only offset and the net amount reported on the balance sheet when there is a legally applicable right to offset recognized amounts and there is an intention to settle them on a net basis or realize the asset and settle the liability simultaneously.

l. Standards and interpretations that became effective after the year ended December 31, 2013

Changes of the IFRS 7 - Financial Instruments: Disclosures – In December 2012, a new pronouncement alteration was issued requiring additional disclosures on offsetting process. These requirements are effective for years starting after January 1, 2013. The impacts resulting from the adoption of these changes in the disclosures are explained in Note 39d (xi).

IFRS 10 - "Consolidated Financial Statements" – This pronouncement change the prior consolidation principle, and identifies the concept of control as the key factor to consolidate an entity. Not effective up to January 1, 2013. The impacts resulting from the adoption of the standard are reflected in the balances of this financial statement and shown in Notes 2i and 12.

IFRS 11 - "Joint Arrangements" – This pronouncement provides a different approach for the analyses of "Joint Arrangements" that focusing better on rights and obligations deriving from agreements than on legal forms. IFRS 11 divides Joint Arrangements in two ways: Joint Arrangements and Joint Operations, according to the parties' rights and obligations. For investments in “Joint Ventures”, proportional consolidation is not allowed. Not effective up to January 1, 2013. These changes had no effect on the financial statements.

IFRS 12 - “Disclosures of Interests in Other Entities” – This pronouncement includes new disclosure requirements for all types of investment in other entities, such as “Joint Arrangements”, associations and special purpose entities. Not effective up to January 1, 2013. The impacts resulting from the adoption of the standard are reflected in the balances of this financial statement and shown in Notes 2i and 12.

Change of IAS 12 - “Income taxes” – In December 2010, a change alteration was issued for this pronouncement inserting an exception for measurement of deferred tax assets and liabilities, referring to investments in properties measured at fair value. The impacts resulting from the adoption of these changes are included in the notes. These changes had no effect on the financial statements.

IFRS 13 - “Fair Value Measurement” – This pronouncement intends to promote better alignment between IFRS and USGAAP to increase consistency and diminish disclosures complexity by using accurate fair value definitions. Not effective up to January 1, 2013. The impacts resulting from the adoption of this standard are reflected in the balances of this financial statement and the required disclosures are presented in Note 39 i.

Change of IAS 19 - “Employee Benefits” – This change excludes the alternative of using the “corridor” method and requires that all changes must be recognized in Other Accumulated Comprehensive Income. It is effective for years starting after January 1, 2013. These changes had no effect on the financial statements.

Annual Improvements cycle (2009-2011) - Annually, IASB makes small changes to several pronouncements, aiming at clarifying current standards and avoiding double interpretation. In this cycle, IFRS 1 – “First-time adoption of IFRS”, IAS 1 – “Presentation of Financial Statements”, IAS 16 – “Property, Plant and Equipment”, and IAS 32 – “Financial Instruments were reviewed: Presentation and IAS 34 – Interim Financial reporting. Alterations are not effective before January 1, 2013. These changes had no effect on the financial statements.

m. Standards and interpretations will be effective after the year ended December 31, 2013

The following pronouncements will prevail for periods after these Consolidated Financial Statements date and were not adopted in advance:

Change of IAS 32 - Financial Instruments: Presentation” – This change was issued to clarify requirements of financial instrument offsetting in the Balance Sheet. This alteration is effective for years beginning as of January 1, 2014. The possible impacts arising from the adoption of this amendment are being assessed.

IFRS 9 - “Financial Instruments” – This pronouncement is the first stage in the process of replacing IAS 39 “Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification and measurement of financial assets and is expected to impact the recording of the financial instruments of the Conglomerate. This amendment is effective for years beginning on January 1, 2018. The early adoption is permitted by IASB, but prohibited by the Central Bank of Brazil (BACEN).

n. Changes in accounting policies and practices

a) For better reporting of the account balances on December 31, 2012 and better compliance with IFRS, some of the financial accounts were relocated in the conglomeration process, being transferred from “Income from financial instruments at fair value through profit or loss” to “Interest revenue”. The reclassified amounts are represented by contractual income on financial assets that are measured at fair value.

b) In compliance with IAS 8.19 and IFRS 10, the Bank’s balances on December 31, 2012 have been restated, consolidating the balances of the company BV Empreendimentos e Participações S.A. and its subsidiaries, for better reporting and disclosure, as explained in Note 12.

	2012			
	Previous disclosure	**(a)**	**(b)**	**Current disclosure**
Financial assets at fair value through profit or loss	12,460,855	-	(234,982)	12,225,873
Investments	-	-	234,982	234,982
Interest revenue	14,467,119	2,822,850	-	17,289,969
Results with financial instruments at fair value through profit or loss	3,988,188	(2,822,850)	9,013	1,174,351
Equity income (loss)	-	-	(9,013)	(9,013)

o. Authorization of financial statements

The issue of financial statements was authorized by the Executive Board on March 7, 2014.

3 Significant accounting policies

a. Cash and cash equivalents

Cash is represented by available funds, interbank deposits, investments in foreign currency and money market repurchase agreements – own portfolio, maturity up to 90 days.

b. Financial instruments with repurchase/resale commitment

Securities sold with agreement to repurchase on a specific future date are not derecognized from the balance sheet, given that the Conglomerate retains substantially all of the risks and benefits of ownership. The corresponding cash received is recognized in the balance sheet as an obligation for reimbursement, including interest appropriated as a debt of the Conglomerate. The difference between sale and repurchase prices is treated as interest expense and accrued over the duration of the contract using the effective interest rate.

Conversely, for securities purchased under agreements to resell at a specific future date, the amount paid, including interest accrued, is recorded on the balance sheet as financial assets with resale agreements, reflecting the economic substance of the transaction. The difference between purchase and resale price is recorded in ‘Interest income’ and accrued during the contractual term using the effective interest rate.

c. Financial instruments

According to IAS 39, all financial assets and liabilities, including derivative financial instruments, must be recognized on the Balance Sheet and measured according to the category in which the respective instrument is classified.

Financial assets and liabilities may be classified into the following categories:

- Financial assets and liabilities at fair value through profit or loss - Held for trading;
- Financial assets and liabilities at fair value through profit or loss - Other financial liabilities designated at fair value;
- Financial liabilities at fair value through profit or loss - derivatives;
- Financial assets at fair value through profit or loss;
- Financial assets held to maturity;
- Loans and receivables;
- Financial liabilities at fair value through profit or loss;
- Financial liabilities at amortized cost.

The classification depends on the purpose for which the financial assets were acquired or financial liabilities were assumed. Management determines the classification of its financial instruments at initial recognition.

In its consolidated financial statements, the management of Banco Votorantim S.A. classifies the financial instruments into categories that reflected the manner most suitable to the nature and characteristics of such instruments.

Regular purchases and sales of financial assets are recognized and/or reversed, respectively, on the date of trading.

Financial assets are derecognized when the rights to receive cash flows have expired or when Banco Votorantim S.A. substantially transfers all the risks and benefits of ownership, in a manner that justifies the derecognition (IAS 39). Therefore, if the risks and benefits have not been substantially transferred, Banco Votorantim S.A. will reassess its control and determine whether the actual involvement related to any retained control will not prevent it from making such a reversal. Financial liabilities are derecognized upon liquidation or extinction thereof.

i. **Financial assets at fair value through profit or loss - held for trading** – These are the assets acquired and incurred primarily with the intention of being traded in the short term or if they are part of a portfolio of financial instruments that are managed as a whole and for which there is evidence of a recent history of short-term sales. Derivative financial instruments are classified as held-for-trading except when they are designated and effective as hedging instruments. Banco Votorantim S.A. chose to disclose derivatives in a separate line of the Consolidated Balance Sheet (item (iii)).

A financial asset is classified at fair value through profit or loss if it is held for trading, or stated as such when initially recognized.

Financial assets are stated at fair value through profit or loss if the Management manages these investments and makes decisions on investment and redemption based on fair value according to the risk management and strategy of investment documented by the Conglomerate. After their initial recognition, the financial assets with prefixed or post fixed remuneration are measured at amortized cost and stated at fair value. The initially recognized remuneration calculated by amortized cost of financial assets is presented in income as “Interest revenue”.

The remuneration of held-for-trading financial assets is considered applicable to the trading operations of Banco Votorantim S.A. and are reported in a manner aggregated to all changes in the fair value of the assets held for trading in the account Results of financial instruments at fair value through profit and loss.

Changes in their fair value are recognized in income for the period and shown in the income statement as “Income from financial assets held at fair value through profit or loss.”

ii. **Financial assets at fair value through profit or loss - designated at fair value** - assets designated at fair value through profit and loss upon initial recognition (fair value option). This recognition may not be subsequently changed. In accordance with IAS 39, fair value option may only be applied when its application reduces or eliminates accounting inconsistencies in results or when financial assets are part of a portfolio whose risks are managed and reported to Management based on their fair values or when these assets comprise a debt instrument and embedded derivative that should be separated.

iii. **Financial assets and liabilities at fair value - derivatives** - Derivative instruments that do not meet the criteria for hedges have their fair value adjustments recorded directly in earnings and presented in the income statement as a result of derivative financial instruments.

Financial instruments combined with other financial instruments, derivatives or not, are treated as separate financial instruments and recorded to include economic characteristics and risks directly related to the main contract.

Embedded derivatives are separated from the host contracts and accounted for separately if the economic characteristics and risks of the host contract and embedded derivative are not intrinsically related; or a separate instrument with the same terms as the embedded derivative meets the definition of a derivative.

iv. **Financial assets available for sale** - available for sale financial assets are financial assets that are not classified in any of the above categories. Subsequent to initial recognition, the financial assets with prefixed or post fixed remuneration are measured at amortized cost using the effective interest rate method and stated at fair value. Changes in fair value, other than through impairment, are recognized – net of tax effects – within stockholders’ equity as adjustments in valuation of stockholders’ equity. When an investment is derecognized, the cumulative result in stockholders’ equity is transferred to the income statement.

v. **Financial assets held to maturity -** If the Conglomerate has the intention and ability to hold financial assets to maturity, such assets are classified as held-to-maturity. After initial recognition, financial assets with a fixed or variable remuneration are measured at amortized cost through the effective interest method and reported in the income statement as Interest revenue, less any impairment.

vi. **Loans and receivables** - Loans and receivables are financial assets with fixed or calculated payments and not quoted on an active market. Such assets are initially recognized at fair value, plus any attributable transaction costs. After their initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, reduced by any impairment losses. Revenues measured at amortized cost are shown in the income statement as “interest revenue”. Loans and receivables subject to hedge derivative financial instruments are measured at fair value, using consistent criteria and verifiable.

Changes in their fair value are recognized in income for the period and shown in the income statement as “Income from financial assets at fair value through profit or loss

d. Derecognition of financial instruments

i. Financial assets

A financial asset (or applicable portion of a financial asset or group of similar assets) is derecognized when:

The right to receive cash flows from the asset has expired; or

- The Conglomerate has transferred the right to receive cash flows from the asset or has assumed an obligation to pay the cash flow received, in full and without material delay, to a third party due to a transfer agreement, and:
- The Conglomerate has substantially transferred all risks and rewards of the asset; or
- The Conglomerate has not substantially transferred or retained all the risks and rewards of the asset, but has transferred control of the asset.

Loans and receivables reaching 360 days of arrears are written off against provision for losses due to impairment, except when there is some expectation of recovery.

ii. Financial liabilities

A financial liability based on a contract is derecognized when obligation in relation to the liability is eliminated, canceled, expired or settled. When an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, the exchange or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in book value is recognized in the income statement. On December 31, 2013 and 2012, there were no significant substitutions of financial liabilities.

e. Hedge accounting

The Conglomerate uses financial hedge derivatives to hedge its exposures to foreign currency and interest rate changes.

Upon initial designation of the hedge, the Conglomerate formally documents the relationship between the hedge instruments and the hedgeable instruments, including the risk management goals and strategy in the execution of the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedge relationship. The Conglomerate evaluates - both at the beginning of the hedge relationship and continuously - assuring whether hedge instruments are expected to be highly effective to offset fair values of hedged items against respective hedges in the hedged period, and whether actual results of each hedge are within the interval of 80 to 125 percent.

For those items that are no longer included in the hedge program and that remain recorded in the Balance Sheet, fair value adjustment is incorporated to cost and is prospectively accounted for at amortized cost, using the effective interest rate method.

Derivative financial instruments considered as hedging instruments (hedge) are classified by their nature as follows:

Market risk hedge - Derivative financial instruments classified in this category as well as the hedged item, have their fair value adjustments recorded against income and shown in the income statement as a "result of derivative financial instruments"; and

Cash flow hedge - Derivative financial instruments in this class, have their fair value adjustments recognized in stockholders' equity as "equity valuation adjustments", net of tax.

f. Determination of the fair value

The fair value of publicly quoted financial instruments is based on current market prices.

For financial assets and liabilities with no active market, the Conglomerate establishes fair value by using valuation techniques. These techniques are established on the basis of consistent and verifiable criteria and may include:

- Comparison with transactions recently contracted with third parties;
- Reference to other instruments that are substantially similar;
- Analysis of discounted cash flows; and
- Conventional and established pricing models.

The main additional data about the assumptions used to determine fair values are disclosed in specific notes for that asset or liability.

g. Provision for impairment losses

A financial asset not measured at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that there has been impairment. A financial asset is impaired when there is objective evidence that a loss event has occurred after the initial recognition of the asset, and that such loss event had a negative effect on the projected future cash flows of that asset that can be reliably estimated.

The measurement of impairment applies to the following financial assets included on the balance sheet, whether attributed to the wholesale or the retail segment:

- Financial assets with resale agreement;
- Financial assets at fair value through profit or loss;
- Financial assets held to maturity; and,
- Loans and receivables.

In addition to above-mentioned assets, all items outside the balance sheet that present credit risks to the entity, such as granted collateral signatures, are also considered.

Procedures applicable to measurement of impairment losses consider financial assets life cycle, as follows: origination/ acquisition of financial assets, appearance of impairment objective evidences, financial asset renegotiation and write-off to losses.

In the origination or acquisition of financial assets, the Conglomerate does not recognize any impairment of the asset, in the same way that it does not consider – for accounting purposes – the estimated expected losses as a result of future and uncertain events, regardless of likelihood of such events.

The emergence of objective evidence of impairment in their recoverable value indicates possible problems recovery on a financial asset or group of financial assets. Under the Conglomerate's internal policies, the following facts are considered by the institution as "objective evidence of impairment":

- Non-payment;
- Late payment,
- Restructuring of the amount due under terms that the Conglomerate would not consider for other transactions;
- Signs that the borrower or issuer will be going into bankruptcy
- The disappearance of an active market for a security

The Conglomerate, first, evaluates whether there is "objective evidence of impairment losses" for "individually significant assets" or collectively for "diversified assets".

For this purpose, the Conglomerate's Credit Risk area defines "individually significant assets" as those assets whose nominal value is equal to or more then the individually significant reference value (amount corresponding to the application of a percentage to the reference equity). These transactions are periodically evaluated (loan by loan) in relation to the borrower's or economic group's ability to pay, quality of guarantees offered, and all contractually negotiated conditions.

Those transactions not covered by the level defined as assets individually significant transactions will be classified as "massified" and assessed by the Credit Risk area as a whole.
If an "individually significant asset" presents one or more aspects of "objective evidence of loss, a provision is recorded as the difference between the asset's carrying value and present value of estimated cash flows.

The level of provisions for impairment of individually significant balances defined as material is reviewed at least every three months, and more regularly if circumstances require. This usually involves a revaluation of the applicability of execution of guarantees held and pre-payment of receivables.

When assessing impairment on an aggregate basis the Conglomerate makes use of valuation internal system that considers historical trends of probability of default, the recovery term and the amounts of losses incurred, adjusted to reflect Management judgment.

The portfolio of massified transactions is divided in order to identify groups with homogeneous levels on the observed parameters of default probability and losses attributed to default and stability on such parameters in a particular historical period. Each of these groups shows different levels of these parameters. The formation of homogeneous groups is guided by criteria such as product, type and term.

In these cases, measurement of loss allowance is based on statistical methods that take into account loss, given default (calculated based on historical loss data for cases in which evidence of loss was identified).

Provisions for impairment are reduced only when there is reasonable and objective evidence of favorable changes in previously stipulated loss estimates.

The guarantees provided are also subject to losses. When objective evidence of impairment for its portfolio of guarantees is detected, the Conglomerate recognizes the guarantee as a financial liability at fair value. In this case, being an agreed-upon operation, according to market parameters, the fair value is equal to the premium paid by the counterparty. At the end of each reporting period, these financial guarantees are evaluated as to the probability of being honored by the Conglomerate classified as "probable", "possible" or "remote", with specific accounting treatment adopted for each one of these classifications. For each of these classifications, a specific accounting treatment is applied.

The impairment of a financial asset measured at amortized cost, calculated based on the difference between the book value and the present value of future estimated cash flows, is recognized in the income statement and reported in the income statement as a result of impairment, offset in an allowance account. When a subsequent event causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed and recorded in the income (loss).

When possible, the Conglomerate seeks to restructure debts rather than take the guarantees. This may involve extending payment terms and agreeing to new loan conditions. Management performs ongoing review of renegotiated loans to ensure that all criteria are met and that future payments will be made. Loans continue to be subject to individual or collective assessment of impairment, calculated using the loan's original effective rate.

h. Assignment of financial assets

On applying accounting policies to assigned financial assets, the Conglomerate took into account the extent of transfer of risks and benefits of the assets transferred to another entity:

- When the Conglomerate transferred financial assets to another entity, but does not substantially transfers all risks and rewards related to the assets transferred, assets will continue being recognized in the Conglomerate's balance sheet.
- When the Conglomerate transfers substantially all risks and benefits related to the assets transferred to an entity other than a subsidiary, the assets are derecognized in the Conglomerate's balance sheet.
- If the Conglomerate does not transfer or retain substantially all risks and benefits related to transferred financial assets and retains control of the transferred assets, the Conglomerate continues to recognize the transferred asset to the extent of its continuing involvement in the transferred financial asset.

In the course of its activities, the Conglomerate carries out transactions that give rise to the transfer of financial assets to third parties or to Credit Rights Investment Funds, but these transactions' credit risks are substantially retained. Thus, the Conglomerate continues to recognize these operations on its balance sheet and an associated liability.

i. Non-financial assets held for sale

Non-current assets and groups of assets for sale are classified as held for sale if their book value is recovered mainly through sale instead of continuous use. This condition is fulfilled only when sale is highly probable and the non-current asset is available for immediate sale in its current state. Management should be committed to this sale, which is expected, in recognition, to be completed within one year of classification date. These items' book values are initially recorded in the balance sheet at the lower of; (a) the assets' fair values less estimated costs for sale; (b) book value of the loan.

These assets are disposed of at the conditions they are through periodic official auctions and the asset may be held as non-current over a period of one year, and this period may be extended with the consent of the regulatory agency (Central Bank of Brazil).

j. Contingent assets

Contingent assets are not recorded except when Management has full control over the situation or when there are secured guarantees or favorable sentences to which no further appeals are applicable, characterizing a favorable judgment as practically certain. There is no contingent asset recognized in these financial statements.

k. Tangible assets

The tangible assets are recognized at acquisition cost, less accumulated depreciation. Depreciation is calculated by the straight line method based on the following annual rates:

- Installations, furniture and equipment for use - 10%
- Communication, security and transportation systems- 10%;
- Data processing systems and leased assets - 20%;
- Improvements on the property of others - lease agreement term.

Software acquired as an integral part of the functionality of an item of equipment is capitalized as part of that equipment.

The assets are subject to annual impairment evaluations.

l. Intangible assets

Development activities involve a project for the production of new or substantially improved products. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Conglomerate intends to and has sufficient resources to complete development and use the asset.

Intangible assets include rights based on immaterial goods used to maintain the company or exercised for this purpose. Amortization is calculated by the straight line method based on the following terms:

- Licenses and software - User agreement term;
- Goodwill - Lease agreement term;

- Marketing right agreement - Contractual term;
- Corporate projects - Period in which future economic benefits are expected.

The assets are subject to annual impairment evaluations.

m. Income taxes and contributions

Income tax was calculated based on the 15% plus the 10% additional, and social contribution was calculated based on the rate of 15% for financial and 9% for non-financial institutions, both applicable to taxable income, and include offsetting tax losses and negative calculation base for social contribution, limited to 30% of taxable income.

Income tax and social contribution expense includes taxes and contributions on current and deferred income. Current tax and deferred tax is recognized in income unless they are recognized in stockholders' equity.
Current tax is the expected current tax liability on taxable income or loss for the year.

Deferred tax assets are composed in accordance with a study of their likelihood of realization prepared by Management.

Deferred tax is generated by temporary differences on balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, credits and tax losses not used to the extent that it is probable that taxable income will be available so that deductible temporary differences may be realized.

The carrying value of deferred tax assets is reviewed monthly and derecognized to the extent that it is more probable that taxable income will be available to allow all or part of deferred tax assets to be used. Derecognized deferred tax assets are reassessed on each balance sheet date and are recognized to the extent that future taxable income will probably allow deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at tax rates expected to be applicable in the year when the asset is realized or the liability is settled, based on tax rates promulgated by balance sheet date.

Current financial assets and liabilities are offset and their net amounts in the balance sheet when there is a legal right to offset the amounts recognized and there is an intent to settle them on net bases, or realize the asset and settle the liability simultaneously. Deferred tax assets and deferred tax liabilities are offset when there is a right that is legally applicable and the intention of settling at net values, reliably establishing if the deferred tax liability will result in higher tax payments for the same period in which the deferred tax asset will result in lower payments.

n. Financial liabilities at fair value through profit or loss

Financial liabilities are recorded and measured at fair value, and the respective changes in the fair value are immediately recognized in profit or loss. This category of liabilities in conformity with international accounting standards (IAS 39) may be divided into two different categories:

i. **Financial liabilities at fair value through profit or loss - designated at fair value** - The Conglomerate had no financial liabilities at fair value through income – recorded at fair value in its portfolio for years ended December 31, 2013 and 2012.

ii. **Financial liabilities at fair value through profit or loss income – held for trading** - Financial liabilities at fair value through profit or loss held for trading recognized by the Conglomerate, correspond to repurchase and resale commitments, share-based loans, loans and onlending, securities issued and subordinated liabilities and derivative financial instruments, unless they are recorded and effective as hedging instruments – and financial liabilities recorded at fair value through income at initial recognition (fair value option). This recognition may not be subsequently changed. In accordance with IAS 39, fair value option may only be applied when its application reduces or eliminates accounting inconsistencies in results or when financial assets are part of a portfolio whose risks are managed and reported to Management based on their fair values or when these assets comprise a debt instrument and embedded derivative that should be separated.

o. Financial liabilities at amortized cost

Financial liabilities at amortized cost are initially recognized at fair value plus any transaction costs directly assignable. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method. Charges calculated at amortized cost are shown in the income statement as "interest expense".

i. Financial liabilities associated with transferred assets

Financial liabilities associated with transferred assets comprise:

- Signed contractual obligations with assignees, purchasers of portfolios of loans and receivables with co-obligation clauses; or significant credit risk retention; and
- Equity position of the investors participating in receivables investment funds, consolidated in these financial statements as per Note 2e and 2i.

Financial liabilities owed assignees are initially recognized at fair value, plus any attributable transaction costs. After their initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method. Charges calculated at amortized cost are shown in the income statement as "interest expense".

ii. Financial institution and client deposits

Financial institution and customer deposits are initially recognized at fair value plus any attributable transaction costs. After initial recognition, these deposits are measured at amortized cost using the effective interest method. Charges calculated at amortized cost are shown in the income statement as "interest expense".

iii. Loans and onlendings, securities issued and subordinated liabilities

Loans and onlendings, securities issued and subordinated liabilities are initially recognized at fair value plus any transaction costs directly assignable. After initial recognition, these liabilities are measured at amortized cost using the effective interest method. Charges calculated at amortized cost are shown in the income statement as "interest expense".

Loans and onlendings, securities issued and subordinated liabilities subject to hedging by derivatives are measured at fair value using consistent and verifiable criteria. Changes in fair value are recognized in the period's income and shown in the income statement as "income from financial instruments at fair value through profit or loss."

p. Provisions

Contingent liabilities are recognized in the financial statements when, based on the opinion of the legal counsel and of Management, the risk of loss of a lawsuit or administrative proceeding is considered probable, with a probable outflow of financial resources for the settlement of obligations and when the sums involved are measurable with sufficient assurance.
Contingent liabilities classified as possible losses are not accounted for, and should only be disclosed in the notes to the financial statements, whereas those classified as remote do not require provision and disclosure.

q. Legal obligations

Legal obligations are lawsuits discussing tax obligations legality or constitutionality and whose amounts are fully recognized in financial statements, based on Management's risk assessment.

r. Other assets and liabilities

Other assets are stated at their realizable amounts, including, where applicable, income and monetary and foreign exchange earned and provision for loss, if deemed necessary.

Other liabilities stated include known and measurable values plus monetary and currency rate variations charges incurred.

s. Capital stock

Common shares

Common shares are classified as stockholders' equity. Additional costs directly attributable to the issue of shares are recognized as a deduction from stockholders' equity, net of any tax effects. On December 31, 2013 and 2012, there were no costs directly attributable to share issues.

Preferred shares

Preference capital is classified as stockholders' equity. Preferred shares have no voting rights and takes priority in the settlement of their capital stock.

The compulsory minimum dividends, as established in the By-laws, are recognized as liabilities.

t. Reserves

Capital reserves

Capital reserve is formed on premium on the subscription of shares.

Profit reserve - Legal reserve

Compulsory requirement in the amount of 5% of the period's net income based on the corporate accounting up to a maximum of 20% of share capital stock obtained from the same corporate basis. A legal reserve may only be set aside if the increase in the amount of capital reserves is over 30% of capital stock. The legal reserve can only be used for capital increase or to offset losses.

Profit reserve - Reserve for expansion
At year end, Management proposed to allocate undistributed income to "Reserve for expansion", set up after allocations. The balance in reserves will remain at the shareholders' disposal for a subsequent resolution by the General Shareholders' Meeting.

Dividends on common and preferred shares
Dividends on common and preferred shares are recognized as liability and deducted from net equity when approved by shareholders. Interim date dividends are deducted from net equity when declared and are not subject to the Conglomerate's future decisions.

Dividends for the year approved after the balance sheet date are disclosed as an event subsequent to balance sheet date.

u. Interest revenue and expense
For all financial instruments measured at amortized cost, financial assets that collect interest classified as available for sale and financial instruments designated at fair value through profit or loss interest revenue or expense is recorded using the effective interest rate. The calculation takes into account all contractual terms of the financial instrument and includes any incremental fees or costs that are directly attributable to the instrument and are integral parts of the effective rate, but not future credit losses. Financial asset or liability carrying amount is adjusted when the Conglomerate reviews their payment and receipt estimates.

v. Revenues and expenses from services and commissions
The Conglomerate earns fee and commission income on various types of services it provides for its customers. Fees earned from services during the period are accrued in the course of the same period.

Revenues from loan commitment fees for which credit probably will not be used, revenues is recognized over the commitment term using the straight line method.

w. Revenues from dividends
Revenues from dividends is recognized when the right of receipt is established. Dividends are reflected as a component of income from financial assets carried at fair value through profit or loss or Other operating income, depending on the classification of the equity instrument.

x. Operating segments
Management takes operational results from its business units separately for the purposes of making decisions on resource allocation and assessing their performance. A segment's performance is assessed based on profit or loss, which in some cases is measured differently from operating income or loss in consolidated financial statements and are divided into segments: wholesale and retail.

Interest revenue is reported net since management depends primarily on net interest revenue as a measure of performance, rather than gross revenue and expenses. Prices of transfers between operational segments are conducted at market prices, in a manner similar to transactions with third parties.

y. Investment fund management

The Conglomerate manages and administers assets held in investment funds and other types of investment in favor of investors. The financial statements of these funds are not consolidated in the Conglomerate's consolidated financial statements, except those of the funds controlled by the Conglomerate. Information about the management of funds by the Conglomerate is found in Note 2i.

4 Cash and cash equivalents

	2013	2012
Cash and cash equivalents	207,095	155,670
Cash	527	427
Bank deposits	135,404	107,738
Free reserves	9,004	-
Cash and cash equivalents in foreign currencies	62,160	47,505
Interbank investments	4,842,866	1,022,431
Purchase and sale commitments - own portfolio	3,827,684	462,765
Interbank deposits	874,909	125,901
Investments in foreign currency	140,273	433,765
Total	5,049,961	1,178,101

5 Financial assets with repurchase agreements

	2013		2012	
	Market value (book)	**Fair value of the guarantee**	**Market value (book)**	**Fair value of the guarantee**
Purchase and sale commitments - own portfolio	342,135	357,521	2,507,727	2,457,036
National Treasury bills	31,796	31,501	777,367	783,360
National Treasury notes	240,183	229,891	1,701,189	1,644,086
Others	70,156	96,129	29,171	29,590
Purchase and sale commitments - Financed operations	5,199,498	5,264,880	10,922,486	10,988,051
Financial treasury bills	-	-	541,791	543,938
National treasury bills	4,111,199	4,125,202	8,544,636	8,621,303
National Treasury notes	1,088,299	1,139,678	1,836,059	1,822,810
Purchase and sale commitments - Short position	307,278	301,731	484,660	482,061
National treasury bills	91,200	90,630	231,130	236,438
National Treasury notes	216,078	211,101	253,530	245,623
Total	5,848,911	5,924,132	13,914,873	13,927,148

6 Financial assets

a. Financial assets at fair value through profit or loss

	2013			2012		
	Cost value	**Fair value (book)**	**Unrealized gain/ (loss)**	**Cost value**	**Fair value (book)**	**Unrealized gain/ (loss)**
Domestic	5,477,804	5,506,396	28,592	10,958,711	11,122,821	164,110
Financial treasury bills	596,414	610,468	14,054	1,330,269	1,329,921	(348)
National treasury bills	2,395,613	2,396,085	472	3,069,239	3,068,593	(646)
National Treasury notes	1,132,297	1,118,049	(14,248)	3,424,658	3,442,800	18,142
Certif. of Real Estate receivables	24,778	24,771	(7)	301	301	-
Debentures	175,785	208,748	32,963	315,554	363,533	47,979
Agricultural debt securities	22,581	23,030	449	29,848	31,821	1,973
Rural Product Bills	188,841	182,975	(5,866)	353,617	359,941	6,324
Shares in invest. funds	862,106	862,106	-	-	-	-
Quotas of FIDC	-	-	-	2,152,752	2,152,752	-
FIP shares	51,770	51,770	-	-	-	-
Shares of companies. Open	27,619	28,394	775	32,920	29,333	(3,587)
Shares of companies. Closed	-	-	-	249,553	343,826	94,273
Abroad	340,289	336,474	(3,815)	1,101,404	1,103,052	1,648
Foreign governments	46,850	46,850	-	614,666	614,669	3
National Treasury	35,601	34,263	(1,338)	311,612	310,704	(908)
Other securities	257,838	255,361	(2,477)	175,126	177,679	2,553
Total	5,818,093	5,842,870	24,777	12,060,115	12,225,873	165,758

b. Financial assets available for sale

	2013			2012		
	Cost value	**Fair value (book)**	**Unrealized gain/ (loss)**	**Cost value**	**Fair value (book)**	**Unrealized gain/ (loss)**
Domestic	20,020,829	19,491,617	(529,212)	21,799,480	22,177,802	378,322
Financial bills	88,104	88,104	-	73,012	73,012	-
National treasury bills	11,154,501	10,905,390	(249,111)	11,905,662	12,062,472	156,810
National Treasury notes	2,836,732	2,714,378	(122,354)	4,685,729	4,947,329	261,600
Certif. of Real Estate receivables	39,499	40,244	745	41,894	43,161	1,267
Debentures	2,706,571	2,664,310	(42,261)	2,152,753	2,152,845	92
Rural Product Bills	792,896	785,185	(7,711)	348,086	348,294	208
Certif. of Agribusiness receivables	194,865	196,663	1,798	59,265	59,928	663
Promissory notes	306,410	306,410	-	430,981	430,987	6
Shares in invest. funds	10,885	10,885	-	419,920	419,920	-
Quotas of FIDC	4,862	4,862	-	37,580	37,580	-
FIP shares	470,972	470,972	-	-	-	-
Shares of companies. Open (a)	156,632	64,700	(91,932)	69,521	54,514	(15,007)
Shares of companies. Closed	1,137,579	1,160,170	22,591	1,463,794	1,480,681	16,887
Other stocks and quotas	6	6	-	6	6	-
Invest. from tax incentives	120,139	79,162	(40,977)	111,101	66,897	(44,204)
Membership certificates	176	176	-	176	176	-
Abroad	560,791	535,570	(25,221)	721,866	750,609	28,743
Other securities	560,791	535,570	(25,221)	721,866	750,609	28,743
Total	20,581,620	20,027,187	(554,433)	22,521,346	22,928,411	407,065

a) On December 31, 2013, the amounts of unrealized gain/loss of shares in listed companies include a provision for impairment in the amount of R$ 63,690, which were reclassified from Stockholders' equity in counterpart to the item "Impairment Results".

c. Financial assets held to maturity

	2013		
	Cost value (book)	**Fair value**	**Unrealized gain/ (loss)**
Domestic	5,181,200	5,174,440	(6,760)
Financial treasury bills	3,801,595	3,801,595	-
National Treasury notes	1,379,605	1,372,845	(6,760)
Total	5,181,200	5,174,440	(6,760)

As of December 31, 2013, Public Federal Securities were reclassified in the amount of R$ 3,801,595 for National Treasury Bills and R$ 397,917 for National Treasury Notes, from category "Available for sale" to the category "Held to maturity", due to the review of Management's intention about these securities. The financial assets were transferred from accounting category at fair value on the transfer date. Once reclassified, the securities are measured at amortized cost, generating no impact on the income statement on the transfer date. The Conglomerate declares that it has the intention and ability to hold them to maturity. Additionally, the referred assets may be used as collateral in resale and repurchase operations. There was no carrying amount regarding this category as of December 31, 2012.

7 Derivative financial instruments

a. Composition in assets and liabilities

	2013	2012
Assets		
Differential of swap receivable	847,131	1,576,205
Term currency contracts	39,493	41,095
Purchase of call options - shares	2,234	4,838
Purchase of put options - shares	12,182	11,779
Purchase of call options - financial assets/goods	101,177	65,247
Purchase of put options - financial assets/goods	4,964	38,783
Credit derivatives	1,934	13,966
Non-Deliverable Forward	218,075	133,785
Others	86,012	93,853
Total	1,313,202	1,979,551
Liabilities		
Differential payable from swap	919,411	1,355,585
Term currency contracts	39,730	41,740
Sale of call options - Shares	307	13,713
Sale of put options - Shares	5,455	9,502
Sale of call options - financial assets/goods	185,808	126,695
Sale of put options - financial assets/goods	8,039	42,654
Credit derivatives	5,808	8,606
Non-Deliverable Forward	54,081	62,364
Others	71,966	74,391
Total	1,290,605	1,735,250

b. Composition of the swap contracts by index

	2013			2012		
	Original value	**Curve amount**	**Fair value**	**Original value**	**Curve amount**	**Fair value**
Asset position	23,480,031	26,707,130	26,253,261	28,068,124	30,877,905	32,567,980
DI	12,071,630	13,501,217	13,181,489	11,786,096	12,578,768	13,484,336
Dollar	2,411,323	2,834,773	2,859,744	4,348,667	5,148,742	5,378,628
Euro	29,820	37,765	37,979	480,933	557,716	563,780
IGPM	513,150	800,671	817,499	789,103	1,121,666	1,224,316
IPCA	3,750	3,751	4,314	5,063,530	5,539,828	5,917,304
INCC	2,098,578	2,188,886	2,178,850	-	-	-
Fixed	431,105	483,540	489,891	3,439,669	3,591,899	3,645,752
Libor	5,888,945	6,824,583	6,650,607	1,398,882	1,458,013	1,462,938
Swiss Franc	-	-	-	441,047	561,143	573,403
Commodities	5,054	5,179	5,000	13,672	13,605	13,603
Long Term Interest Rate (TJLP)	26,676	26,765	27,888	-	-	-
Others	-	-	-	306,525	306,525	303,920
Asset position	23,480,031	26,791,667	26,325,541	28,068,124	30,297,209	32,347,360
DI	9,973,638	11,106,919	11,171,528	9,604,131	10,404,028	10,443,641
Dollar	3,201,338	3,544,609	2,693,419	2,614,193	2,938,682	3,009,129
Euro	10,829	11,664	11,655	53,648	53,238	53,095
IGPM	332,000	603,388	622,154	533,300	852,668	929,154
IPCA	5,463,437	7,138,929	7,050,905	6,745,472	8,103,821	8,730,500
Fixed	2,968,078	2,746,460	3,232,143	7,359,833	6,768,893	7,988,471
TR	653,735	677,301	599,319	-	-	-
Libor	866,838	944,747	926,495	617,466	610,782	625,654
Long Term Interest Rate (TJLP)	7,865	15,381	15,644	514,392	530,698	532,382
Commodities	2,273	2,269	2,279	13,786	13,672	13,536
Others	-	-	-	11,903	20,727	21,798
Net differential	-	(84,537)	(72,280)	-	580,696	220,620

c. Composition of the forward contracts by index

	2013			2012		
	Original value	**Curve amount**	**Fair value**	**Original value**	**Curve amount**	**Fair value**
Asset position						
Forward currency	13,232	38,931	39,493	12,011	40,894	41,095
Total	13,232	38,931	39,493	12,011	40,894	41,095
Asset position						
Forward currency	25,699	38,931	39,730	28,883	40,894	41,740
Total	25,699	38,931	39,730	28,883	40,894	41,740

d. Composition of the options contracts by index

	2013		2012	
	Amount contracted	**Fair value (book)**	**Amount contracted**	**Fair value (book)**
Long position				
Dollar	4,263,075	59,151	7,901,119	37,600
Table of contents	3,928,000	-	14,674,731	49,520
Shareholder	611,200	14,416	826,500	16,617
Commodities	-	-	486	7
Flexible	672,554	44,004	446,646	16,903
Others	53,000	2,986	-	-
Total	9,527,829	120,557	23,849,482	120,647
Short position				
Dollar	4,680,675	67,486	10,027,200	60,307
Table of contents	3,925,500	-	14,643,331	16,562
Shareholder	305,402	5,762	1,026,600	23,215
Commodities	-	-	1,105	52
Flexible	1,375,707	126,361	1,091,763	92,428
Total	10,287,284	199,609	26,789,999	192,564

e. Composition of the futures contracts by index

	2013	2012
Commitment of purchase	18,007,846	27,063,268
DDI	11,079,221	14,169,766
Dollar	1,641,967	2,225,922
Euro	26,181	-
DI	5,155,013	10,167,834
Commodities	9,519	29,864
Table of contents	95,945	258,056
SCC	-	204,194
Exchange Coupon	-	7,632
Commitment of sale	53,937,189	75,899,787
DDI	9,526,685	13,745,585
Euro	-	509
Dollar	1,600,801	3,313,492
DI	38,878,463	58,236,640
Commodities	13,673	42,679
T-Note	-	344,484
Table of contents	-	12,513
SCC	-	203,460
Exchange Coupon	3,917,567	425
Net differential	(35,929,343)	(48,836,519)

f. Composition of the NDF contracts by index

	2013		2012	
	Amount contracted	Fair value (book)	Amount contracted	Fair value (book)
Assets				
Dollar	3,378,229	172,975	2,189,894	74,950
Euro	11,169	1,071	4,556	169
BRL	-	-	382,289	58,556
Others	81,853	44,029	935	110
Total	3,471,251	218,075	2,577,674	133,785
Liabilities				
Dollar	1,750,603	44,255	3,177,828	58,823
Euro	50,399	8,485	38,421	1,319
BRL	-	-	276,745	2,222
Others	181,126	1,341	-	-
Total	1,982,128	54,081	3,492,994	62,364
Net differential	1,489,123	163,994	(915,320)	71,421

g. Credit derivatives

	2013		2012	
	Reference value	Market value	Reference value	Market value
Risk taken				
Credit Swaps	413,867	(1,688)	2,963,075	10,704
Total	413,867	(1,688)	2,963,075	10,704
Risk transferred				
Credit Swaps	503,659	2,186	872,596	5,344
Total	503,659	2,186	872,596	5,344

h. Credit derivatives by index

	2013			2012		
	Original value	Curve amount	Market value	Original value	Curve amount	Market value
Asset position						
Pre-fixed	413,867	2,059	1,934	3,187,860	7,128	13,966
Total	413,867	2,059	1,934	3,187,860	7,128	13,966
Asset position						
Pre-fixed	503,659	676	5,808	647,810	(95)	8,606
Total	503,659	676	5,808	647,810	(95)	8,606
Net differential	(89,792)	1,383	(3,874)	2,540,050	7,223	5,360

i. Hedge Accounting - Equity Position

Hedge accounting objects

	2013	2012
Financial assets	42,098,798	45,781,400
Financial assets with resale agreements	1,003,200	4,078,677
Financial assets at fair value through profit or loss	278,798	268,514
Loans and receivables	40,816,800	41,434,209
Financial liabilities	6,754,785	10,272,259
Financial liabilities at fair value through profit or loss;	-	-
Financial liabilities at amortized cost	6,754,785	9,730,564
Derivative financial instruments	-	541,695
Total	35,344,013	35,509,141

Hedge accounting derivative financial instruments

	2013	2012
Financial assets	7,463,615	10,438,107
Future DDI	7,190,322	9,588,462
Swap IGPM - DI (IGPM)	273,293	276,242
Swap CHF - DOL (CHF)	-	573,403
Financial liabilities	34,665,558	50,436,992
DDI future	31,642,317	47,477,052
Future DDI	2,563,018	2,959,940
Future Libor	460,223	-
Total	(27,201,943)	(39,998,885)

j. _Hedge Accounting_ - Income

Subject to fair value hedge

	2013		2012	
	Positive result	**Negative result**	**Positive result**	**Negative result**
Financial assets	2,954,974	(2,108,140)	2,677,110	(2,922,998)
Financial liabilities	902,030	(932,376)	1,147,529	(440,157)
Total	3,857,004	(3,040,516)	3,824,639	(3,363,155)

Hedge derivative financial instruments at fair value

	2013		2012	
	Positive result	**Negative result**	**Positive result**	**Negative result**
Financial assets	913,562	(898,306)	447,094	(1,156,581)
Financial liabilities	2,094,600	(2,989,720)	2,912,659	(2,712,013)
Total	3,008,162	(3,888,026)	3,359,753	(3,868,594)

8 Loans and receivables

a. Composition of operations

	2013	2012
Advances to depositors	80	384
Loans	15,348,336	19,002,106
Discounted securities	51,990	85,025
Loans and financing	37,185,020	41,780,315
Export financings	3,880,248	3,306,622
Financing in foreign currency	439,823	629,733
Rural financing agreements	597,603	342,088
Real estate financing agreements	510,921	606,365
Infrastructure and development financing	-	30,667
Advances on exchange contracts	891,303	892,338
Financial lease operations*	993,108	1,965,922
Credits for sureties and guarantees paid	612,388	94
Total transactions with loan characteristics	60,510,820	68,641,659
Provision for impairment losses (Note 39d-ix)	(5,276,015)	(5,198,205)
Fair value adjustment (Note 8b)	(217,772)	1,706,943
Associated costs	760,120	1,065,613
Other receivables	2,087,140	4,026,278
Total loans and receivables	57,864,293	70,242,288

(*) The portfolio of lease operations segregated by maturity was reported resented as follows:

	2013			2012		
	Minimum future payments	**Unearned income**	**Present value**	**Minimum future payments**	**Unearned income**	**Present value**
Up to 1 year	1,181,852	(586,681)	595,171	2,589,369	(923,931)	1,665,438
1–5 years	685,374	(287,437)	397,937	1,020,054	(719,623)	300,431
> 5 years	-	-	-	87	(34)	53
Total	1,867,226	(874,118)	993,108	3,609,510	(1,643,588)	1,965,922

b. Breakdown of fair value adjustment

The amounts that comprise the balance of the fair-value adjustment refer to the valuation of portfolios of Loans, Financing and Leases that are hedged and are part of the hedge-accounting structures, as described in Note 7i.

	2013	2012
Loans	(110,409)	38,034
Loans and financing	(324,723)	1,305,115
Export financings	213,988	274,656
Lease operations	3,372	89,138
Total	(217,772)	1,706,943

c. Composition of other receivables

	2013	2012
Interbank deposits	1,128,103	1,828,617
Central Bank of Brazil deposits	127,774	1,177,120
Interbank onlendings	-	98,733
Correspondent relations	760	33,913
Income receivable	29,698	81,061
Receivables from related companies	51	5
Credit card transactions	545,485	369,402
Settlement of securities abroad	21,056	16,853
Beneficial ownership of shares in closed stock corporations	126,621	239,736
Securities clearing accounts	100,761	116,712
Others	6,831	64,126
Total	2,087,140	4,026,278

9 Current tax assets

	2013	2012
Income taxes to offset	162,695	577,531
Social contribution to offset	38,092	243,027
PIS tax to offset	9,067	6,984
COFINS tax to offset	45,742	42,028
Other assets	371	1,626
Offsetting of current tax assets	-	(204,555)
Total	255,967	666,641

10 Deferred tax assets

a. Composition of deferred tax assets

	2013	2012
Tax losses for income tax	697,839	745,578
Negative basis for social contribution	37,201	3,914
Fair value adjustments of financial assets	388,436	96,188
Fair value adjustments of derivatives	7,845	363,215
Fair value adjustments of loans and receivables	141,161	-
Profit sharing	143,935	77,347
Provision for impairment losses	3,940,274	3,312,873
Provisions	438,534	322,665
Legal obligations	672,294	691,429
Excess (insufficient) depreciation offsetting	-	(217,155)
Income from foreign branches	121,287	138,433
Others	101,989	119,642
Deferred tax assets offsetting	-	(724,771)
Total	6,690,795	4,929,358

b. Changes in deferred tax assets in the period

	2013	2012
Initial balance	4,929,358	2,523,364
Tax losses for income tax	(47,740)	(110,930)
Negative basis for social contribution	33,287	(33,760)
Fair value adjustments of financial assets	292,248	76,585
Fair value adjustments of derivatives	(355,372)	257,481
Fair value adjustments of loans and receivables	141,161	-
Profit sharing	66,588	77,347
Provision for impairment losses	627,401	1,966,842
Provisions	115,869	188,146
Legal obligations	(19,135)	468,426
Income from foreign branches	(17,146)	-
Depreciation shortfall	217,155	(217,155)
Others	(17,651)	81,100
Deferred tax assets offsetting	724,772	(348,088)
Closing balance	6,690,795	4,929,358

c. Expected realization of deferred tax assets

	Book value
In 2014	1,273,385
In 2015	1,982,522
In 2016	1,262,966
In 2017	777,168
In 2018	793,637
After 2018	601,117
Total	6,690,795

11 Non-financial assets held for sale

	2013	2012
Non-financial assets held for sale represented at cost		
Real estate	63,852	10,505
Vehicles	95,624	142,051
Total	159,476	152,556

12 Investments

	2013								2012	
	Total assets	**Total liabilities**	**Stock-holders' equity**	**Capital stock to be paid-up**	**Balance of ownership interest**	**Good-will**	**Investment balance (Book)**	**Interest (%)**	**Investment balance (Book)**	**Inte-rest (%)**
Interest in associated companies										
Alfa Emp. Imob. S.A.	76,160	6,538	69,622	-	17,447	23,192	40,639	25.00%	38,752	25.00%
Castelblanco Emp. Imob. S.A.	68,152	9,293	58,859	-	15,751	2,196	17,947	26.76%	26,560	26.76%
Phaser Incorporação SPE S.A.	96,699	-	96,699	-	29,010	2,417	31,427	30.00%	28,004	30.00%
Jaguatirica Emp. Imob. S.A.	35,001	159	34,842	49,439	28,091	133	28,224	33.33%	-	0.00%
Queiroz Galvão Sabia Emp. Imob. S.A.	7,520	911	6,609	-	2,644	-	2,644	40.00%	2,535	40.00%
Tolle Emp. Imob. S.A.	14,164	-	14,164	-	5,666	-	5,666	40.00%	5,255	40.00%
ASM Alicerce 1 Emp. Imob. S.A.	316,424	-	316,424	1,090	127,482	-	127,482	40.15%	-	0.00%
NS Emp. Imob. 10 S.A.	10,000	-	10,000	-	4,000	16,755	20,755	40.00%	20,755	40.00%
Total							274,784		121,861	
Jointly-controlled operations										
Advento Emp. Imob. S.A.	-	-	-	-	-	-	-	0.00%	766	50.00%
Brookfield SPE 23 S.A.	31,397	3,147	28,250	-	14,125	5,238	19,363	50.00%	-	0.00%
Capim Macio Emp. Imob. S.A.	1,443	1,552	(109)	-	(55)	-	(55)	50.00%	1,626	50.00%
Life Tower Emp. Imob. S.A.	284	120	164	-	82	-	82	50.00%	91	50.00%
Diálogo Ibiapava Emp. Imob. S.A.	8,026	-	8,026	-	4,013	468	4,481	50.00%	4,479	50.00%
Joaquim Antunes Emp. Imob. S.A.	11,965	499	11,466	-	5,733	-	5,733	50.00%	3,447	50.00%
Odebrecht Realizações SP 63 Emp. Imob. S.A.	69,475	-	69,475	-	34,738	28,573	63,311	50.00%	-	0.00%
Ramá SPE Emp. Imob. S.A.	10,818	-	10,818	3,187	7,003	-	7,003	50.00%	7,367	50.00%
Reserva Natural Emp. Imob. S.A.	2,350	-	2,350	-	1,175	14,825	16,000	50.00%	-	-
Salaverry Emp. Imob. S.A.	73,600	29,593	44,007	-	22,004	-	22,004	50.00%	16,501	50.00%
Upcon SPE 4 Emp. Imob. S.A.	420	-	420	-	210	3,265	3,475	50.00%	-	0.00%
Upcon SPE 7 Emp. Imob. S.A.	1,329	-	1,329	-	665	929	1,594	50.00%	-	0.00%
Upcon SPE 12 Emp. Imob. S.A.	79	-	79	-	40	1,112	1,152	50.00%	-	0.00%
Villagio Pompéia Emp. Imob. S.A.	17,127	3,424	13,703	-	8,222	-	8,222	60.00%	6,736	60.00%
NS Emp. Imob. Noroeste S.A.	53,186	22,333	30,853	-	21,597	5,480	27,077	70.00%	22,108	70.00%
Total							179,442		63,121	
Other investments										
Windsor Inv Imob. Ltda.	153,855	6,046	147,809	-	9,238	40,762	50,000	6.25%	50,000	6.25%
Others							14,306		-	
Total							64,306		50,000	
Total							**518,532**		**234,982**	

In 2013, with the advent of IFRS 10, effectively adopted on January 1, 2013, the Conglomerate began to consolidate the balance sheets of the company BV Empreendimentos e Participações S.A. and its subsidiaries.

BV Empreendimentos e Participações S.A. operates as a supplier of capital in enterprises and real estate developments to obtain economic benefit on sales of real estate projects constructed. The purpose of this structure is exclusively for sale of real estate units of the developments, with the closure of the activities planned after sale of all of the real estate units, having – as primary return at the end of the project – the receipt of the distribution of cash resulting from sales of the real estate developments.

Jointly-controlled investments are made with the shareholders that already act in the field of real estate developments, which use their experience in this business to aid in joint decision making.

The table above lists the investments in shares of stock of "specific-purpose corporations" (SPEs) which that in the business of real estate developments, in which BV Empreendimentos e Participações Ltda. either has control shared with other shareholders or the companies are associated companies. SPEs presented above did not have their balances statements consolidated.

The enterprises NS Empreend. Imob. Nordeste e Villagio Pompéia Empreend. despite having shareholdings that are more than half of the enterprise's share capital, are not controlled companies, because according to the shareholder agreements, these entities have joint control in decision making.

Investments in shares of specific-purpose corporations (SPE), on December 31, 2013, generated an equity-method profit of R$ 27,061 (loss of R$ 9,013 in 2012)

13 Other assets

	2013	**2012**
Purchased foreign exchange to be settled	1,082,329	2,277,885
Receivables from foreign exchange sales	191,889	1,500,282
Advances in national/foreign currency received	(12,469)	(18,412)
Cash pending settlement	4	-
Debtors accounting settlement pending	46,413	79,980
Income receivable	3	-
Advanced and prepaid salaries	3,554	2,791
Advances to suppliers	3,770	1,486
Judicial deposits (Note 18d)	882,371	625,792
Data processing expenses	244	-
Others	53,168	16,448
Total	2,251,276	4,486,252

14 Tangible assets

	2013			2012		
	Cost value	**Depreciation/ amortization**	**Net**	**Cost value**	**Depreciation/ amortization**	**Net**
Facilities	54,569	(13,131)	41,438	48,439	(11,527)	36,912
Furniture and equipment for use	61,137	(29,008)	32,129	55,456	(23,775)	31,681
Communication system	12,661	(9,011)	3,650	12,062	(8,062)	4,000
System data processing	85,800	(70,602)	15,198	76,284	(61,238)	15,046
Security system	2,393	(1,134)	1,259	2,337	(916)	1,421
Transportation system	948	(860)	88	1,115	(965)	150
Improvements to third-party property	41,768	(17,024)	24,744	43,167	(15,990)	27,177
Total	259,276	(140,770)	118,506	238,860	(122,473)	116,387

	2013	**2012**
Initial balance	116,387	138,928
Acquisitions	39,553	15,238
Incorporation (a)	2,781	-
Disposals	(17,286)	(13,336)
Depreciation/amortization	(22,929)	(24,443)
Closing balance	118,506	116,387

a) Refer to the incorporation of CP Promotora e BV Sistemas in July 2013 (Notes 1 and 2e).

15 Intangible assets

	2013			2012		
	Cost value	**Accumulated amortization**	**Net**	**Cost value**	**Accumulated amortization**	**Net**
Software with no physical substance	17,396	(1,702)	15,694	4,533	(1,282)	3,251
Licenses	27,297	(14,918)	12,379	24,269	(9,534)	14,735
Goodwill	81	-	81	-	-	-
Commercial right agreement.	5,000	(2,665)	2,335	5,000	(1,915)	3,085
STI – AMBID	-	-	-	4,485	(2,242)	2,243
Corporate projects	30,099	(7,923)	22,176	29,205	(118)	29,087
Total	79,873	(27,208)	52,665	67,492	(15,091)	52,401

	2013	**2012**
Initial balance	52,401	42,328
Acquisitions	20,045	20,219
Incorporation (a)	10,075	-
Disposals	(19,286)	(5,146)
Amortization	(10,570)	(5,000)
Closing balance	52,665	52,401

a) Refer to the incorporation of CP Promotora e BV Sistemas in July 2013 (Notes 1 and 2e).

	2013			
	Cost value	**Amortization**	**Adjustment to recoverable value**	**Book value**
Assets with finite useful life	70,038	(22,894)	(4,054)	43,090
Assets with indefinite useful life	9,575	-	-	9,575
Closing balance	79,613	(22,894)	(4,054)	52,665

	2012			
	Cost value	**Amortization**	**Adjustment to recoverable value**	**Book value**
Assets with finite useful life	67,492	(12,849)	(2,242)	52,401
Assets with indefinite useful life	-	-	-	-
Closing balance	67,492	(12,849)	(2,242)	52,401

The book value determined as assets with an indefinite useful life are represented by the value of the *Meu Carro Novo* (my new car) website.

Expected realization of intangible assets

	Book value
In 2014	12,389
In 2015	12,176
In 2016	8,259
In 2017	5,930
After 2017	13,911
Total	52,665

16 Financial liabilities at fair value through profit or loss

	2013			2012		
	Cost value	**Fair value (book)**	**Unrealized gain/ (loss)**	**Cost value**	**Fair value (book)**	**Unrealized gain/ (loss)**
Domestic						
Resale transactions - Free movement.	307,278	301,731	5,547	484,661	493,277	(8,616)
Stock loan creditors	-	22	(22)	-	27	(27)
Securities abroad	109,509	109,928	(419)	111,453	114,133	(2,680)
Total	416,787	411,681	5,106	596,114	607,437	(11,323)

17 Financial liabilities at amortized cost

a. Breakdown of financial liabilities at amortized cost

	2013	2012
Purchase and sale commitments	32,151,592	41,778,318
Financial liabilities at amortized cost associated with transferred financial assets	18,508,504	16,170,585
Financial institution deposits	2,387,635	2,356,810
Deposits from customers	5,865,269	12,907,634
Liabilities from borrowings and onlendings	6,652,017	10,235,926
Securities issued	23,957,994	22,706,385
Subordinated liabilities	7,358,212	6,991,211
Other liabilities at amortized cost	143,598	1,034,208
Total	97,024,821	114,181,077

b. Breakdown of repurchase commitments

	2013	2012
Repurchase commitments - Own portfolio	31,063,155	34,087,804
Financial treasury bills	37,339	159,652
National treasury bills	12,528,277	8,630,826
National Treasury notes	2,345,514	4,377,383
Bank deposit certificate	7,697	2,823
Debentures	21,442	316,761
Own-issue securities	16,116,798	19,859,603
Others securities overseas	-	210,471
Others	6,088	530,285
Repurchase commitments - Third-party portfolio	1,088,437	7,690,514
Financial treasury bills	-	492,914
National treasury bills	-	5,402,562
National Treasury notes	1,088,437	1,795,038
Total	32,151,592	41,778,318

c. Financial liabilities at amortized cost, related to transferred assets

	2013	2012
Financial liabilities associated with transferred assets (Note 39d-x)	16,514,144	12,296,370
Net assets of FIDCs attributable to senior shareholders	1,966,472	3,725,425
Other liabilities	27,888	148,790
Total	18,508,504	16,170,585

d. Breakdown of deposits from financial institutions

	2013	2012
Interbank deposits	2,387,635	2,356,810
Total	2,387,635	2,356,810

e. Breakdown of client deposits

	2013	2012
Demand deposits	268,108	281,492
Time deposits	5,597,161	12,626,142
Total	5,865,269	12,907,634

f. Breakdown of liabilities from loans and onlendings

		2013	2012
Loans in the country			
With exchange variation	(a)	7,627	11,414
Foreign borrowings			
With exchange variation	(b)	2,054,776	5,099,219
Local Onlendings – National Treasury			
Pre-fixed	(c)	115,965	126,555
Post-fixed	(d)	10,771	32,727
Onlending in the Country - BNDES			
Pre-fixed	(e)	846,505	979,359
Post-fixed	(f)	1,633,818	1,864,653
With exchange variation	(g)	84,760	113,266
Onlending in the Country - FINAME			
Pre-fixed	(h)	1,666,297	1,620,420
Post-fixed	(i)	230,883	388,313
With exchange variation	(j)	615	-
Total		6,652,017	10,235,926

a) Rate of restatement in 2013: CDI + 0.40 % p.a. + foreign exchange.
b) Rate of restatement in 2013: from 0.76 % p.a. to 8.45 % p.a. + foreign exchange / 0.17 % p.a. to 0.72 % p.a. + Libor.
c) Rate of restatement in 2013: rate of 5.50% p.a.
d) Rate of restatement in 2013: Selic.
e) Rate of restatement in 2013: from 0.80% p.a. to 7.00% p.a.
f) Rate of restatement in 2013: from 7.02% p.a. to 9.91% p.a. + IPCA / from 0.50% p.a. to 4.50 p.a. + TJLP / 2.5% p.a. + Selic.
g) Rate of restatement in 2013: from 1.30% p.a. to 3.00% p.a. + foreign exchange variation.
h) Rate of restatement in 2013: from 0.30 % p.a. to 8.30 % p.a.
i) Rate of restatement in 2013: from 0.50% p.a. to 5.50% p.a. + Long Term Interest Rate (TJLP)
j) Rate of restatement in 2013: from 0.90% p.a. to 1.40% p.a. + foreign exchange variation.

g. Breakdown of securities issued

		2013	2012
Debentures			
Post-fixed	(a)	1,504,418	1,496,058
Real estate credit note funds			
Post-fixed	(b)	218,068	132,530
Agribusiness credit bill funds			
Post-fixed	(c)	2,530,499	2,208,220
Pre-fixed	(d)	1,626	5,167
Financial bills			
Pre-fixed	(e)	686,184	180,537
Post-fixed	(f)	12,254,823	10,786,552
Foreign securities			
Pre-fixed	(g)	1,359,348	1,499,300
Post-fixed	(h)	8,896	-
With exchange variation	(i)	5,394,132	6,398,021
Total		23,957,994	22,706,385

a) Rate of restatement in 2013: from 100.00% to 111.00% of DI
b) Rate of restatement in 2013: from 93.50% to 98.00% of DI
c) Rate of restatement in 2013: from 90.00% to 98.00% of DI
d) Rate of restatement in 2013: from 9.22% to 9.60% p.a.
e) Rate of restatement in 2013: 5,10% to 13,95% p.a.
f) Rate of restatement in 2013: from 100,00% to 112.02% of DI / from 108,30% to 109.30% of Selic / from 3.11% to 7.60% p.a. + IPCA / from 3.67% to 5.57% p.a. + IGPM
g) Rate of restatement in 2013: from 5.45% to 19.77% p.a.
h) Rate of restatement in 2013: from 80.29% to 101.40% of DI
i) Rate of restatement in 2013: from 0.25% p.a. to 8.90% p.a. + foreign exchange variation

h. Composition of subordinated liabilities

		2013	2012
Subordinated financial bills			
Post-fixed	(a)	2,252,873	2,136,530
Bank deposit certificates			
Post-fixed	(b)	2,142,980	2,162,572
Subordinated bill			
With exchange variation	(c)	2,962,359	2,692,109
Total		7,358,212	6,991,211

a) Rate of restatement in 2013: from 1.30% p.a. to 1.94% p.a. + CDI or from 115.00% to 119.00% of the DI from 6.71% p.a. to 7.70% p.a. + IGPM from 7.00% p.a. to 8.10% p.a. + IPCA
b) Rate of restatement in 2013: from 1.64 % p.a. to 1.67 % p.a. + IPCA / 7.86 % p.a. to 8.00 % p.a. + IPCA
c) Discounted rate in 2013: 7.38% p.a. + exchange variation

i. Composition of other liabilities at amortized cost

	2013	2012
“Box” of options		
Fixed income strategy	143,598	1,034,208
Total	143,598	1,034,208

18 Provisions

a. Breakdown of contingent liabilities rated risk category probable

		2013	2012
Tax contingencies	(a)	569,130	472,479
Civil contingencies	(b)	327,696	274,758
Labor contingencies	(c)	752,421	528,058
Total		1,649,247	1,275,295

(a) As a result of the lawsuit that discusses COFINS calculation basis, Financial Conglomerate companies have a Writ of Mandamus in which they discuss the time COFINS will be deducted from Taxable Income and CSLL calculation basis. For financial statements' adequacy purposes, a provision for the liability under discussion was recognized in the period; and the respective tax credit, in accordance with the mentioned lawsuit's nature / arguments.
(b) They refer basically to legal claims of the following nature: refusal of the total real cost of the agreements entered into; review of contractual conditions and charges; and fees.

(c) Refer to processes filed, in the majority of cases, by ex-employees, claiming compensation, overtime pay, working hours, extra pay associated with certain jobs, and representation costs, and others.

b. The following table shows the expected realization of cash flows of contingent liabilities classified as probable risk

Contingencies	2014	2015	2016	2017	2018	Total
Tax	129,246	-	-	-	439,884	569,130
Civil	109,552	89,868	71,113	57,163		327,696
Labor	183,456	183,293	176,268	157,851	51,553	752,421
Total	422,254	273,161	247,381	215,014	491,437	1,649,247

c. Changes in contingent liabilities classified in the probable risk category

	Tax claims		Civil claims		Labor claims	
	2013	2012	2013	2012	2013	2012
Initial balance	472,479	5,307	274,758	192,217	528,058	139,633
Constitutions	69,329	466,757	218,406	86,860	460,099	390,254
Reversals (a)	(321)	-	(53,493)	-	(276,994)	-
Write-offs (a)	(654)	-	(111,975)	(4,319)	(143,121)	(1,829)
Incorporation	101	-	-	-	142,202	-
Restatements	28,196	415	-	-	42,177	-
Closing balance	569,130	472,479	327,696	274,758	752,421	528,058

(a) Reversals and write-offs of labor contingencies refer basically to severance pay due to agreements.

d. Breakdown of contingent liabilities classified in the possible risk category

		2013	2012
Tax contingencies	(a)	707,234	666,473
Civil contingencies	(b)	16,753	16,843
Labor contingencies	(c)	1,330,180	56,662
Total		2,054,167	739,978

(a) Refer basically to: i) IRPJ/CS on equity investments abroad in the amount of R$ 198,805; ii) INSS - R$ 147,703; iii) excess IRPJ earmarked for FINOR (2006 to 2010) R$ 107,145; d) ISS - R$ 70,001; iv) INSS on profit sharing - Nassau Branch R$ 45,186; v) PIS / COFINS on demutualization R$ 32,528 and vi) IRPJ/CS on improper compensation - Bonuses to executive officers R$ 24,515.
(b) Refer to, basically, to credit collection actions.
(c) Refer to processes filed, in the majority of cases, by ex-employees, claiming compensation, overtime pay, working hours, extra pay associated with certain jobs, and representation costs, and others.

e. Judicial deposits presented in "Other assets"

	2013	2012
Tax contingencies	558,964	484,601
Civil contingencies	121,270	90,323
Labor contingencies	114,367	50,709
Other	87,770	159
Total	882,371	625,792

19 Current tax liabilities

	2013	2012
Taxes and contributions on income payable	86,796	406,766
Taxes and contributions on third party services	4,661	4,046
Taxes and contribution on the salary	9,252	8,470
Taxes and contributions on interest earning bank deposits	15,401	22,230
PIS	4,337	5,876
COFINS	26,606	36,162
ISS	5,245	5,506
IOF	7,807	14,665
Other taxes and contributions	647	595
Offsetting current tax liabilities	-	(204,555)
Total	160,752	299,761

20 Deferred tax liabilities

a. *Breakdown of deferred tax liabilities*

	2013	2012
Fair value adjustments of financial assets	487	89,523
Fair value adjustments of derivatives	241,376	-
Fair value adjustments of loans and receivables	79,926	669,728
Derivatives – Cash basis	813	2,526
Excess depreciation	441,236	723,850
Excess (insufficient) depreciation offsetting	-	(217,155)
Offsetting of deferred tax assets	-	(724,771)
Total	763,838	543,701

b. Changes in deferred tax liabilities

	2013	2012
Initial balance	543,701	660,049
Fair value adjustments of financial assets	(89,035)	71,350
Fair value adjustments of derivatives	241,376	(141)
Fair value adjustments of loans and receivables	(589,802)	279,936
Derivatives – Cash basis	(1,714)	(182)
Excess depreciation	(282,615)	97,932
Excess (insufficient) depreciation offsetting	217,155	(217,155)
Offsetting of deferred tax assets	724,772	(348,088)
Closing balance	763,838	543,701

21 Legal obligations

Financial Conglomerate companies opted for cash payment of COFINS, pursuant to the terms of Article 39 of Law 12865/13.

Law no. 12,565 dated October 9 was published in 2013 and provides, among other topics, that liabilities in favor of the National Treasury regarding contributions to the Social Integration Program (PIS) and the Contribution for Social Security Funding (Cofins), as provided for in Chapter I in Law no 9718 dated November 27, 1998, due by financial institutions and insurance companies and past due until December 31, 2012 could: I) to be paid in cash, 100% reduction in fines, 100% reduction in isolated fines, 100% reduction in interest on arrears and 100% reduction in legal charges; or II) in as many as 60 (sixty) installments, of which 20% (twenty percent) as a down payment and the remainder in monthly installments, with an 80% (eighty percent) reduction in late and ex officio fines, 80% (eighty percent) of isolated fines, 40% (forty percent) of late interest and 100% (one hundred percent) of the sum of court charges.

Following a detailed examination of the mentioned legislation, bearing in mind that several of the Conglomerate's member companies were discussing in court the broadening of the Cofins calculation base as provided in Law no. 9718/98, the option was adopted to concur with the payment possibility as provided in Law no. 12,865 and the respective waiver of the mentioned lawsuit. The results of the adhesion programs was recorded under "Other operating revenue" (Note 29).

22 Other liabilities

	2013	2012
Third party funds in transit	26,381	38,528
Internal funds transfer	10,368	510
Sold foreign exchange to be settled	190,923	1,500,474
Liabilities for foreign exchange purchases	1,016,221	2,259,753
Cash pending settlement	15,078	8,780
Commissions and brokerage fees payable	13,011	523
Creditors - unsettled accounts	43,393	131,519
Provision for profit sharing	362,065	213,379
Provision for personnel expenses	225,266	183,544
Provision for Administrative Expenses	233,524	106,251
Campaign fund provision	565	-
Commission for intermediation of operations	34,331	40,861
Credit card transactions	548,217	381,209
Settlement of securities abroad	1,448	1,920
Loan operations and leases to be released	10,444	36,370
Unrealized capital subscriptions	38,456	-
Other (a)	190,002	342,446
Total	2,959,693	5,246,067

(a) Refers basically to amounts to be processed arising from the operational flow of the loans and receivables portfolio.

23 Stockholders' equity

a. Capital stock

The capital stock of Banco Votorantim is represented by 105,391,472,816 shares, subscribed and fully paid-up, 86,229,386,840 of which are nominative and common shares with no par value and 19,162,085,976 nominative preferred shares with no par value.

	Common	Preferred
Quantity at December 31, 2013	86,229,386,840	19,162,085,976
Quantity per shareholder		
Votorantim Finanças	43,114,693,421	9,581,042,988
Banco do Brasil	43,114,693,419	9,581,042,988
Percentage per shareholder		
Votorantim Finanças	50.00000001%	49.99999995%
Banco do Brasil	49.99999999%	50.00000005%

According to the Extraordinary General Meeting held on June 27, 2012, was resolved and approved the capital stock increase in the amount of R$ 2,000,000, issuing 22,410,553,662 new shares, fully subscribed and paid-in. The capital increase was approved by the Brazilian Central Bank (BACEN) on June 29, 2012.

According to the Extraordinary General Meeting held on June 31, 2013, was resolved and approved the capital stock increase in the amount of R$ 98,920, upon the issuance of 1,442,096,204 new shares, which 1,179,896,894 are common shares and 262,199,310 are preferred shares, with no par value.

b. Composition of reserves

	2013	2012
Capital reserves	133,468	302,046
Profit reserves	-	-
Legal reserve	-	-
Reserve for expansion	-	-
Total reserves	133,468	302,046

Legal reserve

Composed mandatorily of 5% of the period's Net Profit, up to the limit of 20% of capital stock. The Legal Reserve may cease to be funded when jointly with Capital Reserves it should exceed 30% of capital stock. The Legal Reserve may be employed only in a capital increase or to offset losses.

c. Reconciliation of stockholders' equity' and net income from BRGAAP to IFRS

	2013		2012	
	Stockholders' equity	Net Income (loss)	Stockholders' equity	Net Income (loss)
Carrying amounts - BRGAAP	7,140,683	(512,076)	8,210,437	(1,987,773)
Assignment of receivables with co-obligation, net of tax effects	(136,568)	275,309	(411,878)	508,592
Credit assignment with substantial risk, net of tax effects	-	3,337	(3,337)	78,748
Provision for impairment losses, net of tax effects	(89,972)	20,939	(110,911)	(280,688)
Usufruct of shares, net of tax effects	(3,507)	(32,428)	28,921	(22,593)
Impairment of financial assets available for sale	-	(293)	-	55,797
Appropriation of discount – credit operations, net of tax effects	-	91,902	(91,902)	(49,549)
Other adjustments, net of tax effects	13,404	(38,801)	14,693	31,345
Carrying amounts - IFRS	6,924,040	(192,111)	7,636,023	(1,666,121)

Summary of the main differences between BRGAAP (BACEN) and IFRS:

Assignment of receivables - In the course of its activities, the Conglomerate enters into transactions that result in the transfer of financial assets to third parties and to Investment Funds in Receivables (FIDCs), which the Conglomerate has the majority of the subordinated shares, in which the credit risks of these operations are substantially retained. Up to December 31, 2012, at BRGAAP, loan assignments were calculated recognizing income at the time of assignment, irrespectively of retention or not of risk.

To comply with IFRS, when there is assignment of financial assets with substantial retention of risks and benefits related to the transferred assets, these remain on the balance sheet of the Conglomerate and a liability is recognized in association.

With the advent of Resolution 3.533/08 issued by the Brazilian Central Bank, starting on January 01, 2013, all transfers follow the same procedure, regarding accounting treatment, for both IFRS and BRGAAP, so there will be no differences in the accounting practices for the treatment of operations made from that date forward.

Provision for impairment - In BRGAAP, the provision for doubtful accounts is measured considering a risk analysis as to the realization of receivables, in an amount considered sufficient to cover possible losses following the guidelines established by the Central Bank of Brazil. According to such standards, provisions are set up as from credit concession, based on credit risk rating, taking into consideration a periodic analysis of a client's quality and the segments of activity, and not only upon occurrence of default. In BRGAAP, the provision cannot be lower than the minimum required by regulator's standards, though an additional provision may be recognized when the minimum provision is considered insufficient. IAS 39 establishes that the entity should evaluate at each base date if there is objective evidence that loan operation or a group of loan operations is subject to impairment loss. A loan operation or group of loan operations is subject to loss for reduction in its recoverable value, if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the loan operation (event of loss) and this event or events have an impact on its future estimated cash flow and may be reliably estimated.

Impairment loss of financial assets available for sale - According to IAS 39, when an impairment loss of a financial asset available for sale has been recognized to other comprehensive income and there is objective evidence in the recoverable value, the accumulated loss that has been recognized to other comprehensive income is reclassified from stockholders' equity to profit or loss as a reclassification adjustment, even if the financial asset has not been written off. Some investments in stocks in closed stock corporations, classified as available for sale, reported negative fair value adjustments for more than one financial year.

During 2013, some investments were derecognized by the sale of the assets. In the event of derecognition, loss through impairment that was recorded in BRGAAP is transferred from the Stockholders' Equity to the income statement, for realization of the loss. As per IFRS, this realization had already been recognized, and a positive adjustment was made in the period in order to standardize the accounting practices.

Usufruct of shares – Operations with usufruct of shares are contracts that entitle the Votorantim Financial Conglomerate to receive dividends of preferred shares of a particular company in the market for a specified period. The Conglomerate disburses an amount for the purpose of obtaining such rights, where the expectation of cash flow generated corresponds to the total corrected amount disbursed by the Votorantim Financial Conglomerate. In other words, the Conglomerate will receive the invested principal and interest in the form of dividends on the company's preferred shares.

The operation of usufruct of shares has characteristics of a non-derivative financial asset, with fixed or determinable payments, which are not quoted in an active market.

In BRGAAP, these transactions – for accounting purposes – are treated as financial assets with fixed and variable interest and the amount disbursed for the usufruct of the shares has its recognition in the income statement on a straight-line basis, while the amounts coming from the rights to receive dividends are recognized as revenue when such right is evidenced.

Appropriation of Discount – The Conglomerate carried out the operation in usual market conditions, which entitles the counterparty – within any given period stipulated in the contract – to acquire all the risks and benefits of a particular financial asset, recorded under Loans and Receivables with a discount in present value of the financial asset, on the date of transfer. BRGAAP applied the treatment of the future discount as impairment.

Starting November 30, 2013, the counterparty of the operation showed objective evidence of impairment and an allowance was established for loss due to impairment. Thus, the appropriation of the discount was reversed against "Result of losses from impairment." The allowance for loss due to impairment of the operation considered individually significant consists of the difference between the book value of the asset and the present value of estimated cash flows, and reviewed at least quarterly.

d. Adjustments to equity value recognized in stockholders' equity

	2013	2012
Initial balance	307,135	18,395
Financial assets available for sale	(1,046,855)	400,682
Derivative financial instruments - Cash flow hedge	-	5,005
Tax effects	404,530	(116,947)
Closing balance	(335,190)	307,135

24 Interest revenue

	2013	2012
Advances to depositors	19	95
Investments in fixed income securities	2,480,705	2,145,168
Investments in foreign securities	444,194	676,535
Foreign investments	333	747
Loans	2,690,645	3,512,696
Discounted securities	14,227	11,694
Loans and financing	5,997,196	8,161,513
Export financings	581,062	450,003
Financing operations in foreign currency	29,682	30,154
Rural financing agreements	41,775	51,035
Real estate financing agreements	66,124	47,679
Cash and cash equivalents in foreign currency	51,863	12,227
Forex transactions	229,955	126,803
Leases	284,527	363,456
Credits for sureties and guarantees paid	8,329	191
Applications repurchase agreements	1,160,476	1,196,690
Interbank deposits	95,683	133,199
Beneficial ownership of shares in closed stock corporations	(46,946)	32,677
Others	124,105	337,407
Total	14,253,954	17,289,969

25 Interest expenses

	2013	2012
Purchase and sale commitments	(3,000,014)	(2,999,309)
Expenses assignees	191,627	(784,253)
Interbank deposits	(211,983)	(276,208)
Time deposits	(762,041)	(1,793,449)
Domestic loans	(785)	(1,321)
Foreign borrowings	(342,921)	(355,883)
National Treasury Onlendings	(8,278)	(7,615)
BNDES Onlendings	(182,699)	(213,418)
Onlending - FINAME	(71,102)	(107,862)
Obligations w/ financial institutions abroad	(140,850)	(109,191)
Debentures	(137,044)	(206,004)
Real estate credit note funds	(14,150)	(5,552)
Agribusiness credit bill funds	(179,222)	(152,024)
Financial bills	(1,251,078)	(1,052,978)
Option box - fixed income strategy	(74,916)	(145,152)
Foreign securities	(1,557,275)	(1,671,734)
Others	18,613	(36,595)
Total	(7,724,118)	(9,918,548)

26 Result from fees and commissions

	2013	**2012**
Bank fees	531,285	528,772
Income from guarantees granted	171,046	170,635
Management of investment funds	139,704	138,676
Reimbursement of commission from intermediary services	183	-
Commissions on placing of securities	70,380	80,157
Brokerage of Stock Exchange transactions	17,121	22,206
Collection income	9,439	12,748
Income from commissions on intermediation of transactions (a)	(245,531)	(488,956)
Technical/financial advisory	(667,517)	(694,794)
Associated costs	(257,817)	(411,314)
Judicial and notary fees	(218,002)	(263,352)
Credit card transactions	(21,373)	(22,839)
Others	(7,738)	(291)
Total	(478,820)	(928,352)

(a) Balances refer to commission expenses in the amount of R$ 358,376 (R$ 741,271 in 2012) and revenues from commission reimbursement in the amount of R$ 603,907 (R$ 252,315 in 2012).

27 Results with financial instruments at fair value through profit or loss

	2013	**2012**
Financial assets at fair value through profit or loss	195,058	1,094,237
Government bonds	(343,809)	860,791
Private securities	538,867	233,446
Financial liabilities at fair value through profit or loss	(55,842)	(520,505)
Buy-back Operations - Free movement.	(21,318)	(76,674)
Stock loan creditors	(404)	(658)
Securities abroad	1,780	513
Securities issued	(61,166)	(151,478)
Loans and onlendings	36,014	-
Subordinated liabilities	(10,748)	(292,208)
Loans and receivables	(1,885,012)	600,619
Loans	(7,284)	7,942
Loans and financing	(1,652,252)	557,101
Export financings	(60,668)	135,865
Financial lease operations	(164,808)	(100,289)
Total	(1,745,796)	1,174,351

28 Result from derivatives

	2013	2012
Swap contracts	515,950	(93,644)
Forward contracts	(367)	(1,281)
Futures contracts	772,333	(1,774,417)
Option contracts	66,614	46,167
NDF contracts	101,695	19,078
Credit derivatives	5,620	37,150
Others	(5,002)	23,398
Total	1,456,843	(1,743,549)

29 Other operational revenues

		2013	2012
Capital gains		13,722	23,626
Monetary correction of legal deposits		29,738	30,675
Provision for contingent liabilities	(a)	1,430,786	(473,448)
Civil reparations		(201,187)	(217,373)
Judicial deposits		(45)	(5,521)
Devaluation of other assets		(18,387)	(5,194)
Other		(219,248)	(87,854)
Total		1,035,379	(735,089)

(a) Include the net effect for the adhesion to the installment payment program and cash payment of tax debits (Note 21) in the amount of R$ 377,745 as of December 31, 2013.

30 Result from impairment losses

	2013	2012
(Formation)/reversals of provision for losses	(4,495,967)	(5,392,327)
Recovery of loans written off as losses	709,125	252,707
Discounts on renegotiation	(385,823)	(539,869)
Total	(4,172,665)	(5,679,489)

31 Personnel Expenses

	2013	2012
Fees	(17,088)	(18,718)
Benefits	(134,047)	(146,727)
Social charges	(182,505)	(185,700)
Dividends	(697,377)	(622,145)
Training	(2,189)	(5,484)
Total	(1,033,206)	(978,774)

32 Other administrative expenses

	2013	2012
Water, energy and gas	(4,754)	(5,120)
Rents	(111,988)	(135,561)
Leased property	(2,988)	(3,997)
Communications	(64,386)	(80,454)
Philanthropic contributions	(12,933)	(8,086)
Maintenance and preservation assets	(24,637)	(14,201)
Material	(1,934)	(2,409)
Data processing	(180,621)	(169,204)
Promotions and public relations	(4,519)	(5,711)
Advertising and publicity	(4,241)	(3,350)
Publications	(1,120)	(1,220)
Insurance	(12,070)	(13,352)
Financial system services	1,244	(2,227)
Outsourced services	(19,196)	(13,385)
Surveillance and security	(3,282)	(3,553)
Transportation	(15,495)	(15,975)
Traveling	(12,090)	(10,467)
Specialized technical services	-	(563)
Other	(26,353)	(16,252)
Total	(501,363)	(505,087)

33 Depreciation and amortization expenses

	2013	2012
Amortization	(13,279)	(8,134)
Depreciation	(20,256)	(21,309)
Total	(33,535)	(29,443)

34 Tax expenses

	2013	2012
ISS	(55,720)	(50,042)
PIS	(55,967)	(54,460)
COFINS	(1,446,903)	(335,140)
Others	(161,283)	(73,719)
Total	(1,719,873)	(513,361)

35 Income from disposal of non-current assets for sale

	2013	2012
Disposal of assets	(28,700)	(145,255)
Sales of investments	(2)	-
Total	(28,702)	(145,255)

36 Expenses - income taxes and social contributions

a. Charges due on operations

	2013	2012
Profit before income tax and social contribution of equity interests	(596,087)	(2,728,202)
Charges at the current nominal rate	238,435	1,091,281
Exclusions /(additions)	(696,631)	(2,380,515)
Tax losses for income tax	58,458	110,930
Negative basis for social contribution	(26,859)	33,760
Fair value adjustments of financial assets	13,696	(125,180)
Fair value adjustments of derivatives	355,371	(257,622)
Fair value adjustments of loans and receivables	(141,162)	279,936
Profit sharing	(69,482)	40,536
Variable compensation program	(11,329)	-
Provision for impairment losses	(591,779)	(1,718,807)
Provisions	(66,376)	(188,145)
Derivatives – Cash basis	-	(182)
Legal obligations	19,134	(468,426)
Excess (insufficient) depreciation	(217,155)	(170,317)
Permanent additions and tax incentives	-	174,273
Others	(19,148)	(91,271)
Taxes and contributions on current income	(458,196)	(1,289,234)

b. Deferred income tax with an impact on result

Deferred tax assets	**2013**	**2012**
Additions/(exclusions)		
Tax losses for income tax	(47,740)	(110,930)
Negative basis for social contribution	33,287	(33,760)
Fair value adjustments of financial assets	(21,639)	124,519
Fair value adjustments of derivatives	(355,372)	260,258
Fair value adjustments of loans and receivables	141,161	-
Profit sharing	59,323	100,083
Legal obligations	(19,135)	468,426
Provision for impairment losses	566,133	1,731,625
Provisions	80,646	191,360
Depreciation shortfall	217,155	51,095
Income from foreign branches	(17,146)	-
Others	33,295	22,115
Total	669,968	2,804,791

Deferred tax liabilities	**2013**	**2012**
Additions/(exclusions)		
Fair value adjustments of financial assets	8,272	5,158
Fair value adjustments of derivatives	(241,376)	(2,635)
Fair value adjustments of loans and receivables	589,802	(279,935)
Derivatives – Cash basis	1,714	182
Excess (insufficient) depreciation	65,459	119,222
Total	423,871	(158,008)

37 Related party transactions

a. Summary of related party transactions

The balances of asset and liability transactions, income and expenses involving related parties are as follows:

	Banco do Brasil (a)		Votorantim (b)		Subsidiaries	
	2013	2012	2013	2012	2013	2012
Assets						
Cash and cash equivalents	69,829	34,691	-	-	-	-
Financial assets with resale agreement	-	-	-	-	25,623,846	36,758,158
Financial assets at fair value	-	-	-	-	24,898,636	23,042,927
Loans and receivables	5,369	920,224	3	12	-	118
Derivative financial instruments	-	157,262	9,027	6,264	267,862	1,067,642
Liabilities						
Financial liabilities - Amortized cost	16,607,974	14,807,261	365,715	677,249	4,726,585	3,934,225
Derivative financial instruments	137,913	-	134,598	947,902	21,493,997	21,041,020
Other liabilities	23,024	-	-	-	2,160	25,594
Revenues						
Interest revenue	1,228,369	927,442	-	-	-	-
Revenue services and commissions	176	129	-	-	-	-
Res. fin instrum. at fair value	9,481	8,016	-	-	4,457,850	5,377,659
Derivative financial instruments	124,489	-	-	885	-	-
Other operating income	-	-	5	8	-	-
Expenses						
Interest expenses	161,497	(896,515)	(9,300)	(11,574)	(409,211)	(350,750)
Fee and commission expenses	-	-	-	-	(83,319)	(4,647)
Derivative financial instruments	-	(313,435)	(1,643)	-	(851,445)	(1,486,908)
Other operating expenses	-	-	-	-	(135)	-
Other administrative expenses	(6,938)	(6,663)	-	-	-	(128,740)

The Conglomerate is controlled jointly by the companies Banco do Brasil S.A. and Votorantim Finanças S.A.

(a) Banco do Brasil – encompass the companies that comprise Banco do Brasil Financial Conglomerate, where the main ones are Banco do Brasil S.A.

(b) Votorantim - encompass the companies that comprise Votorantim Industrial Conglomerate, where the main ones are Votorantim Finanças S.A. and Votorantim Industrial S.A.

Related party transactions are carried out at usual market values, terms and average rates in effect at the respective dates and in commutative conditions. Intercompany transactions included in the consolidation were eliminated in the consolidated financial statements and even the absence of risk is considered.

b. Remuneration of management key personnel

The Conglomerate spent the following amounts as compensation for key Management personnel:

	2013	2012
Fees	13,871	18,592
Bonuses	30,619	98,663
Social charges	13,494	35,763
Total	57,984	153,018

38 Operating segments

An operating segment is a component of the Conglomerate which engages in business activities from which it may earn revenues and incur expenses, including income and expenses relating to transactions with other components of the Conglomerate.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The unallocated items include mostly the corporate assets, office expenses and income and social contribution tax assets and liabilities.

The Conglomerate has two reportable segments, as described below, which are the Conglomerate's strategic business units. The strategic business units offer different products and services and are administered separately, since they require different technologies and marketing strategies. The Conglomerate's reportable segment operations can be detailed as follows:

- **Retail** - Transactions with the characteristic of direct credit granting to consumer, credit granting and capital remuneration;

- **Wholesale** - Transactions with the characteristic of credit granting, structured transactions intended to the non-retail segment. Investment in financial assets, such as: Securities, derivative financial instruments, agribusiness financing, income from services and third-party fund management;

Information referring to each reportable segment results are included below. Performance is evaluated based on segment results before income tax and social contribution.

	2013	
In R$ million	**Retail**	**Wholesale**
Financial income and expenses	4,058	1,440
Provision for impairment losses	(2,103)	(1,599)
Administrative and personnel expenses	(809)	(528)
Tax expenses	(656)	(1,435)
Other operating income/expenses	(670)	1,607
Variable compensation	(139)	(225)
IR/CS	313	554
Net income for the year	(6)	(186)

39 Risk management

a. Integrated risk and capital management

The integrated approach to risk management consists of the adoption of tools which enable the consolidation and control of material risks to which the Conglomerate is subject. The aim of this approach is to organize the decision-making process and define tools for maintaining acceptable risk levels which are compatible with the volume of capital available, in line with the business strategy adopted.

The consolidation of risks covers all material exposures inherent to the Conglomerate's business lines. The exposures are grouped into the following risk categories: market, liquidity, operational and credit risk areas. This consolidation process is carried out through a structured process which includes the mapping and calculation of the total values at risk.

The levels of risk exposure are monitored through a risk limit framework, incorporated into the Conglomerate's daily activities by means of an organized management and control process which assigns functional responsibilities to the areas involved. Senior management's involvement consists of monitoring and taking the actions required to manage the risks.

Financial return is calculated using processes that enable us to monitor managerial profitability of various lines of business, consistent with budget programming while adhering to the accounting results obtained.

In sum, the Conglomerate adopts the following principles in its integrated risk management process:

- Consolidated vision of risks;
- Consistency between levels of exposure to risks, authorized limits and intended financial return;
- Functional segregation between business areas, risk control, audit and operations processing;
- Adopting methodologies for calculating risk based on best market practices;
- Involving senior management.

i. Risk management activities

The Conglomerate takes a structured approach to the standardization of risk management activities. These activities comprise the following steps:

- Identification of risks and controls;
- Assessment and measurement of risks and controls;
- Analysis of weak points of controls;
- Definition of the level of exposure to risks;
- Implementation of responses to risks;
- Definition of performance indicators;
- Monitoring the histories of these indicators. and
- Reporting of information to the governance structure.

ii. Policies, norms, manuals and procedures

The risk management process has a set of documents setting out the main guidelines to be observed in the activities of risk management. The level of detail of these standards is structured depending on the purpose of each document and is organized according to the hierarchy shown below:

- Corporate Policies: fundamental principles and guidelines established by the highest hierarchical level, which must be followed by the entire organization and govern all the other regulations, procedures and product and service manuals;
- Standards: rules established to define the activities and the manner in which procedures are organized, detailing the aspects addressed by corporate policies;
- Procedures**:** operational rules established to describe the activities and their completion stages, detailing aspects addressed by the standards; and
- Product, Service, System and Calculation Modeling Manuals: set of documents compiling the main characteristics of the structuring of products, services, systems and calculation methods used.

These regulations are published for the Conglomerate's internal consultation at the Corporate Portal (Intranet), and are periodically reviewed and updated (at least on an annual basis), or whenever there are significant changes in business aims and strategies, or in the risk management approach and methodology.

iii. Risk management and control committees

The Conglomerate has a Corporate Governance structure which establishes joint forums, formally organized and with assigned levels of authority, for follow-up and decision-making related to the various aspects of the Conglomerate's management and control of risk-related matters.

Governance is structured as two complementary levels of authority: the first is made up of the Board of Directors and its Advisory Committees and involves the shareholders; the second is made up of the Executive Committee and its Committees, involving the Conglomerate's executive leaders.

The Committees and Commissions are formally set up under internal regulations which establish their objectives and duties, composition, voting members and decision rules.

The hierarchic structure of these collegiate forums is as follows:

- Committees: macro-sphere decision and decision-ratification forums established within commissions. Are formed by the chairman, vice-president and directors of the areas involved.
- Commissions: forums for the analysis of a certain group of issues and for the ratification of sub-commission decisions that report to respective committee. They are made up of directors, superintendents and managers of the areas involved;

Therefore, the Conglomerate's risk management is carried out through joint decisions, supported by the various commissions and committees, in accordance with their duties. This process includes the participation of all Corporate Governance decision-making bodies, ranging from senior management to the various operational, products and services business units. The forums involved in risk management are detailed below:

Board of Directors

- Duties: among other responsibilities recorded in the Bylaws, we emphasize the approval of the development of new businesses and of credit grant and market risk policies, as well as the assessment of certain transactions in view of their nature and the involved financial amount;
- Periodicity: monthly.

Advisory Committee - Finance

- Duties: provides technical advice to the Board of Directors and support in the previous analysis of any matters the Board deems necessary;
- Periodicity: monthly.

Advisory Committee - products and marketing

- Duties: provides technical advice to the Board of Directors on matters related to products and marketing, including the business plan, strategies and new business opportunities;
- Periodicity: quarterly.

Audit Committee

- Duties: approves the annual planning, makes a follow-up of internal audit work, assesses compliance with internal standards and legal provisions, checks the integrity of financial statements and the effectiveness of risk management activities, and monitors the work performed by external auditors;
- Periodicity: monthly.

Executive committee

- Duties: follows up on the Conglomerate's overall performance, market context and the subjects addressed by the operating committees and commissions and decisions on matters which require the involvement of Senior Management;
- Periodicity: weekly.

Asset and Liability Management (ALM), Risk and Capital Committee

- Duties: forwards to the Board of Directors and Executive Committee proposals related to risk management and control and capital management, assesses strategic transactions which may have material impacts on consumption or the capital base, analyzes proposed limits, targets and optimal structure for capital management, manages the security reserve to ensure that capital will remain within adequate regulatory levels, and reviews and approves the decisions made by subordinate Commissions (Market Risk, Liquidity Risk, Credit and Tax Risk);
- Periodicity: biweekly

Credit Committee

- Duties: assessment of the viability of approving limits and/or lending operations referred by the commercial departments, evaluation of negotiations or agreements for settlement of problematic loans, and the lowering of credit restrictions (temporary or permanent) to individuals, groups and sectors of the economy.
- Periodicity: weekly.

Internal Control and operating risk committee

- Duties: reviews and validates measures to remedy weaknesses or improve the risk management system, follows up on processes related to the management of operational risk and internal controls, money laundering prevention and business continuity plans, and monitors the implementation of improvement action plans.
- Periodicity: monthly.

Product Committee

- Duties: reviews and approves the development of new products, follows up on the implementation of new products and improvements to and maintenance of existing products;
- Periodicity: weekly.

Market Risk Commission

- Duties: assesses exposures to market risks and follows up on the exposure limits of the main market risks of the trading portfolio;
- Periodicity: monthly.

Credit Risk Commission

- Duties: assessment of actions that enable management of the loan portfolio, monitoring and assessment of the exposure limits of credit risk portfolio, assessment of the stress test results, monitoring of the level of lending operations provisioning against default, evaluation of the methodologies for measuring credit risk, assessment of contingency plans relating to the credit risk management and issuance of opinions from the ALM, Risk and Capital Committee and/or the Executive Committee, on new strategies and rules for operations and management of the credit portfolio;
- Periodicity: monthly.

Liquidity Commission

- Duties: assesses exposures to liquidity risks and cash strategy scenarios, follows up on and reviews minimum capital limits, and monitors and updates the funding contingency plan.
- Periodicity: biweekly.

Tax Commission

- Duties: approval of proposals to maximize tax efficiency of the Consolidated group, its subsidiaries and affiliates, analysis of fiscal impact of monthly closing, covering the behavior of the effective rate of *IR/CS*, assessment of risks that may impact the bottom line of the companies in the Financial Conglomerate, and demonstration for approval of the tax base forecast;
- Periodicity: monthly.

Product Committee

- Duties: reviews and approves the development of new products, follows up on the implementation of new products and improvements to and maintenance of existing products;
- Periodicity: weekly.

b. Market risk

It is the aim of market risk control to provide support for the management of the business, establish the processes and implement the tools required for assessing and controlling market risks, enabling the measurement and follow-up of the risk appetite levels defined by Senior Management.

i. Definitions

Market risk is defined as the possibility of financial losses arising from the variation in the market value of exposures held by the Conglomerate. These financial losses may be incurred due to the impact produced by changes in interest rates, exchange rates, and stock or commodity prices.

VaR (Value at Risk) is the main tool used to measure market risk.

ii. Basic principles

The basic concepts adopted by the Conglomerate in market risk management and control comply with Resolution No. 3464 of the National Monetary Council (CMN) and the best market practices:

- Involving senior management. the existing committees and commissions are structured in manner that Senior Management participates in the overall supervision of risk-taking;
- Segregation of Portfolios: for a consolidated management and control of market risk exposures, operations are divided into two types of portfolios, in accordance with their business strategy: trading portfolio or non-trading (banking) portfolio;
- Segregation of duties: the segregation of duties between the areas responsible for performing operations and defining business strategies and the areas in charge of accounting, risk control, compliance, internal controls and audit aims at ensuring independence in the performance of the duties inherent to each function;
- Definition of duties: the clear definition of the various processes and activities of each function involved in market risk management and control aims at providing for organized and efficient operational management;
- Definition of pricing and risk calculation methods: for risk control purposes, structured methods are adopted, the use of which is mandatory for the entire Bank, based on the best market practices;
- Establishment of limits: the clear and objective definition of the authorized risk limits, based on the risk measures, aims at introducing risk appetite levels defined by the Bank into daily activities;
- Monitoring of limits: definition of the process for monitoring and reporting on the level of usage of the authorized limits.

iii. Units involved

Market risk management functions include a set of functional activities that permeate the entire 'business chain', from product development, to operations, modeling and control of market risk and its results attribution and formalization, accounting and settlement of transactions, as well as monitoring the effectiveness of processes and controls used.

These functions are performed by functional units with technically capable staff managed separately with clearly defined responsibilities, as shown below:

Market Risk Control

- Responsible for pricing methodologies and modeling, and calculating market risk and independently surveying prices used;
- Responsible for calculation of value at risk and capital allocated for monitoring authorized limits.

Treasury

- Responsible for trade execution with the market, constantly ensuring fair prices and trading compliance;
- Responsible for monitoring market trends and opportunities, managing risk exposures while following defined strategies and authorized limits.

Operations

- Responsible for independent confirmation, formalization, registration and accounting, settlement of transactions and ensuring that databases are comprehensive and consistent, integral and reliable;

Finance

- Responsible for operational management of segregated portfolios and for the measurement and analysis of accounting and management income from transactions.

iv. Risk Measures and Limits for Management and Control

The Conglomerate adopts a set of objective measures for managing and controlling market risks:

- VaR (Value-at-risk): consists of the calculation, based on statistical techniques, of the maximum loss in market value, under normal conditions, on a certain position or portfolio, within a given confidence interval and over a given time horizon;
- Stress scenarios: comprise simulations of the impact of extreme market conditions on positions or portfolios, which may generate extraordinary losses or gains;
- Market Risk Regulatory Capital: comprises the regulatory capital calculated as a result of the exposures of trading and non-trading portfolios;
- Sensitivity analyses: comprise simulations of the sensitivity of the portfolios' results to changes in positions and/or slight fluctuations in market conditions; and
- Positions and Portfolios: consist of the monitoring of the volume of gross or net exposures.

Risk measures are used along with limits as market risk management tools. These limits include the definition of maximum authorized amounts, adhering to the strategies adopted, the scope of products authorized for trading, consistent with budgeted assumptions and targets.

There are two types of limits, depending on decision-making powers:

- Upper Limits: maximum authorized limits at the Board of Directors' level;
- Operating limits: internal authorized limits at the level of the ALM, Risk and Capital Committee and Market Risk Commission, always in compliance with the Upper limits.

The limits are established based on the risk appetite and defined in a manner to pragmatically enable the achievement of the intended financial performance targets. Limits and targets are matched at the budget programming level.

Amounts or values set in limits are updated and revised at least annually, together with budgetary programming.

v. Segregation of Portfolios

For the purposes of consolidated management and control of market risk exposures, transactions are segregated into two types of portfolios depending on their business strategy: trading portfolio (trading) or banking portfolio (non-trading).

The trading portfolio covers all transactions, financial instruments, commodities or derivatives held with the intention of trading, or turning over, or hedging other trading portfolio transactions, and not subject to tradability restrictions.

The following are the principal mechanisms adopted by the Conglomerate for segregating portfolios:

- segregation of transactions is based on business strategies and intention, as captured at the time of trading, reflecting proactive treasury management, and may be classified as trading or banking;

- conditions for *trading* classification: intention of trading in short-term, need for liquidity, being marked to market on a daily basis, and observe rules for defined turnover dates and carrying levels; and
- breakdown of banking portfolio: includes other transactions, financial instruments, commodities or derivatives, which, by exclusion, are those not held for the sole purpose of trading in the short term.

Trading **Portfolio - Methodology for Measuring Risk**

Trading portfolio is comprised of Bank transactions available for negotiation.

The Bank measures the market risk from the trading portfolio through Historical Simulation VaR, with 99% confidence level, and 252 daily returns and a holding period of 10 business days.

The table below presents the minimum, average and maximum VaR of the trading portfolio.

Period	Minimum	Average	Maximum
Jan–Dec 2013	9,750	35,100	86,834
Jan–Dec 2012	8,573	42,658	115,210

Banking Portfolio - Risk Measurement Methodology

The banking portfolio consists of structural exposures arising from loans as such and from borrowing to fund these loans, irrespective of maturity dates and currencies, or their commercial segments (retail and wholesale). The banking portfolio also includes transactions to hedge assets or equity, and loans or funding in the banking portfolio.

This portfolio is also known as the structural portfolio because it includes structural management of asset-liability mismatch.

The Bank measures the banking risk from the banking book through Historical Simulation VaR, with 99% confidence level, and 1260 daily returns and a holding period of 10 business days. This methodology is compatible with widely accepted risk measurement techniques and the guidelines stated in Bacen Circular 3365, of September 12, 2007.

The Conglomerate uses conservative assumptions for prepayment of loans and deposits that have no definite maturity date:

- in the case of loans, the final settlement date is assumed with no statistical modeling for a scenarios in which amounts owed are received before due date;
- in the cases of daily liquidity deposits, such as funding with repurchase commitment, the date assumed is that after which redemption is possible (early settlement); and
- in the case of sight deposits, for non-material positions, the first business day subsequent to the calculation base date is assumed to be maturity date.

The table below presents the minimum, average and maximum VaR of the consolidated portfolio.

Period	Minimum	Average	Maximum
Jan–Dec 2013	242,274	368,182	575,280
Jan–Dec 2012	383,670	492,488	593,157

vi. Measurement System and Communication Process

The Conglomerate's corporate systems for measuring and controlling market risk combine internally developed applications with market solutions of proven robustness. These systems include integrated treatment of information in sequential order:

- capturing price and curves from independent sources, reflecting parameters of trading conditions effectively practiced;
- capturing records of trading and registration data;
- continuous updating and archiving this information in structured databases, monitoring its integrity and consistency from an accounting point of view;
- calculating market values of positions for accounting purposes, managerial monitoring of positions held and financial performance; and
- calculating values at risk using VaR methodology.

The Conglomerate fully adopts a structured process for reporting issues related to market risk management. This communication process comprises:

- periodically issuing objective reports showing exposures and levels of use of authorized limits;
- periodically holding collective monitoring forums, within decision-making competencies, in which current issues are discussed with full participation; and;
- specific electronic messages reporting and monitoring cases of limits being exceeded or non-compliance, in which positions and managers responsible are identified.

vii. Reporting limits exceeded or noncompliant transactions

The procedure adopted for monitoring utilization of limits or noncompliant transactions comprises two steps: (i) reporting and (ii) return to compliance.

Notification:

- Notification is through standard 'Utilization Alert' e-mails indicating predetermined trigger limits for using or Exceeding Limits, advising that above-authorized risk-exposure has occurred.

Return to compliance:

- Any limits being exceeded or non-compliance involves executing strategies for returning to authorized limits and reducing amounts utilized;
- These strategies are the responsibility of business managers, in light of market conditions, subsequently monitored by the Market Risk Commission.

viii. Hedging policies and strategies

Hedge operations are intended to offset, entirely or partially, market and/or credit risks on trading and banking exposures, observing the defined strategies and the established level of risk appetite. In the case of banking portfolios, the Conglomerate adopts policies and strategies for the negotiation of hedging transactions in order to minimize book and structural market risks of the balance sheet. The balance sheet exposure comprises management control and accounting of impacts arising from the intrinsic nature of operations, products, portfolios, or the fluctuation of parity conversion investments or equity market exposure and structural includes the management and control of economic impacts arising market risk incident on the banking portfolio.

This means trading financial instruments, commodities or derivatives, in order to neutralize all or part of market risk for these exposures and to obey defined strategies and risk appetite levels.

Any financial instrument, commodity or derivative may be used for hedging, as long as trading in these products has been previously authorized and the expected financial performance meets the objectives sought with market risk mitigation strategy.

These products may be standardized, traded through clearing and settlement entities, or non-standardized and traded on the OTC market. The Conglomerate allows use of one or more hedging instruments or their proportional uses in light of the risks to be hedged.

In the case of trading derivatives for hedging purposes, the Conglomerate may use a strategy of duration, cash flow hedging, breaking down risk factors on liquidity lines, or another specific strategy, in all cases taking into account the dynamics of the instrument's pricing strategy and the strategy specifically selected so that its market liquidity is verified, thus ensuring 'fair price' and representativeness throughout the hedging strategy's lifecycle.

ix. Sensitivity analyses

Banco Votorantim uses two methodologies for sensitivity analysis of its exposures.

<u>Analysis 1</u> – Initially, it uses the application of parallel shocks on most relevant risk factor curves. The purpose of this method is to simulate effects on Conglomerate income in view of possible scenarios, which consider possible fluctuations in market interest rates. Two possible scenarios are simulated in which analyzed risk would be increased or reduced by 100 base points.

<u>Analysis 2</u> – Simulations that measure the effect of changes in market and price curves on Conglomerate exposures for the purpose of simulating effects on income of three specific scenarios, as follows:

- Scenario 1 – Probable market scenario for risk factors, as estimated by the institution.
  - Exchange rate: The currencies underwent shocks of 1.00% over the closing value on December 31, 2013. The stressed value of the U.S. dollar (DOL-CL of BM&F), for example, would be R$ 2.3856 (101.00% of R$ 2.3620).
  - Stock exchange: The IBOVESPA Index used was 52,022 points, equivalent to 101.00% of the closing value on December 31, 2013.
  - Pre-fixed interest: The curve of fixed-rate interest undergoes a parallel shock of 10 base points, i.e., all amounts, regardless of the term, increase by 0.10%.
  - Price index: Price index coupon curves are impacted in parallel by 10 base points (0.10%).
  - Interest rate on foreign currency: The foreign currency coupon curves are impacted in parallel by 10 base points (0.10%).
  - Interest rate coupon: The interest rate coupon curves are impacted in parallel by 10 base points (0.10%).
- Scenario 2 – Scenario presenting a shock of 25% on probable market scenario (Scenario 1), according to internal standard for pricing assets and economic analysis consistent with best market practices.
- Scenario 3 – Scenario presenting a shock of 50% on probable market scenario (Scenario 1), according to internal standard for pricing assets and economic analysis consistent with best market practices.

Regarding effects of applying this method on Bank portfolios, two different situations are presented:

- For transactions classified in Trading portfolio, which is comprised by transactions for trading, possible effects of changes to market interest rates and prices have a direct impact on Conglomerate income; and
- For transactions classified in the banking portfolio, valuation or devaluation resulting from changes in market interest rates and prices do not have a financial and accounting impact on Conglomerate income. This is because this portfolio is mainly comprised by credit transactions (direct credit to the consumer, agribusiness, working capital, etc.), retail fund raising (demand deposits, term deposits and savings deposits) and securities that are accounted for, mainly, by agreed-on rates. In addition, note that the main characteristic of these portfolios is that they are classified as available for sale and, therefore, effects of interest rate or price fluctuations are reflected in Stockholders' equity and not in income.

There are also other transactions naturally linked to other instruments (natural hedge) that minimize impacts in stress scenario.

The tables below summarize Trading Portfolio results - public and private securities, derivatives and borrowing through repurchase agreements, ebanking, showing amounts by base date:

Sensitivity analysis 1 - Trading portfolio

		Basic interest rate shock			
		2013		2012	
Risk Factor	Concept	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
Prefixed rate	Prefixed interest rate variation risk	(1,041)	1,045	(2,679)	2,673
Forex coupons	Exchange rate risk of Forex coupon	(1,140)	(1,153)	(99)	89
Foreign exchange	Foreign exchange variation rate risk	-	-	-	
Price indices	Risk from variation in Price index coupon	42	(42)	228	(222)
TR / TBF	Risk of TR (reference rate) and TBF (basic financial rate) coupon variation	-	-	-	-
Others	Variation risk for other coupons	-	-	-	-

Sensitivity Analysis 1 - Trading and Banking Portfolio

		Basic interest rate shock			
		2013		2012	
Risk Factor	Concept	+ 100 bps	- 100 bps	+ 100 bps	- 100 bps
Prefixed rate	Prefixed interest rate variation risk	(28,445)	28,494	(41,564)	41,739
Forex coupons	Exchange rate risk of Forex coupon	(4,305)	4,334	2,335	(2,342)
Foreign exchange	Foreign exchange variation rate risk			-	-
Price indices	Risk from variation in Price index coupon	(337)	338	(714)	723
TR / TBF	Risk of TR (reference rate) and TBF (basic financial rate) coupon variation	795	(794)	1,614	(1,623)
Others	Variation risk for other coupons	-	-	-	-

Sensitivity analysis 2 - Trading portfolio

		Scenario I					
		2013			2012		
Risk Factor	Concept	Variation of rates	Exposure	Income (loss)	Variation of rates	Exposure	Income (loss)
Prefixed rate	Prefixed interest rate variation risk	Increase	(2,460,276)	(1,041)	Decrease	9,934,804	17,016
Forex coupons	Exchange rate risk of Forex coupon	Increase	33,115	(1,843)	Maintenance	1,778,193	-
Foreign exchange	Foreign exchange variation rate risk	Increase	342,794	(3,491)	Decrease	640,882	7,971
Price index	Risk from variation in Price index coupon	Increase	30,763	42	Increase	41,885	2,355
Others	Variation risk for other coupons	Increase	86,201	(50)	Maintenance	19,959	-

Scenario II

		2013			**2012**		
Risk Factor	**Concept**	**Variation of rates**	**Exposure**	**Income (loss)**	**Variation of rates**	**Exposure**	**Income (loss)**
Prefixed rate	Prefixed interest rate variation risk	Increase	(2,460,276)	(26,238)	Increase	9,934,804	(26,562)
Forex coupons	Exchange rate risk of Forex coupon	Increase	33,115	(6,132)	Increase	1,778,193	(5,659)
Foreign exchange	Foreign exchange variation rate risk	Increase	342,794	(135,718)	Increase	640,882	(232,197)
Price indices	Risk from variation in Price index coupon	Decrease	30,763	(474)	Decrease	41,885	1,110
Others	Variation risk for other coupons	Increase	86,201	(9,424)	Increase	19,959	(25,462)

Scenario III

		2013			**2012**		
Risk Factor	**Concept**	**Variation of rates**	**Exposure**	**Income (loss)**	**Variation of rates**	**Exposure**	**Income (loss)**
Prefixed rate	Prefixed interest rate variation risk	Increase	(2,460,276)	(50,098)	Increase	9,934,804	(71,157)
Forex coupons	Exchange rate risk of Forex coupon	Increase	33,115	(11,868)	Increase	1,778,193	(11,036)
Foreign exchange	Foreign exchange variation rate risk	Increase	342,794	(275,553)	Increase	640,882	(490,294)
Price indices	Risk from variation in Price index coupon	Decrease	30,763	(976)	Decrease	41,885	(19)
Others	Variation risk for other coupons	Increase	86,201	(16,709)	Decrease	19,959	(55,244)

Sensitivity Analysis 2 - Trading and Banking Portfolio

Scenario I

		2013			2012		
Risk Factor	**Concept**	**Variation of rates**	**Exposure**	**Income (loss)**	**Variation of rates**	**Exposure**	**Income (loss)**
Prefixed rate	Prefixed interest rate variation risk	Increase	14,715,241	(28,445)	Decrease	17,636,716	268,574
Forex coupons	Exchange rate risk of Forex coupon	Increase	(558,201)	(5,528)	Maintenance	(535,026)	-
Foreign exchange	Foreign exchange variation rate risk	Increase	(536,007)	(7,522)	Decrease	(634,265)	(3,405)
Long Term Interest Rate (TJLP)	Risk from variation in TJLP coupon	Increase	(276,241)	663	Maintenance	(399,229)	-
TR / TBF	Risk of TR (reference rate) and TBF (basic financial rate) coupon variation	Increase	187,482	264	Maintenance	190,723	-
Price index	Risk from variation in Price index coupon	Increase	426,670	(337)	Maintenance	194,770	(8,355)

Scenario II

		2013			2012		
Risk Factor	**Concept**	**Variation of rates**	**Exposure**	**Income (loss)**	**Variation of rates**	**Exposure**	**Income (loss)**
Prefixed rate	Prefixed interest rate variation risk	Increase	14,715,241	(723,278)	Increase	17,636,716	(399,452)
Forex coupons	Exchange rate risk of Forex coupon	Increase	(558,201)	(15,666)	Increase	(535,026)	(9,791)
Foreign exchange	Foreign exchange variation rate risk	Increase	(536,007)	(203,404)	Decrease	(634,265)	(130,956)
Long Term Interest Rate (TJLP)	Risk from variation in TJLP coupon	Decrease	(276,241)	(6,987)	Decrease	(399,229)	(7,228)
TR / TBF	Risk of TR (reference rate) and TBF (basic financial rate) coupon variation	Decrease	187,482	(372)	Decrease	190,723	(77)
Price index	Risk from variation in Price index coupon	Increase	426,670	(2,812)	Increase	194,770	(11,158)

		Scenario III					
		2013			2012		
Risk Factor	**Concept**	**Variation of rates**	**Exposure**	**Income (loss)**	**Variation of rates**	**Exposure**	**Income (loss)**
Prefixed rate	Prefixed interest rate variation risk	Increase	14,715,241	(1,392,825)	Increase	17,636,716	(1,024,921)
Forex coupons	Exchange rate risk of Forex coupon	Increase	(558,201)	(30,777)	Increase	(535,026)	(19,100)
Foreign exchange	Foreign exchange variation rate risk	Increase	(536,007)	(371,795)	Decrease	(634,265)	(266,203)
Long Term Interest Rate (TJLP)	Risk from variation in TJLP coupon	Decrease	(276,241)	(13,957)	Decrease	(399,229)	(14,633)
TR / TBF	Risk of TR (reference rate) and TBF (basic financial rate) coupon variation	Decrease	187,482	(743)	Decrease	190,723	(154)
Price index	Risk from variation in Price index coupon	Increase	426,670	(5,575)	Increase	194,770	(13,787)

x. Stress testing

The Bank uses stress measures resulting from simulations of their exposures subject to market risks under extreme conditions, such as financial crises and economic shocks. These tests aim at measuring impacts of events that are plausible but not likely to occur.

The Conglomerate test program on market risk stress uses evaluation methods based on:

- Retrospective tests; and
- Prospective tests.

Retrospective tests

The retrospective test on stress estimates Bank's consolidated portfolio exposure variation by applying shocks to risk factors that are equivalent to those recorded in historic market stress periods, considering the following parameters:

a) Extension of historic series to determine the scenarios: from 2004 to reference base date;
b) Maintenance period: 10-business-day accumulated returns;
c) Test frequency: daily.

Retrospective stress tests intend to evaluate the capacity of absorbing great losses and identify measures to reduce the institution's exposure to risks. Chart amounts represent greatest losses and gains of the Consolidated Portfolio considering all scenarios of the historic series used for the simulation.

Results of the retrospective stress test on consolidated portfolio, in accordance with the Conglomerate's market risk stress test program, are as follows:

Estimates of retrospective stress test greatest losses – Consolidated portfolio

	2013		2012	
Risk Factor	**Exposure**	**Stress**	**Exposure**	**Stress**
Shareholder	94,348	(9,188)	29,739	(26,659)
Commodities	(9,598)	(493)	(9,457)	(322)
Foreign currencies	(536,007)	(91,484)	(634,265)	(3,414)
Interest rate	14,494,952	(978,023)	17,087,953	(1,515,240)
Total	14,043,695	(1,079,188)	16,473,970	(1,545,635)

Estimates of retrospective stress test greatest gains – Consolidated portfolio

	2013		2012	
Risk Factor	**Exposure**	**Stress**	**Exposure**	**Stress**
Shareholder	94,348	350	29,739	4,662
Commodities	(9,598)	494	(9,457)	322
Foreign currencies	(536,007)	7,945	(634,265)	-
Interest rate	14,494,952	592,626	17,087,953	855,023
Total	14,043,695	601,415	16,473,970	860,007

Prospective tests

The retrospective stress test method estimates the Conglomerate consolidated portfolio variation by applying shocks on risk factors, which are estimated based on stress scenarios built by the Scenario Sub-commission, considering the following parameters:

a) Results of pessimistic and optimistic scenarios;
b) Extension of the series: prospection for 10-business-day accumulated return;
c) Test frequency: daily.

Prospective stress tests have the purpose of simulating adverse events based on the institution's portfolio characteristics and the macroeconomic environment, under severe and plausible conditions.

Results of prospective stress tests for consolidated portfolio in accordance with the program for market risk stress test of the Conglomerate.

Estimates of retrospective stress test greatest losses – Consolidated portfolio

	2013		2012	
Risk Factor	**Exposure**	**Stress**	**Exposure**	**Stress**
Shareholder	94,348	(7,279)	29,739	(12,317)
Commodities	(9,598)	(493)	(9,457)	(322)
Foreign currencies	(536,007)	(70,212)	(634,265)	(83,739)
Interest rate	14,494,952	(565,898)	17,087,953	(747,502)
Total	14,043,695	(643,882)	16,473,970	(843,880)

Estimates of retrospective stress test greatest gains – Consolidated portfolio

	2013		2012	
Risk Factor	**Exposure**	**Stress**	**Exposure**	**Stress**
Shareholder	94,348	3,181	29,739	-
Commodities	(9,598)	494	(9,457)	322
Foreign currencies	(536,007)	155,142	(634,265)	1,338
Interest rate	14,494,952	426,062	17,087,953	625,449
Total	14,043,695	584,879	16,473,970	627,109

c. Operational risk

Operational risk management supports management of business through risk assessment and control, capture and management of the operating losses base and risk of capital allocated to operational risk, enabling prioritization and implementation of plans for improving processes, in accordance with risk appetite levels determined by Senior Management.

i. Definitions

Operating risk is defined as loss risk, resulting from failure, weakness or inadequacy of internal processes, people and systems or external events of the institution - includes Legal risk but excludes Strategic risk and Image risk.

ii. Basic principles

The basic principles for its operational risk management and control are in accordance with National Monetary Council (CMN) Resolution 3380 and with the best market practices:

- Top Management is involved in the global supervision of risk acceptance through committees and commissions;
- Mapping existing controls and analysis of inherent and residual risks;
- Capturing operational losses and maintaining a structured database with information relating to events;
- Structuring of operational risk index for the continuous monitoring of prioritized risks;
- Analysis, communication, and deployment of action plans to improve processes and controls for mitigation of the risks incurred; and
- Calculating capital allocated to operational risk using structured methodologies based on best market practices and complying with regulatory requirements.

iii. Units involved

Operational risk management is carried out by formally constituted functionally segregated units staffed by qualified teams with clearly defined attributions, as shown below:

Internal controls unit

The Management of Internal Controls is responsible for:

- Mapping, identifying and assessing operational risks and existing controls in the Bank's areas and processes, including the relevant outsourced services;
- Mapping existing risks and controls in the processes that relate to the financial statements and verify the compliance with Sarbanes-Oxley requirements;
- Assessing the design of controls and test the effectiveness thereof;
- Monitoring the progress and implementation of action plans developed to mitigate operational risks and promote improvements in the control environment;
- Providing methodologies, models and tools to assure the identification and monitoring of relevant risks;
- Training and fostering a culture of internal controls to the Bank's employees;
- Informing the Controls Committee as to the findings of the mapping, assessment and testing of control, as well as risks and relevant potential weaknesses found.

Operational risk area

- Responsible for managing and maintaining the database of operating losses, monitoring action plans for significant losses, establishing methods and tools for structuring operating risk indicators, building scenarios and calculating capital charge to operating risk;
- Responsible for periodic review and update policies, procedures and communication plans related to the activities of management and measurement of operational risk.

Managers & staff

- Responsible for managing and reviewing operational risks pertaining to their activities and processes, implementing controls and definition of indicators for monitoring the risks and action plans for their mitigation;
- Responsible for timely reporting of incidents related to operational risk.

iv. Measurement System and Communication Process

The measurement of operational risk exposure is performed from the application of a questionnaire to the managers of the processes. The questionnaire consists of quantitative and qualitative assessments of the potential financial impact (severity) and the possibility of materialization of the risk (probability). From these reviews, we define the exposure to operational risk, where risks are categorized into Low, Medium, High or Extreme, in accordance with criteria approved by the Top Management.

The mapped and classified risks are submitted for validation of the process managers, to define the appropriate treatment: accept or reduce the risk.

The Operational Risk unit prepares and publishes the Operational Risk Annual Report to the Senior Management describing the structure of operational risk management as well as actions in the current year and planned for the next year in order to improve the management of the operational risk in the Conglomerate.

v. Business Continuity Management

The Conglomerate has a high-availability and highly-resilient technology environment, composed of the following elements:

- Two datacenters hotsites, with certification of physical and environmental security, where the application servers, databases and communications are replicated - one in the Rochaverá building in Morumbi and the other in the BFC building on Avenida Paulista;
- Data storage system at both data centers where the production databases are mirrored in real time;
- Application server pool and file-server cluster for critical processes and systems;
- Tape units at both datacenters and external backup storage;
- Remote access to critical applications;
- Tool for Internet access to contingency plans;

The area of Information Security uses the RPX system (Recovery Planner) to manage occurrences of interruption, definition of continuity plans, and supporting documentation of the evidence of the tests applied.

For companies in the retail segment, the continuity plan encompasses the sites of third parties, such as card processing (EDS) and customer service (Tivit and Contax).

The process of Business Continuity Management coordinated by the Information Security department extends to all companies in the Consolidated, and the result of tests conducted to certify the Business Continuity Plan as well as the monitoring of training and actions for improvement are presented to the Controls Committee.

vi. Methodology for Calculating Capital Requirement - Operational Risk (POPR)

Since the base date Jun/10, the portion of capital allocated to operational risk (POPR) is calculated using the Alternative Standardized Approach, regulated by Circular 3383 from the Brazilian Central Bank (Bacen).

Under this approach, capital is calculated as the average for the last three periods of the exposure index (IE) and the Alternative Exposure Indicator (IAE), multiplied by a specific allocation factor for each business line. For each annual period, IE corresponds to the sum of half-yearly financial intermediation revenues and revenues from services, less the financial intermediation costs. For each annual period, IAE is the arithmetic mean of half-yearly balances of loans, leasing agreements and other credit-type transactions, and non-trading-portfolio securities, multiplied by a factor of 3,5% determined by Bacen.

d. Credit risk

The aims of credit risk management are supporting Senior Management decision-making process, defining strategies and policies, setting operating limits, and monitoring risk mitigation mechanisms and procedures to keep credit-risk exposure at levels considered acceptable by the institution's management.

i. Definitions

Credit Risk consists of the possibility of losses associated with the failure of a borrower or counterparty to honor their respective financial obligations as agreed.

ii. Basic principles

The basic principles followed by the Conglomerate for credit risk management and control comply with CMN Resolution 3721 and best market practices:

- Manuals and documents containing the organizational structure, products, corporate policies, standards and procedures and rules containing flows related governance, business and credit support processes;
- Adequate technological environment encompassing the credit cycle with a flow of systems from admission, follow-up and monitoring, through to credit restructuring;
- Validation process covering risks involved in systems, accuracy of models used for calculations and quality of processed data, as well as the coverage of the documentation;
- Committee structure and powers for approving credit;
- Criteria and procedures for selecting clients and preventing money laundering;
- Guidelines for credit analysis and lending;
- Procedures for review, approval and release of new products involving credit risk;
- Classification of portfolio risk levels, considering ratings of clients, collateral involved, maturity dates and arrears;
- Classification and analysis of country risk;
- Tracking geographic, sector and conglomerate concentration, and monitoring internal and regulatory limits defined by policies and rules;
- Managing counterparty credit risk and limits for derivatives;
- Evaluating risk in transactions for sales or transfer of assets;
- Formalized procedures covering credit recovery flows;
- Setting limits for carrying out transactions subject to credit risk, both individually and at the aggregate level - a group of companies with common economic interest - and for borrowers or counterparties with similar characteristics;
- Control of guarantees and instruments for mitigating credit risk;
- Monitoring active credit portfolio with warning signs that may influence clients' financial or operational performance to minimize risk of losses;
- Stress testing, measuring the combined effect of adverse changes in indicators of economic activity, interest rates, exchange rates and credit ratings, estimating financial impact on credit policies and criteria;
- Periodic reporting to Senior Management addressing the performance indicators of risk management based on the policies and strategies adopted; and
- Documented procedures for policy exceptions.

iii. Units involved

Credit risk management activities include a number of strategic, tactical and operational activities permeating the entire ' business 'chain, from product development, setting limits, portfolio management, management information, collection and credit recovery, as well as monitoring the effectiveness of processes and controls used.

Risk management functions are performed by formally constituted credit units with technically qualified staff under separate management, with clearly defined responsibilities, as shown below:

Integrated Risk, Capital and Basel

Credit risk capital

The area of credit risk has the following responsibilities, among others:

- Calculation and analysis of the portion of weighted risk exposure (“PEPR”), which is the portion of the credit risk component of the Required Referential Equity (“PRE”), pursuant to Circular Letter 3644/13.
- Determination and analysis of economic capital (pursuant to Circular Letter 3547/11) for credit risk.
- Studies and analysis on the capital to credit risk to support decision making by senior management.
- Treatment of counterparty credit risk and risk concentration, within the capital calculation process.

Additionally, it is noteworthy that the bank has an independent framework that carries out the validation of the credit risk models and parameters used in management.

Credit Risk Management

The purpose of the Credit Risk Management department is carry out ongoing management and control of credit risk at the aggregate level (portfolio view), to measure, monitor and mitigate risks through the development and application of mathematical modeling, specialized analyses, monitoring and reporting of managerial information.

Credit policies and solutions

The department is responsible for defining the rules and criteria that will support the credit decision-making process, through the conceptualization and functional design of internal routines, processes and procedures for granting and managing credit and keeping up-to-date all documents that establish the main guidelines for risk management, with minimum annual frequency or whenever there are any significant changes in business objectives, approach and methodology, or in compliance with regulatory requirements.

Credit and Collection - Wholesale

Credit granting

The lending process is centralized consists on the preparation of a detailed credit folder containing registration, operational and economic/financial information and reports on visits to our prospective clients.

The area's responsibility is to consistently support approvals of credit limits and/or specific transactions at Decision-making Forums; tracking, monitoring and periodic review of approved clients and assignment of ratings to clients using statistical and judgment-based models.

Credit Restructuring

The area responsible for management and control of loans in arrears, supporting the commercial unit's renegotiations, arranging friendly collections and ongoing monitoring with legal department, acting as liaison and coordinator between the units involved, and analyzing and submitting renegotiating proposals to the forum responsible.

Credit and Collection - Retail

Credit granting

Retail sector lending is based on analysis of statistical models to determine credit limits reflecting clients' ability to pay and creditworthiness. Loan applications are processed by an automated system loaded with certain parameters to providing essential support for decision-making and approvals.

- Loan operations Analyze all credit requests produced through commercial structure, ensuring that they adhere to standards, procedures, respective approval level and control on portfolio risk exposure;
- Technological environment: Responsible for conceptualization and functional specification of credit systems and technological environment.

Credit strategies and control

- **Vehicle Strategy:** Responsible for information studies and analysis for establishing loan strategies for this segment.
- **Loan and Card Strategy:** Responsible for information studies and analysis for establishing loan strategies for this segment's products.
- **Modeling and MIS:** Responsible for developing Statistical Models such as Credit Score, Behavior Score, Collection Score and rating governmental and private companies in line with the new Basel agreement, in addition to monitoring the loan portfolio management.

Collection and strategy

- **Credit recovery:** Responsible for administrative, judicial and mass collections, products: payroll-deductible loans, cards, personal credit and Direct Consumer Credit (local acronym CDC)).
- **Recovered Assets:** Responsible for controlling seizing, removal, releasing for auction and documentation.
- **Strategy and MIS:** Responsible for conceptualization, specification and monitoring of debt collection projects; report and collection indicator generation and monitoring, and establishing related policies.

iv. Measurement System and Communication Process

In line with good market practice and new Basel Accord (BIS II) requirements, the Conglomerate has systems in place to support credit processes and is modernizing the structure of its technology environment to provide higher quality information to be used for the Conglomerate's decision-making and strategizing processes.

In the process of admission, we use systems for client registration (Know Your Client - (KYC) and granting and approval of credit limit proposals, as well as data entry platforms, i.e., platforms for the recording of transactions, and verification of the credit limits available.

As part of the follow-up process, we have client monitoring systems with internal and external behavioral indicators, credit limit management including reports showing availability within limits, listing limits and outstanding, ratings for transactions, control of receivables and checks for securities, credit portfolio tools for management reports and internal and external bureau ratings.

v. Methodologies for Credit Risk Measurement and Mitigation

The Conglomerate assesses credit risk in transactions using monitoring systems with parameters determined by internal rules to track and anticipate any portfolio losses. Note that on identifying any deterioration of loan portfolio quality, steps are taken to mitigate risks, such as reassessing client risk profiles, guarantees and on-site visits.

vi. Methodology for Counterparty Credit Risk Limits

As part of the credit management process, controls are in place and policies and lending rules are monitored, as are restrictions and limits, in the corresponding processes, in addition to risk analysis and their submission to competent officers and approvals committees.

Credit policies, practices and procedures were drawn up in line with regulatory requirements and best market practices to ensure that the Conglomerate has clearly documented credit-risk management policies and strategies to determine operational limits, risk mitigating mechanisms and procedures to keep credit-risk exposure at levels deemed acceptable by the institution's management.

The Conglomerate has a dedicated structure for managing limits, which monitors portfolio behavior and issues periodic reports informing Senior Management of business opportunities and any risks of exceeding limits.

vii. Exposure to credit risk

The book values of financial assets, balances and off balance represents the maximum credit exposure. The maximum credit risk exposure on balance sheet date was:

	2013	2012
Financial assets	43,263,331	52,226,809
Cash and cash equivalents	5,049,961	1,178,101
Financial assets with repurchase agreements	5,848,911	13,914,873
Financial assets at fair value through profit or loss	5,842,870	12,225,873
Financial assets available for sale	20,027,187	22,928,411
Financial assets held to maturity	5,181,200	-
Derivative financial instruments	1,313,202	1,979,551
Financial assets from credit granting	60,510,820	68,641,659
Loans and receivables - (a)	60,510,820	68,641,659
Off Balance	11,084,358	12,946,828
Sureties and guarantees	10,988,708	12,885,944
Letters of guarantee	95,650	60,884
Total	114,858,509	133,815,296

(a) The Conglomerate uses transactions of credit granting nature for credit risk exposure purposes in loans and receivables, see Note 8a.

Financial assets

The Company's maximum exposure to receivables on the date of financial statements by geographic region of counterparty was as follows:

	2013	2012
Domestic	41,463,139	50,259,534
Foreign	1,800,192	1,967,275
Total	43,263,331	52,226,809

The Company's maximum exposure to receivables on the date of financial statements, segregated by the counterparty was as follows:

	2013	2012
Public	23,029,714	25,657,733
Private	20,233,617	26,569,076
Total	43,263,331	52,226,809

The flow of maturity of the installments of the financial assets on the date of the financial statements was:

	2013	2012
Up to 90 days	16,135,211	27,334,713
From 91 to 360 days	5,726,948	5,676,296
From 1 to 3 years	13,945,391	7,099,896
From 3 to 5 years	3,969,146	9,195,069
Above 5 years	3,486,635	2,920,835
Total	43,263,331	52,226,809

Financial assets from credit granting

The Company's maximum credit exposure to loans and receivables on the date of financial statements by geographic region of counterparty was as follows:

	2013	2012
Domestic	60,510,820	68,641,659
Total	60,510,820	68,641,659

The Company's maximum credit exposure to loans and receivables on the date of financial statements by business segment was as follows:

	2013	2012
Retail customers	42,199,308	49,464,906
Wholesale customers	18,311,512	19,176,753
Total	60,510,820	68,641,659

The Company's maximum credit exposure to loans and receivables on the date of financial statements by concentration of risks was as follows:

	2013	2012
Ten main debtors	3,700,991	2,960,084
Fifty following greatest debtors	4,431,050	4,018,461
Next one hundred main debtors	2,939,859	3,056,467
Other clients	49,438,920	58,606,647
Total	60,510,820	68,641,659

The Company's maximum credit exposure to loans and receivables on the date of financial statements by economic activity was as follows:

	2013	2012
Corporate	19,164,842	20,613,713
State public sector	469,757	26,253
Services	-	26,253
Direct and indirect management	469,757	-
Private sector	18,695,085	20,587,460
Industry	9,032,913	9,999,478
Commerce	2,788,795	3,738,451
Rural	597,607	342,349
Services	6,275,770	6,507,182
Individuals	41,345,978	48,027,946
Total	60,510,820	68,641,659

The flow of maturity of the installments of the loan and receivables' portfolio with characteristics of credit granted on the date of the financial statements was:

	2013	2012
Installments overdue		
Over 15 days	1,926,774	1,893,450
Installments overdue		
90 days	9,441,136	11,939,135
91–360 days	19,623,870	20,334,140
1–3 years	25,056,342	28,197,221
3–5 years	1,940,690	4,522,949
> 5 years	2,522,008	1,754,764
Total	60,510,820	68,641,659

Credit quality of financial assets for credit concession financing

The internal rating per range of risk is determined individually, per customer, according to the corporate policy, and analyzes the position of each customer in the following items: a) Sector of activity, competitive and regulatory environment; b) shareholder control and management; and c) financial soundness.

Below we present the breakdown of operations with credit granting characteristics, considering the book value of the maximum exposure to credit risk on the balance sheet date:

Portfolio falling due

Internal classification	**2013**	**2012**
Low	46,486,842	51,582,259
Average	1,003,152	812,951
High	1,221,712	157,648
Total	48,711,706	52,552,858

Mature portfolio without incidence of impairment

Classification per maturity	**2013**	**2012**
1–30 days past due	4,437,006	7,570,404
31–90 days past due	40,170	34,571
Total	4,477,176	7,604,975

Mature portfolio with incidence of impairment

Internal classification	**2013**	**2012**
Collective evaluation	5,229,618	7,763,322
Individual assessment (a)	2,092,320	720,504
Total	7,321,938	8,483,826
Total portfolio	60,510,820	68,641,659

(a) Below we present the individually significant lending operations with incidence of impairment:

	2013			**2012**		
Qualification of exposure	**Present value**	**Impairment**	**Net amount**	**Present value**	**Impairment**	**Net amount**
Low	560,075	325,927	234,148	274,181	97,802	176,379
Average	1,123,087	684,843	438,244	265,851	98,388	167,463
High	409,158	402,874	6,284	180,472	173,437	7,035
Total	2,092,320	1,413,644	678,676	720,504	369,627	350,877

Off Balance

The Company's maximum credit exposure to portfolio of credit commitments through sureties and guarantees, recorded in memorandum accounts on the date of financial statements by lines of activity was as follows:

	2013							2012
	Commerce	Industry	Financial institutions	Indivi dual	Services	Others	Total	Total
Sureties and bonds	532,596	1,917,373	5,337,743	6,191	2,947,938	246,867	10,988,708	12,885,944
Letters of guarantee	-	-	47,258	-	48,392	-	95,650	60,884
Total	532,596	1,917,373	5,385,001	6,191	2,996,330	246,867	11,084,358	12,946,828

The Company's maximum credit exposure to portfolio of credit commitments through sureties and guarantees, recorded in memorandum accounts on the date of financial statements by geographic region was as follows:

	2013					2012
	Midwest	Northeast	South	Southeast	Total	Total
Sureties and bonds	3,800	187,168	365,737	10,432,003	10,988,708	12,885,944
Letters of guarantee	-	-	-	95,650	95,650	60,884
Total	3,800	187,168	365,737	10,527,653	11,084,358	12,946,828

viii. Guarantees received

Guarantees received by credit granting, recorded in offset accounts on financial statement date, per field of activity of the counterparty, were as follows:

	2013							2012
	Commerce	Industry	Financial institutions	Individual	Other services	Services	Total	Total
Sureties and bonds	3,136,331	6,878,004	17,582	543,603	3,840,023	234,330	14,649,873	18,398,420
Securities	909,244	1,841,917	1,299,214	25,259	1,860,061	59,252	5,994,947	13,306,446
Machinery and equipment	67,080	1,148,486	-	579	340,713	250	1,557,108	1,372,847
Mortgages	876,423	1,523,285	-		2,043,222	98,346	4,541,276	825,548
Others	1,682,929	2,323,758	3,323	21,099	489,104	57,921	4,578,134	1,462,060
Total	6,672,007	13,715,450	1,320,119	590,540	8,573,123	450,099	31,321,338	35,365,321

Guarantees received by credit granting, recorded in offset accounts on financial statement date, per geographic region of the counterparty, were as follows:

	2013						2012
	Mid-West	**Northeast**	**South**	**Southeast**	**North**	**Total**	**Total**
Sureties and bonds	321,878	513,982	2,242,103	11,103,390	468,520	14,649,873	18,398,420
Securities	125,200	352,064	400,675	5,117,008	-	5,994,947	13,306,446
Machinery and equipment	20,607	76,993	148,037	1,311,471	-	1,557,108	1,372,847
Mortgages	89,687	142,879	742,149	3,566,561	-	4,541,276	825,548
Others	163,947	213,019	1,027,223	3,173,945	-	4,578,134	1,462,060
Total	721,319	1,298,937	4,560,187	24,272,375	468,520	31,321,338	35,365,321

The maximum exposures to credit risk and the respective guarantees on December 31, 2013 were:

	Assets with excess guarantees		**Assets with insufficient guarantees**		**Assets with no guarantees**
	Asset value	**Value of the guarantee**	**Asset value**	**Value of the guarantee**	**Asset value**
Financial assets	944,247	1,794,974	-	-	42,319,084
Cash and cash equivalents	-	-	-	-	5,049,961
Financial assets with repurchase agreements	-	-	-	-	5,848,911
Financial assets at fair value through profit or loss	175,936	612,246	-	-	5,666,934
Financial assets available for sale	532,636	947,053	-	-	19,494,551
Financial assets held to maturity	-	-	-	-	5,181,200
Derivative financial instruments	235,675	235,675	-	-	1,077,527
Attn: Credit concession financing	13,219,451	25,474,148	43,127,931	24,789,211	4,163,438
Loans and receivables - Wholesale	13,219,451	25,474,148	1,019,512	811,883	4,163,438
Loans and receivables - Retail (a)	-	-	42,108,419	23,977,328	-
Off Balance	1,458,281	2,215,209	1,079,990	1,025,124	8,546,086
Total	15,621,979	29,484,331	44,207,921	25,814,335	55,028,608

(a) In the Retail segment, financing contracts have financed assets as real guarantee, which are regulated by the contract entered into by the parties; guarantee amounts are monthly measured upon the quotation of the market value disclosed in websites of specialized companies and usually used by the financial market. On December 31, 2013, the estimated value for the sales to the retail segment, after deducting costs for realization of sales, totaled R$ 23,977,328 (R$ 25,146,679 in 2012).

The estimated sale value was determined through a comparative study between the market value of the assets disclosed on websites of specialized companies and usually used by the financial market, and the actual sale value of the asset. Factors that influence the price such as brand, model and age of the guarantee were considered in the calculation.

Regarding the costs, average values of costs of the entire process of recovery are used, including: filing, location of guarantee, tow service, cost of stay in the impoundment yard, Detran fees, sales fees, etc.

ix. Provision for impairment losses

Provision for impairment losses in loans and receivables segregated by individually significant transactions and massified portfolio are as follows:

	2013	2012
Individually significant transactions	1,413,645	369,627
Massified Transactions	3,862,370	4,828,578
Total	5,276,015	5,198,205

Changes in allowance for impairment losses in relation to loans and receivables with credit characteristics were as follows:

	2013	2012
Initial balance	5,198,205	3,702,271
Constitutions / (reversals)	4,495,967	5,392,327
Charge-offs to losses	(4,418,157)	(3,896,393)
Closing balance	5,276,015	5,198,205

On balance sheet date, Management evaluates risk behavior of financial assets and groups of financial assets in order to identify the need to recognize a provision for incurred and not identified losses, in accordance with IAS 39.58. If there is evidence that a financial asset or group of financial assets presents recovery problems, a Provision for Impairment should be recognized.

During 2013, the Company and its subsidiaries renegotiated R$ 6,426,550 (R$ 6,224,322 in 2012) of loans and receivables characterized as credit concessions. This amount considers renegotiations/ amendments to performing and nonperforming contracts. In the same period, the Conglomerate recovered R$ 709,125 (R$ 252,707 in 2012) written off as a loss.

x. Transfer of financial assets whose recognition was not canceled

In 2013, in the course of its business, the Conglomerate carried out transactions resulting in the transfer of financial assets represented by publicly-issued bonds and loans and receivables to clients. In accordance with transaction conditions, transferred financial assets continue to be recognized in the institution’s accounting books.

The Conglomerate transfers financial assets through the following transactions:

Sale with a repurchase clause

Sale under repurchase agreement is a transaction in which the Conglomerate sells bonds, mostly publicly issued and, at the same time, it agrees to buy the same bond at a fixed price, on a future date. The Conglomerate continues to recognize the bond in its entirety in the balance sheet because bonds risks and benefits were substantially retained, that is, the Conglomerate is fully responsible for any change in market value and income offered by the bond. Transaction balances are stated in the following captions:

Sale with a repurchase clause	**2013**	**2012**
Assets		
Financial assets at fair value though profit and loss	1,139,678	7,722,421
Financial treasury bills	-	494,867
National treasury bills	-	5,422,676
National Treasury notes	1,139,678	1,804,878
Liabilities associated		
Financial liabilities at amortized cost	(1,088,437)	(7,690,514)
Financial treasury bills	-	(492,914)
National treasury bills	-	(5,355,181)
National Treasury notes	(1,088,437)	(1,842,419)
Total	51,241	31,907

Credit assignment with substantial risk and benefit retention

The Conglomerate transfers the right to receive future cash flows from financial assets classified as loans and receivables, to the assignee, upon receipt of an amount in cash, calculated on the date of transfer. However, the Conglomerate continues to recognize on its balance sheet, financial asset in highlighted items, because the risks and benefits of bonds were substantially retained, that is, the Conglomerate is fully responsible for any bad debt situation occurred in the receivables transferred. Due to this responsibility before the assignor, an associated financial liability is recognized. Transaction balances are stated in the following captions:

Credit assignment with substantial risk and benefit retention	**2013**	**2012**
Assets		
Loans and receivables	14,414,850	10,931,633
Credits assigned with co-obligation	14,414,850	10,931,633
Liabilities associated		
Financial liabilities associated with transferred assets	(16,514,144)	(12,296,370)
Assignees (assignments with co-obligation)	(16,514,144)	(12,296,370)
Total	(2,099,294)	(1,364,737)

The Conglomerate holds loan and receivable guarantees of credit granting nature represented by mortgages on properties, securities and other guarantees.

xi. Derivative instruments subject to compensation with master agreements enforceable of liquidation

The Conglomerate contracts operations of derivatives through General Derivative Contracts ("CGD") and Derivative Operations Agreements ("COP") that provide for cash payments. In general, based on these contracts, the amounts held by each counterparty on a certain day in relation to all outstanding transactions in the same currency, are aggregated into a single net amount which is paid by one party to the other. In certain circumstances, for example, when a credit event such as default occurs, all outstanding transactions under this agreement are terminated, then the value of closure is determined and only a single net amount is paid for liquidation of all transactions.

These contracts do not meet the criteria for offsetting balances on the Balance Sheet. This is because currently the Conglomerate has no legally exercisable right to offset the recognized amounts, since the right to offset may be exercised only upon future occurrence of certain events, such as the default of bank loans or other credit events.

The table below shows the book values of the recognized financial instruments that are subject to the aforementioned contracts.

	Reference value	Book value
Assets		
Swap	1,689,064	145,214
Liabilities		
Swap	2,453,642	235,356

e. Capital management

Following the BACEN regulations, and in compliance with the recommendations of the Basel Committee on Banking Supervision, the Institution adopts the prudential guidelines on capital management established in the document "International Convergence of Capital Measurement and Standards: a Reviewed Structure" (Basel II), aiming at an efficient and sustainable Management of resources, cooperating with the promotion of the stability of the National Financial System.

As determined by the CMN Resolution No. 3,988, dated June 30, 2011, the Institution implemented a Capital management structure that includes the following items:

- Identification and appraisal of the relevant risks;
- Policies and strategies documented in a clearly documented;
- Capital Plan for three years, including Capital targets and projections, main funding sources and Capital contingency plan;
- Stress tests and their impacts on Capital;
- Management reports to the Top Management (Executive Board and Board of Directors); and
- Internal capital adequacy assessment process – ICAAP

In relation to the Internal Process of Capital Adequacy Evaluation (ICAAP), the Bank implemented a governance structure and the necessary processes set out in Resolution No. 3,988 and in BACEN Circular No. 3,547, comprising the management of all material risks and the calculation of capital requirements.

i. Breakdown of referential equity - PR

PR is capital used as the basis for verification of compliance with operating or trading limits of financial institutions. Its value is obtained by adding Tier 1 Capital and Tier 2 Capital, as defined by National Monetary Council (CMN) Resolution 3444.

ii. Required referential shareholders' equity (PRE)

Capital Requirement (PRE) as defined by CMN Resolution 3490, consists of the sum of all portions of capital requirements related to credit, market and operational risk:

$$\mathbf{PRE = \underbrace{PEPR}_{\textit{Credit risk}} + \underbrace{PCAM + PJUR + PCOM + PACS}_{\textit{Market risk}} + \underbrace{POPR}_{\textit{Operational risk}}}$$

Whereas:

- **PEPR** is the portion referring to the credit risk of exposures weighted by the factors defined in Circular Letter 3360 issued by the Central Bank of Brazil;
- **PCAM** is the portion referring to the market risk of exposures in gold, foreign currency and operations subject to exchange rate variations (Circular 3389 issued by the Brazilian Central Bank);
- **PJUR** is the portion referring to the market risk of the operations subject to interest rate variations classified in the trading portfolio (Circular Letters 3361, 3362, 3363 and 3364 issued by the Brazilian Central Bank);
- **PCOM** is the portion referring to market risk of operations subject to commodities price variations (Circular Letter 3368 issued by the Brazilian Central Bank);
- **PACS** is the portion referring to the market risk of operations subject to price variations in shares classified as trading portfolio (Circular Letter 3366 issued by the Brazilian Central Bank);
- **POPR** is the portion referring to operational risk (Circular Letter 3383 issued by the Brazilian Central Bank).

iii. Adequacy of referential shareholders' equity

Capital is managed in order to ensure adequacy within regulatory limits and to establish a strong capital base enabling the Bank to develop business and transactions in accordance with its strategic plan.

Our annual capital plan includes growth projections for the loan portfolio and other transactions of companies belonging to the Bank, in order to assess adequacy of its capital to deal with the associated risks and ensure compliance with regulatory operational limits.

On a monthly basis, after the calculus of Capital and Capital Requirement (locally PR and PRE), units involved in monitoring risk capital charges and the Basel Index are fed with management reports.

The Conglomerate's regulatory capital position on December 31, 2013 and 2012 is shown below:

iv. Basel index calculated based on the financial position prepared in accordance with accounting practices adopted in Brazil, applicable to financial institutions.

	2013	2012
Total Referential Equity (PR)	11,217,685	12,110,639
Referential Equity Level I	7,100,735	7,874,507
Referential Equity Amount Level II	4,116,950	4,236,132
Required referential equity (PRE)	8,653,596	9,315,088
Credit risk	8,068,579	8,720,810
Market risk	184,537	294,179
Operational risk	400,480	300,099
Regulatory Capital in excess	2,564,089	2,795,551
Ratio (PR x 100)/(PRE/0.11)	14.3%	14.3%

	2013	2012
Value of fixed assets limit position	437,088	198,944
Value of margin or insufficiency	5,171,754	5,856,374
Fixed assets limit	5,608,842	6,055,318

f. Liquidity risk

Liquidity risk management intends to organize, evaluate and monitor the financial conglomerate Banco Votorantim's liquidity risk control by establishing processes, tools and limits required to generate and analyze prospective liquidity scenarios and monitor appetite risk levels defined by Top Management.

i. Definitions

Liquidity risk is defined as:

- Possibility that the Bank may not be able to efficiently meet its expected and unexpected (current and future) obligations, including those arising from binding guarantees, without affecting its daily operations and incurring material losses; and
- Possibility that the Bank may not be able to trade a position at market price due to its large size in relation to the usually traded volume, or due to market discontinuity.

The main tools used to measure liquidity risk are the “Liquidity Target” and the “Minimum Cash”, which are constructed using a stress test methodology.

ii. Basic Principles

Basic principles that are observed in the management and control of liquidity risk are in accordance with CMN Resolution 4090 and best market practices and include the following:

- Involving senior management. the existing committees and commissions are structured in manner that Senior Management participates in the overall supervision of risk-taking;
- Segregation of duties: the segregation of duties between the areas responsible for performing operations and defining business strategies and the areas in charge of accounting, risk control, compliance, internal controls and audit aims at ensuring independence in the performance of the duties inherent to each function;
- Definition of duties: the clear definition of the various processes and activities of each function involved in liquidity risk management and control aims at providing for organized and efficient operational management;
- Definition of methodologies for construction of scenarios: adoption of structured methodologies, the use of which is mandatory for the entire Bank, based on the best market practices, which aim at incorporating the dynamics of the contracting of new transactions and settlement of the existing portfolios;
- Establishment of limits: clear and objective definition of authorized risk limits, based on measures of risk, structured so that risk appetite level defined by the Board of Directors are part of everyday business;
- Monitoring of limits: definition of the process for monitoring and reporting on the level of usage of the authorized limits.
- Liquidity contingency plan: definition and periodic review of a structured plan for recomposing the pre-established cash levels, with the assignment of responsible persons and instruments.

iii. Management and control governance and commissions

The monitoring of liquidity risk management activities is an integral part of the duties of the following collegiate bodies, with clearly defined tasks, composition and frequency:

Board of Directors

- Responsible for setting the basic guidelines of the Bank's general policy, and for checking and monitoring whether they are being complied with.

Executive committee

- Responsible for discussing and monitoring recurring topics addressed in operational committees and commissions and continuously reviewing the internal governance structure, with a view to making improvements and approving potential adjustments and changes to internal governance operating committees, commissions and sub-commissions.

Asset and Liability Management (ALM), Risk and Capital Committee

- Responsible for assessing and approving proposals submitted by subordinate Commissions and forwarding them to the Executive Committee when they refer to measures aimed at risk management and control and capital management.

Liquidity Commission

- Responsible for monitoring and deciding on matters related to risk liquidity management, submitting them to the follow-up of the ALM Risk and Capital Committee.

iv. Units involved

Liquidity risk management duties comprise a set of functional activities which permeate the entire business chain: development of products, negotiation and settlement of transactions, modeling and control of liquidity risk and follow-up of the effectiveness of the processes and controls used.

Liquidity risk management functions are carried out by formally constituted functional units with technically capable staff under separate management with clearly defined responsibilities, as shown below:

Market risk and liquidity

- Responsible for modeling methodologies and the validation of the assumptions used for liquidity risk scenarios and metrics;
- Responsible for the periodic update and review of the liquidity scenarios and liquidity contingency plan and monitoring of the authorized cash limits.

Treasury and Commercial Units

- Responsible for executing trades and transactions with the market and clients, at all times seeking fair prices and compliance for these transactions;
- Responsible for defining and periodically updating investment and funding premises, implementing the liquidity, while following the strategies defined and tools previously authorized.

Finance

- Responsible for independently confirming, formalizing, registering and accounting records, and settlement of transactions;
- Responsible for monitoring portfolios and composition of assets, and evaluating proposals to issue subordinated debt instruments.

v. Risk Measures and Limits for Management and Control

The Conglomerate adopts a set of objective measures for managing and controlling liquidity risks:

- Liquidity Target and Minimum Cash: includes establishing minimum acceptable levels and ranges, setting limits for the various prospective liquidity scenario;
- Maturity scenarios: consist of the calculation of the future liquidity profile, based on the general maturity assumption of the current portfolios;
- Budgetary scenarios: consist of the calculation of the future liquidity profile, using assumptions which are consistent with the budgetary planning, based on the general rollover assumption of the current portfolios;
- Stress scenarios: include simulations of impact on portfolios arising from extreme market conditions and/or the dynamics and composition of portfolios, which may change significantly, and the projections for liquidity scenarios of the Conglomerate;
- Sensitivity analyses: comprise simulations of the sensitivity of the future liquidity profile to slight fluctuations in market conditions and/or the dynamics and composition of the portfolios; and
- Funding Concentration Profile: consists of the tracking of the portfolios' concentration profile in relation to volumes, terms, instruments, segments and counterparties.

Risk measures are used to set limits and for risk taking. These limits comprise the definition of the maximum authorized amounts through the establishment of minimum cash limits and contingency measures. The Market and Liquidity Risk area is responsible for the daily monitoring of liquidity risk and for notifying the competent forums in the event of an increase in risk.

Amounts established in liquidity limits and the contingency plan are periodically updated and reviewed as a result of significant change in market conditions or in the dynamics and composition of portfolios.

vi. Measurement System and Communication Process

The corporate systems of the Conglomerate for measuring and controlling liquidity risk combine internally developed applications with market solutions of proven robustness. These systems deploy integrated treatment of information on a sequential basis:

- capturing records of trading and registration data;
- continuous updating and archiving this information in structured databases, monitoring its integrity and consistency from an accounting point of view;
- determining liquidity profile, by calculating rollover and maturity of transactions, depending on the premises of the various scenarios under consideration.

In addition, the Conglomerate adopts a structured process for reporting issues related to liquidity risk management. This communication process comprises:

- periodically issuing objective reports showing liquidity scenarios and evolution of the profile of funding portfolios, and showing levels of use of authorized limits;

- periodically holding collective monitoring forums, within decision-making competencies, in which current issues are discussed with full participation.

vii. Notifying limits exceeded and Contingency Plan

The procedure adopted for monitoring the cash levels and contingency plan is made up of two stages: communication and monitoring.

Notification:

- For notification purposes, the liquidity scenarios and metrics are submitted to the ALM Committee and Liquidity Risk Commission, variations are analyzed with predetermine trigger levels if there may be failure to maintain limits.

Monitoring:

- Any extrapolation of limits will necessarily lead to implementation of agreed business strategies, with investment and funding portfolio management to rebuild liquidity levels, including, if necessary, taking initiatives previously determined in the contingency plan;
- These strategies are the responsibility of business managers, considering market conditions, and subsequent monitored by the Liquidity Risk Commission and ALM Committee, Risks and Capital.

g. Asset and liability management

The Assets & Liabilities Operating Committee ("ALM"), Risks and Capital are in charge of managing the structural risks of interest rate, liquidity and exchange rate, as well as the capital management, aiming to optimize the risk/return ratio and seeking greater efficiency when composing the factors that impact the Solvability Index (Basel).

The maturities of assets and liabilities are as follow:

	2013					
	Up to 90 days	**91–360 days**	**1–3 years**	**3–5 years**	**> 5 years**	**Total**
Assets						
Cash and cash equivalents	5,049,961	-	-	-	-	5,049,961
Financial assets with resale agreements	5,628,594	220,317	-	-	-	5,848,911
Financial assets at fair value through profit or loss	5,842,870	-	-	-	-	5,842,870
Available for sale financial assets	4,129,674	5,154,576	6,028,925	2,675,240	2,038,772	20,027,187
Financial assets held to maturity	-	-	4,783,282	397,918	-	5,181,200
Derivative financial instruments	231,349	216,897	405,490	247,592	211,874	1,313,202
Loans and receivables	9,588,926	19,699,286	24,218,797	1,856,101	2,501,183	57,864,293
Total	30,471,374	25,291,076	35,436,494	5,176,851	4,751,829	101,127,624
Liabilities						
Financial liabilities at fair value through profit or loss	124,673	227,039	37,422	22,547	-	411,681
Financial liabilities at amortized cost	29,434,232	32,534,357	25,168,797	3,434,777	6,452,658	97,024,821
Derivative financial instruments	239,846	272,668	427,866	191,207	159,018	1,290,605
Total	29,798,751	33,034,064	25,634,085	3,648,531	6,611,676	98,727,107

	2012					
	Up to 90 days	91–360 days	1–3 years	3–5 years	> 5 years	Total
Assets						
Cash and cash equivalents	1,178,101	-	-	-	-	1,178,101
Financial assets with resale agreements	9,822,755	4,092,118	-	-	-	13,914,873
Financial assets at fair value through profit or loss	12,225,873	-	-	-	-	12,225,873
Available for sale financial assets	3,060,305	1,094,757	6,967,949	9,193,925	2,611,475	22,928,411
Derivative financial instruments	366,186	388,545	337,663	585,045	302,112	1,979,551
Loans and receivables	15,116,305	21,084,742	28,052,026	4,252,872	1,736,343	70,242,288
Total	41,769,525	26,660,162	35,357,638	14,031,842	4,649,930	122,469,097
Liabilities						
Financial liabilities at fair value through profit or loss	334,961	220,892	51,584	-	-	607,437
Financial liabilities at amortized cost	40,655,795	35,264,718	25,583,496	8,399,289	4,277,779	114,181,077
Derivative financial instruments	223,233	328,839	570,597	219,543	393,038	1,735,250
Total	41,213,989	35,814,449	26,205,677	8,618,832	4,670,817	116,523,764

Assets and liabilities with indefinite periods are classified as “more than 5 years”, for asset transactions, and as “up to 90 days”, for liability transactions. The stockholders’ equity has no established term and is being presented as "over 5 years".

In the table, the heading “Financial assets available for sale” is shown according to the maturities of the assets classified in the category. Derecognition of the securities may be done between 90 and 360 days.

Profiles of derivatives segregated by place of trading on the respective base dates:

Asset position	**2013**	**2012**
Stock Exchange transactions	206,569	214,501
Over-the-counter	1,106,633	1,765,050
Financial institutions	384,881	1,505,298
Trade accounts receivable	721,752	259,752
Total	1,313,202	1,979,551

Asset position	**2013**	**2012**
Stock Exchange transactions	127,977	266,955
Over-the-counter	1,162,628	1,468,295
Financial institutions	1,049,595	1,386,873
Trade accounts receivable	113,033	81,422
Total	1,290,605	1,735,250

Financial assets pledged as guarantees for Stock Exchange, Clearing Houses and other body's transactions, are as follows:

	2013	2012
Stock Exchange transactions	2,146,605	1,670,125
National Treasury notes	1,919,180	513,913
Financial treasury bills	10,572	38,601
National treasury bills	216,853	1,117,611
Comp. chamber transactions	105,489	128,373
National Treasury notes	30,049	110,615
Financial treasury bills	-	17,758
National treasury bills	75,440	-
Others	870,062	2,710,876
National Treasury notes	-	1,019,543
Financial treasury bills	11,088	30,947
National treasury bills	452,248	690,745
Other (a)	406,726	969,641
Total	3,122,156	4,509,374

(a) As of December 31, 2013, basically refer to foreign securities in the amount of R$ 383,302 (R$ 375,406 in 2012), and securities of foreign governments, in the amount of R$ 23,424 (R$ 594,235 in 2012).

The Conglomerate's exposure to foreign currency risk was as follows:

	2013							
	Local currency	**Dollar**	**Euro**	**Yen**	**Swiss Franc**	**Pounds sterling**	**Other**	**Total**
Assets								
Cash and cash equivalents	4,990,234	56,633	2,016	709	369	-	-	5,049,961
Financial assets with resale agreements	5,778,713	70,198	-	-	-	-	-	5,848,911
Financial assets at fair value through profit or loss	4,476,884	1,365,986	-	-	-	-	-	5,842,870
Available for sale financial assets	20,027,187	-	-	-	-	-	-	20,027,187
Loans and receivables	50,525,155	7,295,723	43,415	-	-	-	-	57,864,293
Other assets	2,122,868	106,758	5,339	-	539	338	15,434	2,251,276
Total	87,921,041	8,895,298	50,770	709	908	338	15,434	96,884,498
Liabilities								
Financial liabilities at fair value result	411,681	-	-	-	-	-	-	411,681
Financial liabilities at amortized cost	86,255,490	10,762,813	6,518	-	-	-	-	97,024,821
Other liabilities	2,031,915	926,362	1,175	241	-	-	-	2,959,693
Total	88,699,086	11,689,175	7,693	241	-	-	-	100,396,195
Derivative financial instruments								
Foreign currency asset position		5,079,282	26,957	-	-	-	-	
Foreign currency liability position		2,180,088	51,834	2,135	-	-	-	
Foreign currency exposure		**105,317**	**18,200**	**(1,667)**	**908**	**338**	**15,434**	

	2012							
	Local currency	**Dollar**	**Euro**	**Yen**	**Swiss Franc**	**Pounds sterling**	**Other**	**Total**
Assets								
Cash and cash equivalents	1,177,896	(3,457)	3,349	-	313	-	-	1,178,101
Financial assets with resale agreements	13,607,002	307,871	-	-	-	-	-	13,914,873
Financial assets at fair value through profit or loss	10,871,745	1,354,128	-	-	-	-	-	12,225,873
Available for sale financial assets	22,928,411	-	-	-	-	-	-	22,928,411
Loans and receivables	63,013,153	7,172,050	57,085	-	-	-	-	70,242,288
Other assets	4,080,978	388,778	6,391	298	3,567	461	5,779	4,486,252
Total	115,679,185	9,219,370	66,825	298	3,880	461	5,779	124,975,798
Liabilities								
Financial liabilities at fair value result	607,437	-	-	-	-	-	-	607,437
Financial liabilities at amortized cost	98,260,136	14,792,810	553033	-	575,098	-	-	114,181,077
Other liabilities	3,758,779	1,466,059	21,229	-	-	-	-	5,246,067
Total	102,626,352	16,258,869	574,262	-	575,098	-	-	120,034,581

Derivative financial instruments	**Dollar**	**Euro**	**Yen**	**Swiss Franc**	**Pounds sterling**	**Other**
Foreign currency asset position	10,620,168	541,284	-	577,810	-	-
Foreign currency liability position	3,610,986	77,912	850	-	-	-
Foreign currency exposure	**(30,317)**	**(44,065)**	**(552)**	**6,592**	**461**	**5,779**

h. Fair value hierarchy

The table below presents financial instruments recorded at fair value at December 31, 2013 and 2012, using a valuation method. The different tiers were defined as explained below:

- **Level 1:** prices quoted (not adjusted) in active market;
- **Level 2:** inputs which are observable for assets or liabilities, directly (prices) or indirectly (derived from prices); and
- **Level 3:** assumptions which are not based on observable market data (non-observable inputs).

	2013			2012		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Financial assets with repurchase agreements	-	1,003,200	-	-	4,078,677	-
Financial assets at fair value through profit or loss	4,944,422	898,448	-	11,159,927	722,121	343,825
Public	3,643,070	481,532	-	7,789,667	51,647	-
Real estate	-	24,771	-	-	301	-
Private	22,608	186,140	-	105,557	257,977	-
Rural	-	206,005	-	-	391,762	-
Fund quotas	913,876	-	-	2,152,752	-	-
Shareholder	28,394	-	-	29,333	-	343,825
Foreign	336,474	-	-	1,082,618	20,434	-
Available for sale financial assets	14,316,969	4,550,048	1,160,170	19,236,235	2,211,495	1,480,681
Public	13,619,768	88,104	-	17,009,801	73,012	-
Real estate	-	40,244	-	-	43,161	-
Private	43,330	2,927,390	-	1,390,722	1,193,110	-

	2013			2012		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Rural	-	981,848	-	-	408,222	-
Fund quotas	486,719	-	-	457,500	-	-
Shareholder	64,706	-	1,160,170	54,520	-	1,480,681
Foreign	102,446	512,462	-	323,692	493,990	-
Derivative financial instruments	86,012	1,227,190	-	93,853	1,883,822	1,876
Differential of swap receivable	-	847,131	-	-	1,576,205	-
Credit derivatives	-	1,934	-	-	12,090	1,876
Others	86,012	378,125	-	93,853	295,527	-
Loans and receivables	-	40,816,800	-	-	41,434,209	-
Total	19,347,403	48,495,686	1,160,170	30,490,015	50,330,324	1,826,382
Liabilities						
Financial liabilities at fair value result	301,753	109,928	-	493,304	114,133	-
Purchase and sale commitments	301,731	-	-	493,277	-	-
Stock loan creditors	22	-	-	27	-	-
Securities abroad	-	109,928	-	-	114,133	-
Financial liabilities at amortized cost	-	6,754,787			9,730,564	
Derivative financial instruments	71,966	1,218,639	-	74,391	1,660,755	104
Differential payable from swap	-	919,411		-	1,355,585	-
Credit derivatives	-	5,808		-	8,502	104
Others	71,966	293,420		74,391	296,668	-
Total	373,719	8,083,354	-	567,695	11,505,452	104

The fair value of financial instruments negotiated on active markets (such as securities held for trading and available for sale) is based on market prices, quoted at the balance sheet date. A market is considered active when the quoted prices are readily and regularly available from an Exchange, distributor, broker, industry group, pricing service or regulatory agency, and these prices represent actual market transactions which occur regularly on a purely commercial basis.

The quoted market price used for financial assets held by the Conglomerate is the price of current competition. These instruments are included in Tier 1.

The fair value of financial instruments that are not negotiated on active markets (for example, over the counter derivatives) is determined based on evaluation techniques. These valuation techniques maximize the use of the data adopted by the market where it is available and rely as little as possible on entity-specific estimates. If all relevant information required for the fair value of an instrument is adopted by the market, the instrument is included in Level 2.

Fair value of financial instruments classified as level 3 do not have information on active market pricing; the Conglomerate uses pricing criteria based on mathematical models known in the academic environment and/or use specific governance with the participation of experts and structured internal processes.

The quality of and adherence to the models used are guaranteed through a structured governance process. The models used are submitted to approval by the Market Risk Committee as well as assessment by the Model Validation area, which is functionally independent from the modeling area.

i. Transfers of Level 2

	2012	Level 1	Level 3	Other changes	2013
Assets					
Financial assets fair value to profit and loss (a)	722,121	(18,182)	-	194,509	898,448
Total	722,121	(18,182)	-	194,509	898,448

	2011	Level 1	Level 3	Other changes	2012
Assets					
Financial assets at fair value through profit or loss	2,249,338	-	96,348	(1,623,565)	722,121
Available for sale financial assets	1,055,352	-	824,435	331,708	2,211,495
Total	49,370,247	-	920,783	39,294	50,330,324

(a) As of December 31, 2013, they basically refer to transfers of debentures to the Level 1 and we verified the existence of an index disclosed by ANBIMA that was adopted as current credit spread.

ii. Composition of Level 3

Assets	**2013**	**2012**
Financial assets at fair value through profit or loss	-	343,825
Shares of companies. Closed	-	343,825
Financial assets available for sale	1,160,170	1,480,681
Shares of companies. Closed	1,160,170	1,480,681
Derivative financial instruments	-	1,876
Credit derivatives	-	1,876
Total	1,160,170	1,826,382

Liabilities	**2013**	**2012**
Derivative financial instruments	-	104
Credit derivatives	-	104
Total	-	104

iii. Changes in level 3

Assets	Financial assets at fair value through profit or loss		Available for sale financial assets		Derivative financial instruments	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Initial balance	**343,825**	**554,854**	**1,480,681**	**2,613,073**	**1,876**	**1,641**
Acquisitions	**-**	**120,302**	**-**	**27,140**	**-**	**-**
Shares of private companies	-	111,716	-	27,140	-	-
Debentures	-	8,586	-	-	-	-
Sales and/or redemptions	**(343,825)**	**(234,982)**	**(241,124)**	**(165,552)**	**(3,419)**	**-**
Shares of private companies - (c)	(343,825)	(234,982)	(241,124)	(155,854)	-	-
Debentures	-	-	-	(9,698)	-	-
Credit derivatives	-	-	-	-	(3,419)	-
Transfers	**-**	**(96,348)**	**(47,026)**	**(917,449)**	**-**	**-**
For Level 1 - Debentures - (a)	-	-	(47,026)	(93,014)	-	-
For Level 2 - Debentures (b)	-	(96,348)	-	(824,435)	-	-
Income (loss)	**-**	**-**	**(32,361)**	**(76,531)**	**1,543**	**235**
Shares of private companies	-	-	(32,361)	(79,041)	-	-
Debentures	-	-	-	2,510	-	-
Credit derivatives	-	-	-	-	1,543	235
Closing balance	**-**	**343,826**	**1,160,170**	**1,480,681**	**-**	**1,876**

Liabilities	Derivative financial instruments	
	2013	**2012**
Initial balance	**104**	**32,564**
Sales/Redemptions	**(1,046)**	**-**
Credit derivatives	(1,046)	-
Income (loss)	**942**	**(32,460)**
Credit derivatives	942	(32,460)
Closing balance	**-**	**104**

(a) We verified the existence of an index disclosed by ANBIMA that was adopted as current credit spread.
(b) We verified the existence of an index for paper or basket of papers (according to similarity) that was adopted as credit spread.
(c) The amounts transacted under the heading "Financial assets at fair value through profit and loss" (2013 and 2012) refer to the restatement of balances of BV Empreendimentos S.A. in compliance with IFRS 10, per Note 2n.

40 Other information

a. Post-employment employee benefits

There are no post-employment benefits, such as pensions, other retirement benefits, post - employment life insurance and medical care, other long-term benefits to employees and managers, including long service leave and other leaves, jubilee or other benefits per years of service, share-based remuneration and rescission of contract benefits, except those provided for in collective bargaining of the category.

b. Insurance coverage

The Conglomerate adopts the policy of contracting insurance coverage for assets subject to risks for amounts considered to be sufficient to cover eventual claims, considering the nature of its activity. The adopted risk assumptions, in view of their nature, are not part of the scope of an audit of financial statements; therefore, were not analyzed by our independent auditors.

41 Subsequent events

a. Incorporation of BV Sistemas

At the Extraordinary General Meeting held on January 31, 2014, the directors of Conglomerate approved the incorporation of BV Sistemas de Tecnologia da Informação S.A. under the terms of Merger Protocol and Justification Agreement. The incorporated net assets were evaluated at book value as of December 31, 2013, base date of the transaction, as R$ 20,813; plus equity changes occurred from base date of accounting appraisal report to the date of incorporation. The incorporation is justified because it represents an improvement of respective corporate structure, rationalizes transactions, simplifies management, facilitates accounting and financial procedures; minimizes administrative expenses, thus optimizing its assets and income. As a natural outcome, legal personality of BV Sistemas was extinct and Conglomerate became the universal successor of all its rights and obligations. The incorporation will not result in an increase of the Capital stock of the Conglomerate and the articles of organization will remain unaffected.

The BV Sistemas balance sheet information, as incorporated by Banco Votorantim, is as follows:

- Assets: 65,852
- Liabilities: 45,039
- Stockholders' equity: 20,813

b. Provisional measure 627 (PM 627/13)

On November 11, 2013, Provisional Measure no. 627 (PM 627/13), which changes federal tax law on IRPJ, CSLL, PIS and COFINS, was published. Provisional Measure No. 627/13 establishes:

- Revocation of the Regime Tributário de Transição – RTT (Transitional Tax Regime), correcting adjustments resulting from new accounting methods and criteria introduced due to the convergence of Brazilian accounting standards with international standards;
- Taxation of legal entities domiciled in Brazil, with respect to equity increase resulting from sharing in profits earned abroad by subsidiaries and affiliates; and
- A special installment plan for payment of PIS/Pasep/COFINS (taxes on revenue).

The Conglomerate will wait the conversion of the Provisional Measure No. 627/13 into a law for a deeper and more conclusive analysis. A preliminary assessment has indicated there will be no material impact on the Conglomerate.