Banco Votorantim S.A.

Consolidated Financial Statements in IFRS December 31, 2014 and 2013

(A free translation of the original report in Portuguese containing financial statements prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB)

KPDS 113824

Contents

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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, 2014 and the respective consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows, for the year then ended and a summary of the significant accounting practices and other accompanying notes to the financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit, carried out in accordance with the Brazilian and International Standards on Auditing. Those standards require the fulfillment of ethical requirements by the auditors and that the audit be planned and performed for the purpose of obtaining reasonable assurance that the financial statements are free from significant distortions.

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 significant distortion in the financial statements, regardless of whether the latter are caused by fraud or error. In this risk assessment, the auditor considers relevant internal controls for the preparation and adequate presentation of the consolidated financial statements of the Bank, to plan the audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the efficacy of these internal controls of the Bank. An audit also includes the evaluation of the adequacy of adopted accounting practices and reasonability of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to support our opinion.

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

Sao Paulo, March 31, 2015

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 sheet

December 31, 2014 and 2013

(In thousands of Reais)

		2014	2013
Assets		101,112,719	111,188,892
Cash and cash equivalents	(Note 3)	2,809,259	5,049,961
Financial assets with resale agreements	(Note 4)	4,131,013	5,848,911
Financial assets at fair value through profit or loss	(Note 5a)	4,554,930	5,842,870
Financial assets available for sale	(Note 5b)	16,352,958	20,027,187
Financial assets held to maturity	(Note 5c)	8,086,836	5,181,200
Derivative financial instruments	(Note 6a)	1,686,652	1,313,202
Loans and receivables	(Note 7a)	52,588,308	57,845,650
Dividends receivable		59,604	14,610
Current tax assets	(Note 8)	551,568	255,967
Deferred tax assets	(Note 9a)	6,599,036	6,697,810
Non-financial assets held for sale	(Note 10)	172,943	159,476
Investments	(Note 11a)	497,811	518,532
Other assets	(Note 12)	2,864,576	2,269,919
Tangible assets	(Note 13)	114,337	118,506
Intangible assets	(Note 14)	42,888	45,091
Total assets		101,112,719	111,188,892

		2014	2013
Liabilities		93,501,959	104,264,852
Financial liabilities at fair value through profit or loss	(Note 15)	51,837	555,279
Financial liabilities at amortized cost	(Note 16)	84,928,958	96,881,223
Derivative financial instruments	(Note 6a)	1,998,024	1,290,605
Provisions	(Note 17a)	1,360,295	1,654,021
Current tax liabilities	(Note 18)	1,107,778	160,193
Deferred tax liabilities	(Note 19a)	334,769	763,838
Dividends to be paid	(Note 21c)	119,331	-
Other liabilities	(Note 20)	3,600,967	2,959,693
Total shareholders’ equity attributable to controlling shareholders		7,610,759	6,924,039
Capital stock		7,125,761	7,125,761
Reserves	(Note 21b)	755,236	372,120
Equity evaluation adjustments	(Note 21d)	(300,786)	(335,190)
Non-appropriated accumulated earnings		30,548	(238,652)
Total stockholders' equity attributable to the non-controlling shareholders		1	1
Total liabilities and stockholders' equity		101,112,719	111,188,892

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Consolidated statement of income

Years ended December 31, 2014 and 2013

(In thousand of Reais, except the net income/(loss) of the period per thousand shares)

		2014	2013
Interest revenue	(Note 22)	15,954,214	15,455,858
Interest expenses	(Note 23)	(10,701,093)	(9,227,176)
Financial margin		5,253,121	6,228,682
Net income from services and commissions	(Note 24)	(150,715)	(477,202)
Results with financial instruments at fair value through profit or loss	(Note 25)	208,777	(1,644,237)
Result from available for sale financial assets		123,599	56,951
Income from derivative financial instruments	(Note 26)	378,504	1,461,845
Other operational results	(Note 27)	(550,750)	(83,260)
Gross income from financial intermediation		5,262,536	5,542,779
Result from impairment losses	(Note 28)	(2,065,047)	(4,159,503)
Personnel expenses	(Note 29)	(1,193,972)	(1,033,193)
Other administrative expenses	(Note 30)	(470,294)	(502,533)
Depreciation and amortization	(Note 31)	(35,423)	(33,535)
Tax expenses	(Note 32)	(416,213)	(408,461)
Equity income (loss)	(Note 11a)	33,842	27,061
Income from disposal of non-current assets for sale	(Note 33)	7,770	(28,702)
Results before taxes, contributions and profit sharing		1,123,199	(596,087)
Taxes and contributions on current income	(Note 34a)	(572,487)	(458,196)
Deferred income taxes and contributions	(Note 34b)	410,923	1,093,839
Profit sharing		(189,988)	(231,667)
Net income /(loss) attributable to controlling shareholders		771,647	(192,111)
Net income/(loss)		771,647	(192,111)
Income/(loss) per shares - R$		7.32	(1.82)
Number of shares (per thousand shares)		105,391,473	105,391,473

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Consolidated statement of comprehensive income

Years ended December 31, 2014 and 2013

(In thousands of Reais)

	2014	2013
Net income for the year	771,647	(192,111)
Other comprehensive results that will be subsequently reclassified to profit or loss:		
Net variations in fair value of available for sale financial assets	72,954	(1,046,855)
Adjustment to fair value against shareholders' equity	38,055	(978,101)
Reclassification of realized income to income	34,899	(68,754)
Income and social contribution taxes on comprehensive income	(38,550)	404,530
Total comprehensive income	806,051	(834,436)

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Statement of changes in shareholders' equity

Years ended December 31, 2014 and 2013

(In thousands of Reais)

	Shareholders' equity attributable to the controlling shareholders							
	Capital stock	**Capital reserves**	**Profit reserves**	**Equity evaluation adjustment**	**Non-appropriated retained**	**Total**	**Non-controlling interest**	**Total stockholders' equity**
Balances at December 31, 2012	7,026,841	585,104	299,612	307,135	(582,670)	7,636,022	1	7,636,023
Capital increase	98,920	-	-	-	-	98,920	-	98,920
Absorption of loss	-	(212,984)	(299,612)	-	512,596	-	-	-
Other events – Merger of BV Participações	-	-	-	-	(520)	(520)	-	(520)
Equity evaluation adjustments	-	-	-	(642,325)	24,053	(618,272)	-	(618,272)
Net income for the year	-	-	-	-	(192,111)	(192,111)	-	(192,111)
Balances at December 31, 2013	7,125,761	372,120	-	(335,190)	(238,652)	6,924,039	1	6,924,040
Formation/(reversal) of reserves	-	-	383,116	-	(383,116)	-	-	-
Equity evaluation adjustments	-	-	-	34,404	-	34,404	-	34,404
Net income for the year	-	-	-	-	771,647	771,647	-	771,647
Distribution of dividends	-	-	-	-	(119,331)	(119,331)	-	(119,331)
Balances at December 31, 2014	7,125,761	372,120	383,116	(300,786)	30,548	7,610,759	1	7,610,760

See the accompanying notes to the financial statements.

Banco Votorantim S.A.

Consolidated statement of cash flows

Years ended December 31, 2014 and 2013

(In thousands of Reais)

		2014	2013
Cash flows from operations			
Income (loss) before income and social contribution taxes		1,123,199	(596,087)
Adjustments to Income (loss) before income and social contribution taxes		487,473	4,066,772
Depreciation and amortization		35,423	33,499
Provision for impairment losses		2,383,101	4,482,805
Equity income (loss)		(33,842)	(27,061)
Expenses (Reversal) with civil, labor and tax provisions		(293,726)	(1,239,042)
Interest accrued and not received of sale financial assets		(668,707)	742,573
Interest accrued and not received of financial assets held to maturity		(843,176)	-
Effect of changes in foreign exchange rates on cash and cash equivalents		(109,479)	(5,090)
Other operational results		17,879	79,088
Variation in operating assets and liabilities		(8,433,801)	2,287,679
Net change in financial assets with resale agreement		1,717,898	8,065,962
Net change in financial assets measured at fair value through profit or loss		(1,831,526)	2,183,491
Net change in derivative financial instruments		333,969	221,704
Net change in loans and receivables		2,914,464	7,974,438
Net change in dividends receivable		(44,994)	20,095
Net change in current taxes		541,917	195,202
Cash payments relating to current tax liabilities		(462,420)	(382,292)
Net change in deferred taxes		80,628	(454,476)
Net change in non-financial assets held for sale		(13,467)	(6,920)
Net change in financial liabilities at fair value through profit or loss		(503,442)	(1,086,366)
Net change in financial liabilities at amortized cost		(11,023,457)	(14,141,451)
Other variations in assets		(594,657)	2,216,333
Others variations in liabilities		451,286	(2,518,041)
Net cash generated (used) by the operations		(6,823,129)	5,758,364
Cash flow from investment activities			
(Acquisition) of financial assets available for sale		(8,490,487)	(8,187,835)
Disposal and maturity of financial assets available for sale		14,115,150	9,667,609
(Acquisition) of financial assets held to maturity		(230,539)	(981,688)
(Purchase) of investments		(118,291)	(367,723)
(Acquisition) of tangible assets		(21,179)	(42,334)
(Acquisition) of intangible assets		(43,128)	(22,458)
Sales of investments		125,170	4,667
Disposal of tangible assets		3,970	17,286
Disposal of intangible assets		18,248	12,174
Dividends received		43,127	34,591
Other		(286)	(608)
Net cash generated (consumed) in investment activities		5,401,755	133,681
Cash flows from financing activities			
Capital increase		-	98,920
Securities issued		189,866	(2,491,196)
Subordinated liabilities		(1,118,673)	367,001
Cash generated (used) by financing activities		(928,807)	(2,025,275)
Net variation for cash and cash equivalents		(2,350,181)	3,866,770
Cash and cash equivalents at the beginning of the year		5,049,961	1,178,101
Effect of changes in foreign exchange rates on cash and cash equivalents		109,479	5,090
Cash and cash equivalents at the end of the year	(Note 3)	2,809,259	5,049,961
Increase (decrease) in cash and cash equivalents		(2,350,181)	3,866,770

See the accompanying notes to the financial statements.

Notes to the consolidated financial statements

(In thousands of Reais)

1 Operational context

Banco Votorantim S.A. (Banco Votorantim or Bank) is a non-public stock institution that, operating in the form of a Multiple Bank, carries out banking activities in authorized categories, by means of its commercial, investment and foreign exchange operation portfolio.

Through its subsidiaries, the Institution also operates in various other categories, with an emphasis on the activities of consumer credit, leasing, administration of investment funds and credit cards, of securities brokerage and distribution and any activities permitted to institutions that are part of the National Financial System.

Transactions are conducted in the context of a set of institutions that operate in an integrated manner in the financial market, including in relation to risk management, and certain transactions have the joint participation or the intermediation of member institutions, which form an integral part of the financial system. 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 managers approved the merger of BV Participações S.A. into its equity 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. 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 will cause an increase in the Bank's capital at the same amount of merged shareholders' equity, 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 held in BV Participações capital, to replace shares that were extinct.

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

- Assets: R$ 99,090
- Liabilities: R$ 170
- Shareholders' equity R$ 98,920

Also on July 31, 2013, Banco Votorantim managers approved the merger of CP Promotora de Vendas S.A. to BV Financeira net assets 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. 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 will cause an increase in BV Financeira's capital at the same amount of merged shareholders' equity, through the issuance of 80,601 new common shares, nominative and with no par value, assigned to BV Financeira, the only shareholder of CP Promotora, to replace shares that were extinct.

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

- Assets: R$ 220,916
- Liabilities: R$ 155,870
- Shareholders' equity R$ 65,046

On January 31, 2014, Banco Votorantim managers approved the merger of BV Sistemas de Tecnologia da Informação S.A. into its equity pursuant to the terms of the Merger 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. As a natural outcome, legal personality of BV Sistemas was extinct and Banco Votorantim became the universal successor of all its rights and obligations. Merger did not imply the Bank's capital increase and the Bylaws were not subject to changes.

Balance sheet balances as of December 31, 2013 of BV Sistemas merged by Banco Votorantim are as follows:

- Assets: R$ 65,852
- Liabilities: R$ 45,039
- Shareholders' equity: R$ 20,813

Merger is justified because it represents an improvement of respective corporate structure, rationalizes transactions, simplifies management, accounting and financial procedures; minimizing administrative expenses and optimizing its assets and income.

2 Significant accounting policies

a. Statement of conformity

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

b. Standards and interpretations that became effective after the year ended December 31, 2014

Change in IFRS 10 - Investment Entities - Consolidated Financial Statements, changes in IFRS 12 - Disclosure of Interests in Other Entities and changes in IAS 27 - Separate Financial Statements - Introduces an exception to the principle that all subsidiaries must be consolidated. The changes require parent companies that are investment entities to measure the fair value by P/L of their investments in certain entities, rather than consolidating them. Subsequent to the issuance of these standards, changes were made in IFRS 10, IFRS 12 and IAS 27 - Investment Entities, applying the exception to consolidation, and these changes are effective immediately upon issuance of the change in the standard. We identified no significant impacts of this change on the Consolidated Financial Statements.

Change in IAS 32 - Financial Instruments: Presentation - This alteration was issued to clarify requirements of financial instrument offsetting in the Balance Sheet. We identified no significant impacts of this change on the Consolidated Financial Statements of the Conglomerate.

Change in IAS 36 - Impairment of assets - Such change introduces requirements for disclosing the computation of recoverable amounts of assets due to the issuance of IFRS 13. Identified impacts are related to disclosure of recoverable value and measurement methodology and did not generate relevant impacts on consolidated financial statements.

Change in IAS 39 - Financial Instruments: Recognition and measurement - Such change allows the continuation of the hedge accounting, even if a derivative is transferred to a clearing house within certain conditions. We identified no significant impacts of this change on the Consolidated Financial Statements.

c. Standards and interpretations will be effective after the year ended December 31, 2014 and without early adoption

Changes in IFRS 9 - Financial Instruments - Statement intended to replace IAS 39 - Financial Instruments: Recognition and measurement. IFRS 9 includes: (a) a logical model for classification and measurement; (b) a single impairment model for financial instruments, which offers a response to expected losses; (c) removal of the volatility in P/L coming from own credit risk; and (d) a new approach to hedge accounting. Effective for the years started on January 1, 2018. The impacts stemming from the adoption of this change are being evaluated for implementation on the date on which the standard enters into force.

Changes in IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in related entities and joint ventures - The changes refer to an inconsistency between the requirements of IFRS 10 and IAS 28 (2011), dealing with the sale or contribution of assets between an investor and its related entities or joint ventures. Effective for fiscal years beginning on 01 January 2016, and early adoption is permitted by the IASB. The possible impacts of the adoption of this change are being evaluated for implementation on the date on which the standard enters into force.

Change in IFRS 11 - Joint Arrangements - The change establishes accounting criteria for the acquisition of joint ventures and joint arrangements, which constitute a business, according to the methodology established in IFRS 3 - Business Combinations. Effective for fiscal years beginning on 01 January 2016, and early adoption is permitted by the IASB. On the base date of this report, we identified no relevant impacts of this change on the Consolidated Financial Statements of the Conglomerate.

Change in IFRS 15 - Revenue from Contracts with Customers - requires the recognition of revenue to be done in such a way as to depict the transfer of goods or services to the customer for an amount that reflects the institution's expectation of having the rights of those goods or services in exchange. IFRS 15 supersedes IAS 18, IAS 11 and related interpretations (IFRICS 13, 15 and 18). Effective for fiscal years beginning after 01 January 2017, and early adoption is permitted by the IASB. The possible impacts of the adoption of this change are being evaluated and will be completed by the date on which the standard enters into force.

Change in IAS 1 - Presentation of the financial statements: The aim of the changes is to encourage companies to identify what information is relevant enough to be disclosed in the financial statements. It is also clarified that materiality applies to the full set of Accounting Statements, including the respective notes and that it is applicable to any application for disclosure of IFRS standards. Effective for fiscal years beginning on 01 January 2016, and early adoption is permitted by the IASB. The possible impacts of the adoption of this change are being evaluated for implementation on the date on which the standard enters into force.

Change in IAS 16 - Property, Plant and Equipment, and IAS 38 Intangible Assets - The change clarifies the underlying principle for depreciation and amortization as being the expected pattern of consumption of future economic benefits of the asset. Effective for fiscal years beginning on 01 January 2016, and early adoption is permitted by the IASB. The possible impacts of the adoption of this change are being evaluated for implementation on the date on which the standard enters into force.

Change in IAS 19 - Benefits to employees - the entity must consider employees' and third parties' contributions when recording the books of defined benefit plans. Effective for years beginning after 01 July 2014, and early adoption is permitted by the IASB. This change does not effect in the Consolidated Financial Statements of the Conglomerate.

Changes in IAS 28, IFRS 10 and IFRS 12 applying the exception to Consolidation: these changes refer to the application of the concept of Investment Entities. These specific changes in IAS 28, IFRS 10 and IFRS 12 are effective for years beginning on 01 January 2016, and early adoption is permitted by the IASB.

Annual Improvements Cycle (2012-2014) - Annually, IASB makes small changes to several pronouncements, aiming at clarifying current standards and avoiding double interpretation. In this cycle, the following were revised: IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations, IFRS 7 - Financial Instruments: Disclosures, IAS 19 - Employee Benefits, and IAS 34 - Interim Financial Reporting. Effective for fiscal years beginning on 01 January 2016, and early adoption is permitted by the IASB. The potential impacts of these changes are being evaluated for implementation on the date on which the changes enter into force.

d. 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 shareholders’ equity are included in the income statement as “income from financial assets available for sale.”

The Conglomerate classifies fair value measurements using a fair value hierarchy, which reflects the characteristics of the inputs used in measuring these values:

- Level 1: Refer to pricing information quoted on the market (not adjusted). Accordingly, consists of the current bid price verified in active markets.
- Level 2: Composed of observable inputs in the market directly or indirectly.
- Level 3: Refers to the assumptions not based on observable data, measured through internally approved academic and/or technical methods.

Other information about the fair value hierarchy are shown in Note 37h.

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.

e. 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 'functional currency' as the currency of the primary economic environment in which the entity operates.

f. Accounting estimates and judgment

Preparation of the financial statements requires that Management use 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.

Main amounts recognized in the Financial Statements through estimates are included in the following notes:

- Note 5 - Financial assets
- Note 6- Derivative financial instruments
- Note 7 - Loans and receivables
- Note 9 - Deferred tax assets
- Note 15 - Financial liabilities at fair value through profit or loss
- Note 17 - Provisions

g. Consolidation basis

Investee over which the Institution 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. The investees 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	
		2014	**2013**
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	100.00
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	(c)	-	100.00
BVIA Fundo Invest. Interest		100.00	100.00
Domestic subsidiaries (direct interest)			
BV Financeira FIDC I	(c)	77.23	58.71
BV Financeira FIDC II	(c)	100.00	22.16
BV Financeira FIDC III	(c)	-	100.00
BV Financeira FIDC IV	(c)	-	100.00
BV Financeira FIDC VI	(c)	26.73	26.73
BV Empreendimentos e Participações S.A.	(b)	100.00	100.00
BV Empreendimentos Imobiliários SPE I	(b)	100.00	100.00
BV Empreendimentos Imobiliários SPE II	(b)	-	100.00
IRE República Empreendimento Imobiliário S.A.	(b)	100.00	100.00
Senador Dantas Empreendimento Imobiliário SPE S.A.	(b)	80.00	80.00
Henri Dunant Empreendimentos Imobiliário S.A.	(b)	100.00	-
Subsidiaries abroad (direct interest)			
Votorantim Bank Limited		99.99	99.99
Banco Votorantim Securities Inc.		100.00	100.00
Votorantim Securities (UK) Limited		100.00	100.00

a) Company merged by Banco Votorantim S.A., see Note 1;
b) 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; and
c) 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 described in Note 16b.

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, 2014

	Vot. CTVM	Vot. DTVM	BV Financeira	BV Leasing	BVIP	BVIA	Vot. Corretora de Seguros	BVIA FIP
Current assets	402,863	150,378	21,794,652	28,964,848	18	10,369	274,168	780,769
Non-current assets	16,995	21,008	26,700,908	1,899,827	-	24,277	35	-
Total assets	419,858	171,386	48,495,560	30,864,675	18	34,646	274,203	780,769
Current liabilities	142,832	73,226	14,942,888	2,619,433	32	3,488	208,418	5,158
Non-current liabilities	15,133	16,029	32,612,051	27,315,575	-	-	24	-
Shareholders' equity	261,893	82,131	940,621	929,667	(14)	31,158	65,761	775,611
Total liabilities	419,858	171,386	48,495,560	30,864,675	18	34,646	274,203	780,769

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	40,254	43,339	596,436
Non-current assets	16,054	8,594	30,687,555	6,898,723	-	-	26	25,598	-	-
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	43,562	162	121
Non-current liabilities	8,699	9,860	7,952,064	23,850,174	-	-	22	1,477	-	-
Shareholders' equity	256,229	90,694	2,438,943	1,390,927	11	93	65,761	20,813	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

ii. Domestic subsidiaries (direct interest)

December 31, 2014

	FIDC I	FIDC II	FIDC VI	BV Emp. e Part.	SPE I	Senador Dantas SPE	IRE Repúlica	Henri Dunant
Current assets	170,717	23,405	1,652,030	187,399	1	56,508	5,266	2
Non-current assets	35,928	-	116,850	558,855	-	-	10,506	35,544
Total assets	206,645	23,405	1,768,880	746,254	1	56,508	15,772	35,546
Current liabilities	965	15,787	671	39,228	-	-	26	1
Shareholders' equity	205,680	7,618	1,768,209	707,026	1	56,508	15,746	35,545
Total liabilities	206,645	23,405	1,768,880	746,254	1	56,508	15,772	35,546

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 Repúlica
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
Shareholders' 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

iii. Subsidiaries abroad (indirect interest)

	2014			2013		
	VBL	BV Securities	BV Securities UK	VBL	BV Securities	BV Securities UK
Current assets	73,757	10,289	18,079	63,992	19,344	14,786
Non-current assets	1,020	493	89	1,357	378	32
Total assets	74,777	10,782	18,168	65,349	19,722	14,818
Current liabilities	26,676	7,641	414	20,925	206	23
Non-current liabilities	-	212	-	-	-	-
Shareholders' equity	48,101	2,929	17,754	44,424	19,516	14,795
Total liabilities	74,777	10,782	18,168	65,349	19,722	14,818

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. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year, adjusted for interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date. On the base date, assets and liabilities of the branch and subsidiaries located abroad are converted into the submission currency adopted by the Institution 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. Cash and cash equivalents

Cash and cash equivalents are represented by cash and cash equivalents in domestic, foreign currency, money market repurchase agreements - own portfolio, investments in foreign currency with high liquidity and insignificant risk of changes in value and money market repurchase agreements - own portfolio, with original maturities of up to 90 days.

m. 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.

n. 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; and
- 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 reflect 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 reversed/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 reversal (IAS 39). Therefore, if the risks and benefits have not been substantially transferred, Banco Votorantim S.A. reassesses its control and determines whether the actual involvement related to any retained control does not prevent it from making such a reversal. Financial liabilities are reversed 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)).

   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 shareholders' equity as adjustments in valuation of shareholders' equity. When an investment is derecognized, the cumulative result in shareholders' 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.

o. Write-off 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 not substantially transferred or retained all the 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 charged against provision for losses on 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, is recognized a new liability, and the difference in book value is calculated in the income statement. On December 31, 2014 and 2013, there were no significant substitutions of financial liabilities.

p. *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 hedged items, 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 80-125 percent.

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 shareholders’ equity as “equity valuation adjustments”, net of tax. No cash flow hedge operations were classified in this financial statement.

For object items that were discontinued from the hedge list and that remain recorded in the balance sheet, as in the case of credit contracts granted with substantial transfer of risks and benefits, when applicable, the mark-to-market adjustment is incorporated to cost and recognized over the remaining period at the new effective interest rate.

q. 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.

r. Provision for impairment losses

i. Financial assets

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 segment or 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, "individually significant assets" are considered 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 are classified as "massed" and assessed 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 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 P/L 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.

ii. Non-financial assets

The entity assesses at least at the end of each fiscal year if there is any sign that an asset may have lost value. If any such indication exists, the entity shall estimate the recoverable amount of the asset, which is either i) its fair value less costs to sell it; or ii) its value in use, whichever is higher. If the asset's recoverable value is lower that its book value, the asset is reduced to its recoverable value through a provision for impairment losses that is recognized under "Other operating income".

s. 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.

t. 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, may be considered 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.

u. Investments

i. 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 shareholders' equity of the investments included in this kind of investment are recognized in the Group's P/L by the equity method.

ii. Investments in jointly-controlled subsidiaries

A jointly controlled operation is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. 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 shareholders' equity of the investments included in this kind of investment are recognized in the Group's P/L by the equity method.

v. Contingent assets

Contingent assets usually arise from unplanned events or other unexpected events that give rise to the possibility of an inflow of economic benefits to the enterprise.

Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. However, when the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate. No assets have been recognized with these characteristics in the financial statements.

w. Tangible assets

Tangible assets are recognized at acquisition cost less respective depreciation account, whose value is calculated at the straight-line basis using the following annual rates in accordance with estimated useful lives of assets, as follows:

- Vehicles - 20%;
- Data processing and similar systems - 20%;
- Other items - 10%;
- 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.

At the end of each reporting period, the entity is assesses whether there is any indication that a tangible asset may be impaired.

x. Intangible assets

Corresponds to the rights that refer to incorporeal personal property intended for the maintenance of the Institution or exercised with this purpose. Intangible assets have defined useful lives and refer primarily to software, amortized on the straight-line basis at the rate of 20% per year starting on the date on which it becomes available for use. At the end of each reporting period, the entity is assesses whether there is any indication that an intangible asset may be impaired. If so, the entity estimates the asset's recoverable value.

Amortization is calculated by the straight-line method, based on the period over which the benefit is generated, calculated under "Depreciation and amortization", Note 31.

y. Income taxes and contributions

Taxes are calculated based on rates shown in the chart below:

Taxes		**Rate**
Income tax (15% + 10% additional)		25%
Social contribution on net income - CSLL	**(a)**	15%
PIS / PASEP	**(b)**	0.65%
Contribution for Social Security Funding - COFINS	**(b)**	4%
Service tax (ISS) - ISSQN		De 2% a 5%

a) Rate applicable to financial companies. For non-financial companies, CSLL (social contribution on net income) rate corresponds to 9%.
b) For non-financial companies that opted for the non-cumulative calculation regime, PIS/ PASEP rate is 1.65% and COFINS rate is 7.6%.

Deferred tax assets (tax credits) and deferred tax liabilities are recognize through the application of prevailing tax rates on respective bases. For recognition, maintenance and write-off of deferred tax assets, criteria established in CMN Resolution no. 3,059/2002, as changed by CMN Resolutions no. 3,355/2006 and 4,192/2013, are followed, supported by a study on realization capacity.

Deferred income tax is recognized, calculated at the rate of 25%, on the adjustments of excess of depreciation of the lease portfolio of the subsidiary BV Leasing.

z. Financial liabilities at fair value through profit or loss

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 (IAS39) 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, 2014 and 2013.

ii. **Financial liabilities at fair value through profit or loss income - held for trading** - 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.

aa. Financial liabilities at amortized cost

They are initially recognized at fair value plus any transaction costs directly assignable. After the initial recognition, these financial liabilities are stated 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

They are composed of:

- 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 2g 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

They are initially recognized at fair value plus any transaction costs directly assignable. 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

They 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".

Those that are subject to hedge derivative financial instruments are measured at fair value, using consistent criteria and verifiable. 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."

bb. 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.

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.

cc. 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.

dd. Interest revenue and expense

For all financial instruments that generate interest, income or expense on interest is recorded using the agreed rate, including variations in forward exchange contracts in foreign currency. The calculation takes into account all contractual terms of the financial instrument, but not of the future credit losses. The incremental costs directly attributable to financial instruments are disclosed under "Net profit from fees and commissions".

ee. Net income from services and commissions

The Conglomerate earns fee and commission income on various types of services it provides for its customers. Fees earned for the provision of services are recognized over the same period in which the services are provided.

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.

ff. 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.

gg. 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 income is reported net, following the form of business performance measurement, and not gross revenues and expenses separately. Prices of transfers between operational segments are conducted at market prices, in a manner similar to transactions with third parties.

hh. Investment fund management

The Conglomerate manages and administers assets held in investment funds and other types of investment in favor of investors. These funds are not consolidated in the Consolidated Financial Statements of the Conglomerate, except those funds controlled by the Conglomerate, whose information is stated in Note 2g.

ii. Information for comparison purpose

Reclassifications were made on the consolidated Balance Sheet and consolidated Income Statement, for purposes of comparison, in order to better highlight the essence of the operations, among which we highlight the following:

- Reclassification of "Legal obligations" to "Provisions";
- Reclassification unrealized result of the “Meu Carro Novo” site;
- Reclassification of “Option box” to “Financial liabilities at fair value through profit or loss”;
- Reclassification of "Non-appropriated accumulated earnings"; and
- Reclassification for net presentation of the effect of adhering to the installment payment program and the spot payment of tax debts.

	2013		
	Previous disclosure	**Reclassifications**	**Current disclosure**
Assets			
Loans and receivables	57,864,293	(18,643)	57,845,650
Deferred tax assets	6,690,795	7,015	6,697,810
Other assets	2,251,276	18,643	2,269,919
Intangible assets	52,665	(7,574)	45,091
Liabilities			
Financial liabilities at fair value through profit or loss	411,681	143,598	555,279
Financial liabilities at amortized cost	97,024,821	(143,598)	96,881,223
Provisions	1,649,247	4,774	1,654,021
Current tax liabilities	160,752	(559)	160,193
Legal obligations	4,774	(4,774)	-
Reserves	133,468	238,652	372,120
Non-appropriated accumulated earnings	-	(238,652)	(238,652)
Income (loss)			
Interest revenue	14,253,954	1,201,904	15,455,858
Interest expenses	(7,724,118)	(1,503,058)	(9,227,176)
Result from fees and commissions	(478,820)	1,618	(477,202)
Results with financial instruments at fair value through profit or loss	(1,745,796)	101,559	(1,644,237)
Result from available for sale financial assets	68,754	(11,803)	56,951
Income from derivative financial instruments	1,456,843	5,002	1,461,845
Result from impairment losses	(4,172,665)	13,162	(4,159,503)
Other operational results	1,035,379	(1,118,639)	(83,260)
Personnel expenses	(1,033,206)	13	(1,033,193)
Other administrative expenses	(501,363)	(1,170)	(502,533)
Tax expenses	(1,719,873)	1,311,412	(408,461)

jj. Authorization of Financial Statements

The issue of financial statements was authorized by the Executive Board on March 31, 2015.

3 Cash and cash equivalents

	2014	2013
Cash and cash equivalents	190,377	207,095
Cash	211	527
Bank deposits	108,836	135,404
Free reserves	7,256	9,004
Cash and cash equivalents in foreign currencies	74,074	62,160
Interbank funds applied - (a)	2,618,882	4,842,866
Money market repurchase agreements - Own portfolio	1,720,876	3,827,684
Interbank deposit investments	452,705	874,909
Investments in foreign currency	445,301	140,273
Total	2,809,259	5,049,961

a) Refer to transactions with original maturity equal to or lower than 90 days and present a significant risk in the change of fair value.

4 Financial assets with resale agreements

	2014		2013	
	Market value (book)	**Fair value of the guarantee**	**Market value (book)**	**Fair value of the guarantee**
Purchase and sale commitments - own portfolio	7,717	7,835	4,453,334	4,482,723
National Treasury Bills	-	-	4,142,995	4,156,703
National Treasury notes	-	-	240,183	229,891
Other	7,717	7,835	70,156	96,129
Purchase and sale commitments - Financed operations	4,105,563	4,131,813	1,088,299	1,139,678
National Treasury Bills	4,105,563	4,131,813	-	-
National Treasury notes	-	-	1,088,299	1,139,678
Purchase and sale commitments - Short position	17,733	18,004	307,278	301,731
National Treasury Bills	-	-	91,200	90,630
National Treasury notes	-	-	216,078	211,101
Other	17,733	18,004	-	-
Total	4,131,013	4,157,652	5,848,911	5,924,132

5 Financial assets

a. Financial assets at fair value through profit or loss

	2014			2013		
	Cost value	**Fair value (book)**	**Unrealized gain/ (loss)**	**Cost value**	**Fair value (book)**	**Unrealized gain/ (loss)**
Domestic	4,246,574	4,238,202	(8,372)	5,477,804	5,506,396	28,592
Financial treasury bills	1,477,052	1,509,889	32,837	596,414	610,468	14,054
National Treasury Bills	590,622	584,374	(6,248)	2,395,613	2,396,085	472
National Treasury notes	1,204,256	1,183,680	(20,576)	1,132,297	1,118,049	(14,248)
Certif. of Receipt Real Estate	116	116	-	24,778	24,771	(7)
Debentures	1,099	802	(297)	175,785	208,748	32,963
Agricultural debt securities	13,212	13,302	90	22,581	23,030	449
Rural Product Bills	94,772	90,749	(4,023)	188,841	182,975	(5,866)
Quotas in invest. funds	686,528	686,528	-	862,106	862,106	-
FIP quotas	66,278	66,278	-	51,770	51,770	-
Shares of publicly-held companies	27,567	17,252	(10,315)	27,619	28,394	775
Financing bills	84,376	84,376	-	-	-	-
Other securities	696	856	160	-	-	-
Abroad	320,571	316,728	(3,843)	340,289	336,474	(3,815)
Foreign governments	26,562	26,562	-	46,850	46,850	-
National Treasury	37,307	36,262	(1,045)	35,601	34,263	(1,338)
Other securities	256,702	253,904	(2,798)	257,838	255,361	(2,477)
Total	4,567,145	4,554,930	(12,215)	5,818,093	5,842,870	24,777

The fair value includes the credit risk of the counterparty (credit valuation adjustment - CVA).

b. Financial assets available for sale

	2014			2013		
	Cost value	Fair value (book)	Unrealized gain/ (loss)	Cost value	Fair value (book)	Unrealized gain/ (loss)
Domestic	16,176,754	15,723,477	(453,277)	20,020,829	19,491,617	(529,212)
Financing bills	206,358	206,236	(122)	88,104	88,104	-
National Treasury Bills	7,017,558	6,943,354	(74,204)	11,154,501	10,905,390	(249,111)
National Treasury notes	2,975,523	2,865,182	(110,341)	2,836,732	2,714,378	(122,354)
Certif. of Receipt Real Estate	212,378	214,882	2,504	39,499	40,244	745
Debentures	3,146,049	3,029,375	(116,674)	2,706,571	2,664,310	(42,261)
Rural Product Bills	528,407	512,787	(15,620)	792,896	785,185	(7,711)
Certif. of Receipt Agribusiness	40,676	38,440	(2,236)	194,865	196,663	1,798
Promissory notes	172,142	171,560	(582)	306,410	306,410	-
Quotas in invest. funds	12,351	12,351	-	10,885	10,885	-
Quotas of FIDC	5,694	5,694	-	4,862	4,862	-
FIP quotas	542,151	542,151	-	470,972	470,972	-
Shares of publicly-held companies (a)	123,499	61,557	(61,942)	156,632	64,700	(91,932)
Shares of privately-held companies (a)	1,087,775	1,057,525	(30,250)	1,137,579	1,160,170	22,591
Other stocks and quotas	6	6	-	6	6	-
Invest. from tax incentives	106,011	62,201	(43,810)	120,139	79,162	(40,977)
Membership certificates	176	176	-	176	176	-
Abroad	671,052	629,481	(41,571)	560,791	535,570	(25,221)
Other securities (a)	671,052	629,481	(41,571)	560,791	535,570	(25,221)
Total	16,847,806	16,352,958	(494,848)	20,581,620	20,027,187	(554,433)

a) On December 31, 2014, the amounts of unrealized gain/loss of shares in publicly-held companies include a provision for impairment losses in the amount of R$ 98,103 (R$ 60,117 in 2013), Shares in privately-held companies in the amount of R$ 6,080 (R$ 3,843 in 2013) and other overseas securities (Eurobonds) amounting to R$ 39,374 (R$ 34,726 in 2013), which were reclassified from Shareholders' equity in counterpart of the heading "Impairment losses".

The fair value includes the credit risk of the counterparty (credit valuation adjustment - CVA).

c. Financial assets held to maturity

	2014			2013		
	Cost (book value)	Fair value	Unrealized gain/ (loss)	Cost (book value)	Fair value	Unrealized gain/ (loss)
Domestic						
National Treasury Bills	6,239,009	6,206,232	(32,777)	3,801,595	3,801,595	-
National Treasury notes	1,847,827	1,828,995	(18,832)	1,379,605	1,372,845	(6,760)
Total	8,086,836	8,035,227	(51,609)	5,181,200	5,174,440	(6,760)

On December 31, 2014, occurred the reclassification of Government Securities in the amount of R$ 1,831,919 in National Treasury Bills (R$ 3,801,595 in Treasury Bills and R$ 397,917 in National Treasury Notes 31 December 2013), from the "Financial assets available for sale" to the "financial assets held to maturity" as a result of the review of management's intention on their titles. The financial assets were transferred from accounting category at fair value on the transfer date. With the reclassification, the securities were measured at amortized cost, generating no impact on P/L on the transfer date. The Conglomerate states that it has the capacity and financial intention of holding them to maturity. Additionally, the reference assets may be used as ballast in buyback operations.

6 Derivative financial instruments

a. Composition in assets and liabilities

	2014	2013
Assets		
Differential receivable from swap (Note 6b)	1,041,868	847,131
Currency forward contracts (Note 6c)	39,740	39,493
Long position of options (Note 6d)	264,485	120,557
Credit derivatives (Notes 6g and 6h)	5,429	1,934
Non Deliverable Forward (Note 6f)	181,827	218,075
Other (daily settlement of futures)	153,303	86,012
Total	1,686,652	1,313,202
Liabilities		
Differential payable from swap (Note 6b)	(960,579)	(919,411)
Currency forward contracts (Note 6c)	(36,285)	(39,730)
Short position of options (Note 6d)	(603,991)	(199,609)
Credit derivatives (Notes 6g 6h)	(6,727)	(5,808)
Non Deliverable Forward (Note 6f)	(55,639)	(54,081)
Other (daily settlement of futures)	(334,803)	(71,966)
Total	(1,998,024)	(1,290,605)

The fair value includes the credit risk of the counterparty (credit valuation adjustment - CVA).

b. Composition of the swap contracts by index

	2014			2013		
	Original value	**Curve value**	**Fair value**	**Original value**	**Curve value**	**Fair value**
Asset position	29,469,066	34,063,383	33,851,602	23,480,030	26,707,130	26,253,261
DI	19,962,550	21,888,605	21,679,343	12,071,630	13,501,217	13,181,489
Dollar	2,411,962	3,062,550	2,985,674	2,411,323	2,834,773	2,859,744
Euro	-	-	-	29,820	37,765	37,979
IGPM	468,000	770,246	769,703	513,150	800,671	817,499
IPCA	5,575,897	7,126,313	7,002,743	5,888,945	6,824,583	6,650,607
INCC	3,750	4,037	4,257	3,750	3,751	4,314
Fixed	755,175	856,060	1,049,208	2,098,578	2,188,886	2,178,850
Libor	226,493	290,250	291,888	431,105	483,540	489,891
Commodities	8,802	8,802	8,385	5,053	5,179	5,000
Long Term Interest Rate (TJLP)	38,699	38,782	42,666	26,676	26,765	27,888
Other	17,738	17,738	17,735	-	-	-
Asset position	(29,469,066)	(34,072,672)	(33,770,313)	(23,480,030)	(26,791,667)	(26,325,541)
DI	(8,681,351)	(10,423,807)	(10,634,739)	(9,973,638)	(11,106,919)	(11,171,528)
Dollar	(3,798,871)	(3,832,685)	(3,344,857)	(3,201,338)	(3,544,609)	(2,693,419)
Euro	(29,089)	(30,278)	(29,752)	(10,829)	(11,664)	(11,655)
IGPM	(262,000)	(522,864)	(527,862)	(332,000)	(603,388)	(622,154)
IPCA	(5,377,437)	(7,695,247)	(7,624,901)	(5,463,436)	(7,138,929)	(7,050,905)
Fixed	(9,875,587)	(9,997,130)	(10,137,949)	(2,968,078)	(2,746,460)	(3,232,143)
TR	-	-	-	(7,865)	(15,381)	(15,644)
Libor	(599,990)	(698,078)	(688,896)	(866,838)	(944,747)	(926,495)
Long Term Interest Rate (TJLP)	(818,196)	(846,045)	(754,866)	(653,735)	(677,301)	(599,319)
Commodities	(18,518)	(18,511)	(18,467)	(2,273)	(2,269)	(2,279)
Other	(8,027)	(8,027)	(8,024)	-	-	-
Net position	-	(9,289)	81,289	-	(84,537)	(72,280)

c. Composition of the forward contracts by index

	2014			2013		
	Original value	**Curve amount**	**Fair value**	**Original value**	**Curve amount**	**Fair value**
Asset position						
Forward currency	39,740	39,740	39,740	38,931	38,931	39,493
Total	39,740	39,740	39,740	38,931	38,931	39,493
Asset position						
Forward currency	(39,740)	(39,740)	(36,285)	(38,931)	(38,931)	(39,730)
Total	(39,740)	(39,740)	(36,285)	(38,931)	(38,931)	(39,730)

d. Composition of the options contracts by index

	2014		2013	
	Amount contracted	**Fair value (book)**	**Amount contracted**	**Fair value (book)**
Purchase - Long position	4,545,036	232,562	3,786,357	103,411
Foreign currency	2,692,456	82,480	3,090,925	58,250
Flexible options	1,601,580	146,851	523,432	42,927
Shares	113,000	3,189	172,000	2,234
Other	138,000	42	-	-
Sale - Long position	44,549,294	31,923	5,741,472	17,146
Foreign currency	3,560,278	7,774	1,172,150	901
DI index	38,751,600	-	3,928,000	-
Flexible options	1,808,736	2,777	149,122	1,077
Shares	406,000	21,317	439,200	12,182
Other	22,680	55	53,000	2,986
Purchase - Short position	(7,510,513)	(582,691)	(3,988,746)	(186,115)
Foreign currency	(3,857,110)	(194,711)	(2,870,750)	(66,283)
Flexible options	(3,146,403)	(386,475)	(1,084,596)	(119,525)
Shares	(507,000)	(1,505)	(33,400)	(307)
Sale - Short position	(41,951,361)	(21,300)	(6,298,538)	(13,494)
Foreign currency	(2,177,098)	(3,023)	(1,809,925)	(1,203)
DI index	(38,742,500)	-	(3,925,500)	-
Flexible options	(781,223)	(9,687)	(291,111)	(6,836)
Shares	(225,700)	(8,335)	(272,002)	(5,455)
Other	(24,840)	(255)	-	-
Net position	(367,544)	(339,506)	(759,455)	(79,052)

e. Composition of the futures contracts by index

	2014	2013
Purchase commitments	22,035,623	18,007,846
DI	7,899,042	5,155,013
Currencies	1,299,699	1,668,148
Index	289,913	95,945
Foreign currency coupon	12,545,740	11,079,221
Commodities	1,229	9,519
Sales commitments	(52,054,771)	(53,937,189)
DI	(28,916,524)	(38,878,463)
Currencies	(2,436,718)	(1,600,801)
Foreign currency coupon	(20,700,843)	(13,444,252)
Commodities	(686)	(13,673)
Net position	(30,019,148)	(35,929,343)

f. Composition of the NDF contracts by index

	2014		2013	
	Amount contracted	Fair value (book)	Amount contracted	Fair value (book)
Assets				
Dollar	2,573,955	179,575	3,378,229	172,975
Euro	7,168	719	11,169	1,071
Other	13,573	1,533	81,853	44,029
Total	2,594,696	181,827	3,471,251	218,075
Liabilities				
Dollar	(1,223,330)	(43,507)	(1,750,603)	(44,255)
Euro	(335,377)	(10,942)	(50,399)	(8,485)
Other	(90,828)	(1,190)	(181,126)	(1,341)
Total	(1,649,535)	(55,639)	(1,982,128)	(54,081)
Net position	945,161	126,188	1,489,123	163,994

g. Credit derivatives

	2014		2013	
	Reference value	Market value	Reference value	Market value
Risk taken				
Credit Swaps	225,782	(5,281)	413,867	(1,688)
Total	225,782	(5,281)	413,867	(1,688)
Risk transferred				
Credit Swaps	438,273	(3,983)	503,659	2,186
Total	438,273	(3,983)	503,659	2,186

h. Credit derivatives by index

	2014			2013		
	Original value	Curve value	Market value	Original value	Curve value	Market value
Asset position						
Pre-fixed	185,939	5,384	5,429	167,894	2,059	1,934
Total	185,939	5,384	5,429	167,894	2,059	1,934
Liabilities position						
Pre-fixed	(478,116)	(5,953)	(6,727)	(749,632)	(676)	(5,808)
Total	(478,116)	(5,953)	(6,727)	(749,632)	(676)	(5,808)
Net position	(292,177)	(569)	(1,298)	(581,738)	1,383	(3,874)

i. Hedge Accounting - Equity Position

Hedge accounting objects

	2014	2013
Financial assets	28,821,768	33,852,984
Financial assets with resale agreements	-	1,003,200
Financial assets at fair value through profit or loss	-	176,702
Financial assets available for sale	122,234	102,096
Financial assets held to maturity	4,605,395	-
Loans and receivables	24,094,139	32,570,986
Financial liabilities	(7,691,840)	(6,754,785)
Financial liabilities at amortized cost	(7,691,840)	(6,754,785)
Total	21,129,928	27,098,199

Hedge accounting derivative financial instruments

	2014	2013
Financial assets	7,918,761	7,463,615
Future DDI	7,625,642	7,190,322
Swap IGPM - DI (IGPM)	293,119	273,293
Financial liabilities	(28,734,066)	(34,665,558)
Swap Pre x DI	(4,608,563)	-
DDI future	(21,201,226)	(31,642,317)
Future DDI	(2,410,469)	(2,563,018)
Future Libor	(513,808)	(460,223)
Total	(20,815,305)	(27,201,943)

j. *Hedge Accounting* - Income

Subject to fair value hedge

	2014		2013	
	Positive result	**Negative result**	**Positive result**	**Negative result**
Financial assets	3,297,472	(354,625)	2,954,974	(2,108,140)
Financial liabilities	497,971	(1,533,119)	902,029	(932,376)
Total	3,795,443	(1,887,744)	3,857,003	(3,040,516)

Hedge derivative financial instruments at fair value

	2014		2013	
	Positive result	**Negative result**	**Positive result**	**Negative result**
Financial assets	1,534,816	(506,672)	913,562	(898,306)
Financial liabilities	321,559	(3,242,217)	2,094,600	(2,989,720)
Total	1,856,375	(3,748,889)	3,008,162	(3,888,026)

7 Loans and receivables

a. Breakdown of operations

	2014	2013
Advances to depositors	18	80
Loans	13,790,127	15,881,590
Discounted securities	141,505	51,990
Financings	34,148,553	37,185,020
Export financings	4,240,319	3,880,248
Financing in foreign currency	692,706	439,823
Rural financing agreements	548,345	597,603
Real estate financing agreements	360,481	510,921
Advances on exchange contracts	679,493	891,303
Financial lease operations	422,405	993,108
Credits for sureties and guarantees paid	608,401	612,388
Loans acquired	67,614	-
Total transactions with loan characteristics	55,699,967	61,044,074
Provision for impairment losses (Note 37d-ix)	(4,444,943)	(5,276,015)
Fair value adjustment (Note 7c)	(160,423)	(217,772)
Associated costs	540,798	755,451
Other receivables (Note 7d)	952,909	1,539,912
Total loans and receivables	52,588,308	57,845,650

b. Financial leasing information

	2014			2013		
	Minimum future payments	**Unearned income**	**Present value**	**Minimum future payments**	**Unearned income**	**Present value**
Up to 1 year	533,791	(292,921)	240,870	1,181,852	(586,681)	595,171
Between 1 and 5 years	298,825	(117,290)	181,535	685,374	(287,437)	397,937
Total	832,616	(410,211)	422,405	1,867,226	(874,118)	993,108

The 10 material financial lease agreements, representing approximately 18% of the portfolio at December 31, 2014, are as follows:

Start date	End date	Agreed rate	Present value	Impairment
March/13	March/18	CDI + 1.6069% p.a.	22,973	-
August/14	February/17	CDI + 2.5965% p.a.	12,905	-
December/14	June/17	14.6792% p.a.	7,341	-
September/12	September/17	CDI + 3.1635% p.a.	6,791	-
August/14	August/16	13.6583% p.a.	6,118	-
August/14	August/17	CDI + 3.2309% p.a.	4,629	-
December/14	May/18	16.0000% p.a.	4,511	451

c. 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 6i.

	2014	**2013**
Loans	(68,591)	(110,409)
Financings	(257,998)	(324,723)
Export financing	168,036	213,988
Lease operations	(1,870)	3,372
Total	(160,423)	(217,772)

d. Composition of other receivables

		2014	**2013**
Interbank deposits	(a)	632,745	1,018,683
Central Bank of Brazil deposits		55,205	127,774
Interbank onlendings		19,627	109,420
Correspondent relations		495	760
Income receivable		57,693	33,839
Receivables from related companies		887	51
Credit card transactions		10,285	12,231
Settlement of securities abroad		1,035	7,082
Usufruct of privately-held companies' shares		28,793	126,621
Other receivables - For trading and securities clearing accounts		142,285	100,761
Other		3,859	2,690
Total		952,909	1,539,912

a) Refer to transactions with an original maturity of 90 days, which is not classified as Cash and cash equivalents.

8 Current tax assets

	2014	**2013**
Income taxes to offset	363,123	162,695
Social contribution to offset	175,001	38,092
PIS tax to offset	2,442	9,067
COFINS tax to offset	10,980	45,742
Other assets	22	371
Total	551,568	255,967

9 Deferred tax assets

a. Composition of deferred tax assets

	2014	2013
Tax loss of Income Tax	911,047	703,003
Negative basis of social contribution tax	230,639	39,052
Adjustment to fair value of financial assets	362,779	388,436
Adjustment to fair value of derivatives	85,966	7,845
Adjustment to fair value of loans and receivables	126,542	141,161
Profit sharing	167,148	176,836
Provision for impairment losses	3,979,809	3,940,274
Provisions	543,772	1,111,740
Income from foreign branches	116,441	121,287
Other	74,893	68,176
Total	6,599,036	6,697,810

b. Changes in deferred tax assets in the period

	2014	2013
Opening balance	6,697,810	4,929,358
Tax loss of Income Tax	208,043	(42,575)
Negative basis of social contribution tax	191,588	35,137
Fair value adjustments of financial assets	(25,657)	292,248
Adjustment to fair value of derivatives	78,121	(355,372)
Adjustment to fair value of loans and receivables	(14,619)	141,161
Profit sharing	23,213	66,588
Provision for impairment losses	39,535	627,401
Provisions	(567,056)	96,734
Income from foreign branches	(4,845)	(17,146)
Depreciation shortfall	-	217,155
Other	(27,097)	(17,651)
Deferred tax assets offsetting	-	724,772
Closing balance	6,599,036	6,697,810

Not activated

On December 31, 2014, No tax credits were taken on tax losses amounting to R$10,483, which will be recorded when complying with regulations and presenting effective realization perspectives, in accordance with technical study on tax credit realization prepared by Management for all institutions.

c. Expected realization of deferred tax assets

	Nominal value	Present value
In 2015	1,314,175	1,277,927
In 2016	1,483,830	1,290,449
In 2017	880,121	681,949
In 2018	1,180,521	814,595
In 2019	796,672	489,559
Over 2019	943,717	404,682
Total	6,599,036	4,959,161

During the year ended on December 31, 2014, tax credits at the Bank, were realized totaling R$ 249,828 (R$ 130,434 in 2013), equal to 98% (48% in 2013) of the respective use projection for the 2014 fiscal year and included in the technical study prepared on December 31, 2013.

10 Non-financial assets held for sale

Non-current assets held for sale refer to properties not of auctioned use, awarded or received in payment in the settlement of loans to customers and built properties held for sale.

	2014	2013
Non-financial assets held for sale - Book value		
Real estate	93,083	63,702
Vehicles	79,509	95,624
Machinery and equipment	351	150
Total	172,943	159,476

The fair value of the assets, where applicable, is recorded using the following criteria:

- Goods with financed amount higher than R$ 50,100.00 are recorded at the value obtained through the technical report by a third-party firm not related the Conglomerate;
- Goods with financed amount between R$ 50,100.00 and R$ 25,550.00 are recorded at the value obtained through a technical report; and
- Goods with financed amount less than R$ 25,550.00 are recorded at average balance obtained in sales over the last six months, taking into account the characteristics of the item.

Assets are disposed 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).

11 Investments

a. Breakdown of investments in subsidiaries

	Investment amount 12/31/2013	Acquisition	Disposal	Dividends	Income from Equity	Impairment	Investment amount 12/31/2014	% Interest 2014	% Interest 2013
Affiliated company									
ASM Alicerce 1 Emp. Imob. S.A.	127,482	2,392	-	-	(4,385)	-	125,489	40.15	40.15
Phaser Incorporação SPE S.A.	29,010	5,115	-	(3,803)	23,031	-	53,353	30.00	30.00
Vitacon 50 Desenvolvimento Imob. S.A.	-	32,250	-	-	(12)	-	32,238	30.00	-
SCP - Henri Dunant Lot 3	-	27,854	-	-	(57)	-	27,797	20.00	-
Jaguatirica Emp. Imob. S.A.	28,094	-	(9,249)	-	(1,805)	-	17,040	33.33	33.33
Alfa Emp. Imob. S.A.	17,445	1,018	-	(5,000)	-	-	13,463	25.00	25.00
Windsor Inv. Imob. Ltda.	15,075	-	(4,459)	-	7,256	-	17,872	4.18	3.89
SCP - Henri Dunant Lot 1	-	7,506	-	-	242	-	7,748	10.00	-
Tolle Emp. Imob. S.A.	5,666	107	-	-	624	-	6,397	40.00	40.00
Castelblanco Emp. Imob. S.A.	15,751	279	-	(13,976)	3,934	-	5,988	26.76	26.76
NS Emp. Imob. 10 S.A.	4,000	-	(71)	-	(613)	-	3,316	40.00	40.00
Costa Laguna Emp. Imob. S.A.	-	695	-	-	-	-	695	40.15	-
Queiroz Galvão Sabia Emp. Imob. S.A.	2,644	-	(1,492)	(400)	(135)	-	617	40.00	40.00
Vista Alegre Emp. Imob. S.A.	-	2	-	-	(24)	-	(22)	20.00	-
Jointly-controlled subsidiaries									
NS Emp. Imob. Noroeste S.A.	21,596	1,501	-	-	(2,383)	-	20,714	70.00	70.00
GT 11 Emp.Imob. S.A.	-	17,868	-	-	-	-	17,868	60.00	-
Brookfield SPE 23 S.A.	14,125	-	(51)	-	(332)	-	13,742	50.00	50.00
Salaverry Emp. Imob. S.A.	22,004	619	-	(17,645)	6,257	-	11,235	50.00	50.00
Villagio Pompéia Emp. Imob. S.A.	8,222	1,770	-	(727)	1,361	-	10,626	60.00	60.00
Joaquim Antunes Emp. Imob. S.A.	5,733	202	-	(703)	2,284	-	7,516	50.00	50.00
Ramá SPE Emp. Imob. S.A.	7,003	-	(2,068)	-	(95)	-	4,840	50.00	50.00
Diálogo Ibiapava Emp. Imob. S.A.	4,481	-	(468)	150	2	-	4,165	50.00	50.00
GMAX Emp.Imob. SPE S.A.	-	2,400	-	-	(179)	-	2,221	50.00	-
Upcon SPE 4 Emp. Imob. S.A.	1,466	1,900	-	(1,000)	673	-	3,039	50.00	50.00
Reserva Natural Emp. Imob. S.A.	1,175	-	(75)	-	-	-	1,100	50.00	50.00
Upcon SPE 7 Emp. Imob. S.A.	665	-	(115)	-	(146)	-	404	50.00	50.00
Colméia Life Tower Emp. Imob. S.A.	82	-	-	(7)	(35)	-	40	50.00	50.00
Odebrecht Realizações SP 63 Emp. Imob. S.A.	28,574	-	(28,574)	-	-	-	-	-	50.00
Colméia Capim Macio Emp. Imob. S.A.	(55)	233	-	(16)	(343)	-	(181)	50.00	50.00
Upcon SPE 12 Emp. Imob. S.A.	40	-	(176)	-	(462)	-	(598)	50.00	50.00
Other investments									
Other	14,306	-	(13,490)	-	(816)	-	-		
Goodwill on acquisition	151,041	14,580	(64,882)	-	-	-	100,739		
Adjustment to recoverable value	(7,093)	-	-	-	-	(4,557)	(11,650)		
Total	518,532	118,291	(125,170)	(43,127)	33,842	(4,557)	497,811		

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. These SPEs have not had their balances consolidated.

The enterprises NS Empreend. Imob. Nordeste, Villagio Pompéia Empreend. Imob. e GT 11 Emp.Imob. S.A., 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.

b. Goodwill and adjustment to recoverable value

	Goodwill		Impairment	
	2014	**2013**	**2014**	**2013**
Associates				
SCP - HD PHASE 1 and 3	36,511	-	-	-
NS Emp. Imob. 10 S.A.	13,173	16,755	-	-
Alfa Emp. Imob. S.A.	5,920	23,193	-	-
Phaser Incorporação SPE S.A.	2,417	2,417	-	-
Castelblanco Emp. Imob. S.A.	2,196	2,196	-	-
Jaguatirica Emp. Imob. S.A.	1,025	130	-	-
Vitacon 50 Desenvolvimento Imob. S.A.	663	-	-	-
Windsor Inv. Imob. Ltda.	-	40,762	(10,394)	(5,837)
Jointly-controlled subsidiaries				
Reserva Natural Emp. Imob. S.A.	14,825	14,825	-	-
GMAX Emp.Imob. SPE S.A.	10,600	-	-	-
NS Emp. Imob. Noroeste S.A.	5,481	5,481	-	-
Brookfield SPE 23 S.A.	5,239	5,239	-	-
Upcon SPE 12 Emp. Imob. S.A.	1,112	1,112	-	-
Upcon SPE 7 Emp. Imob. S.A.	929	929	-	-
GT 11 Emp.Imob. S.A.	648	-	-	-
Upcon SPE 4 Emp. Imob. S.A.	-	3,265	(1,256)	(1,256)
Odebrecht Realizações SP 63 Emp. Imob. S.A.	-	34,737	-	-
Total	100,739	151,041	(11,650)	(7,093)

c. Financial information - Associates

	ASM Alicerce 1	Phaser	Vitacon 50	SCP - Henri Dunant Lot 3	Jaguatirica	Alfa	SCP - Henri Dunant Lot 1
Cash and cash equivalents	1	7,538	50	2,583	475	2,131	59,337
Current assets	1,283	154,935	914	166,216	2,391	30,905	181,117
Non-current assets	325,544	187,555	134,149	1,327	49,928	26,567	3,463
Current liabilities	14,277	67,712	5,761	31,141	1,674	5,000	96,973
Non-current liabilities	-	104,472	21,893	-	-	749	72,164
Income	971	261,503	378	30,078	6	-	58,970
Income / (loss) for the period	(11,918)	-	(36)	(285)	(125)	-	3,978
Other comprehensive income	996	76,769	(4)	-	(5,291)	-	-
Total comprehensive income	(10,922)	76,769	(40)	(285)	(5,416)	-	2,420
Adjusted shareholders' equity	312,551	177,844	107,459	138,985	51,120	53,854	74,780
% of interest	40.15	30.00	30.00	20.00	33.33	25.00	10.00
Balance of the investment	125,489	53,353	32,238	27,797	17,040	13,463	7,478

	Windsor	Tolle	Castelblanco	NS 10	Costa Laguna	Queiroz Galvão Sabia	Vista Alegre
Cash and cash equivalents	90,917	1	1,349	623	-	553	
Current assets	546,250	2	23,641	261	-	343	2
Non-current assets	568,813	15,995	841	8,467	1,731	1,506	778
Current liabilities	247,145	3	3,100	460	-	444	889
Non-current liabilities	531,521	-	356	602	-	415	-
Income	597,124	2,788	5,074	8	-	88	13
Income / (loss) for the period	173,476	1,561	14,703	(1,534)	-	(337)	(119)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	173,476	1,561	14,703	(1,534)	-	(337)	(119)
Adjusted shareholders' equity	427,314	15,995	22,375	8,289	1,731	1,543	(109)
% of interest	4.18	40.00	26.76	40.00	40.15	40.00	20.00
Balance of the investment	17,872	6,397	5,988	3,316	695	617	(22)

d. Financial information - Jointly controlled enterprises

	NS Noroeste	GT 11	Brookfield	Salaverry	Villagio Pompéia	Joaquim Antunes	Ramá	Diálogo Ibiapava
Cash and cash equivalents	600	2	5	6	-	-	68	64
Current assets	51,922	-	275	25,326	-	1	9,612	8,270
Non-current assets	3,471	29,778	31,517	239	17,721	16,436	-	1
Current liabilities	23,430	-	1,536	2,774	11	1,405	-	5
Non-current liabilities	2,972	-	2,777	327	-	-	-	-
Income		-	2	15,046	-	-	-	30
Income / (loss) for the period	(3,404)	-	(664)	12,514	2,269	4,568	(190)	6
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	(3,404)	-	(664)	12,514	2,269	4,568	(190)	6
Adjusted shareholders' equity	29,591	29,780	27,484	22,470	17,710	15,032	9,680	8,330
% of interest	70.00	60.00	50.00	50.00	60.00	50.00	50.00	50.00
Balance of the investment	20,714	17,868	13,742	11,235	10,626	7,516	4,840	4,165

	GMAX	Upcon SPE 4	Natural reserve	Upcon SPE 7	Colméia Life Tower	Colméia Capim Macio	Upcon SPE 12
Cash and cash equivalents	206	3,832	1,398	114	48	324	303
Current assets	4,304	7,545	3,712	2,273	-	343	6,532
Non-current assets	310	3,820	35,408	-	64	-	-
Current liabilities	16	10,663	149	1,579	14	673	8,032
Non-current liabilities	363	968	38,169	-	18	355	-
Income		9,280	1,786	288	-	350	-
Income / (loss) for the period	(361)	1,346	-	(291)	(71)	(685)	(924)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	(361)	1,346	-	(291)	(71)	(685)	(924)
Adjusted shareholders' equity	4,441	3,566	2,200	808	80	(361)	(1,197)
% of interest	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Balance of the investment	2,221	1,783	1,100	404	40	(181)	(598)

12 Other assets

	2014	2013
Purchased foreign exchange to be settled	1,166,906	1,082,329
Receivables from foreign exchange sales	633,359	191,888
Advances in national currency received	(91,337)	(12,469)
Cash pending settlement	76	4
Debtors accounting settlement pending	154,581	154,829
Income receivable	5,050	6,557
Salary advances	3,900	3,554
Advances to suppliers	4,334	3,770
Judicial deposits (Note 17e)	937,879	794,892
Prepaid expenses on insurance	1,174	968
Data processing prepaid expenses	7,938	10,312
Prepaid expenses on specialized technical services	2,592	1,171
Prepaid financial system service expenses	1,185	5,183
Other	36,939	26,931
Total	2,864,576	2,269,919

13 Tangible assets

	12/31/2013	Changes		12/31/2014		
	Book balance	**Acquisitions / Disposals**	**Depreciation**	**Cost value**	**Accumulated depreciation**	**Book balance**
Facilities	41,439	4,491	(5,797)	59,051	(18,918)	40,133
Furniture and equipment for use	31,845	1,462	(4,381)	62,684	(33,758)	28,926
Communication system	3,649	375	(640)	13,032	(9,648)	3,384
Data processing system	15,560	10,593	(7,667)	96,863	(78,377)	18,486
Security system	1,238	35	(184)	2,407	(1,318)	1,089
Transportation system	88	358	(109)	1,323	(986)	337
Improvements to third-party property	24,687	(26)	(2,682)	41,776	(19,797)	21,979
Construction in process	-	3	-	3	-	3
Total	118,506	17,291	(21,460)	277,139	(162,802)	114,337

14 Intangible assets

	12/31/2013	Changes				12/31/2014			
	Book balance	**Acquisitions**	**Write-offs**	**Amortization**	**Adjustment to recoverable value**	**Cost value**	**Acc. Amortiz.**	**Adjustment to recoverable value**	**Book balance**
SISBEX BM&FBOVESPA	-	-	-	-	-	200	-	(200)	-
Software acquired	8,120	15,171	(9,913)	(1,848)	-	20,197	(2,452)	(6,215)	11,530
Use licenses	12,380	21,638	(1,480)	(7,049)	-	47,618	(22,129)	-	25,489
Sales rights agreements	81	-	(81)	-	-	-	-	-	-
Goodwill	2,335	-	(1)	(749)	-	5,000	(3,415)	-	1,585
Software developed internally	22,175	6,521	(6,773)	(4,317)	(13,322)	29,846	(8,186)	(17,376)	4,284
Total	45,091	43,330	(18,248)	(13,963)	(13,322)	102,861	(36,182)	(23,791)	42,888

Assets with finite useful life	Cost value	Amortization	Adjustment to recoverable value	Book value
2014	102,861	(36,182)	(23,791)	42,888
2013	72,499	(23,354)	(4,054)	45,091

Expected realization of intangible assets

	Book value
In 2015	14,970
In 2016	12,348
In 2017	8,848
In 2018	1,848
From 2019	4,874
Total	42,888

15 Financial liabilities at fair value through profit or loss

	2014			2013		
	Cost value	Fair value (book)	Unrealized gain/ (loss)	Cost value	Fair value (book)	Unrealized gain/ (loss)
Domestic						
Repurchase agreements - Free movement.	11,115	11,064	51	307,278	301,731	5,547
Option box - fixed income strategy	7,440	7,416	24	144,260	143,598	662
Securities abroad	34,264	33,357	907	109,509	109,950	(441)
Total	52,819	51,837	982	561,047	555,279	5,768

16 Financial liabilities at amortized cost

	2014	2013
Repurchase agreements (Note 16a)	10,590,645	16,034,794
Financial liabilities at amortized cost, related to transferred financial assets (Note 16b)	17,594,080	18,508,503
Financial institution deposits	1,229,727	2,387,635
Customer deposits (Note 16c)	2,348,533	5,865,269
Borrowings and onlendings (Note 16d)	6,661,777	6,652,017
Securities issued (Note 16e)	40,264,658	40,074,792
Subordinated debt (Note 16f)	6,239,538	7,358,213
Total	84,928,958	96,881,223

a. Breakdown of repurchase commitments

	2014	2013
Own portfolio	6,491,811	14,946,357
Financial treasury bills	-	37,339
National Treasury Bills	3,432,951	12,528,277
National Treasury notes	2,810,066	2,345,514
Other	248,794	35,227
Third-party portfolio	4,098,834	1,088,437
National Treasury Bills	4,098,834	-
National Treasury notes	-	1,088,437
Total	10,590,645	16,034,794

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

	2014	2013
Financial liabilities associated with transferred assets (Note 38d-xii)	16,390,818	16,514,144
Net assets of FIDCs attributable to senior shareholders	1,193,057	1,966,472
Other liabilities	10,205	27,887
Total	17,594,080	18,508,503

c. Breakdown of client deposits

	2014	2013
Demand deposits	148,950	268,108
Time deposits	2,199,583	5,597,161
Total	2,348,533	5,865,269

d. Liabilities from borrowings and onlendings

		2014	2013
Loans in the country			
With exchange variation	(a)	3,818	7,627
Foreign borrowings			
With exchange variation	(b)	2,871,649	2,054,775
Local Onlendings - National Treasury			
Pre-fixed	(c)	110,450	115,973
Post-fixed	(d)	122	10,764
Onlending in the Country - BNDES			
Pre-fixed	(e)	778,288	846,505
Post-fixed	(f)	1,199,948	1,633,818
With exchange variation	(g)	84,074	84,760
Onlending in the Country - FINAME			
Pre-fixed	(h)	1,481,052	1,666,297
Post-fixed	(i)	132,376	230,883
With exchange variation		-	615
Total		6,661,777	6,652,017

a) Rate of restatement in 2014: CDI + 0.40 % p.a. + foreign exchange.
b) Rate of restatement in 2014: from 0.55% to 1.64% p.a. + exchange variation / 0.35% to 0.3.5% p.a. + Libor.
c) Rate of restatement in 2014: from 5.50% to 6.50% p.a.
d) Rate of restatement in 2014: Selic.
e) Rate of restatement in 2014: from 0.70% to 7.00% p.a.
f) Rate of restatement in 2014: from 7.02% p.a. to 9.91% p.a. + IPCA / from 0.50% p.a. to 4.50% p.a. + TJLP / 1.30% to 2.50% p.a. + Selic.
g) Rate of restatement in 2014: from 1.30% p.a. to 3.00% p.a. + exchange variation.
h) Rate of restatement in 2014: 0.30% to 8.30% p.a.
i) Rate of restatement in 2014: from 0.50% p.a. to 5.50% p.a. + TJLP.

e. Breakdown of securities issued

		2014	2013
Debentures			
Pre-fixed	(a)	177,849	168,349
Post-fixed	(b)	17,206,381	17,452,867
Funds from real estate credit notes			
Pre-fixed	(c)	2,034	-
Post-fixed	(d)	398,832	218,068
Agribusiness credit bill funds			
Post-fixed	(e)	2,850,362	2,530,499
Pre-fixed	(f)	3,563	1,626
Financial bills			
Pre-fixed	(g)	794,704	686,184
Post-fixed	(h)	12,216,793	12,254,823
Foreign securities			
Pre-fixed	(i)	1,104,487	1,359,348
Post-fixed	(j)	3,103	8,896
With exchange variation	(k)	5,474,270	5,394,132
Structured operations			
Pre-fixed	(l)	32,280	-
Total		40,264,658	40,074,792

a) Rate of restatement in 2014: 8.65% p.a. to 13.42% p.a.
b) Rate of restatement in 2014: 5.33% to 6.28% p.a. + IGPM / 3.16% to 6.48% p.a. + IPCA / 70.00% to 108.50% of DI
c) Rate of restatement in 2014: 12.10% p.a.
d) Rate of restatement in 2014: 90.00% to 98.50% of DI
e) Rate of restatement in 2014: 3.65% p.a. + IPCA / 80.00% to 98.50% of DI
f) Rate of restatement in 2014: 10.85% to 12.71% p.a.
g) Rate of restatement in 2014: 8.22% to 13.76% p.a.
h) Rate of restatement in 2014: 3.67% to 5.90% p.a. + IGPM / 3.11% to 7.42% p.a. + IPCA / 109.30% of Selic / 100.00% to 112.02% of DI
i) Rate of restatement in 2014: 6.25% to 19.77% p.a.
j) Rate of restatement in 2014: 86.00% to 101.40% + CDI
k) Rate of restatement in 2014: 0.19% to 5.53% p.a. + exchange variation
l) Rate of restatement in 2014: 11.25% p.a.

f. Composition of subordinated liabilities

		2014	2013
Subordinated financial bills			
Post-fixed	(a)	2,857,675	2,252,874
Bank deposit certificates			
Post-fixed		-	2,142,980
Subordinated bill			
With exchange variation	(b)	3,381,863	2,962,359
Total		6,239,538	7,358,213

a) Discount rate in 2014: from 6.84% to 8.14% p.a. + IPCA / from 6.60% to 7.57% p.a. + IGPM / from 1.28% to 1.91% p.a. + CDI / from 115.00% to 119.00% of DI
b) Rate of restatement in 2014: 7.38% p.a. + foreign exchange

17 Provisions

Labor lawsuits

The Conglomerate is the defendant in labor lawsuits mostly filed by former employees. Provisions for probable losses represent several claims, such as: indemnities, overtime, working time exemption, supplement per function and representation, among other matters.

Tax lawsuits

The Conglomerate, in audits carried out by the tax authorities, is the subject to inquiries relating to taxes, which can generate fines, such as: tax basis of the composition of income tax/social contribution [IRPJ/CS] (deductibility); and discussion of the levying of taxes, upon the occurrence of certain economic facts. Most lawsuits deriving from tax assessments refer to ISS, IRPJ, CSLL, PIS/COFINS, and Employer Social Security Contributions. Some of them are guaranteed, when necessary, by escrow deposits made to suspend payment of taxes under discussion.

Civil lawsuits

They refer basically to legal claims of the following nature: refusal of the total real cost of the agreements entered into; and tariffs.

a. Breakdown of contingent liabilities rated risk category probable

		2014	2013
Tax contingencies	(a)	73,471	573,904
Civil contingencies	(b)	324,968	327,696
Labor contingencies	(c)	961,856	752,421
Total		1,360,295	1,654,021

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

Contingencies	2015	2016	2017	2018	2019	Total
Tax	1,724	5,108	-	3,832	62,807	73,471
Civil	92,465	92,464	92,464	46,903	672	324,968
Labor	235,751	235,748	235,748	229,075	25,534	961,856
Total	329,940	333,320	328,212	279,810	89,013	1,360,295

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

	Tax claims		Civil claims		Labor claims	
	2014	2013	2014	2013	2014	2013
Opening balance	573,904	2,090,247	327,696	274,758	752,421	528,058
Formations	104,465	75,479	161,123	219,423	315,078	460,099
Reversals (a)	(626,757)	(1,687,732)	(79,014)	(54,193)	(68,226)	(276,994)
Write-offs (a)	(11,265)	(654)	(108,066)	(112,292)	(132,276)	(143,121)
Incorporation	-	101	-	-	-	142,202
Restatements	33,124	96,463	23,229	-	94,859	42,177
Closing balance	73,471	573,904	324,968	327,696	961,856	752,421

(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

		2014	2013
Tax contingencies	(a)	1,032,103	707,234
Civil contingencies	(b)	27,585	16,798
Labor contingencies	(c)	1,393,812	1,330,180
Total		2,453,500	2,054,212

(a) In the Consolidated statements, basically refer to: a) IRPJ/CS on net equity of overseas investments R$ 211,148 (R$ 198,805 in 2013); b) INSS on Profit Sharing R$ 217,337 (R$ 147,703 in 2013); c) over-allocation of IRPJ to FINOR (2004-2010) R$ 113,051 (R$ 107,145 in 2013); d) ISS R$ 19,709 (R$ 70,001 in 2013); e) INSS on Profit Sharing - Nassau Branch R$ 36,735 (R$ 45,186 in 2013); f) PIS/COFINS on demutualization R$ 34,177 (R$ 32,528 in 2013); g) IRPJ/CS on improper compensation of tax loss - Bonuses to executive officers R$ 25,577 (R$ 24,515 in 2013); h) IRPJ/CSLL - ADA Deduction 2008 R$ 94,075; i) Infraction Penalty (non-approval of DCOMP) R$ 113,679 (approved in 12/2014); j) CSLL (Contribution on Net Profit] - Improper Exclusion in BC of Interest on Foreign Government securities R$ 66,031 (approved in 12/2014). Refer to, basically, to credit collection actions.

(b) The Consolidated refers to, basically, to collection actions.

(c) In the Consolidated, refers to actions mostly brought by former 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"

	2014	2013
Tax contingencies	609,994	558,964
Civil contingencies	157,384	121,498
Labor contingencies	170,501	114,430
Total	937,879	794,892

18 Current tax liabilities

	2014	2013
Taxes and contributions on income payable	471,788	-
Provision for taxes and contributions on income	541,542	86,237
Taxes and contributions on third party services	4,650	4,661
Taxes and contribution on the salary	9,191	9,252
Taxes and contributions on interest earning bank deposits	19,925	15,401
PIS	5,832	4,337
COFINS	35,848	26,606
ISS	5,535	5,245
IOF	13,041	7,807
Other taxes and contributions	426	647
Total	1,107,778	160,193

19 Deferred tax liabilities

a. *Breakdown of deferred tax liabilities*

	2014	2013
Fair value adjustments of financial assets	912	487
Adjustment to fair value of derivatives	144,977	241,376
Adjustment to fair value of loans and receivables	63,072	79,926
Derivatives - Cash basis	-	813
Excess depreciation	125,808	441,236
Total	334,769	763,838

b. Changes in deferred tax liabilities

	2014	2013
Opening balance	763,838	543,701
Fair value adjustments of financial assets	425	(89,035)
Adjustment to fair value of derivatives	(96,400)	241,376
Adjustment to fair value of loans and receivables	(16,854)	(589,802)
Derivatives - Cash basis	(813)	(1,714)
Excess depreciation	-	(282,615)
Excess (insufficient) depreciation offsetting	(315,427)	217,155
Offsetting of deferred tax assets	-	724,772
Closing balance	334,769	763,838

20 Other liabilities

	2014	2013
Third-party funds in transit	31,947	26,381
Internal funds transfer	4,210	10,368
Foreign currency sold to liquidate	665,313	190,923
Liabilities for foreign exchange purchases	1,043,090	1,016,222
Cash pending settlement	1,521	15,078
Commissions and brokerage fees payable	206	13,011
Creditors - unsettled accounts	59,616	43,393
Provision for profit sharing	204,730	362,065
Provision for personnel expenses	315,911	225,266
Provision for Administrative Expenses	154,487	233,524
Commission for intermediation of operations payable	32,476	34,331
Liabilities for credit card transactions	676,851	548,217
Amounts of overseas securities payable	1,169	1,448
Loan operations and leases to be released	-	10,444
Obligations for purchase of assets and rights	1,449	3,576
Unrealized capital subscriptions	19,645	38,456
Other liabilities (a)	388,346	186,990
Total	3,600,967	2,959,693

(a) Basically refers to liabilities regarding sales or transfers operations of financial assets with substantial retaining of the risks and benefits, performed as of January 01, 2012, as current law.

21 Shareholders' 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, 2014	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%	49.999999999%
Banco do Brasil	49.99999999%	50.000000001%

According to the Extraordinary General Meeting held on July 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. The capital increase was approved by the Brazilian Central Bank on February 28, 2014.

b. Breakdown of reserves

	2014	2013
Capital reserves	372,120	372,120
Profit reserves	383,116	-
Legal reserve	25,123	-
Special profit reserve	357,993	-
Total reserves	755,236	372,120

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

Legal reserve
Formed compulsorily on the basis of 5% of net income for the period, until it reaches 20% of the capital stock. Legal reserve may not be formed when the result of its addition to capital reserves is greater than 30% of capital stock. The legal reserve can only be used for capital injection or to offset loss.

Special profit reserve
The Management may propose that the non-distributed portion of profit, if any, be earmarked for "special reserve of profits", which will be available to shareholders for future deliberation at the Annual Shareholders' Meeting.

c. Dividends

Shareholders are assured a minimum compulsory dividend equivalent to 25% of net profit for the year - BRGAAP, deducted from the legal reserve.

	2014
Net income - BRGAAP	502,447
Legal reserve	(25,123)
Calculation basis	477,324
Compulsory minimum dividends	119,331
Total dividends distributed	119,331
% Proposed amount on taxable income	25%
Dividends per thousand shares - R$	1.13

d. Adjustments to equity value recognized in shareholders' equity

	2014	2013
Opening balance	(335,190)	307,135
Financial assets available for sale	72,954	(1,046,855)
Derivative financial instruments - Cash flow hedge	-	-
Tax effects	(38,550)	404,530
Closing balance	(300,786)	(335,190)

e. Non-appropriated retained earnings

Net earnings in accordance with accounting practices generally accepted in Brazil is fully earmarked for dividends, interest on equity and establishment of profit reserves. Thus, the balance presented in this account, in these consolidated financial statements prepared in accordance with IFRS, mainly represents the effect of differences between the accounting practices adopted in Brazil and the International Accounting Standards.

f. Reconciliation of shareholders' equity' and net income from BRGAAP to IFRS

	2014		2013	
	Shareholders' equity	**Net income**	**Shareholders' equity**	**Net income**
Balance - BRGAAP	7,553,874	502,447	7,140,682	(512,076)
Assignment of receivables with co-obligation, net of tax effects	(44,828)	91,740	(136,568)	275,309
Credit assignment with substantial risk, net of tax effects	-	-	-	3,337
Provision for impairment losses, net of tax effects	89,996	179,968	(89,972)	20,939
Usufruct of shares, net of tax effects	(10,029)	(6,522)	(3,507)	(32,428)
Impairment of financial assets available for sale, net of tax effects	-	(1,343)	-	(293)
Appropriation of discount - credit operations, net of tax effects	-	-	-	91,902
Adjustment to fair value of swap Circular Letter 3.129/02, net of tax effects	19,415	19,415	-	-
Other adjustments, net of tax effects	2,332	(14,058)	13,405	(38,801)
Balance - IFRS	7,610,760	771,647	6,924,040	(192,111)

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. For the purpose of preparing Financial Statements under BRGAAP, loan assignments conducted up to December 31, 2012 were calculated recognizing income at the time of assignment, irrespectively of retention or not of risk.

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

Through the issuance of CMN Resolution No. 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 in the CMN Resolution No. 2,682/99 and its supplementary items. 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 reporting 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 shareholders' 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.

Usufruct of shares - Operations of usufruct of shares are contracts that give the Votorantim Financial Conglomerate the right of usufruct of income from preferred shares object of the Usufruct arrangement for a specified period of time. When acquiring this right, the Conglomerate disburses a certain amount in order to enjoy the aforementioned benefit.

In BRGAAP, these operations have their appropriation in profit or loss on a straight-line basis, while the amounts originating from the rights to receive dividends are recognized as revenue upon proof of such right. For purposes of financial statements under IFRS, 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 and recognized in the income at the effective rate of operation.

Appropriation of discount - The conglomerate carried out a credit operation that entitles the counterparty to acquire all the risks and benefits on certain financial assets on a specific date. This transaction was recorded as "Loans and Receivables" net of the discount calculated on the transfer date. Under the IFRS, no objective evidence of loss was diagnosed, and the discount was appropriated linearly to P/L.

Starting November 30, 2013, the counterparty of the operation showed objective evidence of impairment and an allowance was established for loss and duly reversed discount.

Adjustment to fair value of swap - Circular Letter 3.129/02, net of tax effects - The Conglomerate operated with swaps in hedge operations of Securities Held to Maturity, as permitted by BACEN Circular Letter No. 3,129/02. According to this standard, adjustment to fair value of derivatives contracted in hedge operations of Securities Held to Maturity should be recognized disregarding the increase or decrease resulting from adjustment to fair value. IAS 39 - Financial Instruments: Recognition and Measurement applied in this report determines that the derivative instruments must be measured at fair value through P/L. Thus, under IFRS, we recorded the adjustment to fair value of these operations against P/L, recorded under the heading "Results of derivative financial instrument".

22 Interest revenue

	2014	**2013**
Advances to depositors	40	19
Investments in fixed income securities	2,613,482	2,385,330
Investments in foreign securities	50,270	95,914
Foreign investments	91	333
Loans	2,877,922	3,121,967
Discounted securities	13,960	14,227
Financings	8,473,194	7,266,403
Export financing	607,545	538,632
Financing operations in foreign currency	19,495	29,682
Rural financing agreements	32,550	6,334
Real estate financing agreements	57,646	66,124
Cash and cash equivalents in foreign currency	20,396	51,863
Forex transactions	141,748	235,786
Leases	95,179	284,527
Credits for sureties and guarantees paid	5,322	8,329
Applications repurchase agreements	756,361	1,161,340
Interbank deposit investments	114,494	95,683
Beneficial ownership of shares in closed stock corporations	35,629	48,429
Acquired portfolio	14,220	409
Other	24,670	44,527
Total	15,954,214	15,455,858

23 Interest expenses

	2014	2013
Purchase and sale commitments	(1,247,973)	(1,639,307)
Expenses assignees	(3,044,574)	(1,415,729)
Interbank deposits	(233,746)	(211,983)
Time deposits	(547,307)	(762,041)
Domestic borrowings	(681)	(785)
Foreign borrowings	(23,325)	(311,685)
National Treasury Onlendings	(8,081)	(8,278)
BNDES Onlendings	(145,389)	(182,653)
Onlending - FINAME	(55,009)	(71,148)
Obligations with overseas financial institutions	(143,046)	(156,323)
Debentures	(1,787,042)	(1,517,999)
Funds from real estate credit notes	(37,179)	(14,150)
Agribusiness credit bill funds	(259,336)	(179,223)
Financing bills	(1,753,214)	(1,251,078)
Option box - fixed income strategy	(5,401)	(81,133)
Securities issued abroad	(1,396,798)	(1,411,963)
Other	(12,992)	(11,698)
Total	(10,701,093)	(9,227,176)

24 Net income from services and commissions

	2014	2013
Bank fees	262,757	293,101
Income from guarantees granted	146,410	171,047
Management of investment funds	102,297	139,930
Commissions on placing of securities	57,438	67,810
Brokerage of Stock Exchange transactions	15,343	21,245
Collection income	3,964	9,439
Income from commissions on intermediation of transactions	208,906	190,623
Technical/financial advisory	(439,271)	(598,391)
Costs associated with the origination of loans and receivables (a)	(610,209)	(702,552)
Judicial and civil law notary emoluments and attorneys' fees	(134,716)	(218,076)
Credit card transactions	92,977	64,154
Other	143,389	84,468
Total	(150,715)	(477,202)

(a) Balances refer to commission expenses in the amount of R$ 658,695 (R$ 825,350 in 2013) and revenues from commission reimbursement in the amount of R$ 48,486 (R$ 122,798 in 2013).

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

	2014	2013
Financial assets at fair value through profit or loss	**168,093**	**105,876**
Government bonds	(121,475)	(344,362)
Private securities	289,568	450,238
Financial liabilities at fair value through profit or loss	**3,803**	**6,094**
Purchase and sale commitments - Free movement	5,015	(1,069)
Option box - fixed income strategy	(637)	6,216
Securities abroad	(575)	947
Financial liabilities at amortized cost	**43,472**	**180,905**
Securities issued (a)	122,862	27,345
Loans and onlendings (a)	5,556	36,014
Subordinated liabilities (a)	(84,946)	117,546
Loans and receivables	**(6,591)**	**(1,937,112)**
Loans (a)	22,141	(104,547)
Financing (a)	22,473	(1,652,252)
Export financings (a)	(45,964)	(15,506)
Financial lease operations (a)	(5,241)	(164,807)
Total	208,777	(1,644,237)

(a) Refers to adjustment to fair value of financial instruments that are subject to Hedge Accounting.

26 Income from derivatives financial instruments

	2014	2013
Swap contracts	(53,883)	515,950
Forward contracts	4,510	(367)
Futures contracts	729,130	772,334
Option contracts	(89,617)	66,615
NDF contracts	(204,564)	101,693
Credit derivatives	(7,072)	5,620
Total	378,504	1,461,845

27 Other operational results

		2014	2013
Capital gains		3,472	7,295
Monetary restatement - judicial deposit		74,220	29,738
Provision for contingent liabilities	(a)	2,054	125,005
Civil indemnities		(214,182)	(201,187)
Judicial deposits		-	(45)
Devaluation of other assets		(31,452)	(18,387)
Foreign exchange variation of foreign investment		144,918	114,938
REFIS discount		62,825	594,662
Expenses with interest COFINS (joining REFIS)		(181,820)	(600,223)
Reversal of provision for variable compensation		166,419	4,251
Adjustment early partial settlement of credit assignments	(b)	(124,745)	-
Other operating income from consolidated investment funds		(427,133)	(65,202)
Other		(25,326)	(74,105)
Total		(550,750)	(83,260)

(a) Include the net effect for the adhesion to the installment payment program and cash payment of tax debits (Note 38f) in the amount of R$ 62,016.
(b) R$ 56,890 (1st half of 2014) and R$ 67,855 (in 2013).

28 Result from impairment losses

	2014	2013
(Formation)/reversals of provision for losses	(2,383,101)	(4,482,805)
Recovery of loans written off as losses	771,517	709,125
Discounts on renegotiation	(453,463)	(385,823)
Total	(2,065,047)	(4,159,503)

29 Personnel expenses

	2014	2013
Fees	(17,968)	(14,964)
Benefits	(130,619)	(134,047)
Social charges	(174,604)	(182,475)
Dividends	(585,389)	(562,760)
Training	(4,383)	(2,191)
Labor claims	(281,009)	(136,756)
Total	(1,193,972)	(1,033,193)

30 Other administrative expenses

	2014	2013
Water, energy and gas	(4,431)	(4,754)
Rents	(93,596)	(111,988)
Leased property	(1,644)	(2,988)
Communications	(75,385)	(64,386)
Philanthropic contributions	(26,389)	(12,933)
Maintenance and preservation assets	(18,613)	(24,637)
Material	(3,348)	(1,934)
Data processing	(178,275)	(180,621)
Promotions and public relations	(5,474)	(4,519)
Advertising and publicity	(7,894)	(4,241)
Publications	(1,054)	(1,120)
Insurance	(2,181)	(12,070)
Outsourced services	(14,404)	(19,196)
Surveillance and security	(2,564)	(3,282)
Transportation	(15,047)	(15,416)
Traveling	(10,490)	(12,090)
Other	(9,505)	(26,358)
Total	(470,294)	(502,533)

31 Depreciation and amortization

	2014	2013
Amortization	(16,683)	(13,278)
Depreciation	(18,740)	(20,257)
Total	(35,423)	(33,535)

32 Tax expenses

	2014	2013
ISS	(48,368)	(55,720)
PIS	(49,231)	(55,967)
COFINS	(311,372)	(141,122)
Other	(7,242)	(155,652)
Total	(416,213)	(408,461)

33 Income from disposal of non-current assets for sale

	2014	2013
Disposal of non-operating assets	7,770	(28,700)
Sales of investments	-	(2)
Total	7,770	(28,702)

34 Expenses - income taxes and social contributions

a. Charges due on operations

	2014	2013
Income/(loss) before income tax and social contribution of equity interests	1,123,199	(596,087)
Charges at the current nominal rate	(449,280)	238,435
Exclusions /(additions)	(123,207)	(696,631)
Tax loss of Income Tax	(237,036)	58,458
Negative basis of social contribution tax	(200,134)	(26,859)
Adjustment to fair value of financial assets	(10,307)	12,575
Adjustment to fair value of derivatives	(174,521)	595,033
Adjustment to fair value of loans and receivables	(2,234)	(730,963)
Profit sharing	65,610	(69,482)
Variable compensation program	(55,625)	(7,056)
Provision for impairment losses	(78,421)	(591,779)
Provisions	(105,438)	(89,466)
Legal obligations	672,030	19,134
Excess (insufficient) depreciation	(315,427)	(282,616)
Permanent additions and tax incentives	314,807	426,194
Other	3,489	(9,804)
Taxes and contributions on current income	(572,487)	(458,196)

b. Deferred income and social contribution taxes on income

Deferred tax assets	**2014**	**2013**
Additions/(exclusions)		
Tax loss of Income Tax	240,001	(47,740)
Negative basis of social contribution tax	201,913	33,287
Fair value adjustments of financial assets	9,398	(21,639)
Adjustment to fair value of derivatives	91,064	(355,372)
Adjustment to fair value of loans and receivables	(14,622)	141,161
Profit sharing	(24,653)	59,323
Legal obligations	-	(19,135)
Provision for impairment losses	47,804	566,133
Provisions	(583,078)	80,646
Depreciation shortfall	-	217,155
Income from foreign branches	(4,845)	(17,146)
Other	30,903	33,295
Total	(6,115)	669,968

Deferred tax liabilities	**2014**	**2013**
Additions/(exclusions)		
Fair value adjustments of financial assets	487	8,272
Adjustment to fair value of derivatives	83,457	(241,376)
Adjustment to fair value of loans and receivables	16,854	589,802
Derivatives - Cash basis	813	1,714
Excess (insufficient) depreciation	315,427	65,459
Total	417,038	423,871

35 Related parties

Costs of salaries and other benefits granted to key management personnel of the Banco Votorantim, formed by the Executive Board, Audit Committee, Board of Directors and Fiscal Council:

	2014	2013
Fees	16,297	13,871
Bonuses	21,406	30,619
Social charges	11,086	13,494
Total	48,789	57,984

The Bank does not provide post-employment benefits to key management personnel.

The Bank dos not grant loans to Management key personnel, in conformity with prohibition to financial institutions established by the Brazilian Central Bank.

Balances of accounts referring to transactions among the Bank's consolidated companies are eliminated in Consolidated Financial Statements and also consider the absence of risk. Regarding the controlling shareholders, the transactions with the Banco do Brasil Financial Conglomerate and of the Conglomerate Votorantim Participações are included, the main companies of which are Votorantim Finanças S.A. and Votorantim Industrial S.A. which maintains banking transactions with the Bank.

The Conglomerate carries out banking transactions with related parties, such as current account deposits (not remunerated), remunerated deposits, money market repurchase commitments, derivative financial instruments and granting of loan portfolios. There are also service agreements.

These transactions are carried out under terms and conditions similar to those performed with third parties where applicable, prevailing at the transaction dates. These transactions do not involve extraordinary default risks.

In the year ended December 31, 2014, Banco Votorantim sold securities (privately held companies' shares) classified in the category Available for sale to subsidiary BV Financeira and earned unrealized income, net of taxes and contributions, of R$27,630, eliminated in the financial Conglomerate's consolidation process.

In the year ended December 31, 2014, Conglomerate, through its subsidiary BV Financeira, carried out credit assignments with a related party, with substantial risk retention. Present values totaled R$ 10,368,449 (R$ 13,177,302 in 2013). Net income from credit assignments, considering the income and expenses from assignments with substantial retention of risks and benefits is presented in "Income from interest, services rendered and other income".

	2014						
	Banco do Brasil Conglomerate	**Votorantim Conglomerate**	**Financial subsidiaries (a)**	**Non-financial subsidiaries (b)**	**Key management personnel (c)**	**Other (d)**	**Total**
Assets	**3,654,842**	**12,620**	**52,675,729**	**9**	**-**	**1,460,748**	**57,803,948**
Cash and cash equivalents	95,951	-	-	-	-	-	95,951
Financial assets with resale agreement	3,535,010	-	-	-	-	-	3,535,010
Financial assets at fair value through profit or loss	-	-	29,101,026	-	-	-	29,101,026
Financial assets available for sale	-	-	-	-	-	1,460,047	1,460,047
Loans and receivables	23,881	2,706	23,570,929	9	-	701	23,598,226
Derivative financial instruments	-	9,914	3,774	-	-	-	13,688
Liabilities	**16,512,192**	**340,432**	**23,758,520**	**232,083**	**15,910**	**877,665**	**41,736,802**
Financial liabilities - Amortized cost	16,419,246	330,575	23,543,081	232,083	15,910	877,665	41,418,560
Derivative financial instruments	87,154	9,857	214,076	-	-	-	311,087
Other liabilities	5,792	-	1,363	-	-	-	7,155
Income (loss)	**1,382,579**	**120,897**	**2,452,293**	**(37,142)**	**(2,770)**	**168,978**	**4,084,835**
Income from interest, provision of services and other	1,392,691	155,011	3,064,732	-	261	168,978	4,781,673
Fund raising, administrative expenses and other	(10,112)	(34,114)	(612,439)	(37,142)	(3,031)	-	(696,838)

	2013						
	Banco do Brasil Conglomerate	**Votorantim Conglomerate**	**Financial subsidiaries (a)**	**Non-financial subsidiaries (b)**	**Key management personnel (c)**	**Other (d)**	**Total**
Assets	**75,198**	**9,030**	**50,790,344**	**-**	**-**	**1,510,575**	**52,385,147**
Cash and cash equivalents	69,829	-	-	-	-	-	69,829
Financial assets with resale agreement	-	-	25,623,846	-	-	-	25,623,846
Financial assets at fair value through profit or loss	-	-	24,898,636	-	-	-	24,898,636
Loans and receivables	5,369	3	-	-	-	-	5,372
Derivative financial instruments	-	9,027	267,862	-	-	1,510,575	1,787,464
Liabilities	**16,833,863**	**500,312**	**25,998,199**	**218,543**	**51,659**	**2,241,657**	**45,844,233**
Financial liabilities - Amortized cost	16,695,950	365,714	4,502,042	218,543	51,659	2,241,657	24,075,565
Derivative financial instruments	137,913	134,598	21,493,997	-	-	-	21,766,508
Other liabilities	-	-	2,160	-	-	-	2,160
Income (loss)	**1,517,074**	**(10,938)**	**3,203,825**	**(90,085)**	**(2,814)**	**378,917**	**4,995,979**
Income from interest, provision of services and other	616,800	-	3,597,125	-	-	378,917	4,592,842
Fund raising, administrative expenses and other	(31,428)	(10,938)	(393,300)	(90,085)	(2,814)	-	(528,565)

(a) Related companies in Note 2g.
(b) In 2014, it includes BVIP - BV Investimentos e Participações S.A., BVIA - BV Investimentos e Participações de Gestão de Recursos S.A., Votorantim Corretora de Seguros S.A. and, in 2013, also includes BV Sistemas de Tecnologia da Informação S.A.
(c) Board of Directors, Executive Board, Audit Committee and Fiscal Council.
(d) In 2014, includes FIDCs I, II and VI and, in 2013, includes BV Participações e Controladas e Fundo de Investimento Nióbio.

36 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 segments, as described below that are the business units of the Conglomerate. The business units offer different products and services and are managed separately, have specific management models, target publics, marketing strategies, and different sub-segmentation. 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 segment results are included below. The performance is evaluated based on the net income for the period.

a. Managerial statement of income by segment and conciliation of managerial result by segment with consolidated result according to IFRS

	2014				
	Retail	Wholesale	Managerial Consolidated	Adjustments and reclassifications	IFRS Consolidated
Net interest income and services	3,886,112	1,176,187	5,062,299	40,107	5,102,406
Provision for impairment	(1,640,902)	(664,833)	(2,305,735)	240,688	(2,065,047)
Administrative and personnel expenses	(715,317)	(436,405)	(1,151,722)	(512,544)	(1,664,266)
Tax expenses	(292,795)	(184,861)	(477,656)	61,443	(416,213)
Other operating income/expenses	(620,266)	142,829	(477,437)	643,756	166,319
Variable compensation	(44,553)	(160,084)	(204,637)	14,649	(189,988)
IR/CS	(219,871)	277,206	57,335	(218,899)	(161,564)
Net income for the year	**352,408**	**150,039**	**502,447**	**269,200**	**771,647**

b. Patrimonial informations by segment

	2014		
	Retail	Wholesale	Total
Impairment on assets	(2,572,297)	(2,037,251)	(4,609,548)
Total assets	52,147,652	48,965,067	101,112,719
Total liabilities	48,588,796	44,913,163	93,501,959
Total shareholder’s equity	3,558,856	4,051,904	7,610,760

37 Risk and capital management

a. Integrated risk 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, credit and operating. This consolidation is done through a structured process that includes mapping, counting and aggregating 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;
- Adoption of risk calculation methodologies based on the market practices; and
- Involving Senior Management.

i. Policies, Standards, Procedures and Manuals

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: operating rules established to describe activities and steps for their implementation, detailing the issues addressed in guidelines; and

- Manuals Products, Services, and Calculation Systems and Modeling: set of documents that compile the main features on structuring of products, services, systems and calculation methodologies used.

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

ii. Governance Structure and Committees

The Conglomerate has decision-making committees and technical commissions so as to ensure adequate capital management and the self-assessment of its risks. Special emphasis is placed on the ALM, Risks and Capital Committee (CARC) as the primary risk and capital management forum and, at a higher level, the Executive Committee (ComEx), which also performs the tracking of its general performance. Finally, it also has a Board of Directors ("CA"), a Supervisory Board ("FC") and an Audit Committee ("COAUD").

The internal governance structure ensures that all stakeholders contribute effectively to the internal risk management and mitigation and capital adequacy assessment process. As detailed below, all of these bodies have an important role in Conglomerate's capital and risk management.

Executive committee

- Duties: Definition of the strategy and tracking of the institution's general performance, of the market context and of all the topics addressed in the committees and commissions, with the duty of deliberating matters that require the participation of Senior Management or of arbitrating in case of a standoff in the committees.
- Periodicity: weekly.
- Reporting: Conglomerate's Board of Directors.

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

- Duties: draft proposals of the risk appetite (to be ratified by the Board of Directors) and monitor relevant risk indicators, both financial and non-financial; analyze and ratify proposals from the committees (Market Risk; Credit, Liquidity, Tax and Business Risk); evaluate and approve operations that may impact consumption or capital base; monitor the planning of capital for three years; monitor liquidity and cash reserves and send proposals to the Executive Committee and the Board of Directors referring to actions for risk management and control as well as capital management.
- Periodicity: biweekly.
- Reporting: Executive Committee.

Credit Committee

- Duties: 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.
- Reporting: Executive committee

Control Committee

- Duties: consolidating the work of the Sectorial Committees of Risk and Control of each Division/Area; analysis and validation of actions to correct weaknesses and improve the risk management system, monitoring of the processes related to risk management; monitoring of operational risk and internal control system; monitoring of prevention of money laundering and fraud; decision-making and follow-up on issues of information security and business continuity plans.
- Frequency: monthly.
- Reporting: Executive Committee.

Product Committee

- Duties: evaluation of opportunities for new products and/or transactions; approval for the development of new products (assessment of impact on systems, operations, processes and controls); monitoring the implementation of improvements and maintenance of existing products; validation of compliance of new products and structured transactions.
- Periodicity: weekly.
- Reporting: Executive committee

Market Risk Commission

- Attributions: evaluating exposure to market risk limits and monitoring exposure to the trading portfolio's major market risks.
- Frequency: monthly.
- Reporting: CARC

Credit Risk Commission

- Duties: follow and monitor the loan portfolio, the exposure limits of credit risk portfolio, wholesale and retail, 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 loan portfolio; monitor effectiveness of collection actions and recovery of credit and guarantees; discuss strategies to promote timely payments.
- Frequency: monthly.
- Reporting: CARC.

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.
- Reporting: CARC.

Tax Commission

- Duties: Assessment of tax risks that may impact the balance sheets of the companies from the Financial Conglomerate and statement for approval of the Technical Studies for realization of Tax Credits for financial businesses - Resolution No. 3,059.
- Frequency: monthly.
- Reporting: CARC.

Business Commission

- Duties: Evaluation of the return on operations proposed by the business areas and preparation of opportunities for additional operations to increase revenue and maximize the return on the allocated capital.
- Periodicity: weekly.
- Reporting: CARC.

Sectorial Risk and Control Management Commissions

- Duties: discuss, consider and deliberate on relevant points of risks, internal controls, compliance and internal audit of each Division/Area; monitor corrective actions and define how to implement the relevant points identified; prioritize projects according to the identified risks and weaknesses.
- Frequency: bimonthly.
- Reporting: Control Committee.

Information Security and Business Continuity Commission

- Duties: deliberate on Information Security and Business Continuity Strategies, risk assessment versus corporate action plans, and monitor the implementation of the established plans; monitor incidents and indicators of Information Security and Business Continuity; design and monitor crisis management processes and procedures; quantify and mitigate risks related to leakage of information and interruption of business.
- Frequency: bimonthly.
- Reporting: Control Committee.

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 a financial institution. These financial losses may be incurred due to the impact produced by changes in interest rates, exchange rates, and stock or commodity prices.

ii. Basic principles

In line with CMN Resolution No. 3,464, the Bank has an institutional structure and policies for market risk management approved by the Board of Directors and the basic principles observed in management and control were established in compliance with the current regulations and market practices, as follows:

- Involvement of Senior Management: the existing committees and commissions are structured in order to involve Senior Management in overall supervision of risk-taking;
- Segregation of portfolios: for the purpose 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);
- Independence of functions: Segregation of functions between units responsible for trade execution and defining business strategies, and the units responsible for accounting, risk control, compliance and internal controls and auditing. This segregation is structured with the objective of ensuring independence and autonomy in the management of the duties inherent to each role;
- Definition of responsibilities: Clear definition of processes and the range of activities of each function involved in management and control of market risks. This definition is structured with the objective of enabling organized and efficient operations management;
- Definition of pricing methodologies and risk calculation: for the purpose of risk control, structured methodologies based on best market practices are adopted for mandatory corporate use;
- Setting limits: Clear and objective definition of the authorized risk levels, based on the risk measures. This definition is structured with the objective of including the risk appetite levels defined by the institution in the daily activities; and
- Monitoring of limits: definition of the process for monitoring and reporting on the level of usage of the authorized limits.

iii. Areas 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, P&L 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;
- Responsible for the independent capture of the prices used; and
- Responsible for calculating the values at risk and the allocated capital and 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; and
- Responsible for the effective operation of the management segregation of portfolios.

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 the determination and tracking of the accounting and management result from transactions.

iv. Risk Measures and Limits for Management and Control

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

- VaR (Value at Risk): it seeks to determine the risk resulting from market exposures, by determining the highest expected loss within a confidence interval and a time horizon;
- Stress test: used in order to estimate the potential fluctuations in the value of financial instruments, which occur due to extreme changes in market variables (or risk factors);
- Market Risk Regulatory Capital: comprises the regulatory capital calculated for trading and non-trading portfolio exposures;
- Sensitivity Analysis: this is used to estimate the potential fluctuations in value of financial instruments, which occur because of fluctuations in the risk factors; and
- GAP analysis: Consists of the measurement of cash flow mismatching by risk factor.

Risk measures are used along with limits as market risk management tools. 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 banking portfolio encompasses all the operations not classified as trading.

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
- banking portfolio composition: 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 Conglomerate transactions available for negotiation. To measure the risk of the trading portfolio, the Conglomerate adopts the methodology of VaR analysis through Historical Simulation.

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

Period	Minimum	Average	Maximum
Jan-Dec 2014	8,991	24,828	82,259
Jan-Dec 2013	9,750	35,100	86,834

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 (consumer finance, middle or corporate). 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.

To measure the risk of the banking portfolio, the Conglomerate adopts the methodology of VaR analysis through Historical Simulation and methodology uses the rules established by the Central Bank of Brazil, through Circular Letter No. 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 2014	40,131	208,305	258,740
Jan-Dec 2013	242,274	368,182	575,280

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 non-compliant transactions comprises two steps: (i) reporting and (ii) return to compliance.

Communication:

- 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. Sensitivity analyses

Conglomerate uses two methodologies for sensitivity analysis of its exposures:

Sensitivity analysis 1

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.

Trading portfolio

		Basic interest rate shock			
		2014		2013	
Risk Factor	**Concept**	**+ 100 bps**	**- 100 bps**	**+ 100 bps**	**- 100 bps**
Prefixed rate	Prefixed interest rate variation risk	(64)	70	(1,041)	1,045
Forex coupons	Exchange rate risk of FX coupon	(987)	1,005	(1,140)	(1,153)
Foreign exchange	Foreign exchange variation rate risk	-	-	-	-
Price indices	Risk from variation in Price index coupon	(1,483)	1,491	42	(42)
TR / TBF	Risk of TR (reference rate) and TBF (basic financial rate) coupon variation	-	-	-	-
Other	Variation risk for other coupons	-	-	-	-

Trading and Banking Portfolio

		Basic interest rate shock			
		2014		2013	
Risk Factor	**Concept**	**+ 100 bps**	**- 100 bps**	**+ 100 bps**	**- 100 bps**
Prefixed rate	Prefixed interest rate variation risk	(22,532)	22,560	(28,445)	28,494
Forex coupons	Exchange rate risk of fx coupon	(6,191)	6,234	(4,305)	4,334
Foreign exchange	Foreign exchange variation rate risk				
Price indices	Risk from variation in Price index coupon	(1,160)	1,168	(337)	338
TR / TBF	Risk of TR (reference rate) and TBF (basic financial rate) coupon variation	2,045	(2,055)	795	(794)
Other	Variation risk for other coupons	-	-	-	-

Sensitivity analysis 2

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. In constructing this scenario, the currencies and the IBOVESPA index suffer shocks of 1.00% over the closing price on 31 December 2014 (R$ 2.6466 and 50,007 points, respectively). The curves of fixed-rate yields, price index coupons, foreign currency coupons and other interest rate coupons suffer parallel shocks of 10 base points, i.e. all the amounts, regardless of the maturity, increase by 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.

In the analysis performed 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 Shareholders' 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:

Trading portfolio

Scenario I

		2014			2013		
Risk Factor	**Concept**	**Variation of rates**	**Exposure**	**Income (loss)**	**Variation of rates**	**Exposure**	**Income (loss)**
Prefixed rate	Prefixed interest rate variation risk	Increase	(550,113)	(64)	Increase	(2,460,276)	(1,041)
Forex coupons	Exchange rate risk of fx coupon	Increase	1,197,546	(1,631)	Increase	33,115	(1,843)
Foreign exchange	Foreign exchange variation rate risk	Increase	(209,872)	(1,172)	Increase	342,794	(3,491)
Price index	Risk from variation in Price index coupon	Increase	449,353	(1,483)	Increase	30,763	42
Other	Variation risk for other coupons	Increase	78,354	(121)	Increase	86,201	(50)

Scenario II

		2014			2013		
Risk Factor	**Concept**	**Variation of rates**	**Exposure**	**Income (loss)**	**Variation of rates**	**Exposure**	**Income (loss)**
Prefixed rate	Prefixed interest rate variation risk	Increase	(550,113)	(191)	Increase	(2,460,276)	(26,238)
Forex coupons	Exchange rate risk of fx coupon	Increase	1,197,546	(5,209)	Increase	33,115	(6,132)
Foreign exchange	Foreign exchange variation rate risk	Increase	(209,872)	(40,736)	Increase	342,794	(135,718)
Price indices	Risk from variation in Price index coupon	Increase	449,353	(16,992)	Decrease	30,763	(474)
Other	Variation risk for other coupons	Decrease	78,354	(8,905)	Increase	86,201	(9,424)

Scenario III

		2014			2013		
Risk Factor	**Concept**	**Variation of rates**	**Exposure**	**Income (loss)**	**Variation of rates**	**Exposure**	**Income (loss)**
Prefixed rate	Prefixed interest rate variation risk	Increase	(550,113)	1,520	Increase	(2,460,276)	(50,098)
Forex coupons	Exchange rate risk of fx coupon	Increase	1,197,546	(9,948)	Increase	33,115	(11,868)
Foreign exchange	Foreign exchange variation rate risk	Increase	(209,872)	(90,165)	Increase	342,794	(275,553)
Price indices	Risk from variation in Price index coupon	Increase	449,353	(33,003)	Decrease	30,763	(976)
Other	Variation risk for other coupons	Decrease	78,354	(35,709)	Increase	86,201	(16,709)

Trading and Banking Portfolio

Scenario I

		2014			2013		
Risk Factor	**Concept**	**Variation of rates**	**Exposure**	**Income (loss)**	**Variation of rates**	**Exposure**	**Income (loss)**
Prefixed rate	Prefixed interest rate variation risk	Increase	22,945,130	(22,532)	Increase	14,715,241	(28,445)
Forex coupons	Exchange rate risk of fx coupon	Increase	(4,550,859)	(8,667)	Increase	(558,201)	(5,528)
Foreign exchange	Foreign exchange variation rate risk	Increase	(209,872)	2,343	Increase	(536,007)	(7,522)
Long Term Interest Rate (TJLP)	Risk from variation in TJLP coupon	Increase	(729,196)	1,918	Increase	(276,241)	663
TR / TBF	Risk of TR (reference rate) and TBF (basic financial rate) coupon variation	Increase	37,428	128	Increase	187,482	264
Price index	Risk from variation in Price index coupon	Increase	195,689	(1,160)	Increase	426,670	(337)

Scenario II

		2014			2013		
Risk Factor	**Concept**	**Variation of rates**	**Exposure**	**Income (loss)**	**Variation of rates**	**Exposure**	**Income (loss)**
Prefixed rate	Prefixed interest rate variation risk	Increase	22,945,130	(719,233)	Increase	14,715,241	(723,278)
Forex coupons	Exchange rate risk of fx coupon	Increase	(4,550,859)	(26,845)	Increase	(558,201)	(15,666)
Foreign exchange	Foreign exchange variation rate risk	Decrease	(209,872)	(143,793)	Increase	(536,007)	(203,404)
Long Term Interest Rate (TJLP)	Risk from variation in TJLP coupon	Decrease	(729,196)	(31,815)	Decrease	(276,241)	(6,987)
TR / TBF	Risk of TR (reference rate) and TBF (basic financial rate) coupon variation	Decrease	37,428	(271)	Decrease	187,482	(372)
Price index	Risk from variation in Price index coupon	Increase	195,689	(13,138)	Increase	426,670	(2,812)

Scenario III

		2014			2013		
Risk Factor	**Concept**	**Variation of rates**	**Exposure**	**Income (loss)**	**Variation of rates**	**Exposure**	**Income (loss)**
Prefixed rate	Prefixed interest rate variation risk	Increase	22,945,130	(1,416,826)	Increase	14,715,241	(1,392,825)
Forex coupons	Exchange rate risk of fx coupon	Increase	(4,550,859)	(52,698)	Increase	(558,201)	(30,777)
Foreign exchange	Foreign exchange variation rate risk	Decrease	(209,872)	(229,214)	Increase	(536,007)	(371,795)
Long Term Interest Rate (TJLP)	Risk from variation in TJLP coupon	Decrease	(729,196)	(66,381)	Decrease	(276,241)	(13,957)
TR / TBF	Risk of TR (reference rate) and TBF (basic financial rate) coupon variation	Decrease	37,428	(540)	Decrease	187,482	(743)
Price index	Risk from variation in Price index coupon	Increase	195,689	(25,326)	Increase	426,670	(5,575)

ix. 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.

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:

- Extension of historic series to determine the scenarios: from 2004 to reference base date;
- Maintenance period: 10-business-day accumulated returns;
- 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.

For estimates of profits and losses of the retrospective stress test in the Consolidated Portfolio on December 31, 2014 and based on the perception of senior management about the behavior of stocks, commodities, foreign exchange and interest rates, two scenarios were used:

Scenario I - In this scenario, the yield curves suffer parallel positive shocks; the exchange rate (BRL/USD) considered is R$ 2.6183; commodities suffer positive shocks of 10% over the closing price on December 31, 2014; and a negative variation of 4.68% in the BOVESPA Index is applied.
Scenario II - In this scenario, the yield curves suffer parallel negative shocks; the exchange rate (BRL/USD) considered is R$ 2.9678; commodities suffer positive shocks of 10% over the closing price on December 31, 2014; and a negative variation of 24.49% in the BOVESPA Index is applied.

Chart amounts represent greatest losses and gains of the Consolidated Portfolio considering 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

	2014		2013	
Risk Factor	**Exposure**	**Stress**	**Exposure**	**Stress**
Shares	78,978	(2,402)	94,348	(9,188)
Commodities	(30)	(55)	(9,598)	(493)
Foreign currencies	(209,872)	(2,909)	(536,007)	(91,484)
Interest rate	17,898,192	(746,340)	14,494,952	(978,023)
Total	17,767,268	(751,706)	14,043,695	(1,079,188)

Estimates of retrospective stress test greatest gains - Consolidated portfolio

	2014		2013	
Risk Factor	**Exposure**	**Stress**	**Exposure**	**Stress**
Shares	78,978	(127)	94,348	350
Commodities	(30)	55	(9,598)	494
Foreign currencies	(209,872)	19,756	(536,007)	7,945
Interest rate	17,898,192	415,315	14,494,952	592,626
Total	17,767,268	434,999	14,043,695	601,415

c. Operating 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 the possibility of losses resulting from failure, weakness or inadequacy of internal processes, people and systems or external events. This definition includes the legal risk associated to the inadequacy or deficiency in contracts signed by the Institution, and to legal sanctions due to failure to abide by legal provisions and indemnities for damages to third parties arising from activities performed by the Institution.

ii. Basic principles

In line with CMN Resolution No. 3,380, the Bank has an institutional structure and policies for operational risk management approved by the Board of Directors and the basic principles observed in the management and control were established in compliance with the current regulations and best market practices, as follows:

- Involvement by Senior Management in global supervision and risk assumption by means of established committees and commissions;
- Mapping systemic and operational processes, mapping and analyzing existing controls, and inherent and residual risks;
- Evaluation of the potential financial impact and of the vulnerability of the control environment to the mapped risks through Control Risk Self-Assessment. Based on this

assessment, operating risk level is defined according to entire institution's standard risk matrix;
- Capturing operational losses and maintaining a structured database with information relating to events;
- 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. Areas 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 area

Responsible by:

- Providing support in the identification and assessment of the operational risks and controls existing in the areas and processes of the Institution, including relevant outsourced services;
- Evaluate the design and test the effectiveness of the controls of business, support and IT processes;
- Assess the adequacy of the technological architecture made available by the Technology area, as well as the integrity of the systemic interfaces that affect internal risk models;
- 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 Institution's employees; and
- 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 of indicators of operating risk; and
- Responsible for periodic review and update policies, procedures and communication plans related to the activities of management and measurement of operational risk.

Operational Risk Modeling

- Responsible for calculating the capital allocated to operational risk and for studies to measure the economic capital for operational risk; and
- Responsible for calculating the unit value for provisioning of comprehensive civil contingencies.

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; and
- Responsible for timely reporting of incidents related to operational risk.

iv. Measurement System and Communication Process

The assessment of operational risks existing in the organization's processes considers the "impact" and "vulnerability" factors defined in the corporate Risk Ruler, which categorizes them in Low, Medium, High or Extreme.

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

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 Bank.

The institution uses the Alternative Standardized Approach (ASA) defined by the Central Bank of Brazil for calculating regulatory capital for Operational Risk.

v. Business Continuity Management

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

- Two hot site datacenters, built according to the safe room concept by Aceco, where the infrastructure to support critical systems is replicated - one of them 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 a synchronous manner;
- 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; and
- Tool for Internet access to contingency plans;

The area of Business Continuity 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 Information Security and Business Continuity area is the structure responsible for coordinating these activities at the Consolidated with the Business and Support areas and is, in principle, independent in the performance of its duties.

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 is defined as the likelihood of losses occurring due to the borrower or counterparty not complying with their respective financial obligations in accordance with agreed terms.

ii. Basic principles

In line with CMN Resolution No. 3,721, the Bank has an institutional structure and policies for credit risk management approved by the Board of Directors and the basic principles observed in management and control were established in compliance with current regulations and market practices, as follows:

- Manuals and procedures containing the organizational structure, significant products, corporate policies, standards and procedures including flowcharts and rules related to the governance, business and credit support processes;
- Technological environment encompassing the credit cycle ranging from risk admission, tracking and monitoring, to restructuring when applicable;
- 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;
- Credit analysis, lending and management standards;
- 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;
- Tracking 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 of the loan asset portfolio using indicators with the objective of minimizing the risk of losses;

- Performance of stress tests, measuring the combined effect of adverse movements in macroeconomic indicators, estimating financial impacts affecting delinquency, provisions and consequently, available required capital;
- Periodic reporting to Senior Management showing the performance of risk management indicators arising from policies and strategies adopted; and
- Documented procedures for policy exceptions.

iii. Risk management structure and areas 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:

Credit Risk Management - Wholesale and Retail

Wholesale credit risk management

The mission of Credit Risk Management-Wholesale is to guide and continuously monitor the Bank's Wholesale credit risk, in order to mitigate the associated risks. It is composed of two structures, namely:

- Credit policies: This supervision aims to develop analyses and technical studies that may result in policies identifying, measuring and mitigating the Bank's Wholesale credit risk. Furthermore, this supervision also aims to ensure compliance of the Wholesale credit risk policies with regulatory devices as well as to meet internal and external regulatory requirements regarding wholesale credit risk.
- Monitoring of Credit Risk: This supervision continually monitors the wholesale banking portfolios, detecting any warning signs that identify - accurately, in advance and in a timely manner - the deterioration of credit at individual and aggregate levels.

Credit risk management - Retail and Modelling

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.

MIS Credit Infrastructure Retail and Wholesale

Responsible for managing credit systems, interfaces with external *bureaux*, consolidating measurement reports and controlling exposures of the wholesale and retail portfolio at the aggregate level (portfolio vision).

Credit collection and recovery

Manages the Consumer Finance Credit Recovery, Wholesale Credit Recovery and Collection Planning, whose main duties are detailed below:

- Wholesale Credit Recovery: Responsible for management and control of loans in arrears, supporting the commercial unit's renegotiations, arranging friendly credit collections and ongoing monitoring, along with the legal department, and bringing judicial proceedings, acting as liaison and coordinator between the units involved, and analyzing and submitting renegotiating proposals to the proper court.
- Credit Recovery-Retail: responsible for administrative, litigious and mass collections (products: consigned loans, cards, personal credit and direct consumer credit - "CDC"), safeguard and sale of repossessed goods, as well as the design, specification and tracking of collections projects.
- Collections Planning: responsible for generating and monitoring collections reports and indicators and defining policies, as well as calculating the Allowance for doubtful accounts - PDD.

Derivative Risk Control

Performs the daily monitoring of the portfolio of derivatives held with clients.

Environmental and Social Risk

Responsible for assessing the social and environmental aspects with which the client is involved, such as: Waste Management, Compliance with Legislation, Working Conditions and Use of Natural Resources, establishing their level of environmental and social risk and issuing a social and environmental opinion to subsidize the Lending area in the credit decision process.

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.

Integrated Risk and Capital

Responsible for the (procedural and methodological) coordination of the Internal Capital Adequacy Assessment Process (ICAAP), risk appetite, stress test and ALM, Risks and Capital Committee (CARC) and for the determination and analysis of the regulatory and economic capital of credit risk, as well as for the capital indices (Basel, Level I and Core).

iv. Credit Granting Structure and Areas Involved

Credit CIB - ***Corporate & Investment Banking***

Responsible for the credit analysis and approval process of the CIB segment. Is a member of the decision-making committees of the area, keeps track of business strategy based on market scenarios and internal credit policies and instructs the commercial managers in relation to best credit practices, aiming at sustainable growth and alignment with the organization's strategic objectives.

Consumer finance credit

Responsible for the individual analysis, when required by policies, of requests for credit produced through the corporate commercial structures of the Consumer Finance segment, ensuring that they are dealt with in compliance with the norms and procedures and with the respective approval levels of each operation. It is also responsible for control over the risk exposure of the portfolio.

v. Structure of the Directorate of Internal Controls and Operational Risk

Validation of models: Responsible for the independent assessment of the risks associated with the model development process, tracking of action plans prepared to mitigate risks identified in the validation of models and monitoring of model performance.

vi. Credit risk management

The institution performs credit risk management through the adoption of governance, instruments and tools that allow the identification, assessment and measurement, tracking and reporting of the risk incurred in its activities in the main stages of credit risk, which are lending, credit monitoring and credit recovery.

Credit granting

The lending process of the wholesale segment is based on detailed assessments of proponent clients, either in the admission of prospective clients or in the renewal of credit limits for existing clients. In the credit analysis process, the institution relies on integrated systems that manage the entire analysis flow, from the proposition of limits, through to the updating of detailed knowledge of the client (Know Your Client “KYC”), verification of documentation and inquiries to credit bureaus, market information, submission to the credit approval levels and implementation of the decisions of the corresponding committees. Evaluations of the proposals are segmented into specific organizational structures according to the service level (Insutry Team and Regional Team) and consider aspects relating to the management of the company, socio-economic information, competitive environment where the company has operations, market aspects, economic sector where the company operates, among others. After the evaluation, a credit presentation is prepared, which compiles the main points of risks and their mitigating factors that should be analyzed by the Credit Committees.

In the Consumer Finance segment, credit proposals are processed by an automated, parameterized system supported by a scoring model, which favor greater efficiency and reliability in lending decisions, which are intended for individuals that demonstrate payment ability and reputability. For cases where the scoring model does not automatically decide, the credit desk carries out a more detailed check of all the aspects involved in the contract, with the intention of approving or rejecting the credit proposal.

Credit monitoring

In Wholesale, after the approval of the credit limit and/or loan for the client, these are tracked by means of recurrent monitoring of the portfolio, identifying warning signs that demonstrate, with propriety, in advance and in a timely manner, the deterioration of credit at individual and aggregate levels. In Consumer Finance, the institution performs the monitoring of the credit risk through performance indicators and management reports of the credit portfolio.

Credit Recovery

The credit recovery area works together with the monitoring area from the first day of delinquency observed in loans. Several strategies are used to maximize credit collection opportunities.

vii. Counterpart's credit risk management

The Bank considers that the credit risk of the counterparty is present mainly in operations with derivative financial instruments, unsettled operations, purchase and sale commitments and loans of assets.

Specific classifications and treatments are performed for derivative operations with regards the existence of a central counterparty.

- Operations without a central counterparty: the management and control process for derivative operations without a central counterparty is carried out in such a way that specific credit limits of derivatives are defined for each client. The credit policies and standards adopted by the Institution are employed both in the definition and in the periodic tracking of these limits.
- Operations with a central counterparty: Operations with a central counterparty have contract clauses (margin calls, etc.) that mitigate the counterparty credit risk.

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.

viii. 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:

	2014	2013
Financial assets	37,621,648	43,263,331
Cash and cash equivalents	2,809,259	5,049,961
Financial assets with resale agreements	4,131,013	5,848,911
Financial assets at fair value through profit or loss	4,554,930	5,842,870
Financial assets available for sale	16,352,958	20,027,187
Financial assets held to maturity	8,086,836	5,181,200
Derivative financial instruments	1,686,652	1,313,202
Financial assets from credit granting	55,699,967	61,044,074
Loans and receivables - (a)	55,699,967	61,044,074
Off Balance	9,926,804	11,084,358
Sureties and guarantees	9,782,743	10,988,708
Letters of guarantee	144,061	95,650
Total	103,248,419	115,391,763

(a) The Conglomerate uses transactions of credit granting nature for credit risk exposure purposes in loans and receivables, see Note 7a.

Financial assets

The Institution's maximum exposure to receivables on the date of financial statements by type of counterparty market of counterparty was as follows:

	2014	2013
Domestic	36,591,439	41,463,139
Abroad	1,030,209	1,800,192
Total	37,621,648	43,263,331

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

	2014	2013
Public	21,233,418	23,029,714
Private	16,388,230	20,233,617
Total	37,621,648	43,263,331

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

	2014	2013
Up to 90 days	12,433,195	16,135,211
From 91 to 360 days	4,831,367	5,726,948
From 1 to 3 years	11,797,990	13,945,391
From 3 to 5 years	3,993,591	3,969,146
Over 5 years	4,565,505	3,486,635
Total	37,621,648	43,263,331

Financial assets from credit granting

The Institution's maximum credit exposure to loans and receivables on the date of Financial statements by type of counterparty market of counterparty was as follows:

	2014	2013
Domestic	55,699,967	61,044,074
Total	55,699,967	61,044,074

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

	2014	2013
Retail clients	38,282,873	42,732,562
Wholesale clients	17,417,094	18,311,512
Total	55,699,967	61,044,074

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

	2014	2013
Ten main debtors	4,281,208	3,578,395
Fifty following greatest debtors	4,913,800	4,431,050
Next one hundred main debtors	3,543,656	2,939,859
Other customers	42,961,303	50,094,770
Total	55,699,967	61,044,074

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

	2014	2013
Legal entities	18,048,752	19,883,723
State public sector	524,694	474,848
Direct administration	524,694	474,848
Private sector	17,524,058	19,408,875
Industry	8,476,069	9,128,620
Commerce	2,448,863	2,810,799
Rural	554,575	604,084
Services	5,879,995	6,865,372
Financial intermediaries	164,556	-
Individuals	37,651,215	41,160,351
Total	55,699,967	61,044,074

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:

	2014	2013
Installments overdue		
Over 15 days	3,086,974	1,926,774
Installments overdue		
Up to 90 days	8,427,775	9,974,390
From 91 to 360 days	17,828,859	19,623,870
From 1 to 3 years	20,767,038	25,056,342
From 3 to 5 years	3,909,398	1,940,690
Over 5 years	1,679,923	2,522,008
Total	55,699,967	61,044,074

Credit quality of financial assets for credit concession financing

The internal risk rating by range is determined individually, per customer, according to CMN Resolution No. 2,682, issued by the Central Bank of Brazil.

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

Portfolio falling due

Internal classification	**2014**	**2013**
Low (AA to C)	44,829,741	47,020,096
Medium (D to E)	500,831	1,003,152
High (F to H)	145,897	1,221,712
Total	45,476,469	49,244,960

Mature portfolio without incidence of impairment

Classification per maturity	**2014**	**2013**
From 1 to 30 days past due	3,985,069	4,437,006
From 31 to 90 days past due	48,883	40,170
Total	4,033,952	4,477,176

Mature portfolio with incidence of impairment

Internal classification	**2014**	**2013**
Collective evaluation	4,040,984	5,229,618
Individual assessment (a)	2,148,562	2,092,320
Total	6,189,546	7,321,938
Total portfolio	55,699,967	61,044,074

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

	2014			**2013**		
Qualification of exposure	**Present value**	**Impairment**	**Net value**	**Present value**	**Impairment**	**Net value**
Low (AA to C)	300,598	246	300,352	196,231	107,218	89,013
Medium (D to E)	360,056	69,681	290,375	199,566	52,152	147,414
High (F to H)	1,487,908	1,272,002	215,906	1,696,523	1,254,274	442,249
Total	2,148,562	1,341,929	806,633	2,092,320	1,413,644	678,676

ix. Provision for impairment losses

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

	2014	2013
Individually significant transactions (a)	1,716,131	1,535,148
Massified Transactions	2,728,812	3,740,867
Total	4,444,943	5,276,015

(a) Contains a provision for impairment losses for Off-Balance operations in the amount of R$ 374,202 (R$ 121,504 in 2013).

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

	2014	2013
Opening balance	5,276,015	5,198,205
Formations / (reversals)	2,383,101	4,482,805
Write-offs to loss	(3,214,173)	(4,404,995)
Closing balance	4,444,943	5,276,015

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 2014, the Institution and its subsidiaries renegotiated R$ 4,245,886 (R$ 6,426,550 in 2013) 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$ 771,517 (R$ 709,125 in 2013) written off as a loss.

x. Guarantees provided (Off Balance)

The Institution'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:

	2014							2013
	Commerce	Industry	Financial institutions	Individuals	Services	Other	Total	Total
Sureties and guarantees	540,871	1,771,989	4,055,045	7,164	3,213,947	193,727	9,782,743	10,988,708
Letters of guarantee	-	797	7,436	-	135,828	-	144,061	95,650
Total	540,871	1,772,786	4,062,481	7,164	3,349,775	193,727	9,926,804	11,084,358

The Institution'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:

	2014					2013
	Mid-West	Northeast	South	Southeast	Total	Total
Sureties and guarantees	-	181,581	360,807	9,240,355	9,782,743	10,988,708
Letters of guarantee	7,436	-	797	135,828	144,061	95,650
Total	7,436	181,581	361,604	9,376,183	9,926,804	11,084,358

xi. 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:

	2014						2013
	Commerce	Industry	Financial institutions	Individuals	Services	Total	Total
Sureties and guarantees	2,784,796	6,535,310	49,686	367,334	4,616,273	14,353,399	14,649,873
Securities	742,532	1,346,213	11,933	144,658	1,070,501	3,315,837	4,522,557
Machinery and equipment	116,253	1,361,932	-	125	161,112	1,639,422	1,557,108
Mortgages	1,015,026	3,098,844	-	286,355	2,703,235	7,103,460	6,013,666
Other	1,137,229	2,069,692	-	112,117	389,491	3,708,529	4,578,134
Total	5,795,836	14,411,991	61,619	910,589	8,940,612	30,120,647	31,321,338

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

	2014						2013
	Mid-West	Northeast	South	Southeast	North	Total	Total
Sureties and guarantees	133,841	262,092	1,843,039	11,575,934	538,493	14,353,399	14,649,873
Securities	345	208,532	108,360	2,998,600	-	3,315,837	4,522,557
Machinery and equipment	6,925	46,350	114,213	1,471,934	-	1,639,422	1,557,108
Mortgages	150,061	164,892	894,299	5,894,208	-	7,103,460	6,013,666
Other	70,690	101,139	507,397	3,011,162	18,141	3,708,529	4,578,134
Total	361,862	783,005	3,467,308	24,951,838	556,634	30,120,647	31,321,338

The maximum exposure to credit risk and their guarantees are shown below:

	2014						
	Assets with excess guarantees		**Assets with insufficient guarantees**		**Assets with no guarantees**	**Total**	
	Asset value	**Value of the guarantee**	**Asset value**	**Value of the guarantee**		**Assets**	**Guarantees**
Financial assets	4,880,175	5,498,021	-	-	32,741,473	37,621,648	5,498,021
Cash and cash equivalents	-	-	-	-	2,809,259	2,809,259	-
Financial assets with resale agreements	4,131,013	4,157,652	-	-	-	4,131,013	4,157,652
Financial assets at fair value through profit or loss	401,225	992,432	-	-	4,153,705	4,554,930	992,432
Financial assets available for sale	-	-	-	-	16,352,958	16,352,958	-
Financial assets held to maturity	-	-	-	-	8,086,836	8,086,836	-
Derivative financial instruments	347,937	347,937	-	-	1,338,715	1,686,652	347,937
Attn: Credit concession financing	15,956,254	26,074,114	39,597,340	26,159,854	146,373	55,699,967	52,233,968
Loans and receivables - Wholesale	15,956,254	26,074,114	1,314,467	970,070	146,373	17,417,094	27,044,184
Loans and receivables - Retail (a)	-	-	38,282,873	25,189,784	-	38,282,873	25,189,784
Off Balance	1,253,668	1,625,430	169,832	110,664	8,503,304	9,926,804	1,736,094
Total	22,090,097	33,197,565	39,767,172	26,270,518	41,391,150	103,248,419	59,468,083

	2013						
	Assets with excess guarantees		**Assets with insufficient guarantees**		**Assets with no guarantees**	**Total**	
	Asset value	**Value of the guarantee**	**Asset value**	**Value of the guarantee**		**Assets**	**Guarantees**
Financial assets	6,793,158	7,719,106	-	-	36,470,173	43,263,331	7,719,106
Cash and cash equivalents	-	-	-	-	5,049,961	5,049,961	-
Financial assets with resale agreements	5,848,911	5,924,132	-	-	-	5,848,911	5,924,132
Financial assets at fair value through profit or loss	175,936	612,246	-	-	5,666,934	5,842,870	612,246
Financial assets available for sale	532,636	947,053	-	-	19,494,551	20,027,187	947,053
Financial assets held to maturity	-	-	-	-	5,181,200	5,181,200	-
Derivative financial instruments	235,675	235,675	-	-	1,077,527	1,313,202	235,675
Attn: Credit concession financing	13,219,451	25,474,148	43,752,074	24,789,211	4,072,549	61,044,074	50,263,359
Loans and receivables - Wholesale	13,219,451	25,474,148	1,019,512	811,883	4,072,549	18,311,512	26,286,031
Loans and receivables - Retail (a)	-	-	42,732,562	23,977,328	-	42,732,562	23,977,328
Off Balance	1,458,281	2,215,209	1,079,990	1,025,124	8,546,087	11,084,358	3,240,333
Total	21,470,890	35,408,463	44,832,064	25,814,335	49,088,809	115,391,763	61,222,798

(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.

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.

xii. Transfer of financial assets whose recognition was not canceled

In 2014, 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 - own	2014	2013
Assets		
Financial assets at fair value though profit and loss	1,257,066	1,905,023
Financial treasury bills	-	37,543
National Treasury Bills	499,445	1,481,274
National Treasury notes	687,251	386,206
Other securities abroad	70,370	-
Financial assets available for sale	3,259,474	9,331,370
National Treasury Bills	1,934,389	8,284,522
National Treasury notes	1,130,730	1,011,621
Other securities abroad	194,355	35,227
Financial assets held to maturity	2,119,147	3,955,450
National Treasury Bills	1,080,848	2,973,865
National Treasury notes	1,038,299	981,585
Liabilities associated		
Financial liabilities at amortized cost	(6,491,811)	(14,946,357)
Financial treasury bills	-	(37,339)
National Treasury Bills	(3,432,951)	(12,528,277)
National Treasury notes	(2,810,066)	(2,345,514)
Other	(248,794)	(35,227)
Total	143,876	245,486

Sale with a repurchase clause - third-parties	**2014**	**2013**
Assets		
Financial assets with resale agreements	4,105,563	1,088,299
National Treasury Bills	4,105,563	-
National Treasury notes	-	1,088,299
Liabilities associated		
Financial liabilities at amortized cost	(4,098,834)	(1,088,437)
National Treasury Bills	(4,098,834)	-
National Treasury notes	-	(1,088,437)
Total	6,729	(138)

Sale with repurchase agreement - free movement	**2014**	**2013**
Assets		
Financial assets with repurchase agreements - sold	17,733	307,278
Liabilities associated		
Financial liabilities at fair value in profit or loss	(11,064)	(301,731)
Total	6,669	5,547

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	**2014**	**2013**
Assets		
Loans and receivables	14,465,516	14,414,850
Credits assigned with co-obligation	14,465,516	14,414,850
Liabilities associated		
Financial liabilities associated with transferred assets	(16,390,818)	(16,514,144)
Assignees (assignments with co-obligation)	(16,390,818)	(16,514,144)
Total	(1,925,302)	(2,099,294)

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

xiii. 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 ("COD") 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.

Description	Gross amounts of financial assets recognized	Gross amounts of financial liabilities recognized	Net amounts
Derivatives			
2014	1,295,982	(1,252,826)	43,156
2013	51,457	(67,190)	(15,733)

e. Capital management

Following the regulations of BACEN and in accordance with the recommendations of the Basel Committee on Banking Supervision, the Institution adopts the prudential guidelines of capital management aiming at the efficient and sustainable management of its resources and contributing to promote the stability of the National Financial System.

In line with CMN Resolution No. 3,988 and BACEN Circular No. 3,547, the Institution has an institutional structure and policies for capital management, approved by the Board of Directors, in accordance with the Internal Capital Adequacy Assessment Process (ICAAP), covering the following items:

- Identification and assessment of material risks;
- Documented policies and strategies;
- 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);
- Evaluation of Capital Adequacy in the Regulatory and Economic View; and
- Annual Report of Internal capital adequacy assessment process (ICAAP).

i. Available Capital (Capital, Level I Capital and Core Capital)

The Available Capital, classified as Capital, Level I Capital and Core Capital, is the equity used as a basis for verification of compliance with the operational limits of financial institutions. The Capital is obtained by adding Level 2 Capital and Level 1 Capital. The latter is obtained by adding Core Capital and Supplementary Capital, as defined in CMN Resolution No. 4,192 and No. 4,193. The Core Capital is composed of the shareholders' equity and specific deductions.

ii. Risk-weighted asset - RWA

RWA, as defined by CMN Resolution No. 4,193, is composed of the sum of risk-weighted assets referring to the credit, market and operational risks:

$$\boxed{RWA} = \overset{\text{Credit risk}}{\boxed{RWA_{CPAD}}} + \overset{\text{Market risk}}{\boxed{RWA_{CAM} + RWA_{JUR} + RWA_{COM} + RWA_{ACS}}} + \overset{\text{Operating risk}}{\boxed{RWA_{OPAD}}}$$

Whereas:

- RWA_{CPAD}: meaning the portion of risk-weighted assets (RWA) relating to credit risk exposures subject to the calculation of capital requirement using a standardized approach (Circular Letter nº 3.644) of BACEN;
- RWACAM: portion of risk-weighted assets (RWA) relating to exposures in gold, in frying currency and in assets subject to exchange rate variation (BACEN Circular No. 3,641 do BACEN);
- RWAJUR: portion of risk-weighted assets (RWA) relating to exposures subject to the variation of interest rate classified in the trading portfolio (BACEN Circulars No. 3,634, 3,635, 3,636 and 3,637);
- RWACOM: portion of risk-weighted assets (RWA) relating to exposures subject to the variation of commodity prices (BACEN Circular No. 3,639);
- RWAACS: portion of risk-weighted assets (RWA) relating to exposures subject to the variation of the price of shares classified in the trading portfolio (BACEN Circular No. 3,638);
- RWACOM: portion of risk-weighted assets (RWA) relating to the calculation of capital required for operational risk using a standardized approach (BACEN Circular No. 3,640).

iii. Capital Adequacy (Regulatory view)

At the institution, capital is managed in order to ensure adequacy within regulatory limits and to establish a strong capital base enabling the Institution 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 and assets, in order to assess adequacy of its capital to deal with the associated risks and ensure compliance with regulatory operational limits.

Management reports tracking the capital (Reference equity) allocated to risks and the capital indices (Basel, Level I and Core) are disclosed on a monthly basis after the determination of the Capital and Capital Requirement.

iv. Capital indices

The capital indices disclosed was determined according to the criteria set by CMN Resolutions 4192/2013 and 4193/2013, which refer to the calculation of Regulatory Capital (PR) and the Minimum Regulatory Capital (PRMR) in relation to Risk-Weighted Assets (RWA), respectively.

On October 1, 2013 onwards the set of rules that implemented in Brazil the recommendations of the Basel Committee on Banking Supervision related to the Capital structure of financial institutions, known as Basel III, came into effect. Newly adopted rules address the following matters:

I - new methodology to determine regulatory capital, which continues to be divided into Levels I and II, being Level I comprised of Main Capital (less Prudential Adjustments) and Supplementary Capital;

II - new methodology to determine requirements to maintain capital, adopting minimum PR, Level I and Main Capital requirements, and introducing the Additional Main Capital.

Since January 2014, CMN Resolution no. 4,192/2013 defines the following items referring to prudential adjustments to be deducted from Reference Capital:

- Goodwill paid on acquisition of investments based on expected future income;
- Intangible assets formed as from October 2013;
- Actuarial assets related to defined benefit pension plans net of deferred tax liabilities associated to them;
- Non-controlling interest;
- Direct or indirect investments higher than 10% of equity capital of entities similar to non-consolidated financial institutions and of insurance and reinsurance firms, capitalization organizations and open pension plan entities (higher investments);
- Tax credits deriving from temporary differences that depend from future income generation or tax revenues for their realization;
- Tax credits from depreciation excess tax loss; and
- Tax credits deriving from tax losses and social contribution on net income negative basis.

In accordance with CMN Resolution no. 4,192/2013, deductions referring to prudential adjustments will be carried out gradually, at 20% p.a. from 2014 to 2018, except for deferred assets and funding instruments issued by financial institutions, which are already being fully deducted since October 2013.

Consolidation scope used as the basis to verify operating limits was also changed and now considers only the Financial Conglomerate from October 1, 2013 to December 31, 2014, and the Prudential Conglomerate, as defined in CMN Resolution no. 4,280/2013, beginning as of January 1, 2015.

The Conglomerate's regulatory capital position on December 31, 2014 and 2013 is shown below:

v. Capital indexes calculated based on the financial position prepared in accordance with accounting practices adopted in Brazil, applicable to financial institutions.

	2014	2013
Referential Equity (PR)	11,276,250	11,217,382
Tier I Capital	7,159,444	7,100,432
Main Capital	7,159,444	7,100,432
Tier II Capital	4,116,806	4,116,950
Risk-weighted assets (RWA)	75,374,854	77,298,820
Credit risk (RWA_{CPAD})	67,931,827	71,990,485
Market risk (RWAMPAD)	3,255,044	1,667,609
Operational risk (RWA_{OPAD})	4,187,983	3,640,726
Total Capital Required	8,291,234	8,503,970
Margin on Reference equity	2,985,016	2,713,412
Basel Ratio (PR / RWA)	14.96%	14.51%
Tier I Capital Index (Tie I / RWA)	9.50%	9.18%
Main Capital Index (CP / RWA)	9.50%	9.18%

	2014	2013
Value of fixed assets limit position	451,833	436,936
Value of margin or insufficiency	5,186,290	5,171,754
Fixed assets limit	5,638,123	5,608,690

f. Liquidity risk

Liquidity risk management intends to organize, evaluate and monitor the Conglomerate 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 at:

- 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.

ii. Basic Principles

In line with CMN Resolution No. 4,090, the Bank has an institutional structure and policies for liquidity risk management approved by the Board of Directors and the basic principles observed in the management and control were established in compliance with the current regulations and market practices, as follows:

- Involvement of Senior Management: the existing committees and commissions are structured in order to involve Senior Management in overall supervision of risk-taking;
- Independence of functions: Segregation of functions between units responsible for trade execution and defining business strategies, and the units responsible for accounting, risk control, compliance and internal controls and auditing. This segregation is structured with the objective of ensuring independence and autonomy in the management of the duties inherent to each role;
- Definition of responsibilities: Clear definition of processes and the range of activities of each function involved in management and control of liquidity risks. This definition is structured with the objective of enabling organized and efficient operations management;
- Monitoring limits: definition of the process of monitoring and reporting the level of use of authorized limits;
- Definition of methodologies for building scenarios: structured methodologies are adopted for mandatory corporate use, based on best market practices, to incorporate the dynamics of new transactions and settlement of existing portfolios;
- Setting 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; and
- 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 when they refer to measures aimed at risk management and control.

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. Areas involved

Liquidity risk management includes a set of functional activities that permeate the entire 'business chain" from product development, trading and disbursement, liquidity risk modeling and control and the formalization, accounting records and disbursement of transactions, as well as monitoring the effectiveness of 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 assumptions used to validate liquidity-risk scenarios and metrics; and
- Responsible for updating and periodically revising liquidity scenarios and the liquidity contingency plan and for monitoring of 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; and
- Responsible for the definition and periodic update of investment and funding assumptions and the implementation of the liquidity contingency plan, in compliance with the strategies defined and previously approved instruments.

Finance

- Responsible for the preparation and delivery of the projected budget; and
- 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 Bank has a set of objective measures to manage and control liquidity risk:

- 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 Bank's projections for liquidity scenarios;
- 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 decision 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 Bank has corporate systems for measuring and controlling liquidity risk, combining 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; and
- determining liquidity profile, by calculating rollover and maturity of transactions, depending on the premises of the various scenarios under consideration.

In addition, the Bank has a structured process for reporting liquidity-risk management related issues. 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; and
- 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.

Communication:

- 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:

	2014						
	Without maturity	**Up to 90 days**	**From 91 to 360 days**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Assets							
Cash and cash equivalents	190,377	2,618,882	-	-	-	-	2,809,259
Financial assets with resale agreements	-	4,105,563	-	-	-	25,450	4,131,013
Financial assets at fair value through profit or loss	770,914	3,784,016	-	-	-	-	4,554,930
Financial assets available for sale	1,679,278	1,848,310	3,231,727	4,203,278	2,337,720	3,052,645	16,352,958
Financial assets held to maturity	-	569,842	1,052,355	6,464,639	-	-	8,086,836
Derivative financial instruments	-	438,261	266,304	324,120	211,817	446,150	1,686,652
Loans and receivables	-	9,760,947	17,064,369	20,035,770	4,050,050	1,677,172	52,588,308
Total	2,640,569	23,125,821	21,614,755	31,027,807	6,599,587	5,201,417	90,209,956
Liabilities							
Financial liabilities at fair value through profit or loss	-	7,429	-	44,408	-	-	51,837
Financial liabilities at amortized cost - (a)	1,316,041	22,316,368	28,421,417	27,438,063	4,359,387	5,799,568	89,650,844
Derivative financial instruments	-	671,007	525,310	224,136	210,739	366,832	1,998,024
Total	1,316,041	22,994,804	28,946,727	27,706,607	4,570,126	6,166,400	91,700,705

	2013						
	Without maturity	**Up to 90 days**	**From 91 to 360 days**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Assets							
Cash and cash equivalents	207,095	4,842,866	-	-	-	-	5,049,961
Financial assets with resale agreements	-	5,628,594	220,317	-	-	-	5,848,911
Financial assets designated at fair value through profit or loss	941,495	4,901,375	-	-	-	-	5,842,870
Available for sale financial assets	1,901,251	2,228,423	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	-	9,570,283	19,699,286	24,218,797	1,856,101	2,501,183	57,845,650
Total	3,049,841	27,402,890	25,291,076	35,436,494	5,176,851	4,751,829	101,108,981
Liabilities							
Financial liabilities at fair value through profit or loss	-	135,762	359,549	37,422	22,546	-	555,279
Financial liabilities at amortized cost - (a)	2,235,073	29,871,950	33,736,110	27,937,480	3,462,770	4,614,881	101,858,264
Derivative financial instruments	-	239,846	272,668	427,866	191,207	159,018	1,290,605
Total	2,235,073	30,247,558	34,368,327	28,402,768	3,676,523	4,773,899	103,704,148

(a) Balances presented by undiscounted cash flow.

Considering 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 shareholders’ 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	**2014**	**2013**
Stock Exchange transactions	717,262	506,791
Over-the-counter	969,390	806,411
Financial institutions	46,480	42,328
Trade accounts receivable	922,910	764,083
Total	1,686,652	1,313,202

Asset position	**2014**	**2013**
Stock Exchange transactions	(1,552,536)	(1,049,722)
Over-the-counter	(445,488)	(240,883)
Financial institutions	(44,178)	(46,830)
Trade accounts receivable	(401,310)	(194,053)
Total	1,998,024	1,290,605

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

	2014	**2013**
Stock Exchange transactions	2,231,237	2,146,605
National Treasury notes	616,736	1,919,180
Financial treasury bills	30,576	10,572
National Treasury Bills	1,583,925	216,853
Comp. chamber transactions	64,985	105,489
National Treasury notes	12,852	30,049
National Treasury Bills	52,133	75,440
Other	420,210	870,062
Financial treasury bills	27,110	11,088
National Treasury Bills	-	452,248
Others securities overseas	393,100	406,726
Total	2,716,432	3,122,156

The Conglomerate's exposure to foreign currency risk, presented in thousands of reais, was as follows:

	2014							
	Local currency	**Dollar**	**Euro**	**Yen**	**Swiss Franc**	**Pounds sterling**	**Other**	**Total**
Assets								
Financial assets with resale agreements	4,111,518	19,495	-	-	-	-	-	4,131,013
Financial assets designated at fair value through profit or loss	3,128,480	1,426,450	-	-	-	-	-	4,554,930
Loans and receivables	44,372,753	8,168,100	47,455	-	-	-	-	52,588,308
Other assets	2,383,528	450,584	21,158	3,840	1,595	1,886	1,985	2,864,576
Total	53,996,279	10,064,629	68,613	3,840	1,595	1,886	1,985	64,138,827
Liabilities								
Financial liabilities at amortized cost	(72,122,246)	12,802,138	4,574	-	-	-	-	(84,928,958)
Other liabilities	(2,731,418)	848,212	21,337	-	-	-	-	(3,600,967)
Total	(74,853,664)	13,650,350	25,911	-	-	-	-	(88,529,925)
Derivative financial instruments								
Foreign currency asset position		8,581,136	362,243	-	-	-	-	
Foreign currency liability position		5,217,712	400,219	310	-	-	-	
Foreign currency exposure		(222,297)	4,726	3,530	1,595	1,886	1,985	

	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 designated at fair value through profit or loss	4,476,884	1,365,986	-	-	-	-	-	5,842,870
Loans and receivables	50,506,512	7,295,723	43,415	-	-	-	-	57,845,650
Other assets	2,141,511	106,758	5,339	-	539	338	15,434	2,269,919
Total	67,893,854	8,895,298	50,770	709	908	338	15,434	76,857,311
Liabilities								
Financial liabilities at amortized cost	(86,111,892)	10,762,813	6,518	-	-	-	-	(96,881,223)
Other liabilities	(2,031,915)	926,362	1,175	241	-	-	-	(2,959,693)
Total	(88,143,807)	11,689,175	7,693	241	-	-	-	(99,840,916)
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**	

h. Fair value hierarchy

Calculation of fair value is subject to a control structure defined to assure that the calculated amounts are determined by a department that is independent from the risk taker.

Fair value is determined according to the following hierarchy:

- **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).

The following table presents financial instruments recorded at fair value on 31 December 2014 and 2013, classified under the various hierarchical levels of fair value measurement:

	2014				**2013**			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets								
Financial assets with resale agreements	-	-	-	-	-	1,003,200	-	1,003,200
Financial assets at fair value through profit or loss	4,363,171	191,759	-	4,554,930	4,944,422	898,448	-	5,842,870
Public	3,277,943	-	-	3,277,943	3,643,070	481,532	-	4,124,602
Real estate	-	116	-	116	-	24,771	-	24,771
Private	768	85,266	-	86,034	22,608	186,140	-	208,748
Rural	-	104,051	-	104,051	-	206,005	-	206,005
Fund quotas	752,806	-	-	752,806	913,876	-	-	913,876
Shares	17,252	-	-	17,252	28,394	-	-	28,394
Abroad	314,402	2,326	-	316,728	336,474	-	-	336,474
Available for sale financial assets	10,243,824	5,051,609	1,057,525	16,352,958	14,316,969	4,550,048	1,160,170	20,027,187
Public	9,265,564	542,972	-	9,808,536	13,619,768	-	-	13,619,768
Real estate	-	214,882	-	214,882	-	40,244	-	40,244
Private	40,760	3,366,411	-	3,407,171	43,330	3,015,494	-	3,058,824
Rural	-	551,227	-	551,227	-	981,848	-	981,848
Fund quotas	560,196	-	-	560,196	486,719	-	-	486,719
Shares	61,563	-	1,057,525	1,119,088	64,706	-	1,160,170	1,224,876
Other	-	62,377	-	62,377	-	79,338	-	79,338
Abroad	315,741	313,740	-	629,481	102,446	433,124	-	535,570
Derivative financial instruments	153,303	1,533,349	-	1,686,652	86,012	1,227,190	-	1,313,202
Differential receivable from swap	-	1,041,868	-	1,041,868	-	847,131	-	847,131
Credit derivatives	-	5,429	-	5,429	-	1,934	-	1,934
Other	153,303	486,052	-	639,355	86,012	378,125	-	464,137
Loans and receivables	-	24,094,139	-	24,094,139	-	32,570,986	-	32,570,986
Total	14,760,298	30,870,856	1,057,525	46,688,679	19,347,403	40,249,872	1,160,170	60,757,445
Liabilities								
Financial liabilities at fair value result	(11,077)	(40,760)	-	(51,837)	(301,753)	(253,526)	-	(555,279)
Purchase and sale commitments	(11,064)	-	-	(11,064)	(301,731)	-	-	(301,731)
Option box - fixed income strategy	-	(7,416)	-	(7,416)	-	(143,598)	-	(143,598)
Securities abroad	(13)	(33,344)	-	(33,357)	(22)	(109,928)	-	(109,950)
Financial liabilities at amortized cost	-	(7,691,840)	-	(7,691,840)	-	(6,754,785)		(6,754,785)
Derivative financial instruments	(334,803)	(1,663,221)	-	(1,998,024)	(71,966)	(1,218,639)	-	(1,290,605)
Differential payable from swap	-	(960,579)	-	(960,579)	-	(919,411)	-	(919,411)
Credit derivatives	-	(6,727)	-	(6,727)	-	(5,808)	-	(5,808)
Other	(334,803)	(695,915)	-	(1,030,718)	(71,966)	(293,420)	-	(365,386)
Total	(345,880)	(9,395,821)	-	(9,741,701)	(373,719)	(8,226,950)	-	(8,600,669)

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 best evidence of fair value is the price quoted in an active market. Most valuation techniques use observable market inputs, characterizing a high degree of confidence in the estimated fair value.

According to the levels of information in the measurement of fair value, the following evaluation techniques are applied:

The fair value determined for financial instruments classified as Level 1 assumes the pricing, at the daily minimum, through price quotes, indices and rates immediately available for non-forced transactions and originating from independent sources.

In cases where quoted market prices are not available, fair values are obtained by using quoted prices for similar assets and liabilities in active markets, or through future cash flows discounted to present value at discount rates obtained through observable market inputs or other valuation techniques based on mathematical methods that use market references.

In this context, 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.

For the fair value of financial instruments classified as Level 3, there is no pricing information observable in active markets. 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.

For non-listed shares, currently classified at Level 3, the process of fair value assessment uses the Merton model, considering the expected cash flows, subject to the conditions defined in the contract, and evaluates the behavior of the company's assets (information of the companies' financial statements) by estimating the volatility of the assets. This parameter is generated based on the historical volatility of similar assets observable on the market.

The quality of and adherence to the models used are guaranteed through a structured governance process. The areas responsible for defining and implementing the pricing models are segregated from the business areas. The models used are documented and submitted to validation of an independent area and approved by the Market Risk Committee.

i. Transfers of Level 2

	2013	Level 1	Level 3	Other changes	2014
Assets					
Financial assets at fair value through profit or loss	898,448	-	-	(706,689)	191,759
Available for sale financial assets	4,550,048	-	-	501,561	5,051,609
Total	5,448,496	-	-	(205,128)	5,243,368

	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
Available for sale financial assets	2,211,495	-	-	2,338,553	4,550,048
Total	2,933,616	(18,182)	-	2,533,062	5,448,496

(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	**2014**	**2013**
Financial assets available for sale	1,057,525	1,160,170
Shares of privately-held companies	1,057,525	1,160,170
Total	1,057,525	1,160,170

iii. Changes in level 3

Assets	**Financial assets at fair value through profit or loss**		**Available for sale financial assets**		**Derivative financial instruments**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Opening balance	**-**	**343,825**	**1,160,170**	**1,480,681**	**-**	**1,876**
Acquisitions	**-**	**-**		**-**	**-**	**-**
Sales and/or redemptions		**(343,825)**	**(36,772)**	**(241,124)**	**-**	**(3,419)**
Shares of privately-held companies - (a)	-	(343,825)	(36,772)	(241,124)	-	-
Credit derivatives	-	-		-	-	(3,419)
Transfers	**-**	**-**		**(47,026)**	**-**	**-**
For Level 1 - Debentures - (b)	-	-		(47,026)	-	-
Income (loss)	**-**	**-**	**(65,873)**	**(32,361)**	**-**	**1,543**
Shares of privately-held companies	-	-	(65,873)	(32,361)	-	-
Credit derivatives	-	-		-	-	1,543
Closing balance	**-**	**-**	**1,057,525**	**1,160,170**	**-**	**-**

Liabilities	**Derivative financial instruments**	
	2014	**2013**
Opening balance	**-**	**104**
Sales/Redemptions	**-**	**(1,046)**
Credit derivatives	-	(1,046)
Income (loss)	**-**	**942**
Credit derivatives	-	942
Closing balance	**-**	**-**

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

iv. Fair value of financial instruments at amortized cost

The book balance and the fair value of financial instruments that are measured by amortized cost are:

	Book value	**Fair value**	**Unrecognized gain/ (losses)**
Financial assets at amortized cost			
Financial assets held to maturity	8,086,836	8,035,227	(51,609)
Loans and receivables - (a)	52,588,308	52,588,308	-
Financial liabilities at amortized cost			
Purchase and sale commitments	(10,590,645)	(10,113,100)	477,545
Financial liabilities at amortized cost associated with transferred financial assets - (b)	(17,594,080)	(17,594,080)	-
Financial institution deposits	(1,229,727)	(1,319,779)	(90,052)
Deposits from customers	(2,348,533)	(2,556,163)	(207,630)
Liabilities from borrowings and onlendings	(6,661,777)	(6,685,547)	(23,770)
Securities issued	(40,264,658)	(40,600,289)	(335,631)
Subordinated liabilities	(6,239,538)	(7,596,822)	(1,357,284)
Total	(24,253,814)	(25,842,245)	(1,588,431)

(a) Credit operations are recorded at fair value as a result primarily of the Hedge Accounting structure.
(b) Refers primarily to the liabilities associated with the assignment of the credit portfolio, thus already represents the fair value of the operation.

38 Other information

a. 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, 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.

Variable compensation program

The Institution put in place the new Short-term and Long-term Compensation Program during the first semester of 2013. Executive officers and Conglomerate employees are eligible for the program. This program was approved by the Board of Directors on May 10, 2012.

The Institution has three long-term incentives plans with the purpose of (i) attracting, motivating and retaining talents; (ii) aligning the interests of executive officers and employees to shareholders' objectives and interests; (iii) generation of results and creation of sustainable value; and (iv) creation of a long-term vision. They are as follows:

a) Conditioned Variable Incentive: a plan with a minimum one-year and maximum three-year duration, consisting in granting an incentive conditioned to performance during each year. All employees and officers of the Conglomerate are eligible for the plan.

b) Long-term incentive: a plan with a four-year duration consisting in granting the Institution's Investment Units (known as "virtual shares") based on performance during each year. Executive officers and executive-level employees are eligible for the program.

c) Virtual share repurchase program: a plan with a four-year duration in which every executive officer and employee has the opportunity to invest part or all of their variable compensation available in the Institution's Investment Units (known as "virtual shares"), and as a counterpart the Institution will progressively grant additional Investment Units.

In the year ended December 31, 2014, the amount of R$164,313 (R$28,476 in 2013) was recognized in income under Personnel Expenses - Conglomerate Proceedings in relation to long-term incentive transactions. This expense derives from agreements entered into with some Conglomerate's employees, in conformity with remuneration policy. These incentives in general become a right between one and in not more than four years as of the granting date, provided that their holders remain employed by the Conglomerate during the period, with settlement in species. On December 31, 2014, the conglomerate recorded R$191,205 (R$28,476 in 2013) under caption Other liabilities - Sundry - Provision for payments.

Calculation of fair value

In the year ended December 31, 2014, the Conglomerate granted 87,178,062 (22,456,547 in 2013) virtual shares to directors and employees. Initial value of virtual shares was calculated on Shareholders' equity as of December 31, 2013, and the par value of R$1.00 was assigned to each virtual share unit.

Virtual share value is calculated at least on a quarterly basis and is based on the Conglomerate's income and on entries directly made to Shareholders' equity accounts, as determined by prevailing accounting practices. From said Shareholders' equity value, non-recurring movements will be excluded, individually evaluated and submitted to the Remuneration Committee, which will decide on its exclusion or not from Shareholders' equity calculation basis to valuate virtual share.

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.

c. Law 12973/2014 (Provisional Measure 627/2013)

On May 14, 2014, the Law 12973, conversion of Provisional Measure no. 627 (PM 627/13), which changes federal tax law on IRPJ, CSLL, PIS and COFINS, was published; Provides on:

- Revoking of the Transitional Tax Regime (RTT) by establishing the adjustments required by new accounting methods and criteria introduced due to the convergence of Brazilian and international accounting 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
- The special installment payment of PIS/PASEP and Contribution for Social Security Funding.

The Conglomerate opted to adopt the impacts of Law 12.973/2014 starting in 2014.

d. New commercial partnership with Banco do Brasil

On August 12, 2014, Banco Votorantim S.A. ("BV") and Banco do Brasil S.A. ("BB") approved a partnership for expansion of commercial capacity and capacity to prospect new businesses through bank correspondents for the purpose of improving operating efficiency and specialization in Payroll Credit. This partnership provides for the use of a wholly-owned subsidiary linked to BV that will promote sales and will manage trade correspondents' network.

Conclusion of this business is subject to approval by respective regulatory, supervisor and inspecting bodies, pursuant to applicable law.

e. Law 13097/2015 (Provisional Measure No. 656/2014)

Law 13.097, of January 20, 2015 (conversion of Provisional Measure 656/2014) modified the amounts of the limits for the purposes of deductibility of losses in receipts of defaulted loans starting on October 8, 2014 (date of publication of the Provisional Measure). For defaulted operations up to October 7, 2014, the previous limits prevail.

f. Fiscal Recovery Program - REFIS - 2014

(i) Law 12.865/13 and Law 12.996/14

With the publication of Law 12,865 / 13, in October 2013, was established the debt payment in installments program to 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, 2013 could: The deadline for adherence informed by the foregoing standard ended in July 2014.

With the publication of Law 12.996/14, there was the reopening of the installment payment program established by Law 11.941/09, for (among others) debts relating to Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) with the National Treasury, relative to any taxes due until 31 December 2013. The deadline for adherence informed by the aforementioned standard ended in August 2014.

Based on the installment payment program proposed by the Federal Government, the Institution decided:

- In July 2014, to adhere to the REFIS program, in the modality of spot payment for COFINS debts arising from its subsidiary BV Financeira, applying the reduction of 100% of penalties (late-payment, ex-officio or isolated); default interest; and legal charges. The amount paid in adhering to this program was R$ 13,936, with 100% of the amount paid with disbursement of Institution cash, recorded in tax obligation expenses;
- In August 2014, adherence to the program, in the modality of payment with escrow deposit, for IRPJ/CSLL debts on the deductibility of COFINS, in Banco Votorantim and its subsidiaries BV Financeira and Votorantim CTVM. Waiver of lawsuits discussing the matter was filed and conversion of a portion of escrow deposit into Union income is being awaited, with resulting determination of amnesty amount. The provisioned values in contingent liability accounts were fully reversed and a provision for the amount equivalent to escrow deposit to be determined by the Union was recorded in account Taxes and contributions on profit payable. The amount being reclassified will be adjusted by the SELIC rate up to the effective date of conversion of the deposit; and
- In August 2014, adherence to the program, in the modality of spot payment for IRPJ/CSLL debts on the demutualization of CETIP originating in its subsidiaries Votorantim CTVM and Votorantim ASSET, applying the reduction of penalties (late-payment, ex-officio or isolated), default interest and legal charges.

Below are details of the effects on P/L with adherence to the REFIS program.

	2014
Details of the effects with REFIS (effects on P/L)	
Reversal of IRPJ & CSLL Tax Obligation	191,767
Establishment of IRPJ & CSLL Accounts Payable	(174,765)
Payment of COFINS, object of adherence to REFIS	(13,936)
Benefit for the reduction of fine and interest	62,825
Other tax expenses related to REFIS	(536)
Income before Corporate income tax and CSLL	**65,355**
IRPJ & CSLL Expenses on the adjustments to REFIS	(3,339)
Income after IRPJ and CSLL expense	**62,016**