Consolidated Financial Statements IFRS

Year 2014



INDEX

Management Report 1

Independent Auditor's Report 15

Consolidated Financial Statements 18

Consolidated Statements of Income 18
Consolidated Statements of Comprehensive Income 19
Consolidated Balance Sheets 20
Consolidated Statements of Changes in Shareholder's Equity 21
Consolidated Statements of Cash Flows 22

Notes to the Consolidated Financial Statements 24

Note 1 – The Bank and its Operations 24
Note 2 – Presentation of Consolidated Financial Statements 24
Note 3 – Significant Accounting Policies 25
Note 4 – Significant Judgments and Accounting Estimates 46
Note 5 – Consolidated Financial Statements 49
Note 6 – Acquisitions, Disposals and Corporate Restructuring 51
Note 7 – Operating Segments 58
Note 8 – Net Interest Income 67
Note 9 – Net Commissions and Fee Income 67
Note 10 – Net Gains/(Losses) from Financ. Assets/Liabilities at Fair Value through Profit or Loss 68
Note 11 – Net Gains/(Losses) from Financial Assets Available for Sale 68
Note 12 – Other Operating Income / Expenses 68
Note 13 – Personnel Expenses 69
Note 14 – Administrative Expenses 70
Note 15 – Cash and Cash Equivalents 70
Note 16 – Compulsory Deposits with Central Banks 70
Note 17 – Loans to Financial Institutions. 70
Note 18 – Securities Purchased Under Resale Agreements 71
Note 19 – Financial Assets and Liabilities at Fair Value through Profit or Loss 72
Note 20 – Financial Assets Available for Sale 73
Note 21 – Financial Assets Held to Maturity 74
Note 22 – Loans to Customers 75
Note 23 – Allowance for Losses on Loans to Customer 78
Note 24 – Non-Current Assets Held for Sale 81
Note 25 – Investments in Associates and Joint Ventures 83
Note 26 – Property and Equipment 89
Note 27 – Goodwill and Other Intangible Assets 90
Note 28 – Other Assets and Other Liabilities 93
Note 29 – Deposits of Clients 94

Note 30 – Amounts Payable to Financial Institutions 94
Note 31 – Securities Sold Under Repurchase Agreements 94
Note 32 – Short-Term Liabilities 94
Note 33 – Long-Term Liabilities 95
Note 34 – Provisions, Contingent Assets and Liabilities 102
Note 35 – Income Tax 106
Note 36 – Shareholders' Equity 108
Note 37 – Earnings Per Share 113
Note 38 – Fair Value of Financial Instruments 114
Note 39 – Derivative Financial Instruments 119
Note 40 – Financial Guarantees and Other Commitments 123
Note 41 – Regulatory Capital and Fixed Asset Limit 123
Note 42 – Risk Management 126
Note 43 –Transfers of Financial Assets 154
Note 44 – Offsetting of Financial Assets and Liabilities 155
Note 45 – Employee Benefits 158
Note 46 – Related-Party Transactions 169
Note 47 – Current and Non Current Assets and Liabilities 172
Note 48 – Subsequent Events 173

Members of the Management

Dear Shareholders,

We present the Management Report of Banco do Brasil (BB) for the year of 2014, in conformity with the requirements of the Brazilian Corporate Law, the CMN (National Monetary Council), the Bacen (Brazilian Central Bank), the CVM (Brazilian Securities and Exchange Commission) and BB's Bylaws.

1. Macroeconomic Environment

International conjuncture remained very complex in 2014 with distinct dynamics among main economies. USA growth signs contrast with difficulties in several European countries, which mix low economic dynamism and deflation risks. In Asia, even the slight slowdown in Chinese economy has been challenging incentive policies and adversely influencing main commodities' prices.

Even with the complexities of the international scenario, Brazilian economy resumed moderate growth in the second half of 2014, backed by favorable job market conditions, with job generation, continued formalization, and expansion of real salaries. Credit market grew in a rhythm that is compatible with economic activity, backed by a robust financial system. In view of relative price realignment process deriving from higher foreign exchange devaluation and adjustment of administered prices, Central Bank of Brazil resumed the cycle of basic interest rate rise.

2. Highlights of the Period

We present below a chronological list of some important events in the period:

I. Launch of STELO S.A., an electronic payment and e-commerce company, in April;
II. Start of talks of LIVELO S.A. for exploitation of business related to the customer-loyalty program, in May;
III. Grand opening of the first branch of a Latin American bank in China, in May;
IV. Emission of US$ 2.5 billion in perpetual subordinated bonds, eligible as Tier 1 capital under the Basel III rules, in one of the world's largest fundings of this type, in June;
V. Closing of the 2013/2014 crop plan, with the largest disbursement ever, totaling R$ 76.3 billion, in June.
VI. In August, establishment of partnership with Votorantim Finanças and Banco Votorantim for expansion of commercial capacity and prospection of new businesses by bank agents, focusing on payroll credit.
VII. In August, approval for migration of American Depositary Receipt (ADR) program from level I to level II by the Board of Directors, subject to authorization of regulatory bodies;
VIII. In October, authorization of regulatory bodies to start operation of Movera, a company engaged in making businesses more dynamics and provide micro-finance specialized services;
IX. In November, establishment of a strategic partnership between BB Elo Cartões Participações S.A and Cielo S.A. to create a new company engaged in exploring management activities on post-paid payment account transactions (credit cards) and management of functionality purchases through debit card.
X. BB maintenance for the third consecutive year in the New York Stock Exchange's Dow Jones Sustainability Index (DJSI) and for the tenth consecutive year in the São Paulo Exchange's (BM&FBovespa) Corporate Sustainability Index (ISE) in September and November respectively.

3. Corporate Strategy for the period 2015-2019

New Banco do Brasil's Corporate Strategy for 2015-2019 was prepared based on participative work in the Executive Board and the Board of Directors after discussing challenges, movements and strategic goals for the following five years. This document was approved by the Executive Board and the Board of Directors in the second half of 2014.

Banco do Brasil's essence, which expresses the company's purpose, its way of thinking and acting should be shared with and practiced by the company as a whole. It was guided by the concept "Market bank with public spirit" and is realized through Belief, Mission, Vision and Values.

BB's belief "a good world for all requires public spirit in each of us" is based on constantly seeking to reconcile the Bank's needs and interest with all its relationship publics. Individual and collective dimensions are considered, either when acting as a market bank, conducting social businesses, or as protagonist of the Brazil's development.

New Mission: “Market bank with public spirit: Be a competitive and profitable Bank, operating with public spirit in every action it takes in the society”.

Vision of the Future: “To be the most relevant and reliable Bank for the life of clients, employees, shareholders and Brazil’s development”.

For the 2015-2019 period, the Bank’s goal is to improve clients, shareholders and society’s experience, allowing lasting relationships. Based on principles of sustainability, it will continue to prioritize increase in efficiency, productivity, profitability and revenues from provision of services.

4. Economic-Financial Performance

4.1 Overview

Banco do Brasil recorded net income of R$ 13.3 billion and an annualized return on shareholders’ equity of 18.2% in 2014. Income per share was R$ 4.23 in the period.

Assets amounted to R$ 1.3 trillion, an increase of 10.0% in twelve months, with a return on assets of 1.0%, giving the Bank the leading position in the Banking Industry (BI). Loan operations had an outstanding performance, with 21.0% of market share. Shareholders' equity was R$ 85.4 billion, an increase of 11.9% in twelve months.

Table 1. Highlights

R$ million			(%)
Earnings[1]	**2013**	**2014**	**on 2013**
Net Income	11.289	13.343	18,2
Net Interest Income	41.734	46.654	11,8
Net Commissions and Fee Income	18.074	19.778	9,4
Administrative Expenses[2]	(28.978)	(29.339)	1,2
R$ billion			(%)
Equity[1]	**Dec/13**	**Dec/14**	**on Dec/13**
Assets	1.162	1.278	10,0
Loans to Customers Net of Allowance	565	632	11,8
Clients' Deposits	461	438	(5,1)
Total Shareholders Equity	76	85	11,9
BIS Ratio %[3]	**14,5**	**16,1**	10,8
		(%)	
Indicators	**2013**	**2014**	**on 2013**
Earnings per Share (R$)	3,68	4,23	14,9
Return on Assets %	0,97	1,04	7,5
Return on Equity %	15,9	16,5	3,4
thousand			(%)
Structural Information	**Dec/13**	**Dec/14**	**on Dec/13**
Base Customers	61.375	61.645	0,4
Total Checking Account	39.786	38.085	(4,3)
Individuals	37.328	35.655	(4,5)
Companies	2.458	2.430	(1,2)
Branches	5,5	5,5	-
R$			(%)
Market Ratios	**Dec/13**	**Dec/14**	**on Dec/13**
BBAS3 - Closing Price	24,4	23,8	(2,6)
			(%)
Employee Profile	**Dec/13**	**Dec/14**	**on Dec/13**
Employees	112.216	111.628	(0,5)
Female	46.580	46.364	(0,5)
Male	65.636	65.264	(0,6)
Education's Level			
High School	26.426	24.956	(5,6)
College	51.568	49.772	(3,5)
Specialization, Master's and Doctorate	33.794	36.515	8,1
Other	428	385	(10,0)
Turnover (%)	4,8	3,2	(34,4)

1 - Items based on Consolidated Statements in IFRS;
2 - Refers to the sum of Personnel Expenses and Other Administrative Expenses;
3 - 2013 Index calculated as the Basel III rules.

See further information about the economic-financial performance of BB in the Management Discussion and Analysis Report at: www.bb.com.br/ir.

4.2 Stock Performance

BB's market value totaled R$ 68.1 billion at the end 2014. In the theoretical portfolio of Ibovespa in force for the four months, from September-December of 2014, the Bank occupies 10 th place, with a market share of 2.68%.

BB common shares (BBAS3) were traded at Novo Mercado of BM&FBovespa, and continued to be listed in the theoretical portfolios of the main stock indexes: Ibovespa, Ibrx50, IGC, ISE and Itag. Additionally, BB makes up the international indexes MSCI LatAm Index, S&P Lac 40 and DJSI.

At the end of the period, the Level I American Depositary Receipt (ADR) Program of Banco do Brasil had 22.3 million receipts in free float at U$ 8.68 per certificate.

Banco do Brasil, aligned with its profit reinvestment and dividend distribution policy, keeps 40% of the net income distributed (payout) in the form of dividends and interest on own equity with quarterly periodicity. Thus, during the year, R$ 4.5 billion was set aside as shareholders' compensation - R$ 851 million in dividends and R$ 3.7 billion as interest on own capital. The 60% of the remaining income were used as legal and by-laws reserves.

4.3 Information on Affiliates and Subsidiaries

According to the art. 243 of Law 6,404/76, BB reports that investments in associated companies and *joint ventures* totaled R$ 15.9 billion in December 31, 2014.

5. Service Network and Channels

Banco do Brasil ended the period with 69.1 thousand points of service, comprising its own and shared network, and correspondents, covering 99.8% of Brazilian cities.

The Bank's own network featured 18,956 points, with 5,524 branches, 1,699 points of service and 11,733 point of electronic service with 44,182 automated teller machines (ATMs). BB has the largest branches chain of the Country, with a market share of 23.9%.

In 2014, BB opened four branch offices with specialized assistance for micro and small firms (MPE): in Teresina (PI), Ribeirão Preto (SP), Curitiba (PR) and Vitoria (ES), totaling seven offices in the country with this kind of customer assistance.

The correspondents' network, identified by the MaisBB trademark, counted on 15,538 points of services and establishments under agreement, plus 6,191 points of the Banco Postal (Postal Bank), performing 367.6 million transactions in the period.

In April 30, the Administrative Council of Economic Defense (CADE) approved the establishment of a new financial institution by BB and Correios to replace contract for correspondent in Brazil. Effective establishment of a new institution depends on completing technical studies, which are in progress, and on regulatory authorizations, with emphasis to the Department of the Treasury, Ministry of Communications, Ministry of Planning, Budget and Management (MPOG/DEST), in addition to the Central Bank of Brazil (BACEN).

In December 2014, shared chain had 34,641 service points: 16,779 of Banco24horas, representing an increase of 8.1% in relation to 2013. During 2014, 39 million transactions were conducted by BB's clients only in this chain, a growth of 45.7% in the year.

Autoatendimento Celular (Cell Phone Service) continued to grow in clients' preference. In 2014, 1.3 billion transactions were carried out in this channel by 4.4 million users, a growth of 163.4% in relation to 2013. Thus, for the first time, cell phone accesses exceeded those via Internet. Transactions carried out in self-service channels via cell phone and Internet already represents 33.6% of total.

In addition to offering over 100 transactions, Cell Phone Self-Service presented innovations during 2014, such as the Mobile Redemption (Saque Móvel), which permits quickly programming and redeeming cash from BB's electronic ATM's and the new solution of simulating vehicle financing.

The self-service channels also delivered an outstanding performance:

I. Internet: 2.4 billion transactions carried out, by 11.5 million individuals users;
II. Public Sector (internet and cell phone): 458.3 million transactions carried out by 28.7 thousand users;
III. Call Center: 240.6 million transactions carried out and 12.9 million clients enabled;
IV. Financial Manager: 1.7 billion transactions performed with this application, employed by over 755 thousand companies, chiefly small firms.
V. ATM: 3.3 billion transactions;

In April 2014, BB made available to its micro and small business clients the release of Advance on Credit to Storekeepers – ACL (Antecipação de Crédito ao Lojista -ACL) in ATM's. This functionality aggregates comfort and convenience to businessmen, who may anticipate their credit card sales in any terminal of the BB Chain.

Abroad, the Service Network is comprised of 45 own facilities located in 24 countries. At the end of 2014, there were 1,083 banks acting as BB's correspondent banks in 135 countries. In Argentina, the network of Banco Patagonia was increased to 195 points of service. The Banco do Brasil Americas, in the US, has a network of 5 branches, on agreements having 55 thousand shared ATMs available and 7 thousand ATM to deposit and withdraw, also offering internet and mobile banking services.

Highlight to the grand opening of a BB branch in Xangai, China, in May. This is the first branch of a Latin American bank in that country. The aim is to support the expansion of Brazil's trade with China as well as China's investment in Brazil as well as the business of Brazilian multinational corporations.

6. Business

6.1 Loan Portfolio

The loans to customers was R$ 650.6 billion, growth of 12.1 in twelve months.

At the end of December/2014, loans to individual customers totaled R$ 269.6 billion. Loans to industry and trade balance reached R$ 381.0 billion.

Highlight on lending to the rural sector which ended the year with a balance of R$ 170.1 billion. Provisions for loan losses totaled BB R$ 19.0 billion in December 2014.

6.1.1 Individual Customers

The main credit facilities comprising this portfolio are as follows:

Payroll Loans

The payroll loan is still the most representative category in the portfolio of loans to individuals. Loans to civil servants continued to be the most substantial of this portfolio, being comprised by retirees and pensioners of INSS and private sector employees.

Auto Loans

The growth of transactions originated in Banco do Brasil branches was noteworthy, focusing on lending strategy to individual customers. The profile of these new transactions continued to be within the criteria adopted in recent years, ensuring the quality of the portfolio within the historical performance data.

Mortgage Loans

Disbursements to the mortgage for individuals rose by 27.4% compared to the year 2013.

6.1.2 Companies Customers

The main amounts which comprise the balance of the corporate portfolio is presented below:

Credit for Investments

Banco do Brasil's disbursements for investment loans totaled R$ 54.1 billion in 2014. Highlight to the onlending funds with resources from BNDES, FCO, PROGER and Pronaf, Agribusiness Investment.

Mortgage Loans

Until December, 332 thousand housing units were contracted to build, with the finance provided by the Minha Casa Minha Vida Program (Mortgage Social Program) for all income ranges of the program.

Small and Micro Companies

In 2014, Banco do Brasil launched a new publicity campaign to strengthen its position as the "Bank of the Micro and Small Business", valuing the transforming power of this segment by offering credit, solutions and market differentiation.

BB had 2.3 million checking accounts of very small and micro companies (SME) at the end 2014, continuing to be the main partner of this segment.

Banco do Brasil made use of the FGO (credit guarantee fund) to expedite access to credit by small and micro firms, mitigating risk in such transactions and reducing costs to end users. In December there were 474.9 thousand secured transactions totaling balance of R$ 21.4 billion.

In the year of 2014, BB stressed its support to entrepreneurs with the Empreendedor (bb.com.br/empreendedor) site, with solutions for goods and services, that had 414,992 access. It also provided support to Arranjos Produtivos Locais (APL), allocating R$ 3.78 billion in loan transactions to Application member companies.

In the MPO, the Bank's activities are aligned with the Crescer (Program of the Federal Government). In December, it reached the disbursement of R$ 4.6 billion in loan operations for working capital and investments. Over 1.6 million clients throughout the country were benefited.

In October, regulatory agencies authorized Movera, BB's associate, specifically aiming at starting operations in the microfinance market. MPO transactions are carried out by micro-credit agents hired by the partner company. BB will continue to be responsible for defining strategy, providing credit methodology and for business management systems.

Wholesale Customers

Banco do Brasil participates in Structured Operations, which are credit grants tailored to the specific needs of clients. The main grants over the year totaled more than R$ 75.5 billion. Out of that total, BB's share was R$ 31.9 billion, of which R$ 16.9 billion in long-term financing operations such as with the BNDES, FCO and FMM, and R$ 15.0 billion in Issues in the Capital Markets, through Debentures, Promissory Notes, and FIDC (Receivables Investment Fund Units).

6.1.3 Agribusiness

The agribusiness portfolio ended the year with a balance of R$ 170.1 billion in agricultural loan and agro industrial transactions. This sum represents an increase of 13.5% in relation to 2013.

In the contracting of rural credit loans is placed on the use of risk mitigation mechanisms - bad weather and prices. In December, 58.4% of the agricultural costing operations contracted in the harvest of 2014/2015 were covered with production insurance (Agricultural insurance or Proagro) and price insurance (options contracts). The delinquency of the agribusiness portfolio (indicator of operations delinquent for over 90 days) was of 0.69%.

The credit support to agribusiness sustainability is present in the following lines: Agroecology Pronaf, Eco Pronaf and ABC Program (Low-Carbon Agriculture Program) which encourages rural producers to use raising techniques that reduce the issue of greenhouse gases and deforestation. In the year, the ABC Program accounted 6,365 financing, reaching R$ 2.9 billion.

With the aim of supporting investments in warehousing, BB has been operationalizing, since July 2013, the Program for the Construction and Expansion of Warehouses ("PCA"), which at the end of the 2014 year received R$ 3.4 billion in proposals.

The finance of crops with the adoption of the SPD (Direct Planting System), one of the technologies that are included in the spontaneous commitments made by Brazil in COP-15, is substantial and corresponds to 81.8% of the total amount in finance of agriculture cost by BB in 2014.

6.2 Funding

BB's commercial funding totaled R$ 437.8 billion in 2014 reduction of 5.1% to 2013.

6.3 Asset Management

BB, through BB Resource Management (BB DTVM), continued as a leading national investment fund industry. At the end of 2014 totaled R$ 542.4 billion in funds under management and a 22.8% market share, consolidating its largest manager position in the country. This result represented an increase of 14.2% over the same period last year. BB DTVM also stands as the largest manager of country's third party assets under management, with a total volume of R$ 554.7 billion and market share of 21.7%.

6.4 Government Customers

More than R$ 21.2 million credit installation was passed through 46,500 Benefit Payment Card for families involved in agricultural reform. Additionally 2,214 municipalities and 24 states have already adhered to the Civil Defense Payment Card, exclusive to provide aid in disasters.

6.5 Cards

Revenues with cards was R$ 238.3 billion, an 15.7% rise in 2014, with highlight to debit cards, which rose 16.7%. This performance is through the strengthening relationship with the customer, the mobilization of the branch network, the increased use of the consumer to pay half and the search for new business in the segment of cards, such as the launch of Ourocard Corporate Banking platform, directed to large companies.

With a focus on efficiency and economies of scale and taking advantage of opportunities arising from the regulatory framework in the electronic payment industry in 2014, BB started a business reorganization process linked to the card.

Considering this scenario, STELO S.A. was launched in April, through the subsidiary Companhia Brasileira de Soluções e Serviços (CBSS), an electronic payments and e-commerce company, aimed at increasing business opportunities and solutions in digital wallet segment. In May, talks got underway for the creation of LIVELO S.A., through CBSS, with the aim of exploiting business related to the customer-loyalty program.

In November and through its wholly-owned subsidiary BB Elo Cartões Participações S.A., BB announced an agreement with Cielo S.A. to create a Joint Venture that will have the right to explore the management of transactions of post-paid payment account (credit cards) and the management of functionality for purchases via debit cards. The company was evaluated at R$ 11.6 billion. Concluding the business still depends on complying with regulatory deadlines and on closing contract conditions.

6.6 Insurance, Pension Plans and Premium Bonds

In 2014, BB Seguridade's holding, Banco do Brasil insurance branch to perform in areas such as insurance, pension funds and capitalization added R$2.8 billion to BB's income. BB Seguridade Participações, a company listed in the

BM&FBovespa's Novo Mercado and a leader in the markets in which it is active, pursuant to data from SUSEP (Private Insurance Superintendence).

For more information: www.bancodobrasilseguridade.com.br.

6.7 Social Security Management

The volume of assets managed by Banco do Brasil, through 28 investment funds exclusive targeted at RPPS (Own Social Security System), totaled R$ 33.4 billion in 2014, which represents 41.1% of market share. The management fees of funds and pension services of actuary advisory, investments, benefits, payroll and technical support was R$ 73.8 million.

In 2014 BB Previdência's assets rose to R$ 2.6 billion, which 42 from corporate plans and 52 from sponsoring companies, 2 plans created by 2 professional entities and 75.9 thousand participants. This Multi-sponsored Pension Fund managed by the Bank is committed to manage closed-end private pension plans provided to employees of private and state-owned companies, mixed economy companies and plans created by trade unions, professional entities and others.

6.8 Capital Market

Banco do Brasil, through BB - Banco de Investimento (BB-BI), operates in the domestic capital markets focused on retail and corporate investors and abroad with BB Securities (New York, London and Singapure). The share purchase and sale service by means of the network of branches, Internet (home broker) and mobile devices traded R$ 13.1 billion, of which R$ 12 billion were by home broker.

According to the Anbima ranking, the main achievements of the Bank over the period were as follows:

I. Coordinated 75 issues of fixed income securities, including promissory notes, debentures, totaling a volume of R$ 14.9 billion and ranked in 3th place in the consolidated origination list and with 16.1% in market share;
II. Active in 30 overseas funding transactions totaling US$ 30.0 billion obtaining the ranking's 1st place;
III. Undertook transactions with de CRI, FIDC and CRA, with a R$ 458.4 million volume in the securities market;

6.9 Services

Banco do Brasil makes available many banking services to its clients. Among those offered to businesses, including the government, the following stood out over the period:

I. Bank collection, tax deposit form collection and standing order services, Banco do Brasil provided services to over 629 thousand companies. The change amounted to R$ 599.6 billion and 603 million securities;
II. Payroll agreements, processing over R$ 1.9 billion, meeting 16 million public officers and employees from private enterprises;
III. INSS benefit payments at an amount R$ 7.0 billion/month carried out by means of specific cards and credit to accounts;
IV. The collection of taxes amounted to R$ 665.5 billion, 2.93% up of 2013. The most outstanding product was the Federal Tax Collection and Simples Nacional, with a 6.8% growth, totaling R$ 233.1 billion;
V. The Licitações-e (e-bid) site, in which 40.9 thousand bidding process were undertaken in the total amount of R$ 26.3 billion.

For each checking account customer, BB offers the DDA (Authorized Direct Debit) service which had 1.24 million electronic drawers and 13% market share, and over 55,2 million bank payment forms were electronically processed.

6.10 Foreign Trader

BB maintained its leadership of the export and import exchange market with a market shares of 27.6% and 23.5%, respectively.

The exports operations (Advance against Exchange and Advance against Draft Presentation) stood out with the grant of US$ 10.3 billion and 26.3% of market share. In relation to imports, the financed volume was US$ 5.4 billion. In on-lending from governmental programs, financing disbursements under the Proex (Export Financing Program) totaled US$ 456.2 million and BNDES-Exim was US$ 475.7 million, in November 2014, last data available.

The on-line foreign exchange and foreign trade services through the Internet accounted for 63.8% of the foreign exchange contracts for exports and 40.1% for imports. BB also offers international business training services. Until December, 9,200 people, considering business men, students and Foreign Trader Professionals were trained all over the country.

6.11 Consortium

BB Administradora de Consórios ended the year with a portfolio of more than 565,000 active quotas, growth of 29.1% in twelve months. Highlight to car segment, which grew 30.2% to 528,000 quotas in December. During the year, were sold over 130 thousand new consortium quotas, which represented R$ 3.9 billion in letters of credit.

7. Corporate Management

7.1 Corporate Governace

Banco do Brasil's corporate governance structure is comprised by: the Board of Directors, comprised by eight members and advised by the Audit and Remuneration Committee and Internal Audit, and the Executive Board, made up of the Board of Officers (president and nine vice-presidents) and by 27 statutory directors. BB also has a permanent Fiscal Council comprised by five regular and alternate members.

As a good corporate governance practice, the Bank keeps a process to evaluate the performance of the Board of Directors, Audit Committee and Executive Board. The Bylaws, the Corporate Governance and Ethics Codes also give support to the best governance practices adopted by Banco do Brasil.

Decisions are taken collectively at all levels of the Bank with the purpose of conducting the adequate debate over strategic themes and business proposals. For such, the Management uses committees, subcommittees and commissions at a strategic level, which ensure the agility and security for the decision making.

In April, BB completed the restructuring of the Vice-President of Wholesale Business (VIPAT). The new model of BB's work in this segment has as assumptions process improvement and the increase of business in order to strengthen the image of the Bank to the wholesale customers and expand market share of this segment in the income of the Company.

7.2 Market Relations

Banco do Brasil releases reports and information to the CVM, and on the Investor Relations website. Also adopts the posture of inviting the market to conferences whenever Management considers it necessary to elucidate specific topics concerning the Company. In 2014, Banco do Brasil took part in 6 meeting with investors and analysts in the country, 3 roadshows abroad, 10 conference in the country and 11 abroad and organized 4 earnings teleconferences with analysts and investors. Altogether over 855 visits were conducted to investor and market analysts, including participation in meetings and telephone calls

7.3 Corporate Controls

Risk Management

Banco do Brasil has implemented improvements in risk management with the creation, in the Board Risk Management, management responsible for conducting the Internal Process of Capital Adequacy Assessment (ICAAP), the management of strategy risk, reputation, and actuarial environmental and risk integration in the BB and its Related Entities.

More information at www.bb.com.br/ir.

Internal Controls

The internal control activities in the year had as its premise the independent verification of compliance of processes with laws and external and internal regulations, assessment and certification of controls defined by the managers of the processes and the validation of internal risk models, the Internal Process Capital Adequacy Assessment (ICAAP) and the provision of methodologies (ADA - Allowance for Loan Losses and PDC - Provision for Contingent Claims).

BB maintained as a priority the integrated management of areas of controls and risks, from the unification of criteria for risk identification, assessment and feedback controls the entire Internal Control System and Risk Management.

In 2014, the Operating Risk Unit (Unidade de Risco Operacional -URO) was created for the purpose of continuing operating risk management evolution in BB and to provide necessary conditions to reduce losses with spread of risk management culture by improving instruments for operating risks' identification, evaluation, mitigation, control and monitoring.

BB Ombudsman

The External Ombudsman acted directly in several strategic movements and presented proposals - implemented in 2014 - to improve products and services to speed-up satisfaction of clients' demands and avoid future complaints, minimizing contribution margin flight and mitigating operating losses.

Investments made to better client service improved public indicators on complaints, such as demands made to the Central Bank of Brazil (Bacen) and Procon (consumer defense institute).

In 2014, BB reduced valid denunciations made to BACEN by 34.9%, which placed it out of the five first positions in the regulatory agency's ranking, and closed the year in the eighth position among those ten banks with more than 2 million clients. This improvement was also verified in Procons (consumer protection agency) with reduction of 56.4% in the number of demands recorded in relation to previous year, according to Senacon (consumer national service), as well as improvement in these demands' resolution rates.

Security Management

The Bank supports and actively contributes to the actions taken within the National System for Prevention and Combat Against Money Laundering through its participation in the meetings for the preparation and implementation of the Enncla (National Strategy for the Combat Against Corruption and Money Laundering) , and formalization of Technical Cooperation Agreements with institutions such as the Ministério da Justiça (Ministry of Justice), the Coaf (Council for Financial Activities Control), linked to the Ministério da Fazenda (Ministry of Finance), and the Ministério Público do Estado de São Paulo (São Paulo State Public Prosecution Office). The Banco do Brasil also trains its employees on Preventing and Combating Money Laundering and Financing of Terrorism (AML / CFT), including courses, seminars and certification of knowledge.During the period, BB trained more than 7.6 thousand employees.

In April, BB adhered to the *Foreign Account Tax Compliance Act* (FATCA), with the aim of complying with the U.S. regulation that seeks to identify U.S. taxpayers, or *US Person,* as they are called in the United States, who have financial assets greater than US$ 50,000 abroad. Thus, the Bank is in line with other financial institutions in the world's major financial centers.

The protection of the Conglomerate's clients, employees and assets is guaranteed by growing investments in technology, coupled with continuous training of professionals in the area of operational risk management. The model of integrated management of the security devices installed on the premises is being expanded, aimed at providing a greater level of security to the Network, thereby reducing financial losses stemming from criminal attacks against BB.

For protection of financial transactions, we maintained the strategy of investment in the use of high-tech security devices, such as the use of biometric readers, which are being installed on BB ATMs. By June, this solution was installed in over four thousand terminals.

7.4 Technology

Banco do Brasil's guidelines on technology are focused on operational efficiency and are geared toward solutions for mobility, convenience and technological integration in client relations as well as operational and management processes.

Other highlights over the period were as follows:

I. The Technological Transformation Program ("PTT"), aimed at improving existing processes, platforms and infrastructure through the reorganization of the methodology for building and maintaining technology solutions and service-oriented architecture;
II. The Program for the Optimization of IT Resources ("PORTI"), which seeks efficiency in the use of technology resources, with the constant reassessment of assumptions involving architecture, hiring, and management of services, among others. In 2014, the PORTI program generated recurring savings of R$ 167.0 million;
III. Initiatives of mobility with the definition of a platform for development and management of mobile devices and new mobility solutions for business, designed to make the Mobile one of the main business channels and good experiences for customers;
IV. Studies for development of IT Governance, in the form of improvements in IT management processes, project selection and management of the IT portfolio, statement of Enterprise Architecture, performance risk mitigation and increased compliance and IT security;
V. The promotion of entrepreneurial skills related to digital skills in order to prepare the transformation of the Bank to act with speed and efficiency in the new opportunities created by the emergence of digital business;
VI. The application of new approaches to expand the forefront, the presence and effectiveness of BB in their markets, such as big data, internal cloud computing, agile and customer experience.

8. People

In 2014, Banco do Brasil Corporate University (UniBB) provided 8,660,841 hours in training and higher education methods, languages and certification. The investment in corporate education amounted to R$ 137.8 million (R$ 1,234.55 per employee) in training activities in different modalities (in class, distance, and the job), and provide the gain or maintain legal certifications in investments (CPA 10 and 20) by 6,538 employees.

Other highlights over the period were as follows:

I. Launch of UniBB Portal BomPraTodos, in English and Spanish, for employees of the external network;
II. Launch of UniBB Mobile app, on Apple Store and Google Play, which is a new form of access to the educational content of UniBB via smartphones and tablets;
III. Availability of the UniBB Portal for people with visual disabilities, democratizing access to e-Learning training activities to all of the Bank's stakeholders;
IV. Launch of the Virtual Library, which makes available to employees more than 2,500 e-books, organized into 40 areas of knowledge;
V. Availability of Mentoring program for general managers of the branch network;
VI. Learning Trails release on Customer, Ethics (prerequisite for career advancement) and other strategic issues;
VII. Held process of training employees passed the Professional Growth Program, succession process for the exercise of executive functions;
VIII. Realization of directors and executive training process, in partnership with the most respected schools in Brazil and abroad businesses such as The MIT Sloan School of Management (USA);
IX. Offer of 4,476 new scholarships, 1600 graduation modality, 1,800 graduate and 1,000 foreign languages, and 76 selected employees for Master Scholarships / PhD, 33% increase over the last selection process;
X. Launch of Young Apprentice Program BB. The Learning Program, which now has about 4,000 contracted teens, cases include young people 18 to 24 years;
XI. Implementation of the Trainee Program BB, to identify employees of the branch network with high performance and relevant academic background, to participate in guided stage in strategic units;

XII. Availability Manager Radar for performance monitoring in the course of professional development and multidimensional diagnosis, to guide the professional development of managers of Retail and Government agencies;
XIII. Release Management Certification, based on the Manager Radar, using objective criteria to strengthen the career planning agency managers based on merit;
XIV. Achievement of 14 and 15 contests of knowledge of Internal Certification, with the participation of 105,406 employees.

Compensation and benefits

On 05/20/2014, was paid the amount for PDG (Bonus Performance Program) for the year of 2013 and in 11/13/2014 referring to the 1st half of 2014.

On 02/25/2014 the Bank distributed the Profit and Results of the 2nd half of 2013 and in 10/13/2014 for the 1st half of 2014.

The following table shows the remuneration and benefits granted to employees:

Table 2. Compensation and Benefits

R$ million			(%)
	2013	**2014**	**on 2013**
Remunerations	10,557	10,618	0.6
Social Charges	3,553	3,870	8.9
Benefits	2,200	2,357	7.1
Statutory Profit Sharing[1]	2,033	1,467	(27.8)
Directors' and Oficcers' Honorariums	33	42	27.0
Training	47	60	29.5

1 – Includes the amount of R$ 11,057 thousand of the Statutory Profit Sharing based in shares to the Board in 2014(R$ 10,416 thousand in 2013).

9. Sustainable Development

With regard to BB's social and environmental activities, highlights are:

I. Served 1,945 municipalities with the Sustainable Regional Development (DRS) Strategy. Bank has 24,676 employees trained on this theme. 1,515 Business Plans are being implemented, with 697,333 beneficiaries; balance of engaged transactions was 8.2 billion after these Plans were made effective;
II. Donation of R$ 51.8 million to *Fundação Banco do Brasil* (FBB) to be invested in social projects and programs developed or supported by the Foundation, mostly related to social-productive inclusion through social technologies;
III. Donation of R$ 4.3 million to Fund for Children and Teenagers' Rights;
IV. In the scope of *Projeto Voluntários BB FBB*, selection of 57 projects aimed at job and income generation and/or environment conservation to receive support from *Fundação Banco do Brasil* and other partners;
V. In the scope of *Projeto Voluntários BB FIA*, selection of 99 projects aimed at promoting protection, promotion and defense of children and teenagers' rights;
VI. For the 5th consecutive year, BB is part of the Sustainability Yearbook of RobecoSAM – organization responsible for the selection process of the Dow Jones Sustainability Index of the New York Stock Exchange.
VII. In March, signature of term of adhesion to the campaign for commitment and attitude through Maria da Penha law – Law is stronger *(Campanha Compromisso e Atitude pela Lei Maria da Penha - A Lei é mais forte)*;
VIII. In April, The 2050 Criteria workshop was held with representatives of several BB's business areas to discuss financing of agricultural, forest and sea commodities on a sustainable basis;
IX. In March, obtained certificate from company Gestão RH as one of the hundred companies with best corporate citizenship practices.

X. In April, launching, at FEBRABAN and through Programa Água Brasil, of the academic study Public Policies for the Financial Industry that promotes natural capital conservation in the Agricultural Industry: Brazil, from Rio 92 to Rio+20 with prospective view on Rio+50;
XI. In May, publication of new sustainability guidelines for credit, addressing Oil & Gas and Transportation industries;
XII. In June, support to the "Campaign for Prevention and Eradication of Child Labor in Brazil" in partnership with the International Labor Organization (ILO), National Forum for the Prevention and Eradication of Child Labor (FNPETI), Ministry of Labor and Employment, and Unicef;
XIII. In June, included in the list of the World's most green companies by North-American weekly magazine Newsweek in partnership with Corporate Knights Capital.
XIV. In June, for the 10th consecutive year, Fundação Abrinq recognized BB as a child-friendly company ("Amiga da Criança");
XV. In July, qualified to comprise sustainable investment list of Swiss investment bank Notenstein Private Bank;
XVI. In July, "Social-Environmental Guidelines for Controversial Matters" were made available in Banco do Brasil's Sustainability Portal. The purpose of this document is to explain the Bank's position on controversial matters that, due to this very same feature, became known by the society;
XVII. In August, for the first time, it received WayCarbon's certification of the Greenhouse Gases Inventory (ISO 14064);
XVIII. In August, maintained SGA Environmental Certification – Scope Altino Arantes Building (SP) – for the period 2014/2017, in conformity with procedures and requirements of the ISO 14001:2004 International Rule;
XIX. In August, it was qualified in "Gold" rate of the Corporate Greenhouse Gases Inventory - GEE, by the GHG Protocol Brazilian Program;
XX. In September, for the third consecutive year, continued to be part of the Dow Jones Sustainability Index (DJSI) of the New York Stock Exchange, which gathers companies with best worldwide sustainability practices;
XXI. In September, the II BB's Meeting on National Conference on Policies for Women (PNPM) was held and addressed the theme "Women and Sustainability" to explain BB's PNPM actions and provide inputs for internal discussions, such as review of Agenda 21;
XXII. In October, IV *Prêmio Valores do Brasil* (Values of Brazil Award) was held and 20 real cases of success in social-environmental responsibility and sustainable development were recognized;
XXIII. In November, launching of guide "Environmental, Social and Governance Integration for Banks: Guide for Implementation", of WWF-International with the support of Bank *Credit Suisse;*
XXIV. In November, for the tenth consecutive year, was again included in BM&F Bovespa Sustainability Index - ISE;
XXV. In November, received *Prêmio Época Empresa Verde* (Época Green Company Award). This award evaluates the company's goals and the result of its sustainability actions;
XXVI. In December, it reached the landmark of 18 thousand employees registered with BB Volunteer Work Portal (Portal do Voluntariado BB);
XXVII. Delivery of 10,592 equipment to 151 institutions throughout the country to be used for social purposes under the scope of Program for Social Inclusion and Transformation by means of the Donation of Replaced Computers;
XXVIII. Approval of R$ 2.3 million to support Sustainable Development projects that seek to structure production chains and generate job and income through strategic partnership between BB and BNDES to use Social Fund's non-reimbursable funds;
XXIX. In 2014, construction of 20.6 thousand Plate Cisterns for Drinking and Production Water, benefiting 103 thousand people in the Brazilian semiarid. FBB served 40.4 thousand children and teenagers in 324 municipalities of 25 Brazilian states through Programa AABB Comunidade (AABB Community Program;

10. Legal Information

In accordance with criteria defined by the Brazilian Statute of Small and Micro Businesses (General Law of Micro and Small Businesses), 95.2% of BB's business clients are classified as SME businesses. The volume of funds used by SMEs was R$ 66 billion in December, representing an 0.18% decrease in twelve months.

In the engagement of services not related to external audits, Banco do Brasil adopts procedures based on the applicable legislation and on internationally accepted principles that preserve the independence of the auditor. These principles consist of: (i) the auditor should not audit his own work and (ii) the auditor should not act managerially before his client nor promote the interests of his client.

During the period, the companies of Banco do Brasil's Conglomerate contracted KPMG Auditores Independentes to provide other services not related to the Bank's and its subsidiaries' external audit in the amount of R$ 4,4 million, representing 17.2% of the fees related to the external audit service. The contracted services were:

Table 3. Contracting of KPMG Auditores Independentes

Engaging Party	Hire Date	End Date of Hiring	Type of Sevice	Total Contracted (R$ thousand)
Banco do Brasil S.A.	07/01/2014	01/11/2015	Advisory - International Regulation	1,232.5
Banco Votorantim S.A.	02/13/2014	08/15/2014	Advisory - Controlling Pre Certification	1,000.0
BB Tokyo Branch	24/01/2014	23/01/2015	Advisory - Corporate Tax	760.1
Merchant Esolutions Inc	11/04/2014	01/01/2015	Advisory - Organization and Control	429.0
Neoenergia S.A.	01/10/2014	05/14/2014	Advisory - Accounting Rules	298.8
Cielo S.A.	06/30/2014	07/31/2014	Advisory - Regulatory Industry	138.1
Banco Votorantim S.A.	12/01/2014	01/01/2015	Advisory - Corporate Tax	130.0
BB - Banco de Investimentos S.A.	10/24/2014	01/01/2015	Advisory - FIDC	86.0
Brasilcap Capitalizacao S.A.	09/22/2014	12/30/2014	Advisory - Prize Draw	81.4
Neoenergia S.A.	11/13/2014	04/30/2015	Advisory - Earnings Release Requirements	75.5
Tecnologia Bancária S.A. – Tecban	10/01/2014	11/01/2014	Advisory - Secure Servers Configuration	61.0
BB Securities Ltd.	06/13/2014	06/30/2014	Advisory - Regulatory Industry	45.5
Banco Patagonia S.A.	01/09/2014	03/10/2015	Consulting - Regulatory Requirements of the General Resolution 622/13	32.1
BB Securities Asia Pte. Ltd.	01/02/2014	12/31/2014	Advisory - Corporate Tax for 2014	18.0
Banco do Brasil – AG. Viena	06/20/2014	06/20/2014	Training - Fit & Proper theme	10.3
Banco Patagonia S.A.	06/05/2014	12/30/2014	Consulting - Regulatory Requirements	9.8

In compliance with CVM Instruction 381, Banco do Brasil reports that in 2014, the Independent Auditors KPMG did not provide services that could affect its independence, ratified by the adherence of its professionals to relevant ethical standards and independence that meet or exceed the standards promulgated by IFAC, PCAOB, SEC, AICPA, CFC, CVM, Central Bank, SUSEP PREVIC and by other regulatory agencies. These policies and procedures covering areas such as: personal independence, post-employment relationships, rotating professionals as well as the approval of audit and other services, are subject to constant monitoring.

In Banco do Brasil, the contracting of services related to external audit should be preceded by the opinion of the Audit Committee.

According to the provisions of CVM Resolution 676/11, BB explains that:

I. In the year, fixed investments amounted to R$ 1,95 billion, emphasizing the investment in new service points and in the improvement of the ambience of the bank branches (R$ 942.3 million) as well as the investment made in information technology (R$ 903.8 million);

II. Records in a memorandum account, according to rules provided for in Cosif (Financial Institutions Accounting Plan), the amount of R$ 17.8 billion deriving from Co-obligations and Risks in Guarantees Provided to clients and companies of the BB Conglomerate;

III. In 2012 was entered Interbank Revolving Credit contract Line to release with Banco Votorantim, by the limit equivalent to the value of R$ 6.8 billion. The operation was accounted for in memorandum accounts, according to rules provided for in Cosif and was issued in the Notes of the Related Parties of the Financial Statements related to the 2014;

IV. During this period, there have been the following corporate reorganizations: (i) merger of Vida Seguradora SA from Mapfre Vida SA; (ii) incorporation of Mapfre Affinity Seguradora from Mapfre Seguros Gerais SA; (iii) approved the merger of BB capitalization by BB Seguros.

In accordance with art. 8 of the Central Bank Circular 3,068/2001, BB confirms that it has the intention and ability to hold until maturity the securities classified as "Held to Maturity". The financial capacity is supported by a cash flow projection that does not consider the possibility of selling these securities.

Banco do Brasil, its Shareholders, the Officers, and the members of the Audit Committee undertake to resolve all and any dispute or controversy related with the New Market Listing Regulation by means of the Arbitration Chamber of the Bovespa Market, in conformity with a commitment clause contained in the By-laws of Banco do Brasil.

11. Main Awards Received in the Period

I. In March, BB was awarded by the U.S.-based Ethisphere Institute as one of the World's Most Ethical Companies (WME) in 2014;
II. In March, BB received the Top Employer Certification, being listed as one of the top five employers in Brazil;
III. In April, it was the top rated bank evaluated by IGOV Pessoas - Index practices in People Management, a survey conducted by Brazil's Court of Audit (TCU).
IV. In April, Banco do Brasil was chosen as one of the most prestigious companies in the nation in 2014, receiving the award of: The most prestigious companies – "Revista Época Negócios" Ranking - 2nd place in the Banks category - 12th place in the overall ranking ;
V. In April, it received the award of: The most beloved companies in Brazil 2014 – "Revista Consumidor Moderno" Ranking - 2nd place in the Banks category;
VI. In May, BB was chosen as one of the most remembered companies by farmers when it comes to rural credit, receiving the award of: Rural *Top of Mind* 2014 – "Revista Rural" Ranking - 1st place in the Rural Credit category.
VII. In May, BB received the CIC Brasil Award, from Revista Clientes SA, in the category "Best multichannel service" with the case titled "SAC BB - Breaking down barriers of communication and moving beyond borders: connected to you!" The award recognizes leading organizations in the quality of service offered to clients.
VIII. In May, Banco do Brasil was presented among the world's largest companies in the ranking prepared by the US magazine Forbes. BB is in fourth place among the best Brazilian companies and the 104th overall position;
IX. In July, Banco do Brasil was included in the 500 world's largest companies in ranking prepared by Fortune magazine. Banco do Brasil occupies the second best ranking of Brazilian companies and the 125th of general ranking;
X. In August, Banco do Brasil received the "As Melhores da Dinheiro 2014" award, was elected "Company of the Year", and was the winning company of "Banks" sector;
XI. In October, Banco do Brasil was among the best companies to work, 2nd ranking of category "Public Institutions with score of 68.0;
XII. In October Banco do Brasil received the "Top of Mind 2014" award, prepared by Instituto Datafolha;
XIII. In October, received award Leader in Personnel Management in "Most Aware Companies of Brazil". This award identifies and acknowledges those companies that go towards a new way of operating.

Acknowledgments

We thank the dedication and diligence of our employees and collaborators, as well as the trust of shareholders, clients and company.

For more information, visit Investor Relations Website: www.bb.com.br/ir.

Banco do Brasil S.A.

Report of Independent Auditors for Financial Statements December 31, 2014

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

KPMG Auditores Independentes
SBS - Qd. 02 - Bl. Q - Lote 03 - Salas 708 a 711
Edifício João Carlos Saad
70070-120 - Brasília, DF - Brasil
Caixa Postal 8587
70312-970 - Brasília, DF - Brasil

Central Tel 55 (61) 2104-2400
Fax 55 (61) 2104-2406
Internet www.kpmg.com.br

Independent auditors' report on the consolidated financial statements

To the Board of Directors, Stockholders and Administrators
Banco do Brasil S.A.
Brasília - DF

We have audited the accompanying consolidated financial statements of Banco do Brasil S.A. (the "Bank") and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2014 and the consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board - IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

KPMG Auditores Independentes, uma sociedade simples brasileira e firma-membro da rede KPMG de firmas-membro independentes e afiliadas à KPMG International Cooperative ("KPMG International"), uma entidade suíça.

KPMG Auditores Independentes, a Brazilian entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Opinion

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

Brasília, March 24, 2015

KPMG Auditores Independentes
CRC SP-014428/O-6 F-DF

The original report in Portuguese signed by

Carlos Massao Takauthi
Accountant CRC 1SP206103/O-4

CONSOLIDATED STATEMENTS OF INCOME

R$ thousand (except shares and earnings per share)

For the year ended December 31,	Note	2014	2013	2012
Interest income		137,778,601	104,582,211	94,180,849
Interest expense		(91,124,202)	(62,848,122)	(53,920,693)
Net interest income	[8]	**46,654,399**	**41,734,089**	**40,260,156**
Allowance for losses on loans to financial institutions, net of recovery	[17]	4,030	(14,591)	(9,169)
Allowance for losses on loans to customers, net of recovery	[23]	(14,789,246)	(11,514,175)	(10,062,184)
Net interest income after allowance for loan losses		**31,869,183**	**30,205,323**	**30,188,803**
Non-interest income		**27,544,337**	**24,041,158**	**22,308,802**
Net commissions and fee income	[9]	19,777,831	18,073,922	16,340,376
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	[10]	271,183	114,164	(187,891)
Net gains/(losses) from financial assets available for sale	[11]	250,953	485,221	359,104
Net income/(loss) from equity method investments	[25]	3,548,174	2,295,913	589,741
Other operating income	[12]	3,696,196	3,071,938	5,207,472
Non-interest expenses		**(43,809,003)**	**(41,387,487)**	**(37,488,858)**
Personnel expense	[13]	(18,862,738)	(18,818,787)	(16,476,673)
Administrative expenses	[14]	(10,476,003)	(10,159,359)	(9,600,780)
Contributions, fees and other taxes		(4,101,053)	(4,032,792)	(3,743,138)
Amortization of intangible assets	[27]	(3,008,435)	(2,820,368)	(2,866,362)
Provision for labor, tax and civil lawsuits		(2,076,273)	(2,552,313)	(2,024,781)
Depreciation	[26]	(1,029,521)	(879,820)	(950,151)
Other operating expenses	[12]	(4,254,980)	(2,124,048)	(1,826,973)
Income before taxes		**15,604,517**	**12,858,994**	**15,008,747**
Income taxes	[35]	**(2,261,021)**	**(1,570,160)**	**(3,603,430)**
Current		(3,557,302)	(6,531,517)	(5,440,473)
Deferred		1,296,281	4,961,357	1,837,043
Net income		**13,343,496**	**11,288,834**	**11,405,317**
Attributable to shareholders of the Bank		11,853,096	10,438,066	11,245,922
Attributable to non-controlling interests		1,490,400	850,768	159,395
Earnings per share attributable to shareholders of the Bank	[37]			
Basic earnings per share		4.23	3.68	3.93
Diluted earnings per share		4.23	3.68	3.93
Weighted average shares outstanding – basic		2,800,275,232	2,834,080,029	2,861,260,055
Weighted average shares outstanding – diluted		2,800,275,232	2,834,080,029	2,861,260,055

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

R$ thousand

For the year ended December 31,	2014	2013	2012
Net income	**13,343,496**	**11,288,834**	**11,405,317**
Items that are or will be subsequently reclassified to the consolidated statement of income			
Financial assets available for sale	**(461,944)**	**(1,453,301)**	**490,235**
Unrealized gains/(losses) on financial assets available for sale	(473,958)	(1,194,891)	846,937
Realized (gains)/losses on financial assets available for sale – reclassified to profit or loss	(250,953)	(485,221)	(359,104)
Tax effect	262,967	226,811	2,402
Share of comprehensive income/(loss) of associates and joint ventures	**7,812**	**(383,626)**	**131,692**
Gains/(losses) on financial assets available for sale	13,386	(670,793)	227,694
Gains on hedge of net investments in a foreign operation	257	224	2,380
Tax effect	(5,831)	286,943	(98,382)
Foreign currency translation differences	**(182,845)**	**(179,455)**	**(15,010)**
Items that will not be subsequently reclassified to the consolidated statement of income			
Defined benefit pension plans	**(6,009,495)**	**1,899,952**	**(5,705,902)**
Remeasurement of gains/(losses) related to defined benefit pension plans	(10,539,014)	3,166,587	(9,509,837)
Tax effect	4,529,519	(1,266,635)	3,803,935
Other comprehensive income net of income taxes	**(6,646,472)**	**(116,430)**	**(5,098,985)**
Total comprehensive income	**6,697,024**	**11,172,404**	**6,306,332**
Attributable to shareholders of the Bank	5,297,956	10,321,636	6,146,937
Attributable to non-controlling interests	1,399,068	850,768	159,395

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

R$ thousand

	Note	Dec 31, 2014	Dec 31, 2013
Assets			
Cash and bank deposits	[15]	13,337,180	11,386,337
Compulsory deposits with central banks	[16]	63,224,237	90,682,209
Loans to financial institutions net of allowance	[17]	57,808,321	65,119,694
Securities purchased under resale agreements	[18]	263,325,089	183,390,984
Financial assets at fair value through profit or loss	[19]	12,441,262	18,991,047
Debt and equity instruments		10,947,947	18,006,368
Derivatives		1,493,315	984,679
Financial assets available for sale	[20]	93,803,982	90,385,074
Financial assets held to maturity	[21]	359,875	643,283
Loans to customers net of allowance	[22],[23]	631,633,295	564,766,606
Non-current assets held for sale	[24]	24,165	43,904
Investments in associates and joint ventures	[25]	15,922,103	14,213,312
Property and equipment	[26]	7,179,878	6,575,390
Intangible assets	[27]	9,932,264	10,346,522
Goodwill		630,301	625,729
Other		9,301,963	9,720,793
Tax assets		32,532,355	33,638,480
Current		8,976,596	11,684,020
Deferred	[35]	23,555,759	21,954,460
Other assets	[28]	76,612,942	71,985,040
Total		**1,278,136,948**	**1,162,167,882**
Liabilities			
Deposits of clients	[29]	437,821,753	461,425,409
Amounts payable to financial institutions	[30]	30,675,249	26,169,057
Financial liabilities at fair value through profit or loss	[19]	2,995,367	3,433,119
Debt instruments		345,183	342,150
Derivatives		2,650,184	3,090,969
Securities sold under repurchase agreements	[31]	293,920,434	223,917,139
Short-term liabilities	[32]	20,327,943	15,190,210
Long-term liabilities	[33]	322,880,132	272,036,056
Provisions for labor, tax and civil lawsuits	[34]	7,672,712	7,486,541
Tax liabilities		5,098,523	11,608,381
Current		2,641,450	5,454,383
Deferred	[35]	2,457,073	6,153,998
Other liabilities	[28]	71,304,799	64,519,974
Total		**1,192,696,912**	**1,085,785,886**
Shareholders' equity	[36]		
Share capital		54,000,000	54,000,000
Additional equity instrument		8,100,000	-
Treasury shares		(1,621,507)	(1,324,407)
Capital reserves		5,602,650	5,597,900
Profit reserves		26,625,511	19,972,166
Accumulated other comprehensive income		(9,757,532)	(3,202,393)
Unallocated retained earnings		(1,164,398)	(1,850,969)
Shareholders' equity attributable to shareholders' of the Bank		**81,784,724**	**73,192,297**
Shareholders' equity attributable to non-controlling interests		3,655,312	3,189,699
Total		**85,440,036**	**76,381,996**
Total liabilities and shareholders' equity		**1,278,136,948**	**1,162,167,882**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

R$ thousand

	Attributable to shareholders of the Bank									
	Share capital	Additional equity instrument	Treasury shares	Capital reserves	Profit reserves	Accumulated other comprehensive income	Unallocated retained earnings	Shareholders' equity attributable to shareholders of the Bank	Shareholders' equity attributable to non-controlling interests	Total shareholders' equity
Balance at December 31, 2012 (restated)	**48,400,000**	**-**	**(461,248)**	**141**	**16,132,046**	**(3,085,963)**	**3,468,983**	**64,453,959**	**752,022**	**65,205,981**
Capital increase – capitalization of reserves	5,600,000	-	-	(5,600,000)	-	-	-	-	-	-
Financial assets available for sale adjusted to fair value, net of taxes	-	-	-	-	-	(1,837,061)	-	(1,837,061)	-	(1,837,061)
Foreign currency translation adjustments	-	-	-	-	-	(179,455)	-	(179,455)	-	(179,455)
Hedge of net investment in a foreign operation	-	-	-	-	-	134	-	134	-	134
Gains/(losses) on defined benefit plans	-	-	-	-	-	1,899,952	-	1,899,952	-	1,899,952
Share-based payments	-	-	(6,022)	6,022	-	-	-	-	-	-
Repurchase of Shares Program (Note 36.k)	-	-	(857,137)	-	-	-	-	(857,137)	-	(857,137)
Changes in subsidiaries ownership interest	-	-	-	5,591,737	-	-	-	5,591,737	1,983,401	7,575,138
Other	-	-	-	-	-	-	6,250	6,250	-	6,250
Net income	-	-	-	-	-	-	10,438,066	10,438,066	850,768	11,288,834
Constitution of profit reserve	-	-	-	-	9,907,282	-	(9,907,282)	-	-	-
Distribution of interest on own capital and dividends	-	-	-	-	(467,162)	-	(5,856,986)	(6,324,148)	-	(6,324,148)
Change in non-controlling interests	-	-	-	-	-	-	-	-	(396,492)	(396,492)
Balance at December 31, 2013	**54,000,000**	**-**	**(1,324,407)**	**5,597,900**	**19,972,166**	**(3,202,393)**	**(1,850,969)**	**73,192,297**	**3,189,699**	**76,381,996**
Additional equity instrument issued (Note 36.c)	-	8,100,000	-	-	-	-	-	8,100,000	-	8,100,000
Financial assets available for sale adjusted to fair value, net of taxes	-	-	-	-	-	(454,285)	-	(454,285)	-	(454,285)
Foreign currency translation adjustments	-	-	-	-	-	(91,513)	-	(91,513)	(91,332)	(182,845)
Hedge of net investment in a foreign operation	-	-	-	-	-	154	-	154	-	154
Gains/(losses) on defined benefit plans	-	-	-	-	-	(6,009,495)	-	(6,009,495)	-	(6,009,495)
Share-based payments	-	-	3,036	4,750	-	-	-	7,786	-	7,786
Repurchase of Shares Program (Note 36.k)	-	-	(300,136)	-	-	-	-	(300,136)	-	(300,136)
Other	-	-	-	-	-	-	11,960	11,960	71,448	83,408
Net income	-	-	-	-	-	-	11,853,096	11,853,096	1,490,400	13,343,496
Constitution of profit reserve	-	-	-	-	7,036,772	-	(7,036,772)	-	-	-
Distribution of interest on own capital and dividends	-	-	-	-	(383,427)	-	(4,141,713)	(4,525,140)	(1,004,903)	(5,530,043)
Balance at December 31, 2014	**54,000,000**	**8,100,000**	**(1,621,507)**	**5,602,650**	**26,625,511**	**(9,757,532)**	**(1,164,398)**	**81,784,724**	**3,655,312**	**85,440,036**

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

R$ thousand

For the year ended December 31,	2014	2013	2012
Operating activities			
Net income	**13,343,496**	**11,288,834**	**11,405,317**
Adjustments for:	**10,628,076**	**6,084,768**	**8,206,684**
Allowance for losses on loan to customers	17,071,588	13,505,163	12,534,082
Amortization of intangible assets	3,008,435	2,820,368	2,866,362
Provision for labor, tax and civil lawsuits	2,076,273	2,552,313	2,024,781
Depreciation of property and equipment	1,029,521	879,820	950,151
Impairment of assets	30,565	18,178	26,505
Gains from bargain purchase	-	(7,444)	-
Net gains from disposal of investments in associates	(2,275)	(187,700)	(64,757)
Impairment of assets	(3,428)	(3,225)	5,693
Allowance for losses on loans to financial institutions	(4,030)	14,591	9,169
Net gains from disposal of property	(159,769)	(84,070)	(1,250,051)
Net gains from disposal of financial assets available for sale	(250,953)	(485,221)	(359,104)
Net gains in foreign currency translation	(693,616)	(832,382)	(460,749)
Deferred taxes	(1,296,281)	(4,961,357)	(1,837,043)
Adjustment of actuarial assets/liabilities	(1,904,258)	(1,300,992)	(3,896,665)
Net gains from equity method investments	(3,548,174)	(2,295,913)	(589,741)
Effect of exchange rate changes on cash and cash equivalents	(4,859,370)	(3,440,862)	(1,626,962)
Other	133,848	(106,499)	(124,987)
Adjustments for net change in operating assets and liabilities	**(50,747,296)**	**(28,089,628)**	**(27,409,628)**
Compulsory deposits with central banks	27,457,972	(11,172,904)	11,257,217
Loans to financial institutions	5,668,587	(3,503,681)	(1,579,490)
Securities purchased under resale agreements	(87,001,186)	(1,374,615)	(37,886,172)
Financial assets at fair value through profit or loss	7,058,422	(1,081,255)	6,100,766
Loans to customers	(83,971,147)	(112,573,717)	(115,458,619)
Non-current assets held for sale	203,761	153,071	1,264,368
Other assets	(15,634,928)	(18,182,317)	(5,950,927)
Deposits of clients	(23,603,656)	11,494,456	31,789,792
Amounts payable to financial institutions	4,506,192	10,689,393	2,448,194
Financial liabilities at fair value through profit or loss	(440,784)	534,403	371,818
Securities sold under repurchase agreements	70,003,295	19,266,065	25,751,212
Short term liabilities	5,137,734	4,982,429	1,523,599
Long term liabilities	40,459,533	75,390,233	48,732,016
Current taxes	(105,509)	(2,224,226)	(143,581)
Deferred taxes	(4,236,329)	5,412,230	(3,737,800)
Other liabilities	3,750,747	(5,899,193)	8,107,979
Net cash used in operating activities	**(26,775,724)**	**(10,716,026)**	**(7,797,627)**

R$ thousand

Continued	2014	2013	2012
Investing activities			
Acquisition of financial assets available for sale	(37,451,354)	(57,529,251)	(15,739,490)
Disposal of financial assets available for sale	43,040,785	55,340,457	15,770,863
Acquisition of financial assets held to maturity	(5,695)	-	-
Redemption of financial assets held to maturity	296,208	4,269,973	3,989,259
Acquisition of property and equipment	(1,734,969)	(1,416,304)	(2,248,778)
Disposal of property and equipment	98,288	21,622	605,520
Acquisition of intangible assets	(4,492,928)	(1,349,237)	(1,610,197)
Disposal of intangible assets	6,367	4,360	(83)
Dividends and interest on own capital received	1,839,597	1,845,317	1,089,864
Disposal of interests in associates	5,588	270,373	69,875
Acquisition of interests in associates/capital increase	-	(550,241)	(1,000,000)
Net cash from BB Americas acquisition	-	-	(8,611)
Net cash provided by investing activities	**1,601,887**	**907,069**	**918,222**
Financing activities			
Repayments and extinguishments of long-term liabilities	(2,740,979)	(262,947)	(296,782)
Extinguishment of financial liability – Perpetual Bond	(8,100,000)	-	-
Issue of additional equity instrument (Note 36.c)	8,100,000	-	-
Net changes in non-controlling interests	-	7,178,646	(13,894)
Net effect related to treasury stock disposal	(300,136)	(857,137)	(461,246)
Dividends and interest on own capital paid to shareholders' of the Bank	(3,628,093)	(6,693,196)	(5,427,190)
Dividends and interest on own capital paid to non-controlling interests	(1,004,903)	-	-
Issue of long-term liabilities	21,225,522	18,837,651	23,592,958
Net cash provided by financing activities	**13,551,411**	**18,203,017**	**17,393,846**
Net increase or decrease in cash and cash equivalents	**(11,622,426)**	**8,394,060**	**10,514,441**
Cash and cash equivalents at the beginning of the year	68,841,638	57,006,716	44,865,313
Effect of exchange rate changes on cash and cash equivalents	4,859,370	3,440,862	1,626,962
Cash and cash equivalents at the end of the year	62,078,582	68,841,638	57,006,716
Complementary information about cash flow	**42,610,001**	**16,176,585**	**44,177,378**
Interest paid	(93,434,755)	(66,169,204)	(37,184,193)
Interest received	140,401,039	91,475,060	86,430,925
Taxes paid	(4,356,283)	(9,129,271)	(5,069,354)

Accounting changes not involving cash and cash equivalents			
Assets reclassified as non-current assets held for sale	24,252	47,695	71,825
Loans to customers transferred to non-operating assets (Others assets)	57,069	63,126	78,138
Unpaid dividends	292,643	419,129	778,839

The accompanying notes are an integral part of the consolidated financial statements.

1 – THE BANK AND ITS OPERATIONS

Banco do Brasil S.A. ("Banco do Brasil", the "Bank", or "Group") is a publicly-held bank subject to Brazilian corporate law, controlled by the Brazilian Federal Government, with headquarters located at Setor Bancário Sul, Quadra 1, Lote 32, Bloco C, Edificio Sede III, Brasília, Federal District, Brazil. It is engaged in the conduct of all types of asset, liability and accessory transactions, the provision of banking and financial intermediation services, including foreign exchange transactions and supplementary activities (which mainly include selling insurance, management of pension plans, offering capitalization bonds, securities brokerage, credit/debit cards management, consortiums management, management of investment funds and managed portfolios), and any other activities available to banks within the National Financial System of Brazil.

As an agent for the execution of the credit and financial policy of the Brazilian Federal Government, the Bank is obliged to perform, among other duties, the following functions attributed to it by Brazilian law, under the supervision of the National Monetary Council (CMN): (i) act as the financial agent of the National Treasury; (ii) act as the main executor of banking services in the interest of the Federal Government, including its government agencies; (iii) collect voluntary deposits, in cash or equivalents, from financial institutions; (iv) perform clearing services of checks and other papers; (v) carry out on its own account, and on account of the Brazilian Central Bank (BACEN), foreign currency purchase and sale transactions under conditions established by the CMN; (vi) receive or make payments on behalf of and perform other services in the interest of BACEN; (vii) finance the purchase and installation of small and medium sized rural property, and (viii) disseminate and provide credit.

The governance process of Banco do Brasil involves the use of mechanisms described in internal regulatory policies, which detail the procedures to be followed for the taking of organizational decisions relating to the Bank's business and activities and to its compliance with legal and regulatory requirements as well as the requirements of supervisory agencies.

Banco do Brasil maintains a self-regulatory system that controls the trading of securities issued by the Bank, by limiting the people that have access to information about relevant acts or facts prior to the disclosure of such information to the market. Parties subject to the self-regulatory system include the controlling shareholder, the officers and directors of the Bank, members of the Bank’s Fiscal Council, and all people who have a business-related or professional relationship or who have a relationship of trust with the Bank and who have knowledge of accounting or strategic information, or any other relevant acts or facts about the Bank's business.

With regard to its policies on public disclosure of information, Banco do Brasil aligns its disclosures with the needs of external users, in compliance with the requirements of regulatory and supervisory agencies, such as BACEN, the Securities and Exchange Commission of Brazil (CVM) and the United States Securities and Exchange Commission (SEC). The Bank follows the highest standards of corporate governance aiming to provide information that is transparent, accurate, complete, consistent, fair and timely.

At Banco do Brasil, the Vice-President of Financial Management and Investor Relations is in charge of the disclosure of information regarding relevant acts or facts and other information to investors, although the other officers and directors are jointly and severally liable in the event of non-compliance with the requirements of disclosure of information to the market.

Other information regarding the companies that compose Banco do Brasil and the description of the Bank’s business segments are listed in Notes 5 and 7, respectively.

2 – PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements were approved for issuance by the Executive Board of Directors of Banco do Brasil on March 24, 2015.

b) Functional and presentation currency

The consolidated financial statements are presented in Brazilian Reais, which is the Bank's functional and presentation currency. Financial information is presented in thousands of Brazilian Reais (R$ thousand), unless otherwise indicated.

c) Changes in accounting policies

The policies and accounting methods used in the preparation of these consolidated financial statements are consistent with those applied to the consolidated financial statements for the year ended December 31, 2013, except for the adoption of the following standards effective on or after January 1, 2014:

(i) Amendments to IAS 32 – Offsetting financial assets and financial liabilities;
(ii) IFRIC 21 – Levies.

The nature and the effects of these standards are described below.

Amendments to IAS 32 – Offsetting financial assets and financial liabilities – As a result of the amendments to IAS 32, the Bank has changed its accounting policy for offsetting financial assets and financial liabilities. The amendments clarify when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement.

The application of these amendments did not have a material effect on the consolidated financial statements of the Bank.

IFRIC 21 – Levies – As a result of the Interpretation, the Bank has changed its accounting policy on accounting for a liability to pay a levy that is a liability in the scope of IAS 37.

The application of IFRIC 21 did not have a material effect on the consolidated financial statements of the Bank.

3 – SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by Banco do Brasil have been consistently applied in all periods presented in these consolidated financial statements and have been consistently applied by the Group entities.

a) Consolidation basis

The consolidated financial statements of the Bank reflect the assets, liabilities, income and expenses of Banco do Brasil and its controlled entities.

Intergroup balances and transactions, as well as any unrealized income or expenses from transactions among the Bank and its controlled entities, are eliminated in preparing the consolidated financial statements. Unrealized gains originating from transactions with equity method investments are eliminated against the investment in proportion to the Bank's interest in the investee.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from the equity of the shareholders of the Bank. Net income attributable to non-controlling interest is also presented separately in the consolidated statement of income and in the consolidated statement of comprehensive income.

The Bank reassesses the consolidation process at the end of each reporting period. These analyses consider the possibility of structural alterations, which includes changes in the Bank’s contractual arrangements.

Subsidiaries – Investees over which the Bank has control are considered to be subsidiaries. The Bank controls an entity when it has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the capacity to use its power over the investee to affect its returns. Subsidiaries are consolidated as from the date the Bank obtains control over its activities until the moment that control ceases.

Business combinations – The acquisition of a subsidiary by means of a business combination is recorded on the acquisition date, which is the date on which control is transferred to the Bank, applying the acquisition method. According to this method, identified assets (including intangible assets not previously recognized), assumed liabilities and contingent liabilities are recognized at fair value on the acquisition date. Possible positive differences between acquisition cost and fair value of identifiable net assets acquired are recognized as goodwill. In case of a negative difference (gain from a bargain purchase), the identified amount is recognized in profit or loss under Other operating income.

The transaction costs that the Bank incurs in a business combination, except for the costs related to the issuance of debt or equity instruments are recorded in profit or loss in the period incurred. Any contingent consideration payable is measured at its fair value on the acquisition date.

The results of subsidiaries acquired during the accounting period are included in the consolidated financial statements from acquisition date until the end of the year. Results of subsidiaries disposed during the year are included in consolidated financial statements from the beginning of the year until the date of disposal, or up to the date that the Bank no longer has control.

Business combinations under common control – A combination between entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the Bank both before and after the business combination and that control is not transitory.

No assets or liabilities are restated to their fair values. Instead, the Bank incorporates the assets and liabilities at their pre-combination carrying amounts from the highest level of common control without fair value uplift.

No new goodwill is recorded. Any difference between the cost of the transaction and the carrying value of the net assets is recorded in equity.

Changes of ownership interest in subsidiaries – Changes in the ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Consequently, no goodwill is recognized as a result of such transactions.

Under these circumstances, the carrying amounts of the controlling and non-controlling interest will be adjusted to reflect changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in shareholders' equity and attributed to the shareholders of the Bank.

Loss of control – In the event of loss of control of a subsidiary, the Bank derecognizes on the date of loss of control: (i) the assets, including any goodwill, and the liabilities of the subsidiary at their carrying amounts; and (ii) the carrying amount of any non-controlling interest in the former subsidiary, including any components of other comprehensive income attributed to it.

Moreover, the Bank recognizes on the date of loss of control: (i) the fair value of the consideration received, if any, originating from the transaction, event or circumstances that resulted in the loss of control; (ii) the distribution of shares of the subsidiary to the owners, if the transaction that resulted in the loss of control involves a distribution of shares; (iii) any investment held in the former subsidiary at its fair value; and (iv) any difference resulting as a gain or loss in the results attributable to the shareholders of the Bank.

Special purpose entities (SPE) – The Bank sponsors the formation of SPEs for asset securitization transactions, which may or may not be controlled. Prior to the consolidation of SPE´s, the Bank assesses a number of criteria established in IFRS 10. The SPEs are consolidated from the date the Bank obtains control of the entity and cease when the Bank loses control of the entity.

The Bank reassesses the consolidation process of SPEs if facts and circumstances indicate that there are changes to one or more of the elements of control, as established in IFRS 10.

Joint ventures – A joint venture is an arrangement in which the Bank has joint control, whereby the Bank has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Bank has joint control over an arrangement when it shares control of a contractually agreed arrangement and when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Bank recognizes its investment in joint ventures using the equity method.

The Bank's investments in joint ventures are initially recorded at cost, and are subsequently accounted for using the equity method, and are increased (or decreased) to recognize the Bank's share of the profit or loss of the investee subsequent to the acquisition date. The Bank's share of the investee's profit or loss is recognized in the Bank's consolidated statement of income, on the reporting date. Adjustments to the carrying amount may be necessary for changes in the Bank's proportionate interest in the investee arising from gains or losses recognized in the investee's other comprehensive income. The Bank's share of those changes is recognized in the Bank's accumulated other comprehensive income in shareholders' equity.

On acquisition of investments in joint ventures, any positive difference between the cost of the investment and the Bank's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill, which is included in the carrying amount of the investment. Amortization of that goodwill is not permitted. Any excess of the Bank's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognized as income in the consolidated statement of income.

When the Bank's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Bank discontinues recognizing its share of future losses. After the Bank's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Bank has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Bank resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

All of the Bank's investments in joint ventures are structured through separate vehicles.

Associates – An associate is an entity in which the Bank has significant influence over its financial and operating policies, but not control or joint control. Significant influence is presumed to exist when the Bank holds 20% or more of the entity's voting capital. Even when voting rights are less than 20%, the Bank may exert significant influence through participation in the management of the associate or in the composition of management bodies with executive powers. The existence and effect of potential voting rights that are currently exercisable or convertible and material transactions between the companies are considered when assessing whether the Bank has significant influence over the entity.

The Bank's investments in associates are initially recorded at cost, and are subsequently accounted for using the equity method, and are increased (or decreased) to recognize the Bank's share of the profit or loss of the investee subsequent to the acquisition date. The Bank's share of the investee's profit or loss is recognized in the Bank's consolidated statement of income, on the reporting date. Adjustments to the carrying amount may be necessary for changes in the Bank's proportionate interest in the investee arising from gains or losses recognized in the investee's other comprehensive income. The Bank's share of those changes is recognized in the Bank's accumulated other comprehensive income, within shareholders' equity.

On acquisition of investments in associates, any positive difference between the cost of the investment and the Bank's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill, which is included in the carrying amount of the investment. Amortization of that goodwill is not permitted. Any excess of the Bank's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognized as income in the consolidated statement of income.

When the Bank's share of losses of an associate equals or exceeds its interest in the associate, the Bank discontinues recognizing its share of future losses. After the Bank's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Bank has incurred legal or constructive

obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Bank resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Non-monetary contributions to associates and joint ventures – When the Bank contributes non-monetary assets in exchange for an equity interest in an associate or jointly controlled entity, the gain or loss on the transaction is recognized to the extent of unrelated investor's interest in the associate or joint venture. No gain or loss is recognized if the contribution lacks commercial substance.

b) Offsetting of assets and liabilities

The Bank does not offset any assets or liabilities, or any income or expenses, unless there is a legally enforceable right to set off the amounts and this offsetting represents the substance of the transaction or other event. The Bank's accounting policies to offsetting of financial assets and financial liabilities and income taxes are presented in the topics "j" and "t" of this Note, respectively.

c) Translation of foreign currency transactions

Functional and presentation currency – The consolidated financial statements are presented in Brazilian Reais, which is the Bank's functional and presentation currency. The functional currency, which is the currency of the main economic environment in which an entity operates, is the Real for most of the entities comprising the Group.

Transactions and balances – Transactions in foreign currency are initially recorded at the exchange rate of the functional currency at the date of the transaction.

The Bank's assets and liabilities denominated in foreign currency, most of which are monetary, are translated at the exchange rate of the functional currency at the reporting date. All the exchange differences are recognized in the consolidated statement of income for the period in which they arise.

Translation to the presentation currency – The financial statements of overseas entities (none of which has the currency of a hyperinflationary economy) are translated into the presentation currency according to the following criteria: (i) assets and liabilities are translated using the exchange rate in force at the reporting date and (ii) income and expenses are translated at the average exchange rate for the period.

Foreign exchange differences from the translation of the financial statements of overseas entities, whose functional currency is the Real, are recognized in the consolidated statement of income. For those entities whose functional currency is not the Real, the accumulated foreign exchange differences are recognized directly in shareholders' equity, until the disposal of the subsidiary abroad or loss of control. At that time, the accumulated foreign exchange differences are reclassified from other comprehensive income to profit or loss for the period. The sum of foreign exchange differences attributable to non-controlling shareholders is allocated and recognized as part of interests of non-controlling shareholders in the consolidated balance sheet.

d) Revenue and expense recognition

Revenues and expenses are recognized on an accrual basis and are recognized in the consolidated financial statements in the period generated or incurred. Interest income and fee and commission income are recognized when the amount, associated costs and stage of completion of the transaction may be reliably measured, and it is probable that the economic benefits associated with the transaction will flow to the entity. This concept is applied to the main revenue streams generated by the Bank's activities, as follows:

Net interest income – Interest income and expenses resulting from assets and liabilities that yield and pay interest are recognized in income for the period on an accrual basis. The effective interest rate method is used for the majority of the financial instruments held by the Bank.

The effective interest rate method is a method used to calculate the amortized cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and to allocate the interest income or expense over the term of the financial asset or liability.

The effective interest rate is the rate that discounts the estimated future cash flows through the expected life of the financial asset or liability. The effective interest rate is established upon the initial recognition of the financial asset or liability. In calculating the effective interest rate, the Bank estimates the future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation includes all the commissions, the transaction costs and the discounts or premiums that are an integral part of the effective interest rate. The transaction costs correspond to incremental costs directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expenses included in the consolidated statement of income primarily comprise: (i) interest on financial assets and liabilities measured at amortized cost, based on the effective interest rate; (ii) interest from financial assets at fair value through profit or loss; and (iii) interest from available-for-sale financial assets.

Fees and commissions – The recognition of fees and commissions income is determined in accordance with the purpose of the fees and the existence of an associated financial instrument. If there is an associated financial instrument and the fee revenues are considered to be part of the effective interest rate, the fee revenues are considered in the calculation of interest, except in cases in which the financial instrument is recognized as at fair value through profit or loss. Fee income received for services that are provided in a specific period are recognized during that period. Fee income received to complete a specific service or significant event is recognized when the service has been completed or the event has occurred.

Income from investments in associates and joint ventures – Income from the application of the equity method of investments in associates and joint ventures are recognized in proportion to the ownership interest held by the Bank in the results generated by investees.

Dividends – Dividend income is recognized when the Bank has the right to receive the income. Dividends are presented in net interest income based on the underlying classification of the equity investment.

e) Cash and cash equivalents

Cash and cash equivalents include funds available and investments immediately convertible into cash, with maximum maturities of three months from the acquisition date, and subject to an insignificant risk of change in value. They include balances of highly liquid investments in the consolidated balance sheet items such as "cash and bank deposits", "Interbank deposits" and "securities purchased under resale agreements", with the exception of restricted-use resources.

f) Financial instruments

The Bank classifies financial instruments in accordance with the nature of the instrument and the Bank's intent. All financial assets and liabilities are initially recognized on the trading date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. Classification of financial assets and liabilities is determined upon initial recognition.

All financial instruments are initially measured at fair value plus associated transaction costs, except in cases in which the financial assets and liabilities are recorded at fair value through profit or loss. The accounting policies for each class of financial instruments are presented below.

Financial assets at fair value through profit or loss – Financial instruments are classified in this category if held for trading or if designated as such by Management upon initial recognition.

A financial asset is classified as held for trading if: (i) it is acquired primarily to be sold in the short term; (ii) on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or (iii) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument – see Note 3.h).

The Bank's derivatives in this category are: (i) derivatives for trading, such as swaps, future contracts, forward contracts, option contracts and other types of derivatives which are indexed to interest rate, exchange rate, price of

shares, commodities and credit risk. Derivatives are measured at fair value and recognized as assets when the fair value is positive and as liabilities when the fair value is negative; (ii) derivative financial instruments which do not qualify for hedge accounting but which are used to manage exposure to market risks, particularly interest rate risk, currency risk and credit risk; and (iii) derivatives contracted at the request of its clients, with the sole purpose of protecting against the risks inherent to their economic activities.

The Bank only designates a financial instrument at fair value through profit or loss on initial recognition when the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would arise from measuring assets and liabilities or recognizing the corresponding gains and losses in different ways; (ii) the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and have their performances evaluated on a fair value basis, pursuant to a documented risk management or investment strategy; or (iii) the financial instrument has one or more embedded derivatives, which significantly modifies the cash flow that would be required by the contract.

It is not possible to perform transfers of financial assets classified in this category to other categories, with the exception of non-derivative financial assets held for trading, which can be reclassified after initial recognition when: (i) in rare circumstances, the financial instrument is no longer held with the purpose of sale in the short term; or (ii) it meets the definition of a loan and receivable, and if the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

The financial instruments recorded in this category are initially recognized at fair value and their yields (interest and dividends) are appropriated as interest revenue. Transaction costs, when incurred, are immediately recognized in the consolidated statement of income.

Realized and unrealized gains and losses related to changes in the fair value of these instruments are included in Net gains/(losses) on financial assets/liabilities at fair value through profit or loss.

Embedded derivatives – Some hybrid contracts may contain a derivative and a non-derivative component. In such cases, the derivative component is known as an embedded derivative and the non-derivative component is known as the host contract. When the risks and economic characteristics of embedded derivatives are not strictly related to the risks of the host contract, and this contract is not carried at fair value through profit or loss, the embedded derivative is separated and reported at fair value, with gains and losses recognized in Net gains/(losses) on financial assets/liabilities at fair value through profit or loss.

Financial assets available for sale – The Bank classifies securities as financial assets available for sale when, in the judgment of Management, they may be sold in response to or in anticipation of changes in the market conditions or are not classified as: (i) loans and receivables; (ii) investments held to maturity; or (iii) financial assets at fair value through profit or loss.

These securities are initially accounted for at fair value, including direct costs and incremental transaction costs. Also, the subsequent measuring of these instruments is recorded at fair value.

Unrealized gains or losses (net of taxes) are recorded in a separate component of shareholders' equity ('Accumulated other comprehensive income') until their disposal, except for in the case of impairment (see Note 3.i). The yields (interest and dividends) of these assets are recognized as interest income. Gains and losses realized on the disposal of securities available for sale are recognized in the consolidated statement of income as Net gains/(losses) from financial assets available for sale, on the date of the disposal.

Upon the occurrence of reclassification of financial assets available for sale to the trading category, the unrealized gain or loss up to the reclassification date, which is recorded in 'Accumulated other comprehensive income', is immediately recognized in profit or loss for the period.

Financial assets held to maturity – They are non-derivative financial assets with fixed or determinable payments with fixed maturities for which the Bank has the positive intent and ability to hold them to maturity. They are initially accounted for at fair value, including incremental transaction costs. These financial instruments are subsequently measured at amortized cost. Interest, including premiums and discounts, are recorded as interest income from financial assets held to maturity.

The Bank does not classify any financial asset as held to maturity if it has, during the current financial year or during the two preceding financial years, sold or reclassified more than an insignificant amount of held-to-maturity investments before maturity, other than sales or reclassifications that: (i) are so close to maturity or to the call date of the financial asset that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; (ii) occur after the Bank has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or (iii) are attributable to an isolated event that is beyond the entity's control, is non-recurring and could not have been reasonably foreseen by the entity.

Whenever the sales or reclassifications of more than an insignificant amount of held-to-maturity investments do not meet any of the conditions mentioned previously, any remaining held-to-maturity investments are reclassified as available for sale.

Loans and receivables – Loans and receivables include non-derivative financial assets, with fixed or determinable payments, which are not quoted in an active market, except for: (i) those that the Bank intends to sell immediately or in the short term, which will be classified as held for trading, and those that the Bank, upon initial recognition, designates as financial assets at fair value through profit or loss, or available for sale; or (ii) those for which the Bank may not recover substantially all of its initial investment, other than due to reduction in the recoverable amount of the credit (impairment).

The loans and receivables are presented in the consolidated balance sheet in the following lines: (i) Compulsory deposits with central banks; (ii) Loans to financial institutions; (iii) Loans to customers; and (iv) Securities purchased under resale agreements (reverse repo agreements), whose realization date is greater than three months.

Compulsory deposits with central banks – Compulsory deposits with central banks refer to a proportion of demand, time and savings deposits that the Bank is required to deposit with the central banks of the countries where the Bank has operations. In Brazil, the CMN determines the proportion of compulsory deposits that banks are obliged to make, which are remunerated at rates defined by the regulatory agency.

Compulsory deposits are initially recognized at fair value, and subsequently measured, when applicable, at amortized cost. The related financial income is recognized in Interest income on compulsory deposits with central banks.

Loans to financial institutions – Loans to financial institutions are formed by interbank deposits with a term greater than three months and by the acquisition of loan portfolios with the co-obligation of the assignor. These assets are recognized at the amount of principal, plus accrued income, including interest, premiums or discounts. The related financial income is recognized in Interest income on loans to financial institutions.

Loans to customers – Loans to customers are financial assets with fixed or determinable payments, initially recognized at fair value, and subsequently measured at amortized cost using the effective interest rate. Financial income is recognized on an accrual basis and presented in Interest income on loans to customers.

The carrying amount of loans to customers is reduced by an allowance account and the amount of the impairment loss (see Note 3.i) is recognized as an expense within the line item Allowance for losses on loans to customers, representing the Bank’s estimate of losses incurred in the portfolio. When a loan or group of similar loans is impaired and its carrying amount is reduced through an allowance account, the subsequent accrual of interest income is recognized using the effective interest rate, until a loan is placed on non-accrual status which generally occurs when a payment is overdue by more than 60 days.

The level of allowance is determined based on estimates that consider the occurrence of loss events, the current economic environment, other assumptions and judgments of Management, including previous experience with losses in the loans to customers' portfolio, existence of guarantees and the assessment of the individual risk of clients.

Loans to customers overdue for 60 days or more are considered as non-accrual loans and, accordingly, have the accrual of interest and other financial charges suspended for accounting purposes.

Interest income on non-accrual loans is only recognized in profit or loss when collected. For all non-accrual loans, any amounts collected, whether at the customer’s discretion or as a result of judicial procedures, are accounted for in the following order: (i) as payment of financial charges; (ii) to pay down accrued interest income (before non-accrual

status); (iii) as payment of interest due up to the payment date but not accrued (as a result of the non-accrual status) and, finally, (iv) to pay down outstanding principal amounts.

Reverse repurchase agreements – The Bank invests in securities with resale agreements, comprised mainly of Brazilian federal securities. These transactions are treated as collateralized investments and are recognized by the amount of cash paid plus interest accrued.The amount paid for securities purchased under resale agreements (reverse repo), including recognized interest, is recorded as an asset from reverse repurchase agreements, reflecting the economic substance of the transaction as a collateralized loan granted by the Bank. The reverse repo assets are subdivided into: (i) Guaranteed by securities not repledged/re-sold, which is comprised of securities purchased under resale agreements and not transferred, i.e., not sold under repurchase agreements and (ii) Guaranteed by securities that have been repledged/re-sold, which includes securities purchased under resale agreements and transferred, i.e., sold under repurchase agreements.

The Bank continuously monitors and evaluates the fair value of securities acquired under resale agreements and adjusts the collateral amount, if necessary.

Financial liabilities – An instrument is classified as a financial liability when there is a contractual obligation to settle it through the delivery of cash or other financial assets, regardless of its legal form. Financial liabilities include short-term and long-term debts issued which are initially measured at fair value, which is the amount received, net of directly attributable transaction costs, and subsequently at amortized cost.

Financial liabilities held for trading and those designated by Management as financial liabilities at fair value through profit or loss are measured at fair value. Financial liabilities measured at fair value primarily comprise derivative financial instruments held for trading.

When an existing financial liability is exchanged by another under substantially different terms, or the terms of the existing liability are substantially modified, such exchange or modification is treated as an extinguishment of the original financial liability and the recognition of a new financial liability, and the difference between the carrying amount of the financial liability extinguished and the consideration paid is recognized in profit or loss for the period.

The Bank considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of financial liabilities or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Securities lending and securities borrowing – Securities lending and securities borrowing transactions are generally backed by other securities or by other funds available. The transfer of the security to third parties is reflected in the consolidated balance sheet only if the risks and rewards of ownership are also transferred. Cash paid or received as collateral is recorded as an asset or liability.

Borrowing securities are not recognized in the consolidated balance sheet, unless they have been sold to third parties. In this case, the obligation to return the security is recorded as a financial liability held for trading and measured at fair value, with any gain or loss accounted for in Net gains/(losses) on financial assets/liabilities at fair value through profit or loss.

Repurchase agreements – The Bank raises funds selling securities with repurchase agreements, comprised mainly of Brazilian federal securities. These transactions are treated as collateralized financing and are recognized by the amount of cash received plus interest accrued.

Securities sold under repurchase agreements (repo) are not derecognized, as the Bank retains substantially all risks and rewards of ownership. The amount of cash received, including recognized interest, is recorded as a liability for repurchase agreements, reflecting the economic substance of the transaction as collateralized financing. The repo liabilities are subdivided into: (i) Own portfolio, which is comprised of securities not linked to a resale agreement, i.e.,

the securities of the Bank's own portfolio; and (ii) Third-party portfolio, which comprises securities purchased in reverse repurchase agreements and transferred, i.e., sold under repurchase agreements.

Determination of fair value – Fair value is the price that would be received to sell an asset or would be paid for the transfer of a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date.

The fair value of financial instruments traded in active markets on the reporting date is based on the quoted market price (sales price for long positions or purchase price for short positions), without any transaction cost deduction. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

In situations in which there is no quoted market price for a particular financial instrument, the Bank estimates its fair value based on valuation methods that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction, including assumption about risks. Valuation methods include: the discounted cash flow method, comparison with similar financial instruments for which there is a market with observable prices, options pricing models, credit models and other known valuation models.

The mentioned models are adjusted to capture changes in prices and in the cost of settlement of the position, to serve as a compensatory adjustment of the spread inherent to credit and liquidity risks, and specially to overcome the theoretical limitations of the models.

Internal pricing models may involve estimates and judgment of Management. The extent of estimates and judgment required depends on, among other factors, the complexity of the financial instrument.

The measurement methods used by the Bank to establish the fair value of financial instruments are described in Note 38.

g) Derecognition of financial assets and liabilities

Financial assets – A financial asset is derecognized when: (i) the contractual rights relating to the respective cash flows expire; (ii) the Bank transfers to third parties substantially all the risks and rewards of ownership of the financial asset; or (iii) when control over the asset is transferred, even with the Bank having retained part of the risks and rewards associated with the transaction.

The rights and obligations retained in the transfer are recognized separately as assets and as liabilities, when appropriate. If control over the asset is retained, the Bank continues to recognize it to the extent of its continuous involvement, which is determined by the extent to which it remains exposed to changes in the value of the asset transferred.

Financial liabilities – A financial liability is derecognized when the respective obligation is eliminated, cancelled or expires. If an existing financial liability is exchanged by another under substantially different terms, or the terms of the existing financial liability are substantially modified, such modification is treated as an extinguishment of the original financial liability and the recognition of a new financial liability, and the difference between the respective carrying amounts is recognized in profit or loss.

h) Hedge Accounting

The Bank uses derivative instruments to manage exposures to interest rate, foreign exchange variation and credit risks, including exposure generated from forecast transactions and firm commitments. In some cases, in the management of specific risks, the Bank applies hedge accounting to transactions that meet the specific criteria.

The Bank designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Bank formally documents the relationship between the hedged item(s) and the hedging instrument(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Bank makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. In situations in which the hedged item is a forecast transaction, the Bank assesses whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair value hedge – For designated and qualified fair value hedges, the variation in the fair value of a derivative designated as a hedging instrument is recognized in the statement of income in Net gains/(losses) on financial assets/liabilities at fair value through profit or loss. The variation of the fair value of the hedged item attributed to the risk that is covered is recognized as part of its carrying amount and is also presented in the aforementioned profit or loss account. The fair value of the hedge instruments are presented in the Balance Sheet in financial assets or liabilities at fair value through profit or loss.

If the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortized to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

The Bank uses derivative financial instruments designated as hedges for protection against market risk. The instruments used are futures, swaps or option contracts. The portfolio of derivatives designated as market risk hedges is described in Note 39.

Cash flow hedge – For designated and qualified cash flow hedges, the effective part of the gain or loss in the hedging instrument is initially recognized as a separate element of shareholders' equity, in ‘Accumulated other comprehensive income’. The non-effective part of the gain or loss of the hedging instrument is immediately recognized in the statement of income. The amount recognized in other comprehensive income is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the consolidated statement of income and other comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered as expired or terminated.

The Bank does not have derivative financial instruments designated and qualified for cash flow hedging.

Hedge of net investment in foreign operations – Hedges of net investments in foreign operations, including hedges of monetary items that are recorded as part of the net investment, are accounted for similarly to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in shareholders' equity, in ‘Accumulated other comprehensive income’, while any gains or losses relating to the non-effective portion are recognized in profit or loss. On the disposal of the foreign operation, the amount recognized in other comprehensive income is reclassified to profit or loss as a classification adjustment.

The Bank does not have derivative financial instruments designated and qualified for hedge of net investment in foreign operations.

Derivatives not qualified for hedging – Derivative contracts executed as economic hedges, which do not qualify for hedge accounting, are classified as derivative contracts at fair value through profit or loss (refer to Note 3.f). The derivative financial instruments used for these purposes are futures, swaps, options and forward contracts, maintained mainly for protection against interest rate and foreign exchange variation risks.

i) Impairment of financial assets

At each reporting date, the Bank evaluates whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired if, cumulatively: (i) there is objective evidence of reduction in its recoverable amount as a result of one or more events occurring after initial recognition of the asset; (ii) the loss event has an impact on the estimated future cash flows of the financial asset; and (iii) a reliable estimate of the loss amount can be made. Losses expected as a result of future events, no matter how likely, are not recognized.

Objective evidence that a financial asset is impaired includes observable data that is evaluated by the Bank, particularly in relation to the following loss events: (i) significant financial difficulty of the issuer or obligor; (ii) a breach of contract, such as, delinquency or delay in payment of interest or principal; (iii) the Bank, for economic or legal reasons, relating to the financial difficulty of the borrower, gives to the borrower a concession which the Bank otherwise would not consider; (iv) it is likely that the borrower will file for bankruptcy or undergo another financial reorganization; (v) the disappearance of an active market for this financial asset because of financial difficulties; or (vi) observable data indicating that subsequent to the initial recognition of the assets, there is a measurable reduction of the estimated future cash flows which come from a group of financial assets, although the reduction cannot yet be identified with the individual financial assets in the group, including changes in the payment situation of borrowers in the group or national or local economic conditions that correlate with increase in non-payment in the assets in the group.

In some cases, the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to the current circumstances. In such cases, the Bank uses its judgment to estimate the amount of any impairment loss. The use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

Financial assets subject to impairment testing are presented below.

Loans to customers – In evaluating the impairment of loans to customers, the Bank verifies whether there is any objective evidence of losses in relation to these financial assets, with the objective of classifying them as either loans with recoverability problems (impaired) or loans without recoverability problems (non-impaired).

The impaired loans are divided into two groups based on the significance of the loans: (i) individually significant loans with impairment, for individualized treatment; and (ii) individually non-significant loans with impairment, for collective treatment.

The Bank uses a multi-level approval structure to approve significant loans and to determine the loans' significance, for the purpose of impairment testing, the Bank adopts a cut-off point equal to one used in the approval of a new loan to clients. In addition to the factors outlined above, the following items are also verified to allow management to determine whether a loss event has materialized in an individually assessed loan: (i) the economic, financial and legal situation of the counterparty; (ii) retention of risks by the Bank, in relation to the operations of the counterparty; (iii) the counterparty's past business relationship with the Bank; and (iv) the situation of the credit-related guarantees. This scope allows the Bank to estimate, on each reporting date, the need for potential impairment of the financial assets assessed individually. This set of information is also used as an input to determine the classification of the operation as high, medium or low risk.

The identification of a loss event for a counterparty in a specific operation means that all the other loans with that counterparty are also classified as having evidence of loss.

If the Bank determines that the loss events do not affect the recoverable amount of the loans to individually evaluated clients, the financial assets are included in a group of assets with similar credit risk characteristics and the Bank evaluates them collectively for impairment purposes. Loans to customers that are individually evaluated for impairment and for which impairment loss is recognized are not included in a collective evaluation of impairment.

The collective evaluation of impairment losses, applied to loans classified as individually non-significant, is based on the application of the Historical Loss Rates (HLR) observed in the Bank's portfolio. The HLR are determined by observing losses incurred by the Bank, on a monthly basis, as from the thirteenth month prior to the reporting date, in

the case of loans with an unlapsed period of up to thirty-six months (called "short-term"), or from the nineteenth prior month, in the case of loans with an unlapsed period of more than thirty-six months (called "long-term").

The short-term monthly HLR is calculated by means of the monitoring, for up to twelve months, of the migrations of loans to losses against the opening book balance of loans selected in the month immediately prior to the twelve months of monitoring. The long-term monthly HLR is calculated in a similar manner to the short-term HLR, extending the loss monitoring period to up to eighteen months.

For the purpose of collective evaluation of impairment, the calculation of the monthly HLR is performed for groupings of similar products/types, internal classification of risk of loans and types of clients, grouped according to the risk analysis methodology and credit limit.

If there is evidence of impairment loss in a relationship with an individual counterparty or on a collective basis, the amount of loss is recognized as a net expense in 'Allowance for losses on loans to customers, net of recovery' as a counter entry to an allowance account of the respective financial asset. The amounts recorded as allowance represent the estimate of the Bank's Management of losses incurred in the portfolio. The level of allowance is determined based on estimates that consider the occurrence of loss event, the current economic scenarios and other assumptions and judgments of Management.

If the amount of a previously recognized impairment loss decreases, and this situation can be related objectively to an event occurring after its recognition, it is reversed by reducing the respective allowance account, and such a reversal is recognized in profit or loss for the period.

Loans to customers are written-off against the respective allowance account when considered uncollectible or permanently impaired. The Bank usually write-off loans when no payment is received within 360 days following the due date or within 540 days for loans with original maturity in excess of 36 months. If a write-off is subsequently recovered, the amount is credited to the 'Allowance for losses on loans to customer, net of recovery' account in profit or loss.

The impairment of loans to customers recognized as of December 31, 2014 and December 31, 2013, were considered by Management reasonable to cover losses incurred on the then existing loan to customers.

Renegotiated loans – Whenever possible, the Bank seeks to restructure debts instead of taking definitive possession of the collateral. This may involve the extension of the payment terms and agreement on new terms for the loan that will no longer be considered in arrears. Management continually reviews renegotiated loans to guarantee that all the criteria are met and that future payments will occur. Loans remain subject to individual or collective impairment evaluation.

In almost all cases, renegotiated loans require at least one payment to be made under the renegotiated terms in order for it to be removed from non-performing and non-accrual status. Renegotiated loans return to non-performing and non-accrual status when they reach 60 days past due under the renegotiated terms.

Financial assets available for sale – At each reporting date, the Bank assesses whether there is any objective evidence that an available for sale financial asset is impaired.

To establish whether there is objective evidence of impairment of a financial asset, the Bank verifies the likelihood of recovery of its value, considering the following factors cumulatively: (i) duration and magnitude of the reduction of the asset's value below the carrying amount; (ii) historical behavior of the asset's value and the experience recovering such assets; and (iii) likelihood of non-receipt of the assets' principal and interest, due to difficulties relating to the counterparty, such as application for bankruptcy or filing for chapter 11, deterioration of the credit risk rating and financial difficulties, related, or not, to the market conditions of the sector in which the counterparty operates.

When a decline in the fair value of a financial asset available for sale has been recognized in other comprehensive income and there is objective evidence of impairment, the accumulated loss that has been recognized by the Bank is reclassified from shareholders' equity to profit or loss for the period as a reclassification adjustment, even if the financial asset has not been written off.

The amount of the accumulated loss reclassified to profit or loss for the period is recorded in 'Net gains/(losses) from financial assets available for sale' and corresponds to the difference between the carrying amount of the impaired asset and its fair value on the date of the valuation, minus any loss due to impairment previously recognized in income.

If the fair value of an impaired available for sale debt instrument subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise it is reversed through other comprehensive income. Reversals of impairment losses on investments in equity instruments classified as available for sale are recognized in shareholders' equity.

Financial assets held to maturity – If there is objective evidence of impairment of financial assets held to maturity, the Bank recognizes a loss in an amount equal to the difference between the carrying amount of the asset and the present value of estimated future cash flows. These assets are presented net of impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and this decrease can be objectively related to an event occurring after the impairment recognition, it is reversed and the reversal amount is recognized in profit or loss for the period.

j) Offsetting financial instruments

Financial assets and liabilities are presented in net amounts if, and only if, there is a legally enforceable right to set off the recognized amounts and if there is an intention to settle on a net basis, or to realize an asset and settle a liability simultaneously. In other situations they are presented separately as financial assets and liabilities.

k) Property and equipment

Property and equipment, including leasehold improvements, are recorded at acquisition cost less the accumulated depreciation and impairment losses. Property and equipment includes the inflation adjustment calculated up to June 30, 1997, the date that Brazil's economy was no longer considered to be a hyperinflationary economy.

Depreciation expense is calculated using the straight-line method in order to systematically allocate the depreciable amount of the property, plant and equipment over the estimated useful lives. Land is not depreciated. The useful lives estimated by the Bank for items of property and equipment are as follows for 2014 and 2013.

	Estimated useful life
Buildings[(1)]	From 10 to 55 years
Furniture and equipment	10 years
Leasehold improvements	From 5 to 10 years
Data processing equipment	5 years
Vehicles	5 years
Other	From 5 to 10 years

(1) For depreciation of owned buildings, the Bank considers the useful life of the various components of a building.

Items of property and equipment are derecognized when future economic benefits are no longer expected from their use or when they are disposed. Any gain or loss generated on disposals is recognized in other operating income, impacting profit or loss for the period in which the asset was disposed.

l) Goodwill and other intangible assets

Goodwill on the acquisition of equity investments is accounted for by taking into consideration the fair value of the identifiable assets and liabilities of the acquired company on the acquisition date. Goodwill is not amortized, however, it is tested at least annually for impairment. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Intangible assets are recognized separately from goodwill when they are separable or arise from contractual or other legal rights, the fair value can be reliably estimated and it is probable that the estimated future economic benefits will

flow to the Bank. The cost of the intangible assets acquired in a business combination is the fair value on the acquisition date. Separately acquired intangible assets are initially measured at cost.

The useful lives of the intangible assets are classified as finite or indefinite. If an intangible asset has a finite useful life, it is amortized over its estimated economic life. These assets are initially stated at cost, less accumulated amortization and impairment losses. Intangible assets with indefinite useful life are not amortized and are stated at cost, less any impairment losses.

Costs incurred related to the acquisition, production and development of software are capitalized and recorded as intangible assets. Expenditures incurred in the research phase are recognized as expense. Personnel expenses that are capitalized refer to the salaries, social security costs and benefits of employees directly involved in software development.

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The period and method used to amortize an intangible asset with finite useful life are reviewed at least annually. If there is a change in the expected useful life, the amortization period is modified accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortization method shall be changed to reflect the changed pattern. Such changes are accounted for as changes in accounting estimates.

The expenses from the amortization of intangible assets with finite useful lives are recognized in the profit or loss for the period, under Amortization of intangible assets. Impairment losses are recorded as an adjustment to recoverable amount expense (in 'Other expenses') in the consolidated statement of income.

The amortization is calculated using the straight-line method in order to allocate the depreciable amount of intangible assets over their estimated useful lives. The useful lives estimated by the Bank for intangible assets are as follows for 2014 and 2013.

	Estimated useful life
Software	From 5 to 10 years
Rights due to payroll management	From 5 to 10 years
Related to customers, acquired in business combinations	From 2 to 10 years
Related to contracts, acquired in business combinations	From 3 to 10 years
Other[1]	5 years

(1) Mainly includes brands acquired in business combinations.

m) Non-operating assets

Non-operating assets primarily relate to assets received by the Bank in the settlement of loans to customers. These assets are recognized in 'Other assets' upon the effective realization of the collateral, or when physical possession is obtained, regardless of the foreclosure process.

Non-operating assets are initially recognized at the lower of (i) fair value less the estimated selling costs or (ii) carrying amount of the loan granted subject to recovery. Subsequently, these assets are recorded at the lower of their cost or fair value less selling costs and they are not depreciated.

Insofar as non-operating assets meet the necessary conditions for their disposal, they are reclassified to 'Non-current assets held for sale'.

The fair value measurement related to assets that qualify as non-current assets held for sale is described in IFRS 13 as a non-recurrent measure, because it is only performed when the fair value less costs to sell of a non-current asset held for sale is lower than its net carrying amount.

The information on non-operating assets classified as held for sale are described in Note 24.

Net gains or losses on the sale of non-operating assets are recorded in 'Other operating income'.

n) Impairment of non-financial assets

At each reporting date, the Bank assesses whether there is any indication that a non-financial asset may be impaired, based on internal and external sources of information. If there is indication of impairment, the Bank estimates the recoverable amount of the asset. The recoverable amount of the asset is the higher of its fair value less the costs to sell or its value in use.

Regardless of the existence of any indication of impairment, the Bank annually tests for impairment intangible assets with indefinite useful lives, including goodwill acquired in a business combination, or intangible assets not yet available for use. This test is performed by the Bank at the same time every year.

For investments in associates and joint ventures, the Bank applies the requirements of IAS 39 to determine whether it is necessary to recognize any additional impairment loss with respect to its net investment in associates and joint ventures (Note 3.i).

Because goodwill that forms part of the carrying amount of an investment in an associate or a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements in IAS 36. Instead, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount with its carrying amount, whenever the application of IAS 39 indicates that the investment may be impaired. An impairment loss recognized in those circumstances is not allocated to any particular asset, including goodwill, that forms part of the carrying amount of the investment in the associate or joint venture.

If the recoverable amount of the asset is lower than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognized in profit or loss for the period in which it occurs, under ‘Other operating expenses’.

The Bank also evaluates at each reporting date if there is any indication that an impairment loss recognized in prior periods for an asset, except for goodwill, may not exist anymore or may have decreased. If there is indication of impairment, the Bank estimates the recoverable amount of this asset. Reversal of impairment losses of an asset is recognized in profit or loss for the period, reducing the ‘Other operating expenses’ balance.

The main non-financial assets subject to impairment tests are presented below.

Property and equipment

Land and buildings – In determining the recoverable amount for land and buildings, technical evaluations in conformity with the ABNT (Brazilian Association of Technical Standards) are conducted. The ABNT establishes general concepts, methods and procedures used in urban property evaluation technical services.

Data processing equipment – In determining the recoverable amount of relevant items that comprise data processing equipment, market values of components whose market values are available are considered and, for other items, the values that may be recovered for use in the Bank´s operations are considered, and their calculation considers cash flow projections of benefits from using each asset during their useful lives, adjusted to present value using a discount rate based on the CDI (interbank deposit certificate) rate.

Other property and equipment items – Although subject to loss indication analysis, other items of property and equipment have low individual values and, considering the cost effectiveness, the Bank does not evaluate the recoverable amount of these items on an individual basis. However, the Bank conducts annual inventory counts and writes off lost or deteriorated assets.

Investments in associates and joint ventures

The methodology for determining the recoverable amount of investments in associates and joint ventures, including goodwill that forms part of the carrying amount of these investments, consists of measuring expected results from the investments using a discounted cash flow model. To measure these results, assumptions are based on: (i) projections of operations, results and companies' investment plans; (ii) macroeconomic scenarios developed by

the Bank; and (iii) internal methodology to determine the cost of capital based on the Capital Asset Pricing Model – CAPM.

Goodwill arising from business combinations

The methodology for determining the recoverable amount of goodwill arising from business combinations consists of measuring expected results from investments using a discounted cash flow model. To measure these results, assumptions are based on: (i) projections of operations, results and companies' investment plans; (ii) macroeconomic scenarios developed by the Bank; and (iii) internal methodology to determine the cost of capital based on the CAPM.

Particularly for goodwill that arose from the acquisition of Banco Nossa Caixa, which was merged into Banco do Brasil in November 2009, the methodology consists of comparing the amount paid attributable to goodwill with the present value of the Bank's results projected for the state of São Paulo, less net assets with finite useful lives. Projections are based on verified results adjusted for the earnings growth assumptions of Banco do Brasil, and are discounted based on the Bank's cost of capital.

Other intangible assets

Rights due to the acquisition of payrolls – The model to evaluate the recoverable amount of payroll acquisitions uses the performance of contracts, which are calculated based on the client relationship contribution margins that were originated under each contract. This is done to verify if the projections that justified the asset acquisition correspond to the actual performance. For contracts that do not reach expected performance, an impairment is recognized.

Software – Software that is developed internally to meet the Bank's needs receives constant investment for modernization and adequacy to meet the new technological and business needs. As there is no similar software in the market, and because of the high cost to implement measurements that permit the calculation of its value in use, the recoverability test for software consists of evaluating its utility to the company so that, whenever the software is not used anymore, its value is written off.

Acquired through business combinations – Intangible assets acquired through business combinations, mainly represented by brands and rights related to clients and contracts, are evaluated at each reporting date to verify if there are indications of impairment losses. If there is any indication for these assets, the Bank estimates the assets' recoverable amounts. The methodology to calculate the recoverable amount consists of determining the present value of cash flows estimated for these intangible assets, discounted at a rate that reflects current market conditions and specific risks of each asset.

Other assets

Non-operating assets – Regardless of the existence of loss indications, non-operating assets are tested for impairment on a semi-annual basis, through the formalization of their market values in appraisal reports, prepared according to ABNT standards.

o) Lease operations

Bank as lessor – Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership, with or without an ultimate legal title, are classified as finance leases. In a finance lease, the leased asset is not recognized and, instead, a loan to customers is recognized in an amount equal to the present value of the minimum lease payments and, where relevant, the residual value of the leased asset, discounted at an implicit interest rate. Income from finance leases is recognized over the lease term based on a rate of return on the net investment.

Assets leased to customers under agreements which do not transfer substantially all the risks and rewards of ownership are classified as operational leases. In general, leased assets are included in 'Property and equipment' and the respective depreciation follows the Bank's depreciation policy for similar assets. The income from operational leases is recognized through the straight-line method over the lease term in 'Other operating income'. Initial direct

costs incurred for negotiation and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease revenue.

Bank as lessee – Assets obtained under finance leases are initially recognized at the lower of the fair value of the leased asset or the present value of the minimum lease payments. The corresponding liability is included in the consolidated balance sheet as 'Long-term liabilities'. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if it is practicable to determine it, or the Bank's incremental borrowing rate. Contingent rentals are recognized as an expense in the periods in which they are incurred.

Rentals contracted under operating leases are recognized as an expense on a straight-line basis over the lease term, which begins when the Bank controls the physical use of the asset. Lease incentives are treated as a reduction of the lease expense and are also recognized over the lease term on a straight-line basis. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Sale and leaseback transactions – If a sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is not immediately recognized as income by the Bank, but is deferred and amortized over the lease term. If a sale and leaseback transaction results in an operating lease, any profit or loss is determined by the difference between the sales price and fair value. If the sales price is at fair value or below, any profit or loss is recognized immediately. If the sales price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

p) Customer loyalty program

Loyalty programs are used by the Bank to provide its customers with incentives to purchase products or services. In some cases, if a client acquires products or services, the Bank grants them credits, frequently defined as points. The customer can exchange points for awards such as products or services from the Bank itself, or exchange them for products offered by a partner.

Part of the revenue received from the sale of products and services is allocated to award points and recognized as a liability until the Bank performs its obligation of delivering the awards to the customers.

The amount allocated to the points is measured at fair value based on historic average of use of the loyalty points and on fair value of the awards for which the points can be redeemed.

q) Financial guarantees provided

The Bank provides financial guarantees to third parties covering loan agreements with clients. Financial guarantee contracts are those that require the issuer to make payments to a creditor on behalf of a third-party debtor when this party does not make payments under the terms of the debt instrument.

Upon the granting of a financial guarantee, a liability is recognized at fair value relating to the premium received in the transaction, which is recognized as income over the contract term. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the amount initially recognized, less amortization, and the best estimate of the financial obligation arising. Impairment losses on financial guarantees are recognized in 'Other liabilities'.

r) Employee benefits

Short-term benefits – Expenses relating to short-term employee benefits are recognized on an accrual basis in periods in which the employees render the services.

Post-employment benefit plans – In defined contribution plans, the actuarial risk and the investment risk are borne by the participants. Consequently, no actuarial valuation is required when measuring the obligation or expense. Thus, the expense is recognized in profit or loss in the period the related services are rendered by employees as contributions fall due.

In defined benefit plans, the actuarial risk and the investment risk fall either partially or fully on the sponsoring entity. Consequently, actuarial assumptions are required when measuring the obligation or expense, and there are actuarial gains or losses possible. Consequently, the Bank records a liability when the present value of actuarial liabilities is higher than the fair value of plan assets, or an asset, when the fair value of assets is higher than the present value of the plan obligations. In this latter circumstance, the asset should only be recorded when there is evidence that it may effectively reduce the Bank's contributions or that it will be reimbursable in the future.

The Bank recognizes actuarial gains/losses in the period in which the actuarial calculation was performed, as follows: (i) the current service cost and net interest on the net amount of liabilities (assets) for defined benefit are recognized in 'Other operating expenses (income)', and (ii) remeasurements of the net liability (asset) for defined benefit are recognized in other comprehensive income in shareholders' equity.

Contributions to be paid by the Bank to health care plans in some cases will endure after the employee's retirement. Therefore, the Bank's obligations are evaluated by the present actuarial value of the contributions to be paid over the expected period when the plan participants and beneficiaries will be covered by the plan. Such obligations are evaluated and recognized using the same criteria that are used for defined benefit plans.

The actuarial asset recognized in the consolidated balance sheet refers to the actuarial gains and its realization must occur by the end of the plan. There may be partial realizations of this asset, contingent upon the fulfillment of the requirements of the law.

s) Provisions, contingent liabilities, contingent assets and legal liabilities

The Bank recognizes provisions when conditions show that: (i) the Bank has a present obligation (legal or constructive) as a result of a past event; (ii) is probable that an outflow of economic benefits will be required to settle the obligation; and (iii) the amount of the obligation can be reliably estimated. Provisions are recorded based on our best estimate of probable losses.

The Bank continually monitors the lawsuits in progress to evaluate, among other things: (i) their nature and complexity; (ii) the progress of proceedings; (iii) the opinion of the Bank's lawyers; and (iv) the Bank's experience with similar proceedings. In determining whether a loss is probable, the Bank considers: (i) the likelihood of loss resulting from claims that occurred prior to or on the reporting date, but that were identified after that date, yet prior to the issuance of the financial statements; and (ii) the need to disclose the claims or events that occur after the reporting date, but prior to the issuance of the financial statements.

Contingent assets are not recognized in the financial statements, except when the Bank believes that the realization of income is virtually certain. Contingent assets are assessed continually to ensure that the asset and the proceeds are properly recognized in the financial statements.

The Bank also recognizes tax obligations subject to legal discussions on the constitutionality of the laws that established them. In these situations, the Bank simultaneously recognizes an obligation to pay to government and a judicial deposit of the same amount. No payment is made until the Court's final decision. Generally, these tax liabilities are offset against the related judicial deposits, recognized in 'Other assets'.

t) Income taxes

The income and social contribution taxes (IRPJ and CSLL) are income taxes applicable to financial institutions in Brazil. Income tax is owed by the taxpayer to the state based on the occurrence of a generating event, calculated using the application of a rate to a calculation basis.

Income tax is calculated at the rate of 15%, plus a surcharge of 10%, and social contribution at the rate of 15% for financial institutions, insurance companies and credit card administrators, after making the adjustments determined by tax legislation. For non-financial entities, the rate of social contribution is 9%.

Income tax comprises current taxes and deferred taxes and is recognized in profit or loss, except when related to items that are recognized directly in shareholders' equity, in 'Accumulated other comprehensive income'. Taxes

recognized in shareholders' equity are subsequently recognized in net income, as the gains and losses from which they originate are realized.

Current taxes – Current tax expense is the amount of income tax and social contribution payable or recoverable in relation to taxable income for the period.

Current tax assets are the amounts of income tax and of social contribution to be recovered in the next 12 months. Current taxes related to current and prior periods, to the extent in which they are not paid, are recognized as liabilities. If the amount already paid for current and prior periods exceeds the amount owed for those periods, the excess is recognized as an asset.

Current tax assets and liabilities are measured at the expected amount to be recovered or paid. Tax rates and tax laws used to calculate the amount are those that are effective on the reporting date.

Deferred taxes – These are amounts of tax assets and liabilities to be recovered and paid in future periods, respectively. Deferred tax liabilities originate from taxable temporary differences and deferred tax assets from deductible temporary differences and from unused tax losses carried forward.

Deferred tax assets from income tax and social contribution losses and from temporary differences are recognized to the extent that is probable that future taxable income will be available against which deductible temporary differences may be used.

The carrying amount of deferred tax assets are reviewed at the end of each reporting period. The Bank reduces deferred tax asset carrying amounts to the extent that it is no longer probable that sufficient taxable income will be available to allow the benefit of part or all of the deferred tax asset to be used. Any such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

Deferred tax assets and liabilities are measured at tax rates that are expected to be applicable in the year in which the asset is realized or the liability is settled, based on tax rates (or tax law) that were substantively enacted on reporting date.

Temporary differences – Temporary differences impact or may impact the calculation of income tax and social contribution arising from differences between the tax basis of an asset or liability and its carrying amount in the balance sheet.

Temporary differences can be taxable or deductible. Taxable temporary differences are temporary differences that will result in taxable amounts to determine the taxable income or tax loss of future periods when the carrying amount of an asset or liability is recovered or settled. Deductible temporary differences are temporary differences that will result in deductible amounts to determine the taxable income or tax loss of future periods when the carrying amount of the asset or liability is recovered or settled.

The tax basis of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to the entity when it recovers that asset's carrying amount. If those economic benefits are not taxable, the asset's tax basis will be equal to its carrying amount.

The tax basis of a liability is its carrying amount less any amount that will be deductible for tax purposes, in relation to that liability, in future periods. In case of revenue received in advance, the resulting liability tax basis is its carrying amount less any revenue value that will not be taxable in future periods.

Offsetting income taxes

Assets from current taxes and liabilities from current taxes are offset if, and only if, the entity: (i) has the legal right to offset recognized amounts; and (ii) intends to settle on net basis, or simultaneously realize the asset and settle the liability.

Assets from deferred taxes and liabilities from deferred taxes are offset if, and only if: (i) the company has the legal right to offset current tax assets against current tax liabilities; and (ii) deferred tax assets and deferred tax liabilities

are related to taxes on income owed to the same tax authority: in the same taxable entity; or in different taxable entities that intend to settle liabilities and current tax assets on net basis, or simultaneously realize assets and settle liabilities, in each future period in which significant deferred tax assets or liabilities are expected to be settled or recovered.

u) Segment reporting

Financial information related to operating segments is consistent with the internal reports that are used by the Chief Operating Decision Maker to allocate resources and to assess the Bank's performance. A detailed disclosure of results by segment is presented in Note 7.

v) Earnings per share

The calculation of earnings per share is performed in two ways: (i) basic earnings per share and (ii) diluted earnings per share. The basic earnings per share is calculated by dividing net income attributable to shareholders of the Bank by the weighted average number of common shares outstanding in each of the years presented.

Calculation of diluted earnings per share is made by dividing net income attributable to shareholders of the Bank by the weighted average number of outstanding common shares, adjusted to reflect the effect of all potential common shares resulting from convertible securities. The effect of dilution results in a reduction in earnings per share, with the assumption that convertible securities awarded will be exercised.

w) Interest on own capital and dividends

Brazilian companies are allowed to recognize a nominal interest expense, deductible for tax purposes, on their own capital. The amount of interest on own capital is considered as a dividend and presented in the consolidated financial statements as a direct reduction in shareholders' equity. The corresponding tax benefit is recorded in the consolidated statement of income.

Dividends distributed by the Bank are calculated on net income determined in accordance with accounting practices adopted in Brazil applicable to financial institutions, and are paid adjusted for accrued interest equivalent to the SELIC rate (basic interest rate of the Brazilian economy), accrued from the reporting date up to the date of the effective payment.

At the beginning of each year, pursuant to the Bank's By-laws, the Board of Directors decides the percentage of net income to be distributed to shareholders as dividends and interest on its own capital (payout). The Bank's present policy is to pay dividends and interest on its own capital equivalent to 40% of the aforementioned net income, on a quarterly basis. Dividends and interest on own capital are recognized as liability and deducted from shareholders' equity upon approval by the Board of Directors.

x) New standards, interpretations and amendments to IFRS not yet adopted

These comprise amendments issued by the IASB that result in accounting changes for recognition, measurement and disclosures related to IFRS and IAS standards. A summary of certain amendments, as well as interpretations and standards recently issued by the IASB, which will become effective after December 31, 2014, are presented below:

IFRS 9 – Financial instruments: recognition and measurement – IFRS 9 is the first standard issued as part of a larger project to replace IAS 39, as many users of financial statements and stakeholders found the requirements included in IAS 39 difficult to understand, apply and interpret. In response to the requests to improve financial instrument accounting, the IAS 39 replacement project was divided into three main stages: (i) classification and measurement of financial assets; (ii) impairment; and (iii) hedge accounting.

IFRS 9 simplifies the model of measurement for financial assets and establishes two main categories of measurement: (i) amortized cost and (ii) fair value. Classification depends on the business model of the entity and the contractual characteristics of financial asset's cash flows. In relation to the requirements of measurement and classification of financial liabilities, the most significant change deals with the accounting of changes in the fair value

of a financial liability measured at fair value through profit or loss. Changes to fair values of these liabilities attributable to changes in credit risks are now recognized in other comprehensive income in shareholders' equity, unless the recognition of the effect of these changes results in an income accounting mismatch or increase an accounting mismatch.

In November 2013, the IASB introduced new requirements for hedge accounting in IFRS 9. These new requirements have the aim of aligning hedge accounting more closely with the entities' risk management.

In July 2014, the IASB finalized the project to replace IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 01, 2018. The Bank has begun the process of evaluating the impact of adopting this standard.

IFRS 15 – Revenue from Contracts with Customers – In May 2014, the IASB published a new standard that specifies how and when an IFRS reporter will recognize revenue from contracts as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

IFRS 15 is effective for annual periods beginning on or after January 01, 2017 and permits early adoption. The Bank has begun the process of evaluating the impact of adopting this standard.

Amendment to IAS 16 – Property, Plant and Equipment – In May 2014, the IASB issued an amendment to IAS 16 which clarifies that depreciation of an item of property, plant and equipment based on revenue is not appropriate.

This amendment is effective for periods beginning on or after January 1, 2016 and early adoption is permitted. The Bank has begun the process of evaluating the impact of adopting this standard.

Amendment to IAS 38 – Intangible Assets – In May 2014, the IASB issued an amendment to IAS 38 which clarifies that amortization of an intangible asset based on revenue generated by using the asset is inappropriate, may only be in certain circumstances: (i) where the intangible asset is expressed as a measure of revenue; or (ii) where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

This amendment is effective for periods beginning on or after January 1, 2016 and early adoption is permitted. The Bank has begun the process of evaluating the impact of adopting this standard.

Amendment to IFRS 11 – Joint Arrangements – This amendment to IFRS 11 provides guidance on the accounting for the acquisition of an interest in a joint operation that constitutes a business, in accordance with the principles on business combination accounting established in IFRS 3.

This amendment to IFRS 11 is effective for annual periods beginning on January 1, 2016, with early adoption permitted. The Bank has begun the process of evaluating the impact of adopting this standard.

Amendments to IAS 19 (R1) – Employee Benefits – In November 2013, the IASB published a revised version of IAS 19, where the Bank should consider the contribution from employees and third parties in accounting for defined benefit plans.

These amendments are effective for annual periods beginning on or after July 1, 2014, with early application allowed. Potential impacts resulting from the adoption of these amendments to IAS 19 are not expected to have a material effect on the Bank's financial statements.

The Bank decided not to early adopt any of the amendments and standards mentioned above. Any possible impacts arising from adopting these standards or amendments are being assessed and will be completed up to the date these standards come into force.

4 – SIGNIFICANT JUDGMENTS AND ACCOUNTING ESTIMATES

Preparation of the consolidated financial statements in accordance with IFRS requires the Bank's Management to make judgments and estimates affecting the recognized amounts of assets, liabilities, income and expenses. Estimates and assumptions used are analyzed on an ongoing basis, and revisions to such estimates are recognized prospectively in the period in which the estimate is reevaluated. Actual results may differ from estimates used herein.

Taking into consideration that there are certain alternatives to accounting treatments, the results which are disclosed by the Bank could be different, if a different treatment had been chosen. Management considers that the choices made are appropriate and that the consolidated financial statements fairly present the consolidated financial position of the Bank and the results of its operations in all material respects.

Significant assets and liabilities subject to these estimates and assumptions encompass items for which an evaluation at fair value is necessary. The most relevant applications of judgment and the use of estimates occur in:

a) Fair value of financial instruments (including derivatives)

When the fair value of financial assets and liabilities cannot be obtained from an active market, it is determined through valuation techniques that include the use of mathematical models. The variable inputs for these models are derived from observable data in the market whenever possible, but when market data is not available, judgment is necessary to establish fair value. The methodologies used to measure the fair value of certain financial instruments are described in Note 38.

b) Impairment of loans to customers

The Bank performs a periodic review of its loan portfolio to evaluate if impairment losses should be recognized in the statement of income. The valuation process of the loan portfolio in order to determine if an impairment loss should be recognized is subject to several estimates and judgments. This process includes observing factors that reflect changes to the loans' and customer's risk profile and that result in reducing future cash flow receipt estimates.

In estimating these cash flows, the Bank makes judgments regarding the client's financial-economic situation. These estimates are based on assumptions of several factors and, for this reason, actual results may vary, giving rise to future changes to the amount recognized as loss (additions or reversals).

Loans to customers that are individually evaluated and do not present impairment losses, as well as all loans to customers that are not considered as significant on an individual basis, are collectively evaluated in groups of assets with similar risk characteristics to determine if a provision should be recorded for events that have already occurred and whose effects are not yet known.

In the process of evaluating loans to customers that are individually significant, the Bank verifies, in general: (i) the economic, financial and legal situation of the counterparty; (ii) retention of risks by the Bank, in relation to the operations of the counterparty; (iii) the counterparty's past business relationship with the Bank; and (iv) the situation of the credit-related collaterals. This scope allows the Bank to periodically estimate the need for a possible recognition of impairment losses of financial assets considered on an individual basis.

Collective assessment of loans to customers takes into consideration, among other factors, credit portfolio data, historical payment delay, credit usage, risk concentration and economic data. Estimates are based on information segmented by similar groups of products/modalities, internal operational risk classification and client type, grouped according to the risk and credit limit analysis methodology.

The Bank recognizes losses inherent to debt instruments not evaluated at fair value, taking into account the historical experience of impairment loss and other known circumstances at the time of the assessment. Inherent losses are losses incurred not yet allocated to specific transactions, calculated through statistical methods. The Bank uses the incurred loss model to quantify the amount of loan losses.

Other information about measurement methodology and assumptions used by the Bank to evaluate impairment losses from loans to customers, as well as amounts recognized as losses may be found in Notes 3 and 23, respectively.

c) Impairment of financial assets available for sale

The Bank considers that an impairment of its financial assets available for sale exists when there is a significant or prolonged decline in its fair value to an amount below cost. Such determination of what is significant or prolonged requires judgment in which the Bank evaluates, among other factors, the ordinary volatility of prices of financial instruments. In addition, the recognition of impairment may be appropriate whenever there is evidence of a negative impact in the financial position of the investee company, the performance of the relevant economic sector, changes in technology and in financing and operating cash flows.

Additionally, impairment evaluations take into consideration the market values or valuation models, which may require the utilization of certain assumptions or judgments in establishing fair value estimates.

d) Impairment of non-financial assets

At each reporting date, the Bank assesses, based on internal and external sources of information, whether there is any indication that a non-financial asset may be impaired. If this indication exists, the Bank uses estimates to define the asset's recoverable value.

The Bank also evaluates, at the end of each reporting period, if there is any indication that an impairment loss recognized in prior periods for an asset, except for goodwill, may not exist anymore or may have decreased. If there is this indication, the Bank re-estimates the recoverable amount of this asset.

Regardless of the existence of the indication of impairment loss, the Bank annually conducts impairment tests on intangible assets with indefinite useful lives, including goodwill acquired in a business combination, or on intangible assets not yet available for use.

Determining the recoverable value of non-financial assets requires estimates based on market-quoted prices, present value calculations or other pricing techniques, or a combination of them, requiring Management to make judgments and to adopt assumptions.

A more detailed discussion on the theme may be found in Note 3 and Note 27.

e) Income taxes

Income/gains generated by the Bank are subject to income tax payment in the various jurisdictions where the Bank performs its operating activities. Determination of the global amount of income taxes requires certain interpretations and estimates. There are several transactions and calculations for which determination of the final amount of tax payable is uncertain during the ordinary cycle of business. Other interpretations and estimates could result in a different value of income taxes recognized in the period.

The Brazilian tax authorities may review the procedures adopted by the Bank and by its subsidiaries during a period of five years from the date in which taxes are deemed to be due. Hence, there is the possibility that such tax authorities may question procedures adopted by the Bank, mainly those arising from differences in interpreting tax legislation. However, the Bank's Management believes that there will be no significant adjustments in income taxes as recognized in the consolidated financial statements.

f) Recognition and evaluation of deferred taxes

Deferred tax assets are calculated on temporary differences and on tax loss carryforwards, and are recognized whenever the Bank expects to generate taxable profit in subsequent years in amounts sufficient to off-set such amounts. The expected realization of the Bank's deferred tax asset is based on the projection of future income and on technical analysis, in line with the prevailing tax legislation (Note 35).

The estimates considered by the Bank for the recognition and valuation of deferred taxes are reviewed based on current expectations and projections of future events and trends. The primary assumptions identified by the Bank that may affect these estimates are related to factors such as: (i) changes in the amounts deposited, delinquency and customer base; (ii) changes in government regulations on tax matters; (iii) changes in the interest rates; (iv) changes in inflation rates; (v) lawsuits or legal disputes with an adverse impact on the Bank; (vi) credit and market risks, as well as other risks arising from loan and investment activities; (vii) changes in the market values of Brazilian securities, mainly Brazilian government securities; and (viii) changes in internal and external economic conditions.

g) Pension plans and other employee benefits

The Bank sponsors pension plans of defined contribution and defined benefit types. The actuarial valuation relating to the defined benefit plans depends on various assumptions, among which the following are highlighted: (i) interest rates used; (ii) mortality tables; (iii) annual rate applied to the revision of retirement benefits; (iv) inflation index; (v) annual salary adjustment rate; and (iv) method used to calculate commitments related to vested rights of active employees. Changes in these assumptions could have a significant impact on the amounts determined.

h) Contingent assets and liabilities

Contingent assets are only recognized in the consolidated financial statements upon the existence of evidence assuring their realization (i.e. when they are virtually certain), usually represented by the final judgment of the lawsuit and by the confirmation that it will be recovered by receipt or offsetting with another payable.

Contingent liabilities are recognized in the consolidated financial statements when, based on the nature of the lawsuits, on the opinion of legal advisors and Management, and on the complexity and experience of similar transactions, the risk of loss of legal or administrative proceedings is considered probable, with a probable outflow of financial resource for the settlement of the obligation and when the amounts involved are measurable with sufficient assurance, being quantified when judicial notification is received and revised monthly as follows:

Individual method: cases considered unusual or whose value is considered relevant by our legal counsel. Provisions are based on: the amount claimed; probability of an unfavorable decision; evidence presented; evaluation of legal precedents; other facts raised during the process; judicial decisions made during the course of the case; and the classification and the risk of loss of legal actions.

Aggregated method: cases that are similar and recurring in nature and whose values are not considered relevant. Provisions are based on statistical data. It covers civil, tax and labor judicial proceedings (except labor claims filed by trade unions and all proceedings classified as strategic) with probable value of award, estimated by legal advisors, of up to R$ 1 million.

Contingent liabilities, individually measured, considered as possible losses are not recognized in the consolidated balance sheet and only need to be disclosed in the notes to the financial statements, while those classified as remote do not require provisioning or disclosure.

5 – CONSOLIDATED FINANCIAL STATEMENTS

The Bank's consolidated financial statements include the Bank's branches and subsidiaries in Brazil and abroad. The significant balances of all the accounts and transactions among the consolidated companies were eliminated. Shareholding interest included in the consolidated financial statements, segregated by business segments are in the table below.

		Activity	Country	% Total Share	
				Dec 31, 2014	Dec 31, 2013
Banking Segment					
Banco do Brasil – AG. Viena	(1)	Banking	Austria	100%	100%
BB Leasing Company Ltd.	(1)	Leasing	Cayman Islands	100%	100%
BB Leasing S.A. – Arrendamento Mercantil	(1)	Leasing	Brazil	100%	100%
BB Securities Asia Pte. Ltd.	(1)	Broker	Singapore	100%	100%
Banco do Brasil Securities LLC.	(1)	Broker	United States	100%	100%
BB Securities Ltd.	(1)	Broker	England	100%	100%
BB USA Holding Company, Inc.	(1)	Holding	United States	100%	100%
Brasilian American Merchant Bank	(1)	Banking	Cayman Islands	100%	100%
BB Americas	(1)	Banking	United States	100%	100%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	Asset Management	Brazil	99.62%	99.62%
Banco Patagonia S.A.	(1)	Banking	Argentina	58.96%	58.96%
Investment Segment					
BB Banco de Investimento S.A.	(1)	Investment Bank	Brazil	100%	100%
Fund management Segment					
BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	Asset Management	Brazil	100%	100%
Insurance, private pension and capitalization Segment					
BB Seguridade Participações S.A.	(1)	Holding	Brazil	66.25%	66.25%
BB Cor Participações S.A.	(1)	Holding	Brazil	66.25%	66.25%
BB Corretora de Seguros e Administradora de Bens S.A.	(1)	Broker	Brazil	66.25%	66.25%
BB Seguros Participações S.A.	(1)	Holding	Brazil	66.25%	66.25%
BB Capitalização S.A.	(3)	Capitalization	Brazil	-	66.25%
Payment methods Segments					
BB Administradora de Cartões de Crédito S.A.	(1)	Service rendering	Brazil	100%	100%
BB Elo Cartões Participações S.A.	(1)	Holding	Brazil	100%	100%
Other Segments					
Ativos S.A. Securitizadora de Créditos Financeiros	(1)	Credit Acquisition	Brazil	100%	100%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	(1)	Credit Acquisition	Brazil	100%	100%
BB Administradora de Consórcios S.A.	(1)	Purchasing Pools	Brazil	100%	100%
BB Tur Viagens e Turismo Ltda.	(2)	Tourism	Brazil	100%	100%
BB Money Transfers Inc.	(3)	Service rendering	United States	-	100%
BB Tecnologia e Serviços S.A. (former Cobra Tecnologia S.A.)	(1)	IT	Brazil	99.97%	99.97%
Dollar Diversified Payment Rights Finance Company (SPE)	(1)	Securitization	Cayman Islands	-	-
Loans Finance Company Limited (SPE)	(1)	Securitization	Cayman Islands	-	-

(1) The financial statements used for consolidation in these annual financial statements were dated as of December 31, 2014.
(2) The financial statements used for consolidation in these annual financial statements were dated as of November 30, 2014.
(3) Discontinued companies during 2014.

The special purpose entities (SPE) named Dollar Diversified Payment Rights Finance Company (Dollar) and Loans Finance Company Limited (Loans) were also consolidated.

The SPE Dollar was organized under the laws of the Cayman Islands for the following purposes: (i) the issuance and sale of securities in the international market; (ii) use of resources obtained from the issue of securities to purchase, from the Bank, the rights on payment orders issued by banking correspondents located in the U.S. and by the Bank's New York Branch, in U.S. dollars, to any of the Bank's branches in Brazil ("Rights on Consignment") and (iii) making payments of principal and interest on securities and other payments defined in the contracts of issuance of these securities.

The liabilities related to the issued securities are paid by the SPE using the USD funds that accumulate in its account under the payment orders that it purchased. The SPE has no material assets or liabilities other than the rights and duties originating from the contracts for issuance of securities. The SPE has no subsidiaries and no employees.

Dollar's authorized share capital is US$ 1,000 divided into 1,000 ordinary voting shares of US$ 1.00 par value each. All 1,000 ordinary voting shares have been issued to BNP Paribas Private Bank & Trust Cayman Limited in its capacity as trustee of a Cayman Islands charitable trust. Accordingly BNP Paribas Private Bank & Trust Cayman Limited is the sole shareholder of the SPE. The Bank owns the "Rights on Consignment" and was the only beneficiary of the funds captured by the SPE. The Bank is responsible for sending funds for periodic payment of principal and interest on the issued securities.

The SPE Loans was organized under the laws of Cayman Islands for the following purposes: (i) raising funds by issuance of securities in the international market; (ii) closing and booking repurchase agreement transactions with the Bank, acting through its Grand Cayman Branch, in order to pass-through the funds raised in the market; and (iii) purchasing of protection against the Bank's default risk through a basis swap credit derivative which covers the Bank's obligations under the repurchase agreement transactions.

Amounts, terms, currencies, rates and cash flows of the repurchase agreement transactions are exactly the same as of the securities issued, thus all obligations and expenses related to the securities issued are fully matched and covered with the rights and incomes generated by the repurchase agreement transactions. As a result, SPE Loans does not generate profits or losses. The SPE does not hold assets or liabilities other than the repurchase agreement transactions, the credit default swap and the securities issued.

The paid-in capital of the SPE is US$ 250 divided into 250 ordinary shares of a par value of US$ 1.00. All 250 shares were issued to Maples Corporate Services as the initial subscriber and then transferred to MaplesFS Limited, which is an exempted limited liability company incorporated in the Cayman Islands. MaplesFS Limited is an independent provider of specialized fiduciary and fund services and the sole shareholder of the SPE. The Bank, acting through its Grand Cayman Branch, is the sole counterparty of the SPE for the repurchase agreement transactions.

a) Summarized financial information of the subsidiaries with participation of non-controlling interests (NCI)

R$ thousand

Dec 31, 2014	BB Seguridade Participações S.A.	Banco Patagonia S.A.	Other [1]
Current assets	1,735,802	11,087,590	362,007
Non-current assets	6,828,218	2,538,682	34,116
Current liabilities	471,906	10,890,172	168,440
Non-current liabilities	427,383	132,829	-
Income	3,506,752	3,278,033	785,066
Net income	3,433,458	807,976	56,061
Comprehensive income	3,429,576	807,976	56,061
Dividends paid to NCI	953,095	51,808	-
Ownership interest held by NCI (%)	33.75%	41.04%	-
Net income attributable to NCI	1,158,792	331,593	15
Accumulated shareholder NCI	2,586,847	1,068,382	83

R$ thousand

Dec 31, 2013	BB Seguridade Participações S.A.	Banco Patagonia S.A.	Other [1]
Current assets	1,284,786	9,607,124	293,997
Non-current assets	6,196,013	2,524,195	27,742
Current liabilities	3,475	9,889,363	145,558
Non-current liabilities	427,382	267,609	-
Income	2,444,256	2,909,827	639,375
Net income	2,433,643	421,908	33,248
Comprehensive income	2,411,857	421,908	33,248
Dividends paid to NCI	276,023	-	-
Ownership interest held by NCI (%)	33.75%	41.04%	-
Net income attributable to NCI	677,608	173,151	9
Accumulated shareholder NCI	2,379,355	810,272	72

(1) Accounting information related to companies BB Tecnologia e Serviços S.A. and Besc Distribuidora de Títulos e Valores Mobiliários S.A.

The Bank has also indirect ownership interest in BB Seguros Participações S.A., BB Cor Participações S.A., BB Corretora de Seguros e Administradora de Bens S.A. and BB Capitalização S.A. These companies are subsidiaries of BB Seguridade Participações S.A., that owns all issued shares. The summarized financial information of these subsidiaries is presented below.

R$ thousand

Dec 31, 2014	BB Seguros Participações S.A.	BB Cor Participações S.A.	BB Corretora de Seg. e Adm. de Bens S.A.	BB Capitalização S.A. (1)
Current assets	612,607	699,285	2,423,777	-
Non-current assets	7,159,763	35,007	77	-
Current liabilities	991,055	687,389	2,388,847	-
Non-current liabilities	427,383	-	-	-
Income	2,222,111	1,307,953	2,426,225	266
Net income	2,178,080	1,289,645	1,289,371	83
Comprehensive income	2,175,805	1,288,034	1,287,764	83

(1) BB Capitalização S.A. was merged into BB Seguros Participações S.A. in 4th quarter/2014.

R$ thousand

Dec 31, 2013	BB Seguros Participações S.A.	BB Cor Participações S.A.	BB Corretora de Seg. e Adm. de Bens S.A.	BB Capitalização S.A.
Current assets	668,531	508,689	1,745,807	5,585
Non-current assets	6,088,813	33,400	80	-
Current liabilities	6,647	500,247	1,712,487	75
Non-current liabilities	427,383	-	-	-
Income	1,574,931	912,840	1,805,127	425
Net income	1,537,685	907,012	906,887	54
Comprehensive income	1,515,923	906,988	906,863	54

6 – ACQUISITIONS, DISPOSALS AND CORPORATE RESTRUCTURING

a) Corporate reorganizations of insurance, pension plans, capitalization and reinsurance areas

BB Capitalização S.A.

On November 28, 2014, the directors of BB Seguros Participações S.A. (BB Seguros) approved the merger of BB Capitalização S.A. (BB Capitalização) into BB Seguros pursuant to the Protocolo e Justificação de Incorporação (Merger Agreement). The net assets of R$ 5,573 thousand were recognized at the book value at November 28, 2014, the date of the transaction.

The Bank considers that the maintenance of the BB Capitalização register is no longer needed because there is no expectation that the company will develop operating activities in the foreseeable future.

As a result, BB Capitalização no longer exists and BB Seguros became its successor, by universal title, of its assets, rights and obligations, and assume its net assets.

Considering that BB Seguros was the single shareholder of the merged company at the merger date there were no changes in BB Seguros' capital as a result of this merger.

Brasildental Operadora de Planos Odontológicos S.A.

On June 11, 2013, Banco do Brasil, BB Seguros Participações S.A. (BB Seguros), BB Corretora de Seguros e Administradora de Bens S.A. (BB Corretora), Odontoprev S.A. (Odontoprev) and Odontoprev Serviços Ltda. (Odontoprev Serviços) signed an Association Agreement and Other Covenants (Association Agreement) to create a new company named Brasildental Operadora de Planos Odontológicos S.A. (Brasildental). Brasildental aims to develop, disseminate, distribute and sell, through BB Corretora, dental plans under the brand BB Dental, with exclusivity in all of the Bank distribution channels in the Brazilian territory.

Brasildental was formed on March 12, 2014 and has R$ 5 million as total capital, distributed in 100,000 common shares (ON) and 100,000 preferred shares (PN) with the following shareholding structure:

a) BB Seguros holds 49.99% of common shares and 100% of preferred shares (without voting rights), representing 74.99% of total capital;

b) Odontoprev holds 50.01% of the common shares, representing 25.01% of total capital.

The total capital was paid-in as follows: R$ 1 thousand on Brasildental's formation date; and R$ 4,999 thousand on April 15, 2014. BB Seguros and Odontoprev were responsible for the payment of Brasildental's capital, in proportion to their respective holdings.

On August 02, 2013, the Conselho Administrativo de Defesa Econômica (CADE) approved the Agreement and, on September 19, 2013, the Central Bank (BACEN) authorized the Bank's indirect holding of Brasildental capital.

On May 12, 2014, the company was registered in the Conselho Regional de Odontologia (CRO). The Agência Nacional de Saúde (ANS) authorized Brasildental's operations on July 7, 2014 and also approved, on August 5, 2014, the products that will be offered by Brasildental in the Brazilian dental plans market.

The Agreement will remain effective for 20 years, renewable for equal periods.

IRB – Brasil Resseguros S.A.

On May 24, 2013, BB Seguros and the Federal Government signed an Agreement for Transfer of Shares (Agreement for Transfer) for the transfer by the Federal Government of 212,421 common shares issued by IRB-Brasil Resseguros S.A. (IRB) to BB Seguros.

In the Special Shareholders Meeting held on August 20, 2013, the shareholders of IRB decided to approve a capital increase. As a consequence, BB Seguros paid R$ 547,409 thousand to the Federal Government for the transfer of 212,421 of its common shares. After the transfer, BB Seguros held 20.51% of the IRB's share capital.

Moreover, BB Seguros, the Federal Government, Bradesco Auto Re – Companhia de Seguros S.A., Itaú Seguros S.A., Itaú Vida e Previdência S.A. and Fundo de Investimento em Participações Caixa Barcelona (together, the venturers) have signed a Shareholders' Agreement in order to create the IRB's governance control group to regulate the relationship between the venturers, as well as the company's management structure and operations. Voting rights were linked to the Shareholders' Agreement as follows: 20% of the total common shares held by BB Seguros; 15% of the total common shares held by the Federal Government; 15% of the total common shares held by Itaú Seguros Group; 20% of the total common shares held by Bradesco Seguros; and 3% of the total common shares held by FIP Caixa Barcelona.

Fair value of the assets and liabilities assumed from IRB – Brasil Resseguros S.A.

	R$ thousand
	Sep 30, 2013
Cash and bank deposits	15,541
Financial assets	5,465,934
Property and equipment	168,898
Intangible assets	127,236
Current tax assets	27,742
Deferred tax assets	236,626
Insurance and reinsurance operations	2,515,534
Other assets	4,362,013
Fair value of the assets	**12,919,524**
Provision for labor, fiscal and civil claims	278,239
Insurance contracts and private pension plans	7,523,585
Current tax liabilities	73,011
Deferred tax liabilities	54,657
Debits of insurance and reinsurance operations	1,568,776
Other liabilities	716,068
Fair value of the liabilities	**10,214,336**
Fair value of the net assets	**2,705,188**
BB Seguros Participações S.A. equity interest - %	20.51%
BB Seguros Participações S.A. equity interest	554,853
Price for the acquisition of shares (20.51%)	(547,409)
Bargain purchase on acquisition	**(7,444)**

Identified intangible assets from this acquisition

	R$ thousand
	Sep 30, 2013
Related to customer portfolios	119,030
Brand	8,206
Total	**127,236**

The identified intangible assets are being amortized in accordance with the timetable presented in Note 3, which were defined based on a purchase price allocation study carried out by a specialized and independent firm. During the year 2014, the amounts amortized totaled R$ 7,165 thousand (R$ 4,261 thousand in 2013).

Besides the Shareholders' Agreement execution and the capital increase, the restructuring process of IRB involved the following steps:

a) conversion of IRB non-voting shares into common shares (1:1);

b) creation of a golden share held by the Federal Government (with the veto right to certain decisions).

The transaction was approved by Conselho Administrativo da Defesa Econômica (CADE) on April 16, 2013 and by Superintendência de Seguros Privados (SUSEP) on September 16, 2013.

BB Seguridade Participações S.A. (BB Seguridade)

On February 20, 2013, the Special Shareholders Meeting of Banco do Brasil approved the Initial Public Offering (IPO) of BB Seguridade. The minutes of the meeting were registered in the Junta Comercial do Distrito Federal on

March 14, 2013, under the number 20130248401 and published in the Diário Oficial and in the Jornal de Brasília on March 25, 2013.

The offerings by BB Seguridade Participações S.A., consisted of two secondary public offerings of shares, one on April 25, 2013 and the second on May 20, 2013, held in Brazil in the unorganized OTC market, in accordance with CVM 400/2003 Instruction.

On April 25, 2013, 500 million shares were offered, traded on the Novo Mercado of the BM&FBovespa under the ticker BBSE3 with prices set at R$ 17.00. The settlement of the Offering Base (500 million shares), plus the Additional Lot (100 million common shares), resulted in the disposal of 30% of the common shares owned by Banco do Brasil in BB Seguridade.

On May 20, 2013, the Public Offering of Shares was closed with the full exercise of the Green Shoe (75 million shares). Following this transaction Banco do Brasil holds 66.25% of the common shares of BB Seguridade. The funds raised were fully reverted to Banco do Brasil, the selling shareholder. BB Seguridade received no funds from the offering. The difference between the amount by which the non-controlling interests were adjusted and the fair value of the consideration received was recognized in shareholders' equity, and is attributable to the controlling shareholders.

Measurement of IPO result

	R$ thousand
	May 20, 2013
Value from Public Offer – BB Seguridade	11,475,000
Sold stocks cost	(1,983,401)
Incremental costs from Public Offer – BB Seguridade	(172,037)
Taxes	(3,727,825)
Recognized value in equity and attributable to the controlling shareholders	**5,591,737**

Brasilprev Seguros e Previdência S.A. (Brasilprev)

On December 19, 2011, Brasilprev, BB Seguros and Mapfre Brasil Participações S.A. (Mapfre) signed a Stock Purchase Agreement related to the acquisition by Brasilprev of the entire share capital of Mapfre Nossa Caixa Vida e Previdência (MNCVP) that was previously 49% owned by BB Seguros and 51% owned by Mapfre.

Equity interest held by BB Seguros	**% Total**
Before the transaction	49.000
After the transaction[1]	74.995

(1) Brasilprev is currently a jointly controlled entity. BB Seguros holds equity interest in Brasilprev in the proportion of 74.995%. So, after the above mentioned transaction, BB Seguros indirectly holds equity interest in MNCVP in the same proportion as the equity interest held in Brasilprev.

The adjusted amount for the transaction totalled R$ 157,974 thousand which was adjusted by Interbank Deposit Certificate (CDI) rate until July 31, 2012. As a result, the agreement was settled for an amount of R$ 166,958 thousand.

	R$ thousand
	Jul 31, 2012
Cash consideration	**166,958**
MNCVP´s equity	24,637
Goodwill recognized in relation to Brasilprev Seguros e Previdência S.A.[1]	142,321

(1) As a result of a purchase price allocation report, the Bank has identified an intangible asset related to customer portfolio.

Additionally, as a consequence of this sale Banco do Brasil lost significant influence over MNCVP which became an indirectly jointly controlled entity. According to IAS 28, on the loss of significant influence, the investor must measure at fair value any investment the investor retains in the former associate.

The investor must recognize in profit or loss any difference between the fair value of any retained investment, plus any proceeds from disposing of the partial interest in the associate, and the carrying amount of the investment on the date when significant influence is lost. Besides, profits or losses resulting from this transaction are recognized in the financial statements only to the extent of unrelated investors' interests in the associate.

	%
Retained interest in the former associate	36.75
Disposed interest in the former associate	12.25
Total	**49.00**

Also as a consequence of this sale the Bank recognized a gain of R$ 12,662 thousand recorded in other operating income as follows:

			R$ thousand
			Jul 31, 2012
	36.75%	**12.25%**	**49%**
Fair value of the retained investment plus any proceeds from disposing of the partial interest in the associate	109,249	36,417	145,666
Carrying amount of the contributed net asset [(1)]	(51,705)	(17,235)	(68,940)
Taxes (34%)	(19,567)	(6,520)	(26,087)
Elimination of unrealized gains/losses	(37,977)	-	(37,977)
Gain in fair value measurement of the retained investment	**-**	**12,662**	**12,662**

(1) It includes the amount of R$ 57,116 thousand relating to recognition of the investment at fair value in the Banco Nossa Caixa's acquisition.

The intangible asset related to customer portfolio is being amortized in accordance with its estimated useful life. During the year 2014, the amount amortized totaled R$ 3,540 thousand.

On November 30, 2013, MNCVP was merged in to Brasilprev. The total capital of Brasilprev was not increased as a result of the merger because it was the single shareholder of MNCVP and the value of the remaining assets of the acquired company was already represented in its equity.

b) Corporate reorganization in the area of cards

Alelo

Companhia Brasileira de Soluções e Serviços (Alelo) is a company that operates in the area of prepaid cards, was jointly controlled by BB Banco de Investimento S.A. and by Bradescard with direct holdings in the proportion of 49.99% and 50.01%, respectively. On August 2013 these holdings were transferred to Elo Participações, which now holds 100% of its total capital.

Elo Participações is currently a jointly controlled entity between the Bank and Banco Bradesco (Bradesco) with indirect equity interest in the proportion of 49.99% and 50.01%, respectively.

The aim of the restructuring was to maximize Alelo's governance through the governance structure of Elo Participações. The restructuring was performed such that the final indirect holdings of the Bank and Banco Bradesco S.A. in Alelo and Elo Participações remained unchanged.

Livelo

On May 14, 2014, the Bank and Bradesco announced to the market that their jointly controlled entity Alelo has begun, through its wholly-owned subsidiary Livelo S.A., negotiations to explore business opportunities from alliances in loyalty programs.

Livelo is a company whose ultimate indirect shareholders are the Bank, with 49.99% of the total share capital, and Bradesco, with 50.01% of the total share capital and its objective is to:

a) act as an independent and open alliance loyalty program with the following partners: issuers of payment instruments; retailers; and other loyalty programs, among others;

b) bring together a diverse group of relevant and strategic partners to enable the generation of loyalty points and the redemption of benefits; and

c) develop its own loyalty points which will be offered to partners which have businesses which generate/accumulate points and can be converted into prizes and benefits offered by the redemption partners.

The company is in the process of structuring itself to start its activities and has already obtained authorization from authorities and regulators.

Stelo

The Bank and Bradesco, through their jointly controlled entity Alelo, announced the launch, on April 16, 2014, of Stelo S.A., a company of electronic means of payment which will manage, operate and explore the payment facilitators segments, oriented to electronic commerce (e-commerce), and also to digital wallet business.

Its main objective is to bring convenience and security to consumers and business establishments, primarily in the use of payments in e-commerce.

Aiming to improve this project, the Bank's joint controlled entities Cielo S.A. (Cielo) and Alelo signed, on April 15, 2014, a Memorandum of Understanding related to investment by Cielo in the capital of Stelo, which is currently a wholly-owned subsidiary of Alelo.

The company is in the process of structuring itself to begin its activities and has already obtained authorization from authorities and regulators. Further information about Cielo can be found in Note 25.

c) Corporate Reorganization – Subsidiaries and Associates abroad

BB Money Transfers

On December 08, 2014, BB Money Transfers, located in the state of New York, was dissolved. The Executive Board decided on the company closing and repatriation of the share capital to its controlling company, based on an economic study of the business which showed it to be inviable.

The capital of BB Money Transfers was transferred to the Bank, through BB USA Holding Company Inc. (its controlling company, with 100% of the shares). However, part of this capital was retained in BB USA Holding Company, in order to pay the costs arising from operating activities for closing the subsidiary and the expenditures of the holding company itself.

The capital received will be maintained in the same place of the investment by BB Grand Cayman branch, not occurring the repatriation of funds to Brazil.

China

On May 30, 2014, the Bank opened its first branch in China. The Bank had a representative office in Shanghai, which was transformed into a bank branch whose goal is expanding the commercial exchange with China, aiming to increase Chinese investments in Brazil and also support the Brazilian multinationals in the Chinese market.

Europe Block

Since January 01, 2014, the branches of Banco do Brasil in Madrid and Paris became associated to BB AG Viena, the wholly owned subsidiary of Banco do Brasil in Austria.

This act was part of the consolidation of activities in Europe under the license of BB AG Viena. This integration of European units aims to increase the business volume, through the optimization of capital invested in those branches, improved governance and increased operational efficiency.

BB USA Holding Company Inc.

On May 03, 2013, Banco do Brasil acquired all the shares of BB USA Holding Company Inc., which were previously owned by BB AG Viena.

The transaction was made based on the adjusted equity of the holding company BB USA Inc. as of April 30, 2013 by the amount of US$ 644 thousand (R$ 1,293 thousand). There were no effects on the Bank's consolidated financial statements.

BB USA Holding Company Inc. is a corporation headquartered in White Plains in New York State.

d) Corporate Reorganization – Banco Votorantim

On July 31, 2013, the directors of Banco Votorantim approved the merger of BV Participações into Banco Votorantim pursuant to the Protocolo e Justificação de Incorporação (Merger Agreement). The net assets were recognized at the carrying amount at June 30, 2013, the date of the transaction, in the amount of R$ 98,920 thousand, plus the equity variations between the date of the appraisal report and the date of the merger.

The merger resulted in an improved corporate structure, leading to increases in the efficiency of operations, simplification of management, facilitation of accounting and financial procedures, reduction of administrative expenses, and optimization of BV Participações' assets and results.

As a result, BV Participações ceased to exist and Banco Votorantim became the successor, by universal title, of its rights and obligations.

The merger resulted in an increase of the total capital of Banco Votorantim, in the same amount of the incorporated equity, through the issuance of 1,442,096,204 new shares, of which 1,179,896,894 were common shares and 262,199,310 were preferred shares, with no nominal value. These new shares were assigned to Votorantim Finanças and to the Bank, the sole shareholders of BV Participações, in the proportion that each one held in the total capital of the BV Participações.

The merger did not result any change in Banco do Brasil's consolidated balance sheet and statement of income.

e) Corporate Reorganization – Itapebi

The sale to Neoenergia group of the 19% equity interest of BB Banco de Investimento S.A. in Itapebi Geração de Energia S.A. was approved on December 16, 2013.

On December 20, 2013, the Sales Agreement was signed. The set amount for the transaction totaled R$ 270,373 thousand, adjusted by CDI rate until the settlement date. On January 02, 2014, the agreement was settled for R$ 270,673 thousand.

	R$ thousand
	Dec 20, 2013
Disposal value	270,373
Carrying amount of the Itapebi Geração de Energia S.A. investment	56,505
Gain recorded on disposal [1]	213,868

(1) Value recorded in Other operating income.

7 – OPERATING SEGMENTS

The information by segment was compiled based on the reports used by the Chief Operating Decision Maker in assessing performance, making decisions regarding the allocation of funds for investment and for other purposes and considering the regulatory environment and the similarities between goods and services.

The operations of the Bank are divided into five segments: banking, investments, fund management, insurance (insurance, private pension and capitalization) and payment methods. In addition, the Bank participates in other business activities, such as consortium and operating support, which were aggregated in "Other Segments".

All of the accounting information used by Management in performance assessment and decision making is prepared in accordance with the laws, standards and accounting practices applicable to financial institutions in Brazil, as determined by Banco Central do Brasil (BACEN). For this reason, the Bank presents its results by segment according to this normative framework, called 'managerial consolidated', because these results are reported to the chief operating decision maker for purposes of making decisions about allocating resources to, and evaluating the performance of, segments.

The principal differences in the accounting policies and significant judgments of the reportable operating segments from those described in the summary of significant accounting policies in IFRS are:

- The recognition of impairment on loans to customers is based on an expected loss model, using regulatory limits defined by BACEN. Loans to customers must be classified in an increasing order of risk levels, ranging from AA risk (lower risk) to H risk (higher risk). An allowance for loan losses must be calculated monthly, and it may not be lower than a minimum percentage, which varies from 0% (zero percent) for risk level AA loans, to 100% (one hundred percent) for loans classified as risk level H;
- Investments in jointly controlled entities (joint ventures) are proportionately consolidated;
- Income from fees and commissions charged for the origination of loans to customers are recognized as revenue upon receipt;
- The amount of goodwill or gain from bargain purchase in a business combination is measured by the difference between the consideration transferred and the book value of the acquired shares, and is amortized over a period of up to ten years, if it is based on expected future profitability; and
- Changes in the proportion of the equity held by non-controlling interests results in a gain or loss on the disposal of equity interests recognized in profit or loss.

The segments operate through separate legal entities or groups of legal entities and the segmental information presented takes into account all the revenues and expenses calculated by the companies which comprise each segment, as presented in Note 5. There are no revenues or expenses allocated between the segments by any distribution criteria.

Intersegment transactions are conducted under the terms and conditions applicable for comparable transactions with unrelated parties. These transactions do not involve abnormal payment risks.

The Bank does not have any customer responsible for over 10% of the Bank's interest income.

a) Banking

Responsible for the most significant portion of the Bank's results, predominantly from operations in Brazil, this segment involves a large diversity of products and services, such as deposits, loans and services that are made available to customers by means of a wide variety of distribution channels, located in Brazil and abroad.

The operations of the banking segment include business with the retail, wholesale and government markets, carried out by network and customer service teams, and business with micro-entrepreneurs and other business performed through banking correspondents.

b) Investments

This segment includes activities of intermediation and distribution of debt and equity instruments performed in the domestic primary and secondary capital markets, as well as the rendering of financial services.

The net interest income of the segment is derived from the income accrued on investments in securities less expenses related to third party funding costs. Non-interest income in this segment is from economic/financial advisory services related to the underwriting of fixed and variable income securities and the rendering of services to associate companies.

c) Fund management

This segment is responsible for operations inherent to the purchase, sale and custody of securities, portfolio management, and for the establishment, organization and management of investment funds and clubs. Income is mainly derived from commissions and management fees charged to investors for services rendered.

d) Insurance, private pension plans and capitalization

In this segment, products and services offered are related to life, property and vehicle insurance, complementary private pension plans and capitalization plans.

Income of this segment is derived primarily from commissions and fees, revenues from insurance premiums issued, contributions for private pension plans, capitalization bonds and investments in securities, net of commercialization expenses, technical provisions and expenses related to benefits and redemptions.

e) Payment methods

This segment is responsible for funding, transmission and processing services and financial settlement by electronic means (relating to credit and debit cards). Revenues are derived primarily from commissions and management fees charged to commercial and banking establishments for the services rendered.

f) Other

The Other segment comprises the operational support and consortium segments, which are not sufficiently significant to be otherwise disaggregated. These segments generate income primarily from provision of services not covered in previous segments, such as: credit recovery, consortium administration, development, manufacturing, commercialization, rent and integration of digital electronic systems and equipment, peripherals, programs, inputs and computing supplies, intermediation of airline tickets, lodging and organization of events.

g) Financial information by reportable segment

R$ thousand

	2014							
	Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegment transactions	Consolidated Management Statement
Interest income	142,903,275	110,594	57,354	8,941,686	543,147	763,596	(397,040)	152,922,612
Interest expense	(94,786,290)	(234,399)	-	-	(12,145)	(19,421)	544,210	(94,508,045)
Net interest income	**48,116,985**	**(123,805)**	**57,354**	**8,941,686**	**531,002**	**744,175**	**147,170**	**58,414,567**
Allowance for losses on loans to customers, net of recovery	(15,940,743)	-	-	-	-	26,058	(299,475)	(16,214,160)
Net interest income after allowance for loan losses	**32,176,242**	**(123,805)**	**57,354**	**8,941,686**	**531,002**	**770,233**	**(152,305)**	**42,200,407**
Non-interest income	**20,415,706**	**955,703**	**1,421,454**	**9,916,706**	**3,096,928**	**1,313,034**	**(1,516,897)**	**35,602,634**
Net commissions and fee income	15,635,331	559,258	1,394,318	1,013,649	2,244,314	1,124,283	(986,572)	20,984,581
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	342,065	3,926	-	(115,343)	-	(10,917)	74,367	294,098
Net gains/(losses) from financial assets available for sale	294,134	(33,607)	(2,476)	(209)	-	-	-	257,842
Net income/(loss) from equity method investments	565,202	(448)	-	(239)	4,459	4,999	-	573,973
Income from insurance contracts and private pension plans	-	-	-	4,480,394	-	-	31,820	4,512,214
Other operating income	3,578,974	426,574	29,612	4,538,454	848,155	194,669	(636,512)	8,979,926
Non-interest expenses	**(45,448,901)**	**(565,494)**	**(235,065)**	**(13,310,769)**	**(1,984,896)**	**(1,398,134)**	**1,552,023**	**(61,391,236)**
Personnel expenses	(19,284,006)	(67,029)	(68,566)	(538,675)	(219,072)	(266,526)	6,942	(20,436,932)
Administrative expenses	(11,284,189)	(41,213)	(25,780)	(741,188)	(370,002)	(409,359)	1,132,840	(11,738,891)
Contributions, fees and other taxes	(3,798,209)	(59,837)	(97,109)	(511,511)	(295,488)	(228,896)	6	(4,991,044)
Amortization of intangible assets	(2,540,676)	(668)	-	(36,125)	(33,319)	(1,469)	-	(2,612,257)
Provision for labor, tax and civil lawsuits	(1,376,094)	1,991	8,487	(34,612)	(18,434)	21,448	-	(1,397,214)
Depreciation	(1,030,523)	(2,927)	-	(21,247)	(112,545)	(7,353)	-	(1,174,595)
Other operating expenses	(6,135,204)	(395,811)	(52,097)	(11,427,411)	(936,036)	(505,979)	417,623	(19,034,915)
Income before taxes	**7,143,047**	**266,404**	**1,243,743**	**5,547,623**	**1,643,034**	**685,133**	**(117,179)**	**16,411,805**
Income taxes	**(484,429)**	**(55,172)**	**(488,689)**	**(1,999,507)**	**(549,211)**	**(163,928)**	**50,140**	**(3,690,796)**
Current	(2,295,240)	(100,572)	(485,414)	(2,002,865)	(553,711)	(205,985)	-	(5,643,787)
Deferred	1,810,811	45,400	(3,275)	3,358	4,500	42,057	50,140	1,952,991
Net income	**6,658,618**	**211,232**	**755,054**	**3,548,116**	**1,093,823**	**521,205**	**(67,039)**	**12,721,009**
Attributable to shareholders of the Bank	6,351,913	211,232	755,054	2,379,641	1,093,823	521,190	(67,039)	11,245,814
Attributable to non-controlling interests	306,705	-	-	1,168,475	-	15	-	1,475,195
Total assets	**1,324,141,119**	**6,013,027**	**985,885**	**116,832,752**	**8,057,890**	**4,394,219**	**(22,939,380)**	**1,437,485,512**
Total liabilities	**1,245,365,656**	**3,185,616**	**854,247**	**110,095,099**	**6,125,718**	**1,640,633**	**(10,394,651)**	**1,356,872,318**
Total shareholders' equity	**78,775,463**	**2,827,411**	**131,638**	**6,737,653**	**1,932,172**	**2,753,586**	**(12,544,729)**	**80,613,194**

R$ thousand

	2013							
	Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegment transactions	Consolidated Management Statement
Interest income	110,980,679	46,845	57,927	3,390,588	371,762	562,449	(611,108)	114,799,142
Interest expense	(67,489,784)	(201,428)	-	(4)	(11,331)	(29,716)	422,637	(67,309,626)
Net interest income	**43,490,895**	**(154,583)**	**57,927**	**3,390,584**	**360,431**	**532,733**	**(188,471)**	**47,489,516**
Allowance for losses on loans to customers, net of recovery	(13,504,297)	-	-	-	-	6,333	(217,047)	(13,715,011)
Net interest income after allowance for loan losses	**29,986,598**	**(154,583)**	**57,927**	**3,390,584**	**360,431**	**539,066**	**(405,518)**	**33,774,505**
Non-interest income	**28,447,400**	**1,477,402**	**1,285,648**	**8,318,146**	**2,759,106**	**1,135,033**	**(716,883)**	**42,705,852**
Net commissions and fee income	14,513,661	531,401	1,274,723	821,011	2,122,583	967,574	(802,241)	19,428,712
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	627,955	(1,696)	-	(100,769)	-	(10,251)	51,266	566,505
Net gains/(losses) from financial assets available for sale	273,124	197,629	-	(18,923)	(107)	(11,944)	(1)	439,778
Net income/(loss) from equity method investments	579,438	26,147	-	-	-	-	-	605,585
Income from insurance contracts and private pension plans	-	-	-	3,409,467	-	-	18,022	3,427,489
Other operating income	12,453,222	723,921	10,925	4,207,360	636,630	189,654	16,071	18,237,783
Non-interest expenses	**(43,330,309)**	**(571,924)**	**(169,359)**	**(8,183,448)**	**(1,687,343)**	**(1,323,322)**	**1,430,733**	**(53,834,972)**
Personnel expenses	(19,139,513)	(52,209)	(44,469)	(435,643)	(185,039)	(232,721)	6,208	(20,083,386)
Administrative expenses	(11,107,553)	(29,139)	(22,550)	(715,073)	(271,710)	(241,401)	1,002,350	(11,385,076)
Contributions, fees and other taxes	(4,357,267)	(61,181)	(92,954)	(458,223)	(282,827)	(170,577)	7	(5,423,022)
Amortization of intangible assets	(2,332,500)	(9)	-	(34,604)	(17,467)	(1,379)	-	(2,385,959)
Provisions for labor, tax and civil lawsuits	(358,148)	9,549	16,805	31,234	11,576	(19,402)	-	(308,386)
Depreciation	(880,965)	(2,935)	-	(23,217)	(104,898)	(6,721)	-	(1,018,736)
Other expenses	(5,154,363)	(436,000)	(26,191)	(6,547,922)	(836,978)	(651,121)	422,168	(13,230,407)
Income before taxes	**15,103,689**	**750,895**	**1,174,216**	**3,525,282**	**1,432,194**	**350,777**	**308,332**	**22,645,385**
Income taxes	**(3,733,746)**	**(91,511)**	**(207,231)**	**(1,074,915)**	**(460,503)**	**(73,712)**	**(405,460)**	**(6,047,078)**
Current	(5,377,806)	(116,572)	(210,321)	(1,081,845)	(463,714)	(129,659)	(444,678)	(7,824,595)
Deferred	1,644,060	25,061	3,090	6,930	3,211	55,947	39,218	1,777,517
Net income	**11,369,943**	**659,384**	**966,985**	**2,450,367**	**971,691**	**277,065**	**(97,128)**	**16,598,307**
Attributable to shareholder of the Bank	11,177,666	659,384	966,985	1,802,283	971,691	277,056	(97,128)	15,757,937
Attributable to non-controlling interests	192,277	-	-	648,084	-	9	-	840,370
Total assets	**1,217,435,342**	**5,903,659**	**689,319**	**88,908,626**	**6,080,062**	**4,004,768**	**(19,106,653)**	**1,303,915,123**
Total liabilities	**1,147,834,122**	**2,495,981**	**151,399**	**82,833,118**	**4,582,743**	**1,881,023**	**(8,088,057)**	**1,231,690,329**
Total shareholders' equity	**69,601,220**	**3,407,678**	**537,920**	**6,075,508**	**1,497,319**	**2,123,745**	**(11,018,596)**	**72,224,794**

R$ thousand

	2012							
	Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegment transactions	Consolidated Management Statement
Interest income	102,151,101	133,911	63,975	5,311,433	288,290	456,673	(410,448)	107,994,935
Interest expense	(59,419,842)	(258,024)	-	-	(1,222)	(38,696)	442,238	(59,275,546)
Net interest income	**42,731,259**	**(124,113)**	**63,975**	**5,311,433**	**287,068**	**417,977**	**31,790**	**48,719,389**
Allowance for losses on loans to financial institutions, net of recovery	-	-	-	-	-	-	-	-
Allowance for losses on loans to customers, net of recovery	(11,157,553)	-	-	-	-	-	(242,873)	(11,400,426)
Net interest income after allowance for loan losses	**31,573,706**	**(124,113)**	**63,975**	**5,311,433**	**287,068**	**417,977**	**(211,083)**	**37,318,963**
Non-interest income	**19,088,227**	**953,730**	**1,179,161**	**5,471,529**	**2,237,577**	**1,080,139**	**(1,391,534)**	**28,618,829**
Net commissions and fee income	14,073,405	464,435	1,177,160	374,103	1,767,048	978,720	(1,074,900)	17,759,971
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	(717,642)	(2,166)	-	(51,637)	-	-	56,890	(714,555)
Net gains/(losses) from financial assets available for sale	391,294	64,329	(7,048)	-	(5)	-	-	448,570
Net income/(loss) from equity method investments	230,212	32,393	-	997	-	-	-	263,602
Income from insurance contracts and private pension plans	-	-	-	2,519,376	-	-	5,986	2,525,362
Other operating income	5,110,958	394,739	9,049	2,628,690	470,534	101,419	(379,510)	8,335,879
Non-interest expenses	**(38,806,239)**	**(390,202)**	**(208,193)**	**(8,723,502)**	**(1,360,499)**	**(1,266,324)**	**1,416,188**	**(49,338,771)**
Personnel expenses	(16,926,232)	(50,068)	(58,026)	(390,994)	(139,701)	(221,864)	5,335	(17,781,550)
Administrative expenses	(10,410,038)	(22,306)	(22,318)	(934,817)	(227,825)	(269,359)	1,177,131	(10,709,532)
Contributions, fees and other taxes	(3,602,822)	(52,236)	(85,020)	(311,382)	(224,788)	(151,874)	6,634	(4,421,488)
Amortization of intangible assets	(2,374,009)	(8)	-	(22,517)	(9,815)	(1,676)	-	(2,408,025)
Provision for labor, tax and civil lawsuits	(272,775)	(831)	4,342	(23,606)	(12,595)	(11,561)	-	(317,026)
Depreciation	(1,061,081)	(2,613)	-	(15,452)	(99,761)	(9,021)	-	(1,187,928)
Other operating expenses	(4,159,282)	(262,140)	(47,171)	(7,024,734)	(646,014)	(600,969)	227,088	(12,513,222)
Income before taxes	**11,855,694**	**439,415**	**1,034,943**	**2,059,460**	**1,164,146**	**231,792**	**(186,429)**	**16,599,021**
Income taxes	**(2,595,264)**	**(84,581)**	**(417,468)**	**(752,462)**	**(395,105)**	**(72,597)**	**79,354**	**(4,238,123)**
Current	(5,076,528)	(108,466)	(415,138)	(760,681)	(395,876)	(95,957)	1,006	(6,851,640)
Deferred	2,481,264	23,885	(2,330)	8,219	771	23,360	78,348	2,613,517
Net income	**9,260,430**	**354,834**	**617,475**	**1,306,998**	**769,041**	**159,195**	**(107,075)**	**12,360,898**
Attributable to shareholders of the Bank	9,104,380	354,834	617,475	1,306,998	769,041	159,467	(107,075)	12,205,120
Attributable to non-controlling interests	156,050	-	-	-	-	(272)	-	155,778
Total assets	**1,083,599,518**	**6,180,755**	**921,453**	**69,427,954**	**4,654,755**	**4,095,177**	**(19,572,064)**	**1,149,307,548**
Total liabilities	**1,018,427,232**	**3,502,307**	**789,959**	**64,755,850**	**3,707,762**	**1,577,854**	**(4,952,833)**	**1,087,808,131**
Total shareholders' equity	**65,172,286**	**2,678,448**	**131,494**	**4,672,104**	**946,993**	**2,517,323**	**(14,619,231)**	**61,499,417**

h) Reconciliation of financial information by reportable segment to consolidated financial information according to IFRS

R$ thousand

	2014								
		Adjustments[1]							
	Consolidated Management Statement	Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegments transaction	Consolidated IFRS
Interest income	152,922,612	(5,656,161)	(313)	1,667	(8,762,176)	(540,433)	(80,923)	(105,672)	137,778,601
Interest expense	(94,508,045)	3,396,356	1,230	-	-	12,145	1,960	(27,848)	(91,124,202)
Net interest income	**58,414,567**	**(2,259,805)**	**917**	**1,667**	**(8,762,176)**	**(528,288)**	**(78,963)**	**(133,520)**	**46,654,399**
Allowance for losses on loans to financial institutions, net of recovery	-	4,030	-	-	-	-	-	-	4,030
Allowance for losses on loans to customers, net of recovery	(16,214,160)	1,478,393	-	-	-	-	(26,058)	(27,421)	(14,789,246)
Net interest income after allowance for loan losses	**42,200,407**	**(777,382)**	**917**	**1,667**	**(8,762,176)**	**(528,288)**	**(105,021)**	**(160,941)**	**31,869,183**
Non-interest income	**35,602,634**	**(589,108)**	**589,642**	**(1,655)**	**(5,380,912)**	**(2,878,805)**	**(80,289)**	**282,830**	**27,544,337**
Net commissions and fee income	20,984,581	(455,781)	33	-	1,274,262	(2,211,586)	(340)	186,662	19,777,831
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	294,098	(75,366)	404	-	115,343	-	11,071	(74,367)	271,183
Net gains/(losses) from financial assets available for sale	257,842	(5,659)	217	(1,667)	220	-	-	-	250,953
Net income/(loss) from equity method investments	573,973	(300,643)	955,020	12	2,144,236	180,575	(4,999)	-	3,548,174
Income from insurance contracts and private pension plans	4,512,214	-	-	-	(4,480,394)	-	-	(31,820)	-
Other operating income	8,979,926	248,341	(366,032)	-	(4,434,579)	(847,794)	(86,021)	202,355	3,696,196
Non-interest expenses	**(61,391,236)**	**2,588,178**	**363,093**	**-**	**12,710,684**	**1,976,824**	**92,763**	**(149,309)**	**(43,809,003)**
Personnel expenses	(20,436,932)	831,608	25,306	-	500,031	217,249	-	-	(18,862,738)
Administrative expenses	(11,738,891)	460,404	21,394	-	459,892	368,634	10,160	(57,596)	(10,476,003)
Contributions, fees and other taxes	(4,991,044)	205,287	20,059	-	336,811	292,452	35,380	2	(4,101,053)
Amortization of intangible assets	(2,612,257)	(466,290)	668	-	36,125	33,319	-	-	(3,008,435)
Provision for labor, tax and civil lawsuits	(1,397,214)	(700,485)	-	-	28,691	18,434	(25,699)	-	(2,076,273)
Depreciation	(1,174,595)	8,381	2,927	-	21,150	112,545	71	-	(1,029,521)
Other operating expenses	(19,040,303)	2,249,273	292,739	-	11,327,984	934,191	72,851	(91,715)	(4,254,980)
Income before taxes	**16,411,805**	**1,221,688**	**953,652**	**12**	**(1,432,404)**	**(1,430,269)**	**(92,547)**	**(27,420)**	**15,604,517**
Income taxes	**(3,690,796)**	**(339,530)**	**(31,471)**	**-**	**1,317,747**	**537,896**	**(4,727)**	**(50,140)**	**(2,261,021)**
Current	(5,643,787)	216,114	6,642	-	1,320,561	542,421	747	-	(3,557,302)
Deferred	1,952,991	(555,644)	(38,113)	-	(2,814)	(4,525)	(5,474)	(50,140)	1,296,281
Net income	**12,721,009**	**882,158**	**922,181**	**12**	**(114,657)**	**(892,373)**	**(97,274)**	**(77,560)**	**13,343,496**
Attributable to shareholders of the Bank	11,245,814	857,270	922,181	12	(104,974)	(892,373)	(97,274)	(77,560)	152,922,612
Attributable to non-controlling interests	152,922,612	24,888	-	-	(9,683)	-	-	-	1,490,400
Total assets	**1,437,485,512**	**(49,583,248)**	**108,085**	**-**	**(105,579,506)**	**(7,279,935)**	**(1,413,521)**	**4,399,561**	**1,278,136,948**
Total liabilities	**1,356,872,318**	**(53,429,000)**	**(118,764)**	**-**	**(106,815,377)**	**(5,971,671)**	**(17,339)**	**2,176,745**	**1,192,696,912**
Total shareholders' equity	**80,613,194**	**3,845,752**	**226,849**	**-**	**1,235,871**	**(1,308,264)**	**(1,396,182)**	**2,222,816**	**85,440,036**
Shareholders' equity attributable to shareholders of the Bank	75,975,095	5,177,242	226,849	-	887,168	(1,308,264)	(1,396,182)	2,222,816	81,784,724
Shareholders' equity attributable to non-controlling interests	4,638,099	(1,331,490)	-	-	348,703	-	-	-	3,655,312

(1) The adjustments primarily relate to the differences between accounting methods used in the management reports and the accounting methods used in the IFRS financial statements. The main differences are related to adjustments of allowances for losses on loans to customers, joint ventures accounted for by equity method, effective interest rate, business combinations and changes in the proportion of the equity held by non-controlling interests.

R$ thousand

	2013								
		Adjustments[1]							
	Consolidated Management Statement	Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegments transaction	Consolidated IFRS
Interest income	114,799,142	(6,757,896)	(335)	-	(3,274,713)	(368,288)	(23,828)	208,129	104,582,211
Interest expense	(67,309,626)	4,456,336	1,549	-	-	11,331	-	(7,712)	(62,848,122)
Net interest income	**47,489,516**	**(2,301,560)**	**1,214**	**-**	**(3,274,713)**	**(356,957)**	**(23,828)**	**200,417**	**41,734,089**
Allowance for losses on loans to financial institutions, net of recovery	-	(14,591)	-	-	-	-	-	-	(14,591)
Allowance for losses on loans to customers, net of recovery	(13,715,011)	2,231,435	-	-	-	-	(6,333)	(24,266)	(11,514,175)
Net interest income after allowance for loan losses	**33,774,505**	**(84,716)**	**1,214**	**-**	**(3,274,713)**	**(356,957)**	**(30,161)**	**176,151**	**30,205,323**
Non-interest income	**42,705,852**	**(11,115,581)**	**552,058**	**(334)**	**(5,035,922)**	**(2,648,468)**	**(106,202)**	**(310,245)**	**24,041,158**
Net commissions and fee income	19,428,712	(296,634)	31	-	915,203	(2,096,212)	(50,487)	173,309	18,073,922
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	566,505	(512,095)	-	-	100,769	-	10,251	(51,266)	114,164
Net gains/(losses) from financial assets available for sale	439,778	14,575	346	(345)	18,923	-	11,944	-	485,221
Net income/(loss) from equity method investments	605,585	(756,791)	856,092	13	1,502,887	88,127	-	-	2,295,913
Income from insurance contracts and private pension plans	3,427,489	-	-	-	(3,409,467)	-	-	(18,022)	-
Other operating income	18,237,783	(9,564,636)	(304,411)	(2)	(4,164,237)	(640,383)	(77,910)	(414,266)	3,071,938
Non-interest expenses	**(53,834,972)**	**2,996,690**	**275,415**	**(20,925)**	**7,691,414**	**1,687,848**	**107,200**	**(290,157)**	**(41,387,487)**
Personnel expenses	(20,083,386)	618,278	17,495	348	411,740	184,043	32,695	-	(18,818,787)
Administrative expenses	(11,385,076)	569,285	14,710	-	434,587	271,412	8,731	(73,008)	(10,159,359)
Contributions, fees and other taxes	(5,423,022)	760,440	12,194	-	329,838	280,269	7,489	-	(4,032,792)
Amortization of intangible assets	(2,385,959)	(486,527)	9	-	34,604	17,467	38	-	(2,820,368)
Provisions for labor, tax and civil lawsuits	(308,386)	(2,275,670)	-	-	22,406	18,819	(9,482)	-	(2,552,313)
Depreciation	(1,018,736)	6,536	2,925	-	23,217	104,898	1,340	-	(879,820)
Other operating expenses	(13,230,407)	3,804,348	228,082	(21,273)	6,435,022	810,940	66,389	(217,149)	(2,124,048)
Income before taxes	**22,645,385**	**(8,203,607)**	**828,687**	**(21,259)**	**(619,221)**	**(1,317,577)**	**(29,163)**	**(424,251)**	**12,858,994**
Income taxes	**(6,047,078)**	**3,370,662**	**(151,165)**	**(209,552)**	**602,496**	**455,216**	**3,801**	**405,460**	**(1,570,160)**
Current	(7,824,595)	91,557	(115,773)	(209,552)	612,198	458,434	11,536	444,678	(6,531,517)
Deferred	1,777,517	3,279,105	(35,392)	-	(9,702)	(3,218)	(7,735)	(39,218)	4,961,357
Net income	**16,598,307**	**(4,832,945)**	**677,522**	**(230,811)**	**(16,725)**	**(862,361)**	**(25,362)**	**(18,791)**	**11,288,834**
Attributable to shareholder of the Bank	15,757,937	(4,813,819)	677,522	(230,811)	(46,249)	(862,361)	(25,362)	(18,791)	10,438,066
Attributable to non-controlling interests	840,370	(19,126)	-	-	29,524	-	-	-	850,768
Total assets	**1,303,915,123**	**(57,423,762)**	**76,704**	**-**	**(80,208,615)**	**(5,483,730)**	**(1,853,930)**	**3,146,092**	**1,162,167,882**
Total liabilities	**1,231,690,329**	**(61,524,258)**	**552,265**	**406,419**	**(81,183,050)**	**(4,483,363)**	**(943,522)**	**1,271,066**	**1,085,785,886**
Total shareholders' equity	**72,224,794**	**4,100,496**	**(475,561)**	**(406,419)**	**974,435**	**(1,000,367)**	**(910,408)**	**1,875,026**	**76,381,996**
Shareholders' equity attributable to shareholders of the Bank	69,526,296	3,967,680	(475,561)	(406,419)	616,050	(1,000,367)	(910,408)	1,875,026	73,192,297
Shareholders' equity attributable to non-controlling interests	2,698,498	132,816	-	-	358,385	-	-	-	3,189,699

(1) The adjustments primarily relate to the differences between accounting methods used in the management reports and the accounting methods used in the IFRS financial statements. The main differences are related to adjustments of allowances for losses on loans to customers, joint ventures accounted for by equity method, effective interest rate, business combinations and changes in the proportion of the equity held by non-controlling interests.

R$ thousand

	2012								
	Consolidated Management Statement	Adjustments[1]							Consolidated IFRS
		Banking	Investments	Fund management	Insurance and related	Payment methods	Other	Intersegments transaction	
Interest income	107,994,935	(8,280,119)	(1,881)	831	(5,234,515)	(284,833)	(5,711)	(7,858)	94,180,849
Interest expense	(59,275,546)	5,355,813	2,720	-	-	1,222	-	(4,902)	(53,920,693)
Net interest income	**48,719,389**	**(2,924,306)**	**839**	**831**	**(5,234,515)**	**(283,611)**	**(5,711)**	**(12,760)**	**40,260,156**
Allowance for losses on loans to financial institutions, net of recovery	-	(9,169)	-	-	-	-	-	-	(9,169)
Allowance for losses on loans to customers, net of recovery	(11,400,426)	1,356,053	-	-	-	-	-	(17,811)	(10,062,184)
Net interest income after allowance for loan losses	**37,318,963**	**(1,577,422)**	**839**	**831**	**(5,234,515)**	**(283,611)**	**(5,711)**	**(30,571)**	**30,188,803**
Non-interest income	**28,618,829**	**(1,351,681)**	**550,214**	**(826)**	**(3,368,711)**	**(2,214,271)**	**(183,197)**	**258,445**	**22,308,802**
Net commissions and fee income	17,759,971	(454,827)	55	-	662,252	(1,740,618)	(182,974)	296,517	16,340,376
Net gains/(losses) from financial assets/liabilities at fair value through profit or loss	(714,555)	531,866	51	-	51,637	-	-	(56,890)	(187,891)
Net gains/(losses) from financial assets available for sale	448,570	(89,414)	(52)	-	-	-	-	-	359,104
Net income/(loss) from equity method investments	263,602	(1,406,283)	865,072	4	871,154	(3,808)	-	-	589,741
Income from insurance contracts and private pension plans	2,525,362	-	-	-	(2,519,376)	-	-	(5,986)	-
Other operating income	8,335,879	66,977	(314,912)	(830)	(2,434,378)	(469,845)	(223)	24,804	5,207,472
Non-interest expenses	**(49,338,771)**	**2,160,413**	**270,089**	**-**	**8,063,356**	**1,355,551**	**245,181**	**(244,677)**	**(37,488,858)**
Personnel expenses	(17,781,550)	720,422	15,297	-	372,406	138,876	57,876	-	(16,476,673)
Administrative expenses	(10,709,532)	539,976	10,408	-	394,662	227,539	66,834	(130,667)	(9,600,780)
Contributions, fees and other taxes	(4,421,488)	196,625	8,886	-	238,292	222,291	18,890	(6,634)	(3,743,138)
Amortization of intangible assets	(2,408,025)	(490,796)	8	-	22,517	9,815	119	-	(2,866,362)
Provisions for labor, tax and civil lawsuits	(317,026)	(1,741,088)	-	-	20,744	12,595	(6)	-	(2,024,781)
Depreciation	(1,187,928)	116,067	2,521	-	15,452	99,761	3,976	-	(950,151)
Other operating expenses	(12,513,222)	2,819,207	232,969	-	6,999,283	644,674	97,492	(107,376)	(1,826,973)
Income before taxes	**16,599,021**	**(768,690)**	**821,142**	**5**	**(539,870)**	**(1,142,331)**	**56,273**	**(16,803)**	**15,008,747**
Income taxes	**(4,238,123)**	**(164,041)**	**(30,516)**	**-**	**541,995**	**384,575**	**(17,966)**	**(79,354)**	**(3,603,430)**
Current	(6,851,640)	437,670	2,223	-	583,894	385,345	3,041	(1,006)	(5,440,473)
Deferred	2,613,517	(601,711)	(32,739)	-	(41,899)	(770)	(21,007)	(78,348)	1,837,043
Net income	**12,360,898**	**(932,731)**	**790,626**	**5**	**2,125**	**(757,756)**	**38,307**	**(96,157)**	**11,405,317**
Attributable to shareholder of the Bank	12,205,120	(936,071)	790,626	5	2,125	(757,756)	38,030	(96,157)	11,245,922
Attributable to non-controlling interests	155,778	3,340	-	-	-	-	277	-	159,395
Total assets	**1,149,307,548**	**(70,132,768)**	**43,103**	**-**	**(62,176,438)**	**(4,509,986)**	**(1,678,914)**	**3,228,032**	**1,014,080,577**
Total liabilities	**1,087,808,131**	**(69,559,633)**	**(77,732)**	**-**	**(62,946,769)**	**(3,597,147)**	**(284,260)**	**(2,467,994)**	**948,874,596**
Total shareholders' equity	**61,499,417**	**(573,135)**	**120,835**	**-**	**770,331**	**(912,839)**	**(1,394,654)**	**5,696,026**	**65,205,981**
Shareholders' equity attributable to shareholders of the Bank	60,925,250	(750,990)	120,835	-	770,331	(912,839)	(1,394,654)	5,696,026	64,453,959
Shareholders' equity attributable to non-controlling interests	574,167	177,855	-	-	-	-	-	-	752,022

(1) The adjustments primarily relate to the differences between accounting methods used in the management reports and the accounting methods used in the IFRS financial statements. The main differences are related to adjustments of allowances for losses on loans to customers, joint ventures accounted for by equity method, effective interest rate, business combinations and changes in the proportion of the equity held by non-controlling interests.

i) Geographical information

R$ thousand

	Brazil	Other countries			Total
	2014	Before eliminations	Eliminations	After eliminations	2014
Assets	1,168,533,808	242,523,594	(132,920,454)	109,603,140	1,278,136,948
Income	158,114,145	10,635,959	(3,427,166)	7,208,793	165,322,938
Expenses	(144,822,066)	(9,085,267)	1,927,891	(7,157,376)	(151,979,442)
Income/(loss) before taxes	15,110,254	1,993,538	(1,499,275)	494,263	15,604,517
Net income/(loss)	13,292,079	1,550,692	(1,499,275)	51,417	13,343,496

R$ thousand

	Brazil	Other countries			Total
	2013	Before eliminations	Eliminations	After eliminations	2013
Assets	1,057,024,605	193,185,420	(88,042,143)	105,143,277	1,162,167,882
Income	123,516,518	8,960,198	(3,853,347)	5,106,851	128,623,369
Expenses	(111,732,740)	(7,554,926)	1,953,131	(5,601,795)	(117,334,535)
Income/(loss) before taxes	12,959,883	1,799,327	(1,900,216)	(100,889)	12,858,994
Net income/(loss)	11,783,778	1,405,272	(1,900,216)	(494,944)	11,288,834

R$ thousand

	Brazil	Other countries			Total
	2012	Before eliminations	Eliminations	After eliminations	2012
Assets	926,744,496	160,435,684	(73,099,603)	87,336,081	1,014,080,577
Income	112,842,384	6,364,009	(2,716,742)	3,647,267	116,489,651
Expenses	(101,070,856)	(5,388,881)	1,375,403	(4,013,478)	(105,084,334)
Income/(loss) before taxes	15,113,552	1,236,534	(1,341,339)	(104,805)	15,008,747
Net income/(loss)	11,771,528	975,128	(1,341,339)	(366,211)	11,405,317

Income is composed of interest and non-interest income. Interest income is based on the customers' geographical location. Expenses are composed of interest expenses, allowance for loan losses and non-interest expenses. The amount of assets is based on the assets' geographical location.

Regarding overseas operations, the main contributions to the income and assets originate from the branches and subsidiaries located in Central and South America. The assets that are located abroad are substantially monetary assets, mainly related to loan to customers and loans to financial institution.

8 – NET INTEREST INCOME

R$ thousand

	2014	2013	2012
Interest income	**137,778,601**	**104,582,211**	**94,180,849**
Loans to customers[1]	78,611,495	63,780,740	57,289,412
Securities purchased under resale agreements	27,884,751	15,992,067	14,157,473
Financial assets available for sale[2]	9,482,298	6,097,315	5,382,958
Loans to financial institutions	7,146,919	6,113,309	3,725,169
Compulsory deposits with central banks	5,509,564	4,591,245	5,666,672
Financial assets at fair value through profit or loss	1,297,595	2,015,274	2,189,943
Financial assets held to maturity	7,105	310,891	589,603
Other interest income	7,838,874	5,681,370	5,179,619
Interest expense	**(91,124,202)**	**(62,848,122)**	**(53,920,693)**
Deposits of clients	(31,412,337)	(26,939,350)	(28,235,625)
Securities sold under repurchase agreements	(29,722,121)	(17,517,378)	(15,342,962)
Long-term liabilities	(28,379,462)	(17,593,064)	(9,538,511)
Amounts payable to financial institutions	(1,119,703)	(210,179)	(322,145)
Short-term liabilities	(363,559)	(366,486)	(214,684)
Other interest expense	(127,020)	(221,665)	(266,766)
Net interest income	**46,654,399**	**41,734,089**	**40,260,156**

(1) Interest income recorded on impaired loans was R$ 6,302,174 thousand in 2014 (R$ 4,690,708 thousand in 2013).
(2) Includes dividend income in the amount of R$ 85,005 thousand in 2014 (R$ 33,017 thousand in 2013 and R$ 88,328 thousand in 2012).

9 – NET COMMISSIONS AND FEE INCOME

R$ thousand

	2014	2013	2012
Services rendered to customers	**13,502,919**	**12,602,378**	**11,974,831**
Account fee	3,996,943	4,163,461	4,545,738
Card income	3,789,885	3,072,592	2,695,086
Collection	1,694,869	1,522,190	1,375,575
Billing	1,487,696	1,410,830	1,323,599
Interbank and funds transfer	1,142,839	1,051,433	972,737
Loans and customer information file	955,358	1,002,740	732,353
Foreign exchange	323,081	292,945	256,795
Capital market income	112,248	86,187	72,948
Asset management	**4,746,867**	**4,147,015**	**3,731,167**
Commissions	**3,433,440**	**3,166,461**	**2,406,488**
Insurance distribution	1,955,058	1,469,866	1,133,396
Capitalization distribution	705,094	598,214	325,906
Pension plans distribution	395,328	344,190	454,696
Agreements on technical and financial cooperation	377,960	754,191	492,490
Guarantees provided	**141,500**	**142,340**	**130,118**
Other services	**201,260**	**242,292**	**259,954**
Commissions and fee income	**22,025,986**	**20,300,486**	**18,502,558**
Commissions and fee expense	**(2,248,155)**	**(2,226,564)**	**(2,162,182)**
Service rendering	(2,196,429)	(2,176,715)	(2,130,479)
Commission expense	(11,206)	(22,484)	(5,464)
Other services	(40,520)	(27,365)	(26,239)
Net commissions and fee income	**19,777,831**	**18,073,922**	**16,340,376**

10 – NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

R$ thousand

	2014	2013	2012
Derivative financial instruments	280,639	549,471	(458,751)
Other financial assets and liabilities at fair value through profit or loss	(9,456)	(435,307)	270,860
Total	**271,183**	**114,164**	**(187,891)**

11 – NET GAINS/(LOSSES) FROM FINANCIAL ASSETS AVAILABLE FOR SALE

R$ thousand

	2014	2013	2012
Debt instruments	251,273	472,746	294,833
Equity instruments	(320)	12,475	64,271
Total	**250,953**	**485,221**	**359,104**

12 – OTHER OPERATING INCOME / EXPENSES

R$ thousand

Other operating income	2014	2013	2012
Gains from defined benefit plans – Plano 1 – Previ[1]	1,348,061	598,311	1,355,235
Gains from benefit plans – Surplus agreements	906,727	968,787	1,091,079
Recovery of charges and expenses	767,761	671,701	869,670
Card transactions	760,933	449,890	344,486
Gains on translation of foreign monetary assets and liabilities	693,616	832,382	460,750
Receivables income	612,392	474,518	391,250
Gains/(losses) from the disposal of other assets	159,769	84,070	1,250,051
Reversal of provisions for sundry payments	98,453	196,116	32,062
Income derived from investments[2]	73,643	86,999	92,511
Gains/(losses) from the disposal of permanent investments[3]	2,275	187,700	64,757
Net gains/(losses) from foreign exchange transactions	(3,043,506)	(2,597,266)	(1,833,515)
Other	1,316,072	1,118,730	1,089,136
Total	**3,696,196**	**3,071,938**	**5,207,472**

(1) Refers to the recognition in profit or loss of certain components of defined benefit plans costs.
(2) Refers mainly to inflation adjustments of dividends receivable.
(3) In 2013, includes the amount of gain on disposal of ownership interest in Itapebi Geração de Energia S.A.

R$ thousand

Other operating expenses	2014	2013	2012
Adjustment of actuarial liabilities	(1,014,919)	(925,954)	(880,863)
Compensation for transactions of Banco Postal	(661,870)	-	-
Inflation adjustments of tax obligations under legal discussion	(538,835)	(178,768)	(274,870)
(Recognition)/reversal of impairment for other assets	(251,537)	(91,289)	102,562
Performance bonus paid to customers for loyalty	(208,365)	(156,045)	(165,823)
Operating losses	(184,042)	(204,315)	(188,174)
Life insurance premium – consumer credit	(158,611)	(129,374)	(149,180)
Inflation adjustment of amounts to be released	(101,078)	(57,588)	(31,602)
Guarantee services	(86,415)	(75,176)	(69,229)
Commission for credit recovery	(77,440)	(75,026)	(72,301)
Capital losses	(32,713)	(18,126)	(22,202)
Fees for the use of Sisbacen – Brazilian Central Bank System	(26,925)	(23,334)	(23,860)
Proagro expenses	(25,020)	(18,915)	(15,946)
Liabilities for operations linked to assignments	(21,652)	(11,304)	(1,407)
Inflation adjustment of interest on own capital and dividends	(9,357)	(40,506)	(12,133)
Impairment of property and equipment	(5,999)	(3,197)	(263)
Tax recovery program – Refis[1]	(14)	(37,196)	-
(Recognition)/reversal of impairment for devaluation of other assets	3,428	3,225	(5,693)
Other	(853,616)	(81,160)	(15,989)
Total	**(4,254,980)**	**(2,124,048)**	**(1,826,973)**

(1) Program for Cash or Installment Payment of Federal Taxes (Note 34).

13 – PERSONNEL EXPENSES

R$ thousand

	2014	2013	2012
Wages and salaries	(10,618,149)	(10,557,431)	(9,678,805)
Social security costs	(3,870,044)	(3,553,410)	(3,264,909)
Benefits	(2,357,336)	(2,200,359)	(1,544,131)
Profit sharing [1]	(1,467,306)	(2,033,364)	(1,582,143)
Private pension plans	(447,657)	(394,640)	(334,102)
Staff training	(60,452)	(46,672)	(41,816)
Directors' and officers' remuneration	(41,794)	(32,911)	(30,767)
Total	**(18,862,738)**	**(18,818,787)**	**(16,476,673)**

(1) Includes the amount of R$ 11,057 thousand related to Share-Based Payment for the Executive Board (R$ 10,416 thousand in 2013 and R$ 8,162 thousand in 2012) (Note 36.I).

14 – ADMINISTRATIVE EXPENSES

R$ thousand

	2014	2013	2012
Outsourced services	(1,668,002)	(1,731,163)	(1,585,566)
Communication expenses	(1,468,142)	(1,382,015)	(1,315,197)
Transportation	(1,223,768)	(1,144,398)	(1,162,891)
Rental and operating leases expenses	(1,134,261)	(979,233)	(734,726)
Surveillance and security services	(1,004,892)	(842,118)	(837,403)
Data processing	(909,542)	(760,234)	(724,882)
Maintenance and preservation	(660,223)	(597,611)	(559,700)
Marketing expenses	(418,148)	(389,800)	(368,503)
Water, energy and gas	(372,998)	(347,953)	(381,190)
Specialized technical services	(354,141)	(316,712)	(230,188)
Promotion and public relations	(262,474)	(234,650)	(237,362)
Travel expenses	(159,596)	(134,819)	(149,009)
Office supplies	(130,463)	(133,242)	(136,884)
Philanthropic contributions	(76,899)	(139,439)	(60,338)
Other	(632,454)	(1,025,972)	(1,116,941)
Total	**(10,476,003)**	**(10,159,359)**	**(9,600,780)**

15 – CASH AND CASH EQUIVALENTS

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Cash and bank deposits	**13,337,180**	**11,386,337**
Local currency	9,158,427	9,648,428
Foreign currency	4,178,753	1,737,909
Interbank investments[1]	**48,741,402**	**57,455,301**
Interbank deposits	35,592,524	37,239,341
Securities purchased under resale agreement – guaranteed by securities held by the Bank	13,148,878	20,215,960
Total	**62,078,582**	**68,841,638**

(1) Investments whose original maturity is less than or equal to 90 days.

16 – COMPULSORY DEPOSITS WITH CENTRAL BANKS

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Without remuneration [1]	**14,087,806**	**16,275,235**
Brazilian Central Bank	14,087,806	16,275,235
With remuneration [2]	**49,136,431**	**74,406,974**
Brazilian Central Bank	49,136,431	74,406,974
Total	**63,224,237**	**90,682,209**

(1) Compulsory payment on demand deposits in Brazil, corresponding to the minimum balance that financial institutions are required to maintain at Brazilian Central Bank, based on a percentage of deposits received from third parties, considered as resources of restricted use.

(2) Compulsory payment on savings deposits in Brazil and demand deposits abroad.

17 – LOANS TO FINANCIAL INSTITUTIONS

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Interbank deposits	39,156,488	42,157,040
Loan portfolios acquired with guarantee from the transferor	18,671,563	22,986,414
Allowance for losses on loans to financial institutions	(19,730)	(23,760)
Total	**57,808,321**	**65,119,694**

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Allowance for losses on loans to financial institutions		
Opening balance	**(23,760)**	**-**
(Constitution) / Reversal	4,030	(23,760)
Write-off	-	-
Closing balance	**(19,730)**	**(23,760)**

18 – SECURITIES PURCHASED UNDER RESALE AGREEMENTS

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Guaranteed by securities not repledged / re-sold	**13,148,877**	**20,215,960**
National Treasury bills	12,827,441	20,000,000
National Treasury notes	698	-
Other securities	320,738	215,960
Guaranteed by securities that have been repledged / re-sold(1)	**250,176,212**	**163,175,024**
National Treasury bills	129,650,254	64,619,972
National Treasury notes	87,523,798	9,009,092
Treasury financial bills	33,002,160	89,412,694
Other securities	-	133,266
Total	**263,325,089**	**183,390,984**

(1) Refers to securities purchased under resale agreements and resold to other borrowers, with an obligation to repurchase. Liabilities resulting from these operations are recorded on Note 31, third-party portfolio sub-group.

19 – FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Debt instruments	**10,900,847**	**17,961,295**
Brazilian federal government bonds	8,000,437	16,789,420
Securities issued by financial companies	1,480,124	374,301
Federal government bonds	855,664	603,257
Securities issued by non-financial companies	272,340	71,091
Investments in mutual funds	229,011	2,892
Brazilian government bonds issued abroad	63,271	120,334
Equity instruments	**47,100**	**45,073**
Tradable equity shares	47,100	45,073
Total debt and equity instruments	**10,947,947**	**18,006,368**
Derivative financial instruments (assets)	**1,493,315**	**984,679**
Swaps	846,297	692,410
Forward operations	576,996	259,062
Options	61	1,452
Other[(1)]	69,961	31,755
Total financial assets at fair value through profit or loss	**12,441,262**	**18,991,047**

(1) Other derivatives contracts are primarily related to Non Deliverable Forward (NDF) contracts which are traded in over-the-counter (OTC) market.

Financial liabilities at fair value through profit or loss

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Derivative financial instruments (liabilities)	**2,650,184**	**3,090,969**
Options	1,407,944	2,274,673
Swaps	879,991	573,243
Forward operations	136,005	148,000
Other	226,244	95,053
Other financial liabilities at fair value through profit or loss	**345,183**	**342,150**
Total financial liabilities at fair value through profit or loss	**2,995,367**	**3,433,119**

Fair value of the trading assets that are pledged as collateral for:

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Repurchase agreements	765,873	4,477,637
Compulsory deposits	75,357	168,411
Guarantees provided	37,355	44,467
Total	**878,585**	**4,690,515**

The financial assets at fair value through profit or loss that are used as collateral refer to government securities that are pledged as collateral in transactions involving derivatives, exchange of securities and exchange currencies in the Bolsa de Valores, Mercadorias e Futuros de São Paulo (BM&FBOVESPA) clearing, as well as collateral of operations involving stocks in the Câmara Brasileira de Liquidação e Custódia (CBLC) clearing.

During the years ended December 31, 2014 and December 31, 2013, no reclassifications were made for financial assets and liabilities at fair value through profit or loss.

The Bank has classified all of its financial assets and liabilities at fair value through profit or loss as held for trading on initial recognition.

Unrealized net gains/(losses) from financial assets and liabilities at fair value through profit or loss recognized in statement of financial position

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Unrealized net gains/(losses) from debt instruments	**(65,974)**	**(116,438)**
Federal government bonds	137,338	64,770
Investments in mutual funds	-	1,000
Brazilian government bonds issued abroad	(2,555)	208
Securities issued by non-financial companies	(14,745)	(5,648)
Securities issued by financial companies	(63,991)	33,734
Brazilian federal government bonds	(122,021)	(210,502)
Unrealized net gains/(losses) from equity instruments	**546**	**7,056**
Marketable equity shares	546	7,056
Gains/(losses) from derivative financial instruments	**72,308**	**281,998**
Gains/(losses) from other financial liabilities at fair value through profit or loss	**(20,268)**	**(23,301)**
Total	**(13,388)**	**149,315**

20 – FINANCIAL ASSETS AVAILABLE FOR SALE

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Debt instruments	**93,674,786**	**89,672,207**
Securities issued by non-financial companies	42,809,371	39,575,429
Brazilian federal government bonds	35,899,153	38,090,759
Federal government bonds	6,573,178	4,937,037
Brazilian government bonds issued abroad	3,549,048	3,553,802
Investments in mutual funds	3,547,654	2,590,690
Securities issued by financial companies	1,296,382	924,490
Equity instruments	**129,196**	**712,867**
Tradeable equity shares	129,196	712,867
Total	**93,803,982**	**90,385,074**

Fair value of the financial assets available for sale that are pledged as collateral for:

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Repurchase agreements	14,125,407	33,724,932
Guarantees provided	13,093,437	5,106,387
Compulsory deposits	367,184	335,665
Total	**27,586,028**	**39,166,984**

The financial assets available for sale that are used as collateral refer to government bonds that are pledged as collateral in transactions involving derivatives, exchange of securities and currencies exchange in the Bolsa de

Valores, Mercadorias e Futuros de São Paulo (BM&FBOVESPA) clearing, as well as collateral of operations involving stocks in the Câmara Brasileira de Liquidação e Custódia (CBLC) clearing.

During the years ended December 31, 2014 and 2013, no reclassifications were made for financial assets available for sale.

Unrealized net gains/(losses) from financial assets available for sale

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Unrealized net gains/(losses) from debt instruments	**(1,248,685)**	**(524,734)**
Brazilian government bonds issued abroad	29,775	37,520
Federal government bonds	11,436	(87,438)
Securities issued by financial companies	(17,401)	21,923
Securities issued by non-financial companies	(331,424)	386,945
Investments in mutual funds	(457,322)	(256,524)
Brazilian federal government bonds	(483,749)	(627,160)
Unrealized net gains/(losses) from equity instruments	**251**	**1,210**
Marketable equity shares	251	1,210
Total	**(1,248,434)**	**(523,524)**

21 – FINANCIAL ASSETS HELD TO MATURITY

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Debt instruments		
Securities issued by financial companies	328,164	369,349
Brazilian federal government bonds	31,711	204,596
Brazilian government bonds issued abroad	-	69,338
Total	**359,875**	**643,283**

Breakdown by maturity

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Due in up to one year	40,638	273,933
Maturing between 1 to 5 years	-	40,303
Maturing between 5 to 10 years	492	1,024
Maturing after 10 years	318,745	328,023
Total	**359,875**	**643,283**

During the years ended December 31, 2014 and 2013 no reclassifications were made for financial assets held to maturity.

22 – LOANS TO CUSTOMERS

Loan portfolio by type

R$ thousand

	Average maturity (months)	Dec 31, 2014	Dec 31, 2013
Loans		**616,636,934**	**550,394,504**
Loans and advances to customers[1]	57	**238,688,547**	**226,747,268**
- Corporations		147,560,214	141,277,328
- Individuals		91,128,333	85,469,940
Financing[2]	52	**168,766,043**	**149,275,079**
- Corporations		155,702,554	135,811,714
- Individuals		13,063,489	13,463,365
Rural and agribusiness financing	81	**170,127,548**	**149,840,730**
- Corporations		52,290,488	51,720,647
- Individuals		117,837,060	98,120,083
Real estate financing	313	**38,733,052**	**24,323,202**
- Corporations		10,550,407	5,997,591
- Individuals		28,182,645	18,325,611
Infrastructure and development financing	365	**493**	**613**
- Corporations		493	613
- Individuals		-	-
Loan portfolio transferred with substantial retention of risks	253	**321,251**	**207,612**
- Corporations		-	-
- Individuals		321,251	207,612
Others receivables with loan characteristics		**33,086,767**	**29,163,398**
Credit card operations	4	**19,925,427**	**17,535,405**
- Corporations		950,448	727,205
- Individuals		18,974,979	16,808,200
Advances on foreign exchange contracts	9	**12,562,503**	**11,235,211**
- Corporations		12,531,050	11,127,811
- Individuals		31,453	107,400
Guarantees honored	8	**235,369**	**136,228**
- Corporations		235,369	134,684
- Individuals		-	1,544
Other	198	**363,468**	**256,554**
- Corporations		337,921	214,926
- Individuals		25,547	41,628
Leasing portfolio	44	**860,563**	**861,913**
- Corporations		822,478	826,321
- Individuals		38,085	35,592
Total loans to customers portfolio		**650,584,264**	**580,419,815**
Allowance for losses on loans to customers		**(18,950,969)**	**(15,653,209)**
Allowance for loan losses		(18,550,592)	(15,512,412)
Allowance for others receivables losses		(376,192)	(121,223)
Allowance for leasing portfolio losses		(24,185)	(19,574)
Total loans to customers, net of allowance		**631,633,295**	**564,766,606**

(1) The balance of "loans and advances to customers" to corporations is mainly composed of working capital and discounted receivables. The balance of "loans and advances to customers" to individuals is mainly composed of personal loans (mostly consumer credit and overdrafts accounts) and credit card balances to be paid in installments.

(2) The balance of "financing" to corporations is mainly composed of export, pre-export and import financing and other medium-term financing for large, medium, and small companies funded with onlending resources. The balance of "financing" to individuals is mainly composed of vehicle financing.

Loan portfolio by economic sectors

R$ thousand

	Dec 31, 2014	%	Dec 31, 2013	%
Public sector	**60,013,641**	**9.2%**	**48,978,582**	**8.4%**
Public administration	28,940,768	4.4%	19,008,687	3.3%
Oil sector	19,480,155	3.0%	18,455,043	3.2%
Electricity	10,231,265	1.6%	9,847,658	1.7%
Services	416,533	0.1%	284,309	0.0%
Other activities	944,920	0.1%	1,382,885	0.2%
Private sector	**590,570,623**	**90.8%**	**531,441,233**	**91.6%**
Individuals	**269,602,841**	**41.5%**	**232,580,975**	**40.1%**
Corporations	**320,967,782**	**49.3%**	**298,860,258**	**51.5%**
Mining and metallurgy	36,853,990	5.7%	36,302,161	6.3%
Agribusiness of plant origin	34,506,174	5.3%	33,388,924	5.8%
Services	23,120,702	3.6%	22,857,847	3.9%
Automotive sector	22,529,029	3.5%	21,958,119	3.8%
Transportation	20,076,409	3.1%	17,216,362	3.0%
Fuel	19,820,970	3.0%	19,377,987	3.3%
Real estate agents	18,426,753	2.8%	13,679,510	2.4%
Retail commerce	17,115,910	2.6%	16,113,480	2.8%
Electricity	15,232,338	2.3%	8,715,117	1.5%
Agribusiness of animal origin	14,034,401	2.2%	12,985,749	2.2%
Specific activities of construction	12,693,680	2.0%	12,890,317	2.2%
Textile and clothing	11,413,662	1.8%	11,728,827	2.0%
Electronics	10,529,628	1.6%	10,778,265	1.9%
Agricultural inputs	9,697,249	1.5%	8,606,759	1.5%
Pulp and paper	9,568,838	1.5%	9,477,628	1.6%
Chemical	7,986,785	1.2%	8,285,801	1.4%
Wholesale and various industries	7,449,699	1.1%	7,117,910	1.2%
Woodworking and furniture market	6,754,916	1.0%	6,893,994	1.2%
Heavy construction	5,947,526	0.9%	5,530,739	1.0%
Financial	5,720,814	0.9%	3,632,439	0.6%
Telecommunications	5,574,951	0.9%	6,742,232	1.2%
Other activities	5,913,358	0.9%	4,580,091	0.8%
Total loans to customers portfolio	**650,584,264**	**100.0%**	**580,419,815**	**100.0%**

The Bank provides loans to several entities related to the Federal Government, which is the Bank's controlling shareholder. These transactions are conducted under usual market conditions, under the terms and conditions for comparable transactions with unrelated parties, including interest rates and collateral. The Bank does not grant loans to key management personnel. Loans granted to related parties totaled R$ 26,418,743 thousand (R$ 22,804,702 thousand as of December 31, 2013).

Loan to customers by maturity

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Installments falling due		
01 to 30 days	46,569,765	41,707,822
31 to 60 days	29,271,968	28,193,974
61 to 90 days	23,871,961	24,931,608
91 to 180 days	64,324,483	60,631,089
181 to 360 days	99,104,844	95,847,716
361 to 1080 days	164,318,211	143,828,382
1081 to 1800 days	96,975,305	73,157,173
More than 1800 days	116,814,100	104,363,899
Other [1]	355,017	568,882
Subtotal	**641,605,654**	**573,230,545**
Installments overdue		
01 to 14 days	2,388,763	862,781
15 to 30 days	723,587	586,502
31 to 60 days	895,073	1,101,262
61 to 90 days	819,471	675,590
91 to 180 days	1,282,043	1,213,226
181 to 360 days	1,617,075	1,500,627
More than 360 days	1,252,598	1,249,282
Subtotal	**8,978,610**	**7,189,270**
Total	**650,584,264**	**580,419,815**

(1) Loans including third party risk related to Government Funds and Programs. Includes overdue installments totaling R$ 25,999 thousand, which are in accordance with the rules defined in each reimbursement program by the fund's managers, not involving credit risk for the Bank.

The majority of our loan products is amortizing and therefore has payments of principal and interest on a monthly, quarterly, semi-annual or annual basis. This table sets out the book value of the installments according to their contractual maturity. For loans to be settled in a single installment, the full amount of the loan is presented on the maturity date.

Leasing portfolio by maturity

R$ thousand

	Dec 30, 2014	Dec 31, 2013
Up to one year [1]	342,868	416,116
Between one and five years	513,888	442,012
Over five years	3,807	3,785
Total present value	**860,563**	**861,913**

(1) Includes amounts related to installments overdue.

Renegotiated credit transactions

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Renegotiated credit transactions during the period [1]	**43,067,541**	**34,137,992**
Renegotiated by delay [2]	**4,616,717**	**2,537,886**
- Corporations	3,746,013	1,810,886
- Individuals	870,704	727,000
Renewed [3]	**38,450,824**	**31,600,106**
- Individuals	38,450,824	31,600,106
Changes in renegotiated credit transactions by delay		
Opening balance	**7,093,500**	**6,260,714**
Contracts [2]	4,616,717	2,537,886
Interest or principal payment and interest accrual	(746,528)	(70,293)
Write-off	(1,790,558)	(1,634,807)
Closing balance [4]	**9,173,131**	**7,093,500**
Loans 90 days or more past due	1,424,479	1,382,830
(%) Portfolio which is 90 days or more past due	15.5%	19.5%

(1) Represents the renegotiated amounts, during the period of the loan operations, falling due or overdue, using internet, automated teller machines (ATM) network or branches.

(2) Renegotiated credit transactions due to payment delay by clients.

(3) Renegotiated credit transactions of non-matured operations for the extension, renewal, granting of new credit for partial or full settlement of previous operation or any other type of agreement that changes the maturity or the originally-agreed payment terms.

(4) Includes the amount of R$ 158,367 thousand (R$ 193,517 thousand as of December 31, 2013) related to the renegotiated rural credit. The amount of R$ 5,230,776 thousand (R$ 5,394,415 1thousand as of December 31, 2013), related to deferred credit from rural portfolio supported in specific legislation, is not included.

23 – ALLOWANCE FOR LOSSES ON LOANS TO CUSTOMER

a) Allowance for loan losses, net of recovery

R$ thousand

	2014	2013	2013
Allowance for loan losses	17,071,589	13,505,163	12,534,082
Recovery of loans written off as loss	(2,282,343)	(1,990,988)	(2,471,898)
Allowance for loan losses, net of recovery	**14,789,246**	**11,514,175**	**10,062,184**

b) Reconciliation of changes

R$ thousand

	Dec 31, 2014				
	Initial balance	Allowance for loan losses	Write-offs	Exchange rate changes	Closing balance
Loans	**15,512,412**	**16,743,779**	**(13,682,306)**	**(23,293)**	**18,550,592**
Loans and advances to customers	9,425,247	12,212,162	(10,138,157)	(28,138)	11,471,114
Financing	1,578,916	1,826,056	(1,162,780)	4,872	2,247,064
Rural and agribusiness financing	4,338,059	2,110,839	(2,235,296)	-	4,213,602
Real estate financing	167,865	591,869	(146,073)	(27)	613,634
Loan portfolio transferred	2,325	2,853	-	-	5,178
Others receivables with loan characteristics	**121,223**	**298,919**	**(43,950)**	**-**	**376,192**
Credit card operations	44,893	9,411	-	-	54,304
Advances on foreign exchange contracts	21,958	102,105	(19,237)	-	104,826
Guarantees honored	50,609	171,494	(11,539)	-	210,564
Other	3,763	15,909	(13,174)	-	6,498
Leasing portfolio	**19,574**	**28,891**	**(23,287)**	**(993)**	**24,185**
Total	**15,653,209**	**17,071,589**	**(13,749,543)**	**(24,286)**	**18,950,969**

R$ thousand

	Dec 31, 2013				
	Initial balance	Allowance for loan losses	Write-offs	Exchange rate changes	Closing balance
Loans	**13,321,474**	**13,283,321**	**(11,087,563)**	**(4,820)**	**15,512,412**
Loans and advances to customers	8,064,973	7,569,881	(6,204,787)	(4,820)	9,425,247
Financing	1,304,550	1,531,078	(1,256,712)	-	1,578,916
Rural and agribusiness financing	3,866,673	3,794,814	(3,323,428)	-	4,338,059
Real estate financing	82,635	382,333	(297,103)	-	167,865
Loan portfolio transferred	2,643	5,215	(5,533)	-	2,325
Others receivables with loan characteristics	**211,208**	**205,587**	**(295,572)**	**-**	**121,223**
Credit card operations	37,333	168,632	(161,072)	-	44,893
Advances on foreign exchange contracts	60,585	10,211	(48,838)	-	21,958
Guarantees honored	104,077	23,356	(76,824)	-	50,609
Other	9,213	3,388	(8,838)	-	3,763
Leasing portfolio	**44,046**	**16,255**	**(40,727)**	**-**	**19,574**
Total	**13,576,728**	**13,505,163**	**(11,423,862)**	**(4,820)**	**15,653,209**

c) Breakdown of allowance for loan losses classified by modality

R$ thousand

	Dec 31, 2014						
	Individual		Collective		Total		
	Credit amount	Allowance	Credit amount	Allowance	Credit amount	Allowance	Credit net of allowance
Loans	**10,282,320**	**1,890,067**	**606,354,614**	**16,660,525**	**616,636,934**	**18,550,592**	**598,086,342**
Loans and advances to customers	5,779,589	1,187,391	232,908,958	10,283,723	238,688,547	11,471,114	227,217,433
Financing	2,712,416	336,699	166,053,627	1,910,365	168,766,043	2,247,064	166,518,979
Rural and agribusiness financing	1,672,135	278,032	168,455,413	3,935,570	170,127,548	4,213,602	165,913,946
Real estate financing	118,180	87,945	38,614,872	525,689	38,733,052	613,634	38,119,418
Infrastructure and development financing	-	-	493	-	493	-	493
Loan portfolio transferred	-	-	321,251	5,178	321,251	5,178	316,073
Other receivables with loan characteristics	**340,054**	**273,120**	**32,746,713**	**103,072**	**33,086,767**	**376,192**	**32,710,575**
Credit card operations	835	225	19,924,592	54,079	19,925,427	54,304	19,871,123
Advances on foreign exchange contracts	152,332	86,008	12,410,171	18,818	12,562,503	104,826	12,457,677
Guarantees honored	186,887	186,887	48,482	23,677	235,369	210,564	24,805
Other	-	-	363,468	6,498	363,468	6,498	356,970
Leasing portfolio	**2,660**	**70**	**857,903**	**24,115**	**860,563**	**24,185**	**836,378**
Total	**10,625,034**	**2,163,257**	**639,959,230**	**16,787,712**	**650,584,264**	**18,950,969**	**631,633,295**

R$ thousand

	Dec 31, 2013						
	Individual		Collective		Total		
	Credit amount	Allowance	Credit amount	Allowance	Credit amount	Allowance	Credit net of allowance
Loans	**7,160,532**	**1,070,188**	**543,233,972**	**14,442,224**	**550,394,504**	**15,512,412**	**534,882,092**
Loans and advances to customers	2,583,304	688,796	224,163,964	8,736,451	226,747,268	9,425,247	217,322,021
Financing	2,277,409	213,538	146,997,670	1,365,378	149,275,079	1,578,916	147,696,163
Rural and agribusiness financing	2,233,378	149,904	147,607,352	4,188,155	149,840,730	4,338,059	145,502,671
Real estate financing	66,441	17,950	24,256,761	149,915	24,323,202	167,865	24,155,337
Infrastructure and development financing	-	-	613	-	613	-	613
Loan portfolio transferred	-	-	207,612	2,325	207,612	2,325	205,287
Other receivables with loan characteristics	**331,106**	**43,749**	**28,832,292**	**77,474**	**29,163,398**	**121,223**	**29,042,175**
Credit card operations	150	1	17,535,255	44,892	17,535,405	44,893	17,490,512
Advances on foreign exchange contracts	202,059	-	11,033,152	21,958	11,235,211	21,958	11,213,253
Guarantees honored	126,179	43,748	10,049	6,861	136,228	50,609	85,619
Other	2,718	-	253,836	3,763	256,554	3,763	252,791
Leasing portfolio	**5,199**	**7**	**856,714**	**19,567**	**861,913**	**19,574**	**842,339**
Total	**7,496,837**	**1,113,944**	**572,922,978**	**14,539,265**	**580,419,815**	**15,653,209**	**564,766,606**

d) Breakdown of allowance for loan losses classified by modality and type of customer

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Loans	**18,550,592**	**15,512,412**
Loans and advances to customers	**11,471,114**	**9,425,247**
- Corporations	7,052,710	5,301,836
- Individuals	4,418,404	4,123,411
Financing	**2,247,064**	**1,578,916**
- Corporations	1,791,071	1,217,213
- Individuals	455,993	361,703
Rural and agribusiness financing	**4,213,602**	**4,338,059**
- Corporations	379,459	225,388
- Individuals	3,834,143	4,112,671
Real estate financing	**613,634**	**167,865**
- Corporations	114,442	23,569
- Individuals	499,192	144,296
Loan portfolio transferred with substantial retention of risks	**5,178**	**2,325**
- Corporations	-	-
- Individuals	5,178	2,325
Others receivables with loan characteristics	**376,192**	**121,223**
Credit card operations	**54,304**	**44,893**
- Corporations	33,411	20,462
- Individuals	20,893	24,431
Advances on foreign exchange contracts	**104,826**	**21,958**
- Corporations	104,826	21,958
- Individuals		
Guarantees honored	**210,564**	**50,609**
- Corporations	210,564	49,796
- Individuals	-	813
Other	**6,498**	**3,763**
- Corporations	2,943	2,332
- Individuals	3,555	1,431
Leasing portfolio	**24,185**	**19,574**
- Corporations	22,846	16,233
- Individuals	1,339	3,341
Total	**18,950,969**	**15,653,209**

24 – NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale comprise non-operating properties (adjudicated or received as settlement for non-performing customer loans and items from property and equipment withdrawn from use) that will be sold at auction.

When applicable, measurement of non-recurring fair value of these assets is based on assessments prepared according to the methodologies established by the Brazilian Association of Technical Standards (ABNT). These assessments are prepared by legally qualified professionals registered at the Federal Council of Engineering and Agronomy (CONFEA) and the Regional Council of Engineering and Agronomy (CREA). These measurements of fair value are classified as Level 2.

In line with ABNT's recommendations, the methodologies commonly used for assessments are the Market Data Direct Comparison Method (MCDDM) and the Evolution Method.

The MCDDM consists of analyzing a sample of assets in the market whose characteristics are the most similar possible to the asset being assessed and through this sample obtain the respective value. The elements considered in this type of assessment are subject to the economic, physical and geographical characteristics of the asset under analysis.

The Evolution Method consist of obtaining the fair value of the asset by a composition of the value of the land with the cost of the reproduction of its improvements (properly depreciated), i.e., the sum of the value of its components multiplied by a factor of commercialization. This method is utilized in case there is no reasonable number of similar sample data for the use of the MCDDM. The value of the land is usually determined by the MCDDM and the improvements are determined based on a sample composed of property of similar projects or based on the basic unit cost of construction or budget.

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Properties	24,165	43,892
Fixed assets withdrawn from use	-	11
Total	**24,165**	**43,904**

In 2014, the Bank recognized a gain on disposal of non-current assets in the amount of R$ 159,769 thousand (R$ 84,070 thousand in 2013).

25 – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

a) Equity method investments

R$ thousand

Company	Equity interest percentage				Shareholders' equity of investee		Carrying amount of investment		Share of investees' net income/(loss)			Dividends	
	Dec 31, 2014		Dec 31, 2013										
	Total	Common Stock	Total	Common Stock	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	2014	2013	2012	2014	2013
Associates							**65,321**	**57,048**	**14,219**	**36,771**	**45,924**	**502**	**26,786**
Tecnologia Bancária S.A. – Tecban [1]	13.53	13.53	13.53	13.53	352,311	266,328	47,668	36,034	15,104	9,776	5,838	-	-
Companhia Brasileira de Securitização – Cibrasec [1]	12.12	12.12	12.12	12.12	75,070	75,192	9,099	9,114	286	464	1,111	347	445
Estruturadora Brasileira de Projetos – EBP [1]	11.11	11.11	11.11	11.11	73,991	78,720	8,221	8,746	(448)	4,090	1,421	78	-
Seguradora Brasileira de Crédito à Exportação – SBCE [1]	12.09	12.09	12.09	12.09	2,757	26,089	333	3,154	(723)	383	191	77	270
Itapebi Geração de Energia S.A.[2]	-	-	-	-	-	-	-	-	-	22,058	35,291	-	26,071
Outros[3]	-	-	-	-	-	-	-	-	-	-	2,072	-	-
Joint Ventures							**15,856,782**	**14,156,264**	**3,533,955**	**2,259,142**	**543,817**	**1,839,095**	**1,932,937**
Banco Votorantim S.A.	50.00	49.99	50.00	49.99	9,333,456	8,928,509	4,666,728	4,464,254	259,388	(178,001)	(1,141,030)	59,666	-
BB Mapfre SH1 Participações S.A. [4]	74.99	49.99	74.99	49.99	2,786,901	2,333,492	2,783,733	2,443,722	973,502	750,465	470,153	632,091	958,372
Cielo S.A. [5]	28,75	28.75	28.68	28.68	4,466,533	3,322,750	2,286,444	1,954,223	880,968	774,144	652,327	551,440	480,642
Mapfre BB SH2 Participações S.A. [6]	50.00	49.00	50.00	49.00	2,806,877	2,537,039	1,695,140	1,560,221	132,802	124,507	(41,130)	-	-
Brasilprev Seguros e Previdência S.A. [7]	74.99	49.99	74.99	49.99	2,105,090	1,597,619	1,578,712	1,198,134	739,440	447,344	330,048	359,275	169,241
Neoenergia S.A.	11.99	11.99	11.99	11.99	9,547,893	9,418,413	1,144,516	1,128,995	39,749	11,411	120,003	24,228	265,536
IRB-Brasil Resseguros S.A. [8]	20.51	20.51	20.51	20.51	3,004,843	2,773,015	616,314	568,765	82,101	57,166	-	34,116	-
Elo Participações S.A.	49.99	49.99	49.99	49.99	1,204,600	922,679	602,180	461,247	185,034	88,127	(3,808)	44,102	14,436
Brasilcap Capitalização S.A. [9]	66.66	49.99	66.66	49.99	428,995	302,599	396,717	312,462	216,153	123,405	112,083	131,898	43,329
Kepler Weber S.A.	17.46	17.46	17.56	17.56	494,367	365,798	86,298	64,241	24,818	10,325	3,399	2,279	1,381
CBSS – Alelo [10]	-	-	-	-	-	-	-	-	-	52,975	80,008	-	-
BV Participações S.A. [11]	-	-	-	-	-	-	-	-	-	(2,726)	(38,236)	-	-
Total					**36,683,684**	**32,948,242**	**15,922,103**	**14,213,312**	**3,548,174**	**2,295,913**	**589,741**	**1,839,597**	**1,959,723**

(1) The Bank has significant influence over the investee through board seats or other measures.

(2) Investment disposed in December 2013.

(3) Investment in Banco Bladex reclassified in accordance with IAS 39.

(4) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest is 49.68%. Includes the amount of R$ 693,836 thousand related to goodwill on acquisition of the investment.

(5) Includes the amount of R$ 1,002,124 thousand related to goodwill on acquisition of the investment.

(6) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest is 33.13%. Includes the amount of R$ 291,702 thousand related to goodwill on acquisition of the investment.

(7) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest is 49.68%.

(8) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest is 13.58%.

(9) Ownership interest held by BB Seguros Participações S.A. The percentage of effective equity interest is 44.16%. Includes the amount of R$ 110,749 thousand related to goodwill on acquisition of the investment.

(10) Investment transferred to Elo Participações S.A. due to the corporate reorganization in the area of cards in August 2013.

(11) Investment merged into Banco Votorantim S.A. due to corporate reorganization in July 2013.

b) Associates

Company name	Place of incorporation		Description	Strategic participation[1]
	Country	Headquarter location		
Tecnologia Bancária S.A. – Tecban	Brazil	São Paulo (SP)	Operates in ATM network management.	Yes
Companhia Brasileira de Securitização – Cibrasec	Brazil	São Paulo (SP)	Operates in the real estate securitization industry.	Yes
Seguradora Brasileira de Crédito à Exportação – SBCE	Brazil	Rio de Janeiro (RJ)	Commercializes insurance of credit for exports.	Yes
Estruturadora Brasileira de Projetos – EBP	Brasil	Rio de Janeiro (RJ)	Provides professional advice relating to public tenders.	Yes

(1) Strategic investments are made in companies with activities that complement or support those of the Bank and its subsidiaries.

Summarized financial information of associates, not adjusted for the equity interest percentage held by the Bank

R$ thousand

	Dec 31, 2014			
	Tecnologia Bancária S.A. – Tecban	Companhia Brasileira de Securitização – Cibrasec	Estruturadora Brasileira de Projetos – EBP	Seguradora Brasileira de Crédito à Exportação – SBCE
Current assets	164,505	121,532	35,086	67,146
Non-current assets	776,921	3,769	42,226	3,945
Current liabilities	267,363	50,231	3,321	53,821
Non-current liabilities	321,752	-	-	14,513
Income	1,227,758	18,352	7,371	17,370
Net income/(loss) for the period	111,633	2,359	(4,031)	(5,977)
Other comprehensive income	-	17	-	-
Total comprehensive income	111,633	2,376	(4,031)	(5,977)
Adjusted shareholders' equity	352,311	75,070	73,991	2,757
Equity interest	13.53%	12.12%	11.11%	12.09%
Carrying amount of the investment	47,668	9,099	8,221	333

R$ thousand

	Dec 31, 2013			
	Tecnologia Bancária S.A. – Tecban	Companhia Brasileira de Securitização – Cibrasec	Estruturadora Brasileira de Projetos – EBP	Seguradora Brasileira de Crédito à Exportação – SBCE
Current assets	144,446	179,530	80,571	69,377
Non-current assets	643,912	5,586	22,171	6,008
Current liabilities	251,162	109,924	24,022	43,245
Non-current liabilities	270,868	-	-	6,051
Income	1,031,928	22,336	48,378	30,328
Net income/(loss) for the period	72,253	3,829	8,455	3,167
Other comprehensive income	-	(44)	-	-
Total comprehensive income	72,253	3,785	8,455	3,167
Adjusted shareholders' equity	266,328	75,192	78,720	26,089
Equity interest	13.53%	12.12%	11.11%	12.09%
Carrying amount of the investment	36,034	9,114	8,746	3,154

c) Joint Ventures

Company name	Place of incorporation		Description	Strategic participation[1]
	Country	Headquarter location		
Banco Votorantim S.A.	Brazil	São Paulo (SP)	Performs various types of bank activities, such as consumer lending, leasing, and investment fund management.	Yes
BB Mapfre SH1 Participações S.A.	Brazil	São Paulo (SP)	Acts as a holding company for other companies which deal with life insurance and real estate and agricultural insurance.	Yes
Cielo S.A.	Brazil	Barueri (SP)	Provides services related to credit and debit cards and payments services.	Yes
Mapfre BB SH2 Participações S.A.	Brazil	São Paulo (SP)	Acts as a holding company for other companies which deal with P&C insurance, including auto insurance but excluding real estate and agricultural insurance.	Yes
Neoenergia S.A.	Brazil	Rio de Janeiro (RJ)	Acts as a holding company for other companies in the fields of electric power distribution, transmission, generation and trading.	No
Brasilprev Seguros e Previdência S.A.	Brazil	São Paulo (SP)	Commercializes life insurance with survivor coverage and private retirement and benefit plans.	Yes
Brasilcap Capitalização S.A.	Brazil	Rio de Janeiro (RJ)	Manages capitalization plans and provides other products and services as permitted for capitalization companies.	Yes
Kepler Weber S.A.	Brazil	Porto Alegre (RS)	Operates in the manufacture and trading of metallurgy products and raw materials, foreign trade and trading of products for the agricultural industry.	No
Elo Participações S.A.	Brazil	Barueri (SP)	Acts as a holding company which consolidates the joint business related to electronic payment services.	Yes
IRB-Brasil Resseguros S.A.	Brazil	Rio de Janeiro (RJ)	Execution of reinsurace and retrocession operations.	Yes

(1) Strategic investments are made in companies with activities that complement or support those of the Bank and its subsidiaries.

Summarized financial information of the joint ventures, not adjusted for the equity interest percentage held by the Bank

R$ thousand

	Dec 31, 2014						
	Banco Votorantim S.A.	BB Mapfre SH1 Participações S.A.	Cielo S.A.	Mapfre BB SH2 Participações S.A.	Brasilprev Seguros e Previdência S.A.	Neoenergia S.A.	Other Joint Ventures
Current assets	**48,594,345**	**6,051,158**	**16,267,869**	**9,283,397**	**104,704,775**	**957,615**	**19,225,110**
Cash and cash equivalents	190,243	150,137	43,796	342,193	22	166	9,731
Other current assets	48,404,102	5,901,021	16,224,073	8,941,204	104,704,753	957,449	19,215,379
Non-current assets	**52,556,508**	**6,626,387**	**1,849,795**	**3,913,155**	**9,970,996**	**9,051,227**	**8,895,450**
Current liabilities	**56,992,898**	**6,232,641**	**9,563,401**	**9,386,940**	**11,939,708**	**460,949**	**21,496,146**
Financial liabilities	50,741,575	-	5,838,069	-	-	344,117	106,395
Other current liabilities	6,251,323	6,232,641	3,725,332	9,386,940	11,939,708	116,832	21,389,751
Non-current liabilities	**34,824,499**	**3,658,003**	**4,087,730**	**1,002,735**	**100,630,973**	**-**	**1,491,610**
Financial liabilities	33,359,864	-	2,506,140	-	-	-	-
Other non-current liabilities	1,464,635	3,658,003	1,581,590	1,002,735	100,630,973	-	1,491,610
Income	**17,188,476**	**2,679,957**	**8,963,910**	**1,810,141**	**9,952,168**	**1,350,367**	**12,765,429**
Interest income	14,903,964	571,414	1,846,134	648,601	8,755,848	-	4,441,597
Interest expense	(7,771,809)	-	(42,236)	-	-	-	-
Net allowance for loan losses	(2,057,009)	-	-	-	-	-	-
Depreciation and amortization	(35,423)	(10,013)	(342,547)	(67,407)	(12,583)	(4,407)	(44,133)
Income tax expenses	144,919	(686,046)	(1,560,148)	(182,230)	(643,949)	(41,846)	(1,014,673)
Net income/(loss) for the period	**518,777**	**1,298,175**	**3,063,778**	**265,604**	**985,985**	**549,102**	**1,236,859**
Other comprehensive income	4,757	(1,399)	154	2,117	414	-	678
Total comprehensive income	523,534	1,296,776	3,063,932	267,721	986,399	549,102	1,237,537
Adjusted shareholders' equity	**9,333,456**	**2,786,901**	**4,466,533**	**2,806,877**	**2,105,090**	**9,547,893**	**5,132,804**
Ownership percentage	50.00%	74.99%	28.75%	50.00%	74.99%	11.99%	-
Carrying amount of the investment [(1)]	**4,666,728**	**2,089,897**	**1,284,320**	**1,403,438**	**1,578,712**	**1,144,516**	**1,590,760**
Goodwill	-	693,836	1,002,124	291,702	-	-	110,749

(1) Excludes goodwill on acquisition of the investment.

R$ thousand

	Dec 31, 2013						
	Banco Votorantim S.A.	BB Mapfre SH1 Participações S.A.	Cielo S.A.	Mapfre BB SH2 Participações S.A.	Brasilprev Seguros e Previdência S.A.	Neoenergia S.A.	Other Joint Ventures
Current assets	**59,925,181**	**5,279,451**	**10,835,184**	**8,852,925**	**76,464,034**	**1,317,889**	**17,552,180**
Cash and cash equivalents	206,299	213,977	14,985	227,673	557	138	33,676
Other current assets	59,718,882	5,065,474	10,820,199	8,625,252	76,463,477	1,317,751	17,518,504
Non-current assets	**48,306,651**	**5,046,721**	**2,717,419**	**3,002,503**	**9,129,040**	**8,269,205**	**6,867,202**
Current liabilities	**65,015,507**	**5,259,949**	**6,615,110**	**8,451,219**	**8,884,070**	**65,565**	**18,776,228**
Financial liabilities	60,474,256	-	1,094,700	-	-	1,002	115,807
Other current liabilities	4,541,251	5,259,949	5,520,410	8,451,219	8,884,070	64,563	18,660,421
Non-current liabilities	**34,287,816**	**2,732,731**	**3,614,742**	**867,170**	**75,111,385**	**103,116**	**1,279,062**
Financial liabilities	32,659,763	-	2,215,375	-	-	3,940	-
Other non-current liabilities	1,628,053	2,732,731	1,399,367	867,170	75,111,385	99,176	1,279,062
Income	**17,039,952**	**2,091,603**	**7,853,852**	**1,519,825**	**3,811,897**	**1,492,809**	**8,357,067**
Interest income	13,014,594	461,278	1,220,647	577,444	2,824,389	145,121	1,079,216
Interest expense	(5,881,281)	-	(39,509)	-	-	(11,056)	-
Net allowance for loan losses	(3,869,248)	-	-	-	-	-	-
Depreciation and amortization	(33,499)	(9,366)	(318,086)	(63,969)	(29,060)	(3,178)	(25,259)
Income tax expenses	(3,869,248)	(358,976)	(1,412,583)	43,966	(376,996)	1,936	(578,886)
Net income/(loss) for the period	**(356,002)**	**1,000,754**	**2,699,247**	**249,013**	**596,498**	**648,340**	**698,922**
Other comprehensive income	(39,026)	(11,747)	115	-	30	-	(2,474)
Total comprehensive income	(395,028)	989,007	2,699,362	249,013	596,528	648,340	696,448
Adjusted shareholders' equity	**8,928,509**	**2,333,492**	**3,322,750**	**2,537,039**	**1,597,619**	**9,418,413**	**4,364,092**
Ownership percentage	50.00%	74.99%	28.68%	50.00%	74.99%	11.99%	-
Carrying amount of the investment [1]	**4,464,254**	**1,749,886**	**952,099**	**1,268,519**	**1,198,134**	**1,128,995**	**1,295,966**
Goodwill	-	693,836	1,002,124	291,702	-	-	110,749

(1) Excludes goodwill on acquisition of the investment.

d) Reconciliation of changes

R$ thousand

	2014	2013
Opening balance	**14,213,312**	**13,880,354**
Acquisition	-	550,241
Disposal	(5,588)	(270,373)
Share of investees net income/(loss)	3,548,174	2,295,913
Dividends	(1,839,597)	(1,959,723)
Other	5,802	(283,100)
Closing balance	**15,922,103**	**14,213,312**

e) Other information

The Bank applies the requirements of IAS 39 to determine whether it is necessary to recognize any impairment loss with respect to its investments in associates and joint ventures.

Because the goodwill that forms part of the carrying amount of the investments in associates and joint ventures is not separately recognized, it is not tested for impairment separately by applying the requirements of IAS 36. Instead, the entire carrying amount of the investment is tested for impairment as a single asset whenever the application of IAS 39 indicates that the investment may be impaired.

In accordance with our analysis, no objective evidence of impairment was determined.

Our investments in associates and joint ventures have no significant contingent liabilities to which the Bank is exposed.

None of the investments in associates and joint ventures presented significant restrictions on transferring resources in the form of cash dividends or repayment of loans or advances, during the periods reported.

There are no discontinued operations in investment in associates and joint ventures.

There was no unrecognized share of losses of investments in associates and joint ventures, neither for the period, nor cumulatively.

26 – PROPERTY AND EQUIPMENT

R$ thousand

	Land	Buildings	Furniture and equipment	Leasehold improvements	Data processing equipment	Vehicles	Other	Total
Acquisition cost								
Balance at Dec 31, 2012	**213,287**	**4,842,774**	**1,636,457**	**2,270,125**	**4,779,799**	**11,444**	**578,787**	**14,332,673**
Acquisitions	1,056	294,269	208,669	489,485	342,248	2,182	78,395	1,416,304
Disposals	(788)	(12,658)	(87,786)	(19,197)	(504,268)	(998)	(40,474)	(666,169)
Other changes[1]	(110)	(49,544)	1,167,148	39,381	(1,167,146)	-	(8,933)	(19,204)
Balance at Dec 31, 2013	**213,445**	**5,074,841**	**2,924,488**	**2,779,7944**	**3,450,633**	**12,628**	**607,7755**	**15,063,604**
Acquisitions	144	253,917	424,533	491,752	509,240	1,313	54,070	1,734,969
Disposals	(16,770)	(374,896)	(78,713)	(26,736)	(124,309)	(27)	(19,784)	(641,235)
Other changes	(2,689)	(3,253)	(19,879)	-	19,870	-	(7,269)	(13,220)
Balance at Dec 31, 2014	**194,130**	**4,950,609**	**3,250,429**	**3,244,8100**	**3,855,434**	**13,914**	**634,7922**	**16,144,118**
Accumulated depreciation								
Balance at Dec 31, 2012	**-**	**(2,537,278)**	**(856,805)**	**(1,265,783)**	**(3,219,344)**	**(7,326)**	**(357,781)**	**(8,244,317)**
Depreciation	-	(155,426)	(158,744)	(117,275)	(410,414)	(1,037)	(36,924)	(879,820)
Disposals	-	13,638	78,084	16,655	501,234	1,194	28,010	638,815
Other changes[1]	-	33,763	(738,196)	(28,001)	722,034	-	16,073	5,673
Balance at Dec 31, 2013	**-**	**(2,645,303)**	**(1,675,661)**	**(1,394,404)**	**(2,406,490)**	**(7,169)**	**(350,622)**	**(8,479,649)**
Depreciation	-	(165,148)	(206,733)	(200,398)	(415,395)	(1,437)	(40,410)	(1,029,521)
Disposals	-	338,535	62,953	13,434	127,022	1,267	18,023	561,234
Other changes	-	4,513	10,478	(9,335)	(10,566)	28	(185)	(5,067)
Balance at Dec 31, 2014	**-**	**(2,467,403)**	**(1,808,963)**	**(1,590,703)**	**(2,705,429)**	**(7,311)**	**(373,194)**	**(8,953,003)**
Impairment loss								
Balance at Dec 31, 2012	**-**	**(4,408)**	**-**	**-**	**(960)**	**-**	**-**	**(5,368)**
Losses	-	(4,042)	-	-	-	-	-	(4,042)
Reversal	-	845	-	-	-	-	-	845
Balance at Dec 31, 2013	**-**	**(7,605)**	**-**	**-**	**(960)**	**-**	**-**	**(8,565)**
Losses	-	(5,999)	-	-	-	-	-	(5,999)
Reversal	-	2,367	-	-	960	-	-	3,327
Balance at Dec 31, 2014	**-**	**(11,237)**	**-**	**-**	**-**	**-**	**-**	**(11,237)**
Carrying amount								
Balance at Dec 31, 2013	213,445	2,421,933	1,248,827	1,385,3900	1,043,183	5,459	257,1533	6,575,390
Balance at Dec 31, 2014	194,130	2,471,969	1,441,466	1,654,1077	1,150,005	6,603	261,5988	7,179,878

(1) Reclassification of approximately 45.4 thousand automated teller machines (ATMs) from the Data Processing Equipment group to the Furniture and Equipment group, in the amount of R$ 1,167,146 thousand.

Property and equipment pledged as collateral totaled R$ 210,315 thousand (R$ 225,948 thousand as of December 31, 2013).

Impairment losses and reversal are recorded within the line items 'Other operating expenses' and 'Other operating income', respectively.

The estimated annual depreciation rate for property and equipment items are presented in Note 3.k.

Future payments for operating leases

R$ thousand

	2015	2016	2017	2018	2019	After 2019	Total
Amounts payable	1,237,725	882,880	727,849	566,189	338,051	893,208	4,645,902

Expenses related to rental and operating leases were R$ 1,134,261 thousand (R$ 979,233 thousand for the year ended December 31, 2013). The Bank does not hold sublease contracts.

27 – GOODWILL AND OTHER INTANGIBLE ASSETS

a) Goodwill separated by operating segment and by cash generating unit

R$ thousand

Operating segment/Cash generating unit	Dec 31, 2014	Dec 31, 2013
Banking		
Banco do Brasil – São Paulo State – Goodwill of Banco Nossa Caixa	591,582	591,582
BB Americas (1)	38,719	34,147
Total	**630,301**	**625,729**

(1) The goodwill arising from the acquisition of the foreign operation is translated at the closing rate at the date of the consolidated financial statements.

Impairment test of goodwill

The recoverable amount of goodwill related to business combinations is determined taking into account the value in use. The value in use is calculated using the discounted cash flow method, which is based on the cash flow projection for the investee company / cash-generating unit and the discount rate relating to those cash flows.

BB Americas

The assumptions adopted to estimate BB Americas' cash flow are based on available public information, the budget and the business plan of the evaluated company. The assumptions consider the current and past performance, as well as the expected growth in its market segment and the macroeconomic environment.

BB Americas' cash flows were projected for a ten-year period, perpetuating from the eleventh year with a stabilized growth rate. For periods outside of the projections made for budgets and business plans, growth estimates used are in line with those adopted by the BB Americas. The nominal discount rate was calculated for each year, based on the CAPM (Capital Asset Pricing Model) adjusted for the Brazilian market and referenced in Reais (R$).

Banco Nossa Caixa

The impairment test of goodwill from the acquisition of Banco Nossa Caixa, which was incorporated by Banco do Brasil, considers the value in use of Banco do Brasil in the State of São Paulo (cash-generating unit). The cash flow is based on the cash-generating unit's result in 2014, the budget for 2015 and internal projections of results from 2016 for a further five years.

The assumptions adopted for the calculation are based on the Bank's Corporate Strategy and the macroeconomic scenario. They consider the current and past performance and expected growth in the market segment. The cash flows were discounted by the Bank's own cost of capital. The discount rate was calculated for each year based on the CAPM model adjusted for the Brazilian market and referenced in Reais (R$).

The discount rate used for the impairment tests is determined as the Bank's own cost of capital based on the CAPM model denominated in Brazilian Reais in the unit form. This rate is composed of: (i) the United States of America risk free rate; (ii) the EMBI + BR [1], to represent the spread for Brazil risk; (iii) the Company's beta; (iv) the historical average of the spread in the United States market; (v) the adjustment factor between the spreads in the Brazilian and the United States markets; (vi) the differential between the Brazilian and the United States inflation rates; and (vii) the differential between the productivity of the Brazilian and the United States economies. These parameters are obtained from external sources.

According to the sensitivity analysis performed, in the current economic environment there is no indication that changes in assumptions would cause the carrying value of cash-generating units to exceed their recoverable amounts.

During the years ended December 31, 2014 and December 31, 2013, there was no impairment loss on goodwill.

[1] Emerging Market Bond Index Plus – Brazil – corresponding to the weighted average of the premiums paid by a virtual portfolio of Brazilian public debt in relation to equivalent securities within the U.S. Treasury. It is the additional charge that is paid over and above the return on the Treasuries guaranteed by the United States Treasury, which are considered risk free.

Assumptions used in the impairment tests

Cash generating unit	Growth rate	Discount rate
Banco do Brasil – São Paulo State – Goodwill of Banco Nossa Caixa [1]	9.5 % a.a.	12.3 % a.a.
BB Américas [2]	2.0 % a.a.	9.44 % a.a.

(1) Geometric mean of the five-year projection.
(2) Geometric mean of the ten-year projection.

b) Changes in goodwill

R$ thousand

	2014	2013
Goodwill at the beginning of the period	**625,729**	**621,368**
Accumulated impairment loss	-	-
Initial balance	**625,729**	**621,368**
Goodwill recognized in the period	-	-
Gross value of goodwill at the end of the period	**625,729**	**621,368**
Foreign currency translations adjustments	4,572	4,361
Accumulated impairment losses at the end of the period	**-**	**-**
Closing balance	**630,301**	**625,729**

c) Intangible assets with finite useful life

R$ thousand

	Software	Rights due to payroll management	Related to customers portfolio	Relating to contracts[1]	Other [2]	Total
Acquisition cost						
Balance at Dec 31, 2012	**1,693,962**	**9,266,042**	**3,205,369**	**3,733,520**	**191,562**	**18,090,455**
Internally generated	76,705	-	-	-	-	76,705
Acquisitions	228,259	1,044,273	-	-	-	1,272,532
Write-offs	(19,966)	(1,539,950)	-	(2.310)	(143)	(1,562,369)
Foreign currency translations adjustments	-	-	(46,107)	(3,445)	(1,511)	(51,063)
Balance at Dec 31, 2013	**1,978,960**	**8,770,365**	**3,159,262**	**3,727,765**	**189,908**	**17,826,260**
Balance at Dec 31, 2013	**1,978,960**	**8,770,365**	**3,159,262**	**3,727,765**	**189,908**	**17,826,260**
Internally generated	194,789	-	-	-	-	194,789
Acquisitions	317,130	3,980,931	15	-	64	4,298,140
Write-offs	(28,607)	(2,282,927)	(15)	(2,826,208)	(43)	(5,137,801)
Foreign currency translations adjustments	-	-	(26,762)	(1,159)	(1,292)	(29,213)
Balance at Dec 31, 2014	**2,462,272**	**10,468,369**	**3,132,500**	**900,398**	**188,636**	**17,152,174**
Accumulated amortization						
Balance at Dec 31, 2012	**(917,838)**	**(3,891,525)**	**(1,213,597)**	**(646,662)**	**(123,746)**	**(6,793,368)**
Amortization	(99,631)	(1,882,319)	(365,093)	(433,812)	(39,513)	(2,820,368)
Write-offs	17,998	1,539,950	61	-	-	1,558,009
Balance at Dec 31, 2013	**(999,471)**	**(4,233,894)**	**(1,578,629)**	**(1,080,474)**	**(163,259)**	**(8,055,727)**
Balance at Dec 31, 2013	**(999,471)**	**(4,233,894)**	**(1,578,629)**	**(1,080,474)**	**(163,259)**	**(8,055,727)**
Amortization	(134,479)	(1,874,561)	(363,491)	(614,655)	(21,249)	(3,008,435)
Write-offs	22,240	2,282,927	15	960.842	43	3,266,068
Balance at Dec 31, 2014	**(1,111,709)**	**(3,825,528)**	**(1,942,106)**	**(734,286)**	**(184,465)**	**(7,798,094)**
Impairment loss						
Balance at Dec 31, 2012	**-**	**(49,788)**	**-**	**-**	**-**	**(49,788)**
Reversal [3]	-	48	-	-	-	48
Balance at Dec 31, 2013	**-**	**(49,740)**	**-**	**-**	**-**	**(49,740)**
Balance at Dec 31, 2013	**-**	**(49,740)**	**-**	**-**	**-**	**(49,740)**
Loss	(2.378)	-	-	-	-	(2.378)
Balance at Dec 31, 2014	**(2,378)**	**(49,740)**	**-**	**-**	**-**	**(52,117)**
Book value						
Balance at Dec 31, 2013	979,489	4,486,731	1,580,633	2,647,291	26,649	9,720,793
Balance at Dec 31, 2014	1,348,185	6,593,102	1,190,394	166,111	4,171	9,301,963

(1) In 2013, included the right to use Banco Postal network for correspondent banking services in the amount of R$ 2,823,856 thousand which was acquired in the second half of 2011.

(2) Includes mainly brands acquired in business combinations.

(3) There was a partial reversal of impairment loss during the year ended December 31, 2013, mainly from the rescission of contracts of municipal payrolls.

Intangible assets of finite useful life are amortized according with the policies set out in Note 3.I.

Estimated future expenses with amortization of intangible assets

R$ thousand

	2015	2016	2017	2018	2019	After 2019	Total
Amounts to be amortized	2,400,628	2,156,489	1,632,655	1,420,051	796,008	896,132	9,301,963

28 – OTHER ASSETS AND OTHER LIABILITIES

R$ thousand

Other assets	Dec 31, 2014	Dec 31, 2013
Judicial deposits for purposes of tax, labor and civil lawsuits	23,251,633	18,262,402
Securities and credits receivable from the National Treasury	14,510,352	9,115,604
Previ's surplus – Fundos Previdenciais (Note 45.f)	8,274,132	7,966,278
Sundry debtors – domestic	6,478,045	3,797,274
Securities and credits receivable	6,396,973	6,479,217
Post-employment benefit plans (Note 45.e)	6,233,307	15,544,218
Receivable income	3,770,662	2,341,220
Compensation fund for salary changes – merged companies	2,296,993	2,140,264
Rights for acquisition of royalties and government credits	1,226,441	1,116,919
Negotiation and intermediation of securities	1,144,825	1,169,336
Prepaid taxes	520,267	785,162
Prepaid expenses	404,321	552,031
Advances to employees	276,989	282,030
Non-operating assets, net of impairment losses	205,452	198,676
Interbank/interdepartmental accounts	13,152	32,865
Other	1,609,399	2,201,544
Total	**76,612,943**	**71,985,040**

R$ thousand

Other liabilities	Dec 31, 2014	Dec 31, 2013
Sundry creditors – domestic	15,073,912	12,168,320
Advances received on foreign exchange contracts	13,522,786	13,008,908
Liabilities with credit card companies	8,751,896	7,772,138
Post-employment benefit plans (Note 45.e)	7,769,579	8,134,976
Interbranch accounts – third-party funds in transit	5,607,815	5,082,482
Labor costs	4,139,008	4,028,581
Net foreign exchange portfolio	2,438,694	2,287,293
Provision for sundry pending payments	2,061,573	2,161,357
Dividends and pending bonuses	1,430,099	419,129
Collateral deposits	1,264,972	1,060,628
Liabilities for official agreements and payment services	1,229,682	1,148,815
Taxes	1,058,967	667,011
Sundry creditors – overseas	1,019,239	833,605
Deferred income [1]	425,282	418,823
Negotiation and intermediation of securities	288,808	792,572
Provision for losses on guarantees provided	193,877	145,678
Other	5,028,609	4,389,658
Total	**71,304,798**	**64,519,974**

(1) Primarily related to premiums received in guarantee contracts, which are being gradually recognized as income.

29 – DEPOSITS OF CLIENTS

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Domestic	**405,708,939**	**431,459,971**
Demand deposits	65,882,249	69,689,987
Without remuneration	65,476,959	68,594,720
With remuneration [1]	405,290	1,095,267
Time deposits	191,127,800	221,041,877
Savings deposits	148,698,890	140,728,107
Abroad	**32,112,814**	**29,965,438**
Demand deposits	8,342,105	6,072,436
Without remuneration	8,342,105	6,072,436
Time deposits	23,770,709	23,893,002
Total	**437,821,753**	**461,425,409**

(1) Foreign currency accounts opened in Brazil ("Special Accounts") on behalf of embassies, legations abroad, international organizations, as well as public entities qualify for credit or borrowers of loans granted by international financial bodies or foreign government agencies.

30 – AMOUNTS PAYABLE TO FINANCIAL INSTITUTIONS

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Deposits from financial institutions	30,353,883	25,961,441
Loan portfolios assigned with guarantee of the Bank	321,366	207,616
Total	**30,675,249**	**26,169,057**

31 – SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Own portfolio	**53,677,152**	**59,691,670**
Corporate bonds	48,255,571	34,060,889
Treasury financial bills	4,053,439	15,947,419
National Treasury bills	20,199	6,709,995
Other securities	1,347,943	2,973,367
Third-party portfolio	**240,243,282**	**164,225,469**
National Treasury bills	120,936,659	64,763,743
National Treasury notes	86,307,443	8,939,530
Treasury financial bills	32,999,180	88,984,254
Other securities	-	1,537,942
Total	**293,920,434**	**223,917,139**

32 – SHORT-TERM LIABILITIES

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Borrowings	20,214,696	15,134,816
Import financing	106,889	54,747
Export financing	6,358	647
Total	**20,327,943**	**15,190,210**

As of December 31, 2014, the weighted average interest rate applicable to short-term liabilities abroad was 1.56% p.a. (1.74% p.a. as of December 31, 2013).

33 – LONG-TERM LIABILITIES

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Onlendings	89,157,344	84,834,637
Subordinated debts	54,530,972	47,369,209
Liabilities from issuance of securities	147,245,591	110,678,199
Financial and development funds	10,840,398	7,661,423
Perpetual bonds	20,918,130	20,874,324
Debentures	-	7,570
Other	187,697	610,694
Total	**322,880,132**	**272,036,056**

a) Onlendings

Onlendings are sources of funding from other financial institutions or national government agencies, which are predominantly long-term, to encourage domestic production. The funds come from the National Treasury, Brazilian Development Bank (BNDES) and Caixa Econômica Federal (CEF), among others.

The Bank acts as financial agent of the government programs to encourage certain economic sectors. In the agriculture sector, the Bank participates in various government onlending programs, notably: (i) Programa Nacional de Fortalecimento da Agricultura Familiar (Pronaf), (ii) Programa de Recuperação da Lavoura Cacaueira (Cocoa), (iii) Programa de Revitalização de Cooperativas de Produção Agropecuária (Recoop), (iv) Fundo de Defesa da Economia Cafeeira (Funcafé), and (v) Poupança Rural. In the industry sector, the Bank participates in government onlending programs, primarily programs of the BNDES and the Agência Especial de Financiamento Industrial (FINAME).

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Onlendings		
Domestic onlendings − Official institutions	89,156,867	84,810,176
Foreign onlendings	477	24,461
Total	**89,157,344**	**84,834,637**

Domestic onlendings − Official institutions

R$ thousand

Programs	Financial charges	Dec 31, 2014	Dec 31, 2013
National Treasury − Rural credit		**284,612**	**473,365**
Pronaf	TMS (if available) Fixed 0.50% p.a. to 4.00% p.a. (if applied)	158,098	332,048
Cocoa	Fixed 6.35% p.a. IGP-M + 8.00% p.a. TJLP + 0.60% p.a.	87,435	85,372
Recoop	Fixed 5.75% p.a. to 8.25% p.a. IGP-DI + 1.00% p.a. IGP-DI + 2.00% p.a.	37,723	54,590
Other		1,356	1,355
BNDES (1)	Fixed 0.00% p.a. to 7.30% p.a. TJLP + 0.00% p.a. to 5.40% p.a. IPCA + 7.02% p.a. to 9.91% p.a. Selic + 0.40% p.a. to 2.50% p.a. Exch. Var. + 0.50% p.a. to 6.83% p.a.	**43,250,644**	**42,685,432**
Caixa Econômica Federal (2)	Fixed 5.10% p.a. (average)	**12,359,686**	**4,219,810**
Finame (3)	Fixed 0.00% p.a. to 8.50% p.a. TJLP + 0.50% p.a. to 5.50% p.a. Exch. Var. + 0.90% p.a. to 3.00% p.a.	**32,398,036**	**27,528,447**
Other official institutions		**863,889**	**9,903,122**
Special supply − Rural savings	TR	-	9,028,770
Funcafé	TMS (if available) Fixed 5.50% p.a. or 6.75% p.a. (if applied)	863,861	874,324
Other		28	28
Total		**89,156,867**	**84,810,176**

(1) The average maturity of BNDES obligations is 47 months.
(2) The average maturity of Caixa Econômica Federal obligations is 344 months
(3) The average maturity of Finame obligations is 43 months.

Notes:
TMS – Average SELIC rate disclosed by the Brazilian Central Bank.
TJLP – Long-term interest rate fixed by the National Monetary Council.
TR – Referential interest rate disclosed by the Brazilian Central Bank.
IGP – DI – General Price Index – Internal Availability
IGP – M – General Market Price Index

Foreign onlending

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Free resources − Resolution CMN 3,844/2010	-	23,984
Special fund for support to small and medium manufacturing companies	477	477
Total	**477**	**24,461**

b) Subordinated debts

R$ thousand

Funding		Issued value	Remuneration p.a.	Funding Date	Maturity	Dec 31, 2014	Dec 31, 2013
Banco do Brasil							
FCO – Resources from the Constitutional Fund for Developing the Center-west						**20,467,309**	**18,529,802**
Funds applied [1]						19,898,074	17,925,347
Resources available [2]						563,304	591,651
Charges to capitalize						5,931	12,804
Subordinated CDB issued in the domestic market						**4,110,613**	**5,137,043**
		900,000	113.80% of CDI	03/2009	09/2014	-	1,468,869
		1,335,000	115.00% of CDI	03/2009	03/2015	2,461,107	2,187,159
		1,000,000	105.00% of CDI	11/2009	11/2015	1,649,506	1,481,015
Subordinated debt abroad						**7,861,671**	**7,644,863**
	US$ Thousand	300,000	8.50%	09/2004	09/2014	-	710,925
	US$ Thousand	660,000	5.38%	10/2010	01/2021	1,787,935	1,584,030
	US$ Thousand	1,500,000	5.88%	05/2011	01/2022	4,045,769	3,563,218
	US$ Thousand	750,000	5.88%	06/2012	01/2023	2,027,967	1,786,690
Subordinated letters of credit						**22,101,905**	**16,057,992**
		1,000,000	108.50% of CDI	03/2010	03/2016	1,618,598	1,448,056
		1,006,500	111.00% of CDI	03/2011	03/2017	1,478,868	1,319,658
		335,100	111.00% of CDI	04/2011	04/2017	489,988	437,238
		13,500	111.00% of CDI	05/2011	05/2017	19,536	17,433
		700,000	111.00% of CDI	09/2011	10/2017	962,833	859,178
		512,500	111.50% of CDI	05/2012	05/2018	657,343	586,275
		215,000	112.00% of CDI	05/2012	05/2019	275,968	246,006
		115,000	112.50% of CDI	05/2012	06/2020	147,720	131,614
		35,500	IPCA+5.45%	05/2012	06/2020	47,073	41,892
		49,800	111.50% of CDI	06/2012	01/2018	63,375	56,523
		690,900	CDI+1.06%	06/2012	01/2018	880,550	786,372
		300	IPCA+5.32%	06/2012	01/2018	396	353
		873,600	IPCA+5.40%	06/2012	02/2018	1,153,646	1,027,447
		52,500	111.50% of CDI	06/2012	04/2018	67,048	59,799
		308,400	CDI+1.10%	06/2012	04/2018	395,001	352,613
		184,800	CDI+1.11%	06/2012	05/2018	236,829	211,397
		12,000	111.50% of CDI	06/2012	06/2018	15,358	13,697
		7,200	IPCA+5.30%	06/2012	06/2018	9,497	8,464
		100,000	IPCA+5.40%	06/2012	06/2018	132,244	117,746
		20,000	IPCA+5.50%	06/2012	06/2018	26,485	23,558
		500,000	IPCA+5.53%	06/2012	06/2018	663,389	590,094
		315,300	IPCA+5.56%	06/2012	06/2018	418,195	371,773
		100,000	111.50% of CDI	07/2012	02/2018	127,122	113,379
		10,200	111.50% of CDI	07/2012	04/2018	12,962	11,561
		27,000	IPCA+5.24%	07/2012	04/2018	35,299	31,476
		40,800	111.50% of CDI	07/2012	06/2018	51,884	46,275
		17,400	IPCA+5.33%	07/2012	06/2018	22,804	20,317
		22,200	111.50% of CDI	07/2012	07/2018	28,221	25,170
		1,000,000	Pre 10.51%	09/2012	07/2018	1,251,347	1,133,034
		4,680,900	111.00% of CDI	01/2013	01/2019	5,694,568	5,681,470
		266,400	111.00% of CDI	02/2013	02/2019[3]	-	288,124
		1,000,000	114.00% of CDI	03/2014	03/2021	1,095,127	-
		265,091	115.00% of CDI	04/2014	04/2021	288,116	-
		71,674	113.00% of CDI	05/2014	05/2021	77,577	-
		400,000	IPCA+8.08%	05/2014	05/2022	431,255	-
		52,000	112.00% of CDI	05/2014	05/2020	55,967	-
		3,037	114.00% of CDI	05/2014	04/2020	3,288	-
		78,386	114.00% of CDI	05/2014	05/2020	84,532	-
		64,000	114.00% of CDI	05/2014	05/2021	68,792	-
		703,341	115.00% of CDI	05/2014	05/2021	758,757	-
		30,100	112.00% of CDI	06/2014	06/2020	32,215	-
		50,000	114.00% of CDI	06/2014	06/2021	53,429	-
		119,700	115.00% of CDI	06/2014	06/2021	128,514	-
		12,000	113.00% of CDI	08/2014	08/2021	12,606	-
		15,600	112.00% of CDI	08/2014	08/2020	16,350	-
		261,500	114.00% of CDI	08/2014	08/2020	274,042	-
		14,700	115.00% of CDI	08/2014	08/2021	15,402	-
		30,000	113.00% of CDI	09/2014	09/2021	31,104	-
		100,000	114.00% of CDI	09/2014	09/2020	103,249	-
		1,500,000	115.00% of CDI	09/2014	09/2021	1,548,444	-
		37,880	115.00% of CDI	10/2014	10/2021	38,992	-
Subordinated debt issued by the Bank, in possession of subsidiary abroad						(10,526)	(491)
Total subordinated debt [4]						**54,530,972**	**47,369,209**

(1) Interest expenses consider contractual charges less the *del credere* of the financial institution.
(2) Remunerated based on extra-rate announced by the Brazilian Central Bank (BACEN).
(3) Operation paid in advance.
(4) The amount of R$ 37,065,165 thousand (R$ 32,747,645 thousand as of December 31, 2013) comprise the tier II of the Referential Equity Amount (RE), according to rules applied to financial institutions in Brazil.

Notes:
CDI – Average rate of the interbank deposits.
IPCA – Broad Consumer Price Index.

c) Liabilities from issuance of securities

R$ thousand

Funding	Currency	Issued value	Remuneration p.a.	Funding Date	Maturity	Dec 31, 2014	Dec 31, 2013
"Global medium-term notes" program						**11,031,350**	**9,771,502**
	US$	100,000	Libor 6m+2.55%	07/2009	07/2014	-	237,271
	US$	950,000	4.50%	01/2010	01/2015	2,572,930	2,268,011
	US$	500,000	6.00%	01/2010	01/2020	1,358,763	1,197,145
	EUR	750,000	4.50%	01/2011	01/2016	3,284,535	2,515,367
	JPY	24,700,000	1.80%	09/2012	09/2015	551,404	553,411
	EUR	700,000 300,000	3.75%	07/2013 03/2014	07/2018	2,519,088	2,280,146
	CHF	275,000	2.50%	12/2013	06/2019	744,630	720,151
"Senior Notes"						**6,452,265**	**5,682,804**
	US$	500,000	3.88%	11/2011	01/2017	1,346,214	1,185,458
	US$	1,925,000	3.88%	10/2012	10/2022	5,106,051	4,497,346
Structured Notes	US$	53,850	0.90 to 3.55%		06/2021	**143,540**	**302,680**
Deposit certificate[1]						**9,291,680**	**10,325,498**
Short Term[2]			0.06 to 4.54%			8,797,314	7,071,906
Long Term			1.61 to 4.54%		06/2017	494,366	3,253,592
Certificates of structured operations					**02/2015**	**2,384**	**-**
Letters of Credit – Real Estate					**12/2016**	**14,155,946**	**3,390,290**
Letters of Credit – Agribusiness						**102,325,298**	**77,887,575**
Short Term[2]						21,576,941	12,932,745
Long Term[3]					12/2019	80,748,357	64,954,830
Financial Letters						**2,546,806**	**2,287,233**
Short Term[2]						2,506,321	-
Long Term			104.00% to 106.50% of CDI		01/2017	40,485	2,287,233
Banco Patagonia[4]	ARS					**395,309**	**641,635**
Short Term[2]						308,060	387,824
Long Term					03/2016	87,249	253,811
Special Purpose Entities – SPE abroad[5]						**968,025**	**475,461**
Securitization of future flow of payment orders from abroad							
	US$	250,000	Libor 3m+0.55%	03/2008	03/2014	-	58,571
	US$	150,000	5.25%	04/2008	06/2018	223,591	253,526
	US$	200,000	Libor 3m+1.20%	09/2008	09/2015	79,402	163,364
Structured Notes	US$	250,000	Libor 6m+2.5%	12/2014	11/2034	665,032	-
Liabilities from issuance of securities, in possession of subsidiary abroad						(67,012)	(86,479)
Total						**147,245,591**	**110,678,199**

(1) Securities issued abroad in US$, EUR, GBP, RMB e AUD.
(2) Securities issued in foreign and/or domestic currency with maturities up to 360 days.
(3) Operations with maturity between 12 and 72 months.
(4) Securities issued with rates from 21.00% to 28.00% and Badlar+297 pts. to Badlar+450 pts.
(5) Information about the consolidated special purpose entities may be found in Note 5.

Notes:
Libor – London interbank rate.
Badlar – Buenos Aires interbank rate.

d) Financial and development funds

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Marinha Mercante	5,813,891	4,351,838
Pasep	2,259,845	2,063,491
Fundo de Desenvolvimento do Nordeste – FDNE	1,534,405	387,000
Fundos do Governo do Estado de São Paulo	725,304	729,816
Fundo de Desenvolvimento do Centro Oeste – FDCO	254,640	-
Fundo Nacional de Aviação Civil – FNAC	51,632	-
Terras e Reforma Agrária – BB Banco da Terra	9,494	12,939
Consolidação da Agricultura Familiar – CAF	-	25,241
Programa Especial de Crédito para a Reforma Agrária – Procera	-	21,995
Combate à Pobreza Rural – Nossa Primeira Terra – CPR / NPT	-	14,883
Other	191,187	54,220
Total	**10,840,398**	**7,661,423**

The Marinha Mercante Fund (FMM) aims to provide funds for the renovation, expansion and recovery of the national merchant fleet and the development of the country's shipbuilding industry. If they are not applied as asset operations, the funds are remunerated by the Average SELIC Rate (TMS). If they are applied as asset operations, the funds are remunerated at 0.1% or 0.5% per annum plus TJLP, when used for financing the purchase of domestic items, or plus foreign exchange variation (US dollars) when used for financing the purchase of imported items. The Bank is responsible for the credit risk of the contracted operations. In our agreement with the fund provider there is no clause for the cancellation of resources nor for the prepayment of the funding. Any changes should be made through an amendment to the agreement signed.

The Public Service Employee Savings Program (PASEP) is a Brazilian government program aiming to promote income distribution among the population. In addition, resources can be applied in favor of economic and social development. If they are not applied as asset operations, the funds are remunerated based on the rate of return on investments made in BACEN (Dedip rate). If they are applied as asset operations, the funds are remunerated based on the Referential Rate (TR) plus interest of 6% per annum. The credit risk of loans granted is integrally assumed by the Bank. In our agreement with the fund provider there is no clause for the cancellation of resources nor for the prepayment of the funding. Any changes should be made through an amendment to the agreement signed.

The Fundos do Governo do Estado de São Paulo (Fundos) aims to promote economic and social development of the State of São Paulo, by generating funding for loans or onlendings, grants, subsidies and interest rate equalization. If the funds are not applied as asset operations, they are remunerated based on the rate of a specific fixed income investment fund (BB Nossa Caixa Renda Fixa Governos). Otherwise funds are remunerated based on the granted interest rate for onlendings, grants, subsidies and interest rates equalization. The Bank manages the Fundos as financial agent of the State treasury. The credit risk of loans granted is integrally assumed by the fund provider. If the funds are not used in lending, the redemption is done at the discretion of the provider via a formal request or when it matures. If the funds are granted as loans, the redemption occurs on the next business day after the payment is made by the borrowers.

e) Perpetual bonds

R$ thousand

Funding	Currency	Issued value	Remuneration p.a.	Funding date	Dec 31, 2014	Dec 31, 2013
Perpetual bonds						
	US$	1,750,000	9.25%	01/2012 and 03/2012	4,835,886	4,277,041
	US$	1,500,000	8.50%	10/2009	4,037,923	3,558,392
	R$	8,100,000[1]	5.50%	09/2012	69,207	8,324,729
	US$	2,000,000	6.25%	01/2013	5,355,519	4,720,277
	US$	2,500,000	9.00%	06/2014	6,627,916	-
Total		**13,350,000**			**20,926,451**	**20,880,439**
Perpetual bonds issued by the Bank, in possession of subsidiary abroad					(8,321)	(6,115)
Total					**20,918,130**	**20,874,324**

(1) The bonds of R$ 8,100,000 thousand, issued in September 2012, resulting from a Loan Agreement with the Federal Government, up to August 27, 2014, were authorized by BACEN to be included as Tier I capital (Additional Tier I Capital), and were subject to the treatment established by article 28 of the CMN Resolution No. 4,192/2013. On August 28, 2014, under the law 12,793/2013, an amendment was signed to the agreement with the objective of making this instrument qualify as common equity Tier 1 capital. On September 22, 2014, BACEN considered the instrument as qualifying as common equity Tier 1 capital, in accordance with Resolution CMN No. 4,192/2013. Thereby, the instrument was reclassified to Shareholder's Equity (Note 36.c), remaining in this group only the balance of interest accrued on this instrument before the reclassification.

This section may be read jointly with the Note 41 – Regulatory Capital.

In the Perpetual Bonds account, the amount of R$ 18,502,534 thousand compose the Additional Tier I Capital (R$ 18,445,734 thousand as of December 31, 2013).

The bonds of US$ 1,500,000 thousand, issued in October 2009, have the option of redemption at the discretion of the Bank from 2020 or on each subsequent semiannual payment of interest, as long as it is previously authorized by BACEN. In case the Bank does not exercise the option to redeem on October 2020, the interest on the bonds will be adjusted on this date to 7.782% plus the trading price of the 10-year North American Treasury bonds. Thereafter, every 10 years, the interest on the bonds will be adjusted by taking into account the trading price of the 10-year North American Treasury bonds.

The bonds issued in January 2012 and March 2012, in the amounts of US$ 1,000,000 thousand and US$ 750,000 thousand, respectively, and the bonds issued in January 2013, in the amount of US$ 2,000,000 thousand, had their terms and conditions modified on September 27, 2013, in order to adjust them to the rules of BACEN which regulate the implementation of Basel III in Brazil. The changes became effective as of October 1, 2013, when the instruments were submitted to BACEN to obtain authorization to be treated as Additional Capital (Tier I) of the Bank. The authorization was obtained on October 30, 2013.

The bonds issued in June 2014 of US$ 2,500,000 thousand, have the option of redemption at the discretion of the Bank from June 18, 2024 or on each subsequent, semiannual interest payment date, as long as it has been previously authorized by BACEN. If the Bank does not exercise the option to redeem in June 2024, the interest on the bonds will be adjusted on this date to 6.362% plus the trading price of the 10-year North American Treasury bonds.

The new terms and conditions modified on September 27, 2013 and the bonds issued in June 2014 establish that the Bank will suspend the semi-annual payments of interest on those securities issued (which will not be due or accrued) if:

(i) distributable income for the period is not sufficient for making payment (discretionary condition of the Bank);

(ii) the Bank is not in compliance or the payment of such charges will mean that the Bank is not in compliance with the minimum capital adequacy levels, operating limits or financial indicators required by Brazilian regulations applicable to banks;

(iii) BACEN or the regulatory authorities determine the suspension of payment of such charges;

(iv) any event of insolvency or bankruptcy occurs; or

(v) a default occurs.

In accordance with Basel III rules, the bonds issued have mechanisms of loss absorption. Moreover, if item (i) occurs, the payment of dividends by the Bank to its shareholders will be limited to the minimum required determined by

applicable law until the semiannual interest payments on those bonds have been resumed in full. The bonds shall be permanently written-down in an amount at least equal to the amount accounted as Tier 1 Capital of the Bank, in the following situations:

(i) the principal capital of the Bank is lower than 5.125% of the risk-weighted assets (RWA);

(ii) The decision is taken to make a capital injection from the public sector or otherwise support the Bank, in order to maintain its viability;

(ii) BACEN, in a discretionary evaluation of the circumstances, according to the criteria established in the regulation issued by the National Monetary Council, formally determines to write down the Securities in order to maintain the Bank viable as a going concern.

If the Bank does not exercise the redemption option in April 2023 for the bonds issued in 2012, in April 2024 for the bonds issued in 2013, and in June 2024 for the bond issued in 2014, the rate of interest will be redefined on that date and every 10 years according to the trading price of the 10-years North American Treasury bond at the time plus the initial credit spread. The bonds have the following options of redemption, subject to prior authorization by BACEN:

(i) the Bank may, at its option, redeem the bonds in whole but not in part in April 2023 for the bonds issued in 2012, in April 2024 for the bonds issued in 2013 and in June 2024 for the bond issue in 2014, and on each subsequent semi-annual interest payment date, at the base price of redemption;

(ii) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue, if this date is before April 2023, for the bonds issued in 2012, if this date is before April 2024, for the bonds issued in 2013, or if this date is before June 2024, for the bonds issued in 2014 in the case of a 'tax event', at the base price of redemption;

(iii) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue, if this date is before April 2023, for the bonds issued in 2012, and if this date is before April 2024, for the bonds issued in 2013, in the case of a 'regulatory event', at the higher of the base price of redemption and the Make-whole amount.

(iv) the Bank may, at its option, redeem the bonds in whole but not in part, after five years from the date of issue as long as it is before June 2024 for the bonds issued in 2014, on the occurrence of a 'regulatory event' at the base redemption price.

The bonds issued in October 2009 require that the Bank suspend the semiannual payments of interest on those securities issued (which will not be due or accrued) if:

(i) the Bank is not in compliance or the payment of such charges will mean that the Bank is not in compliance with the minimum capital adequacy levels, operating limits or financial indicators required by Brazilian regulations applicable to banks;

(ii) BACEN or the regulatory authorities determine the suspension of payment of such charges;

(iii) any event of insolvency or bankruptcy occurs;

(iv) a default occurs; or

(v) the Bank has not distributed dividends or interest on own equity to common shareholders for the period of calculation of such interest.

f) Debentures

R$ thousand

Company	Remuneration p.a.	Funding date	Maturity	Dec 31, 2014	Dec 31, 2013
Ativos S.A.	CDI + 1.50%	03/2010	03/2014	-	7,570

g) Other liabilities

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Borrowings	162,084	554,792
Import financing	25,613	55,902
Total	**187,697**	**610,694**

h) Long-term liabilities, by period of enforceability

R$ thousand

	2015	2016	2017	2018	2019	After 2019	Without maturity	Total
Onlendings	33,760,702	13,477,249	9,680,776	6,826,275	5,267,968	20,144,373	-	89,157,344
Subordinated debts	4,110,613	1,618,598	2,951,225	6,248,995	26,427,319	13,174,222	-	54,530,972
Liabilities from issuance of securities	50,483,690	3,371,784	1,881,065	2,742,679	81,492,987	7,273,386	-	147,245,591
Financial and development funds	6,629,365	842,207	842,207	842,207	842,207	842,207	-	10,840,398
Perpetual bonds	368,814	-	-	-	-	-	20,549,316	20,918,130
Debentures	-	-	-	-	-	-	-	-
Other	31,283	31,283	31,283	31,283	31,283	31,283	-	187,697
Total	**95,384,467**	**19,341,121**	**15,386,555**	**16,691,439**	**114,061,763**	**41,465,471**	**20,549,316**	**322,880,132**

34 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Contingent assets

Contingent assets are not recognized in the consolidated financial statements.

Labor lawsuits

The Bank is a party to labor lawsuits mainly filed by former employees or trade unions of the banking industry. Provisions for probable losses represent various claimed requests, such as: compensation; overtime; distortion of the working day; additional functions and representation; and others.

Tax lawsuits

In inspections conducted by the tax authorities the Bank is subject to tax inquiries, which may eventually lead to tax notices, related to: composition of the calculation basis for income tax/social contribution (principally around the deductibility of items) and discussion regarding the incidence of other taxes, when certain events occur. Most actions from the assessments relate to Imposto sobre Serviço de Qualquer Natureza (ISSQN), income tax, social contribution, Social Integration Program (PIS), Contribution to Social Security Financing (COFINS), Tax on Financial Transactions (IOF), and Employer Social Security Contributions. As a guarantee for some of them, collateral has been pledged in cash, bonds, real estate or judicial deposits when necessary.

Program for cash or installment payment of Federal taxes – Refis

In November 2013, Banco do Brasil and its subsidiaries adhered to the tax liability cash or installment payment program (Refis), with amnesty for the settlement of tax liabilities managed by the Brazilian Federal Revenue Service (RFB) and the Office of the General Counsel to the National Treasury (PGFN), set forth by law in 2013, related to the Contribution to the Social Integration Program and Civil Service Asset Formation Program (PIS/PASEP) and the Contribution to Social Security Financing (Cofins) due by financial institutions and insurance companies.

The main lawsuits included in these programs refer to the following issues: (i) requesting the calculation and payment of PIS/PASEP and Cofins, based on the effective revenue, according to law of 1991, in order to avoid the unconstitutional expansion of the tax base required by law in 1998; (ii) CSLL – Deductibility of CSLL from the IRPJ tax base since this contribution represents an effective, necessary and mandatory expense to the Company; and (iii) IRRF – Withholding income tax on allowances paid under collective bargaining agreement relating to the period 1996/1997.

The net result from adhesion to the programs is calculated as shown below. The Bank did not use tax losses or negative bases of Social Contribution to settle interest on the debits of the program.

R$ thousand

Net result – Refis	2013
The Bank and its Subsidiaries	**247,814**
Other operating expenses (Note 12)	(37,196)
Income tax and Social Contribution (Note 35.b)	289,168
Attributable to non-controlling interests	(4,158)
Equity method investments	**339,229**
Banco Votorantim	214,700
BB Mapfre SH1 Participações S.A.	52,596
Mapfre BB SH2 Participações S.A.	71,933
Total	**587,043**

Civil lawsuits

Civil lawsuits consist mainly of: complaints of customers and users of our network asking for material and moral damages indemnity related to banking products and services; and Economic Plans.

The indemnities for material and moral damages are based on consumer protection laws and are generally settled in Special Civil Courts, whose value is limited to forty times the minimum wage. As of December 31, 2014, the minimum wage was R$ 724.

The Bank is a defendant in proceedings seeking the payment of the difference between the actual inflation rate and the inflation rate used for the adjustment of financial investments during the period of economic plans in the late 1980's and early 1990's, known as the Bresser Plan, the Verão Plan and the Collor Plans I and II (or, together, the Economic Plans).

Although the Bank complied with the laws and regulations in place at the time, these lawsuits have been recorded in provisions, taking into consideration the claims where the Bank is the defendant and the outcome of loss is judged to be probable, which is determined after an analysis of each claim, based on the current decision of the Superior Court of Justice (STJ). Regarding disputes relating to the economic plans, the Federal Supreme Court (STF) suspended the prosecution of all cases following the cognizance phase, until the Court issues a definitive pronouncement on the litigation at hand.

a) Provisions

In accordance with IAS 37, the Bank recognizes provisions for labor, civil and tax lawsuits classified as "probable".

Changes in the provision for labor, tax and civil lawsuits

R$ thousand

	2014	2013
Labor lawsuits		
Initial balance	**2,857,960**	**2,377,072**
Addition	880,471	1,079,580
Reversal [1]	(1,114,143)	(108,328)
Write off	(888,951)	(799,200)
Business combination adjustments	28,982	28,982
Inflation adjustments	306,248	279,854
Closing balance	**2,070,567**	**2,857,960**
Tax lawsuits		
Initial balance	**221,746**	**164,471**
Addition	126,220	82,018
Reversal	(127,345)	(25,137)
Write off	(20,963)	(7,772)
Inflation adjustments	6,857	8,166
Closing balance	**206,515**	**221,746**
Civil lawsuits		
Initial balance	**4,406,835**	**3,801,617**
Addition [2]	3,474,594	3,911,049
Reversal [2]	(1,715,869)	(2,966,156)
Write off	(980,188)	(601,960)
Business combination adjustments	36,866	36,866
Inflation adjustments	173,392	225,419
Closing balance	**5,395,630**	**4,406,835**
Total labor, tax and civil lawsuits	**7,672,712**	**7,486,541**

(1) In 2014, the observed variation in the reversal of labor lawsuits was driven by the implementation of a new calculation of provision methodology, which provided a better adequacy of the volumes provisioned to the risk estimated by the Bank.

(2) In 2014, the observed variations in the volume of addition and reversal of civil lawsuits were impacted by the revision in the calculation of provision methodology, which generated addition in some loss events and reversal in other loss events. In 2013, the observed variations in the volume of civil lawsuit provisions was driven primarily by the following events: (i) adjustments referred to changes in the calculation of provision methodology; (ii) implementation of a new lawsuit management system; and (iii) further provisions of R$ 1,267 million related to the economic plans disputes.

Expected outflows of economic benefits

R$ thousand

	Labor lawsuits	Tax lawsuits	Civil lawsuits
Up to 5 years	2,009,643	111,156	4,385,708
More than 5 years and up to 10 years	60,846	72,087	986,696
Over 10 years	78	23,272	23,226
Total	**2,070,567**	**206,515**	**5,395,630**

Given the uncertainties regarding the duration of the proceedings, and the possibilities of changes in recurrent court decisions, the expected outflows of economic benefits have been estimated based on the best available information.

b) Contingent liabilities

The labor, tax and civil lawsuits classified as "possible" are not recorded in the consolidated balance sheet but disclosed based on IAS 37.

Balances of contingent liabilities

The amounts disclosed in the chart below represent the best estimated value that would be disbursed in the case of an unfavorable judgment. Lawsuits are labeled as possible when the final outcome of the process is unclear but the probability of losing is judged to be less than more-likely-than-not, but more than remote.

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Labor lawsuits	167,371	123,365
Tax lawsuits[1]	10,840,767	8,439,618
Civil lawsuits	3,685,014	4,062,299
Total	**14,693,152**	**12,625,282**

(1) The main contingencies originate from (i) notices of labor infraction by the National Social Security Institute (INSS) claiming payment of contributions on: year-end bonuses paid under the collective agreements in the period from 1995 to 2006, in the amount of R$ 2,462,448 thousand; public transport pay and use of private car by employees of Banco do Brasil, in the amount of R$ 220,474 thousand; and employee profit sharing corresponding to the period from April 2001 to October 2003, in the amount of R$ 67,636 thousand; and (ii) notices of tax assessment drawn by the Treasuries of the Municipalities, which amounts R$ 1,392,894 thousand.

c) Judicial deposits

Deposits in guarantee are amounts of cash held in the Bank or other brazilian official financial institution as a payment or a guarantee of payment concerning condemnations, claims, agreements and other expenses arising from lawsuits. This amount is recorded as other assets in the consolidated balance sheet.

Balances of deposits in guarantee recorded for contingencies

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Labor lawsuits	3,981,305	3,235,045
Tax lawsuits	8,535,656	7,499,915
Civil lawsuits	10,734,672	7,527,442
Total	**23,251,633**	**18,262,402**

35 – INCOME TAX

a) Breakdown of income taxes presented in the Consolidated Statement of Income

R$ thousand

	2014	2013	2012
Current			
Current year	(3,556,158)	(6,538,748)	(5,433,582)
Prior year adjustments	(1,144)	7,231	(6,891)
Total current	**(3,557,302)**	**(6,531,517)**	**(5,440,473)**
Deferred			
Changes in subsidiaries ownership interest – BB Seguridade	-	3,859,369	-
Inflation adjustments of judicial deposits	(310,066)	(236,128)	(243,581)
Actuarial gains	(634,216)	(228,196)	(516,887)
Business combination adjustments	181,691	175,618	191,036
Leasing transactions – portfolio adjustments and accelerated depreciation	59,127	157,873	156,082
Allowance for loan losses	(193,312)	(121,906)	515,052
Deferred tax positions related to fair value adjustments	(138,030)	(34,738)	(69,166)
Income tax and social contribution tax carryforwards	521	374	(794)
Other deferred expenses	2,330,566	1,389,091	1,805,301
Total deferred	**1,296,281**	**4,961,357**	**1,837,043**
Total income taxes	**(2,261,021)**	**(1,570,160)**	**(3,603,430)**

b) Reconciliation of income taxes expense

R$ thousand

	2014	2013	2012
Income before taxes	15,604,517	12,858,994	15,008,747
Income taxes (40%) at the nominal rates	**(6,241,807)**	**(5,143,598)**	**(6,003,499)**
Charges for interest on own capital	1,469,614	1,325,569	1,341,517
Equity in earnings of associates and joint ventures	1,419,269	918,365	235,897
Revenues from the Center-West Financing Fund – FCO	465,165	384,839	375,041
Foreign currency translation adjustments	277,446	332,953	184,300
Tax Recovery Program – REFIS (Note 34)	-	289,168	-
Charges on non-taxable revenues/non-deductible expenses	349,292	322,544	263,314
Income taxes expense	**(2,261,021)**	**(1,570,160)**	**(3,603,430)**
Effective rate	**14.49%**	**12.21%**	**24.01%**

c) Income taxes recorded in shareholders' equity

R$ thousand

	2014	2013	2012
Income taxes expense in the Consolidated Statement of Income	(2,261,021)	(1,570,160)	(3,603,430)
Income taxes over comprehensive income	4,786,655	(752,881)	3,707,955
Income taxes included in other comprehensive income	**2,525,634**	**(2,323,041)**	**104,525**

d) Deferred income taxes presented in the Consolidated Balance Sheet

Liabilities

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Deferred tax liabilities		
From actuarial gains	(504,917)	(4,161,973)
Bargain purchase gains	(917,729)	(917,729)
Positive fair value adjustments of financial assets	(373,935)	(605,783)
Adjustment of the commercial leasing portfolio	(78,900)	(138,161)
Inflation adjustments of judicial deposits	(88,924)	(88,924)
Other	(492,668)	(241,428)
Total	**(2,457,073)**	**(6,153,998)**

Assets

R$ thousand

	Dec 31, 2013	Constitutions	Write-offs	Dec 31, 2014
Deferred tax assets				
Allowance for loan losses	10,824,662	7,405,223	(5,457,831)	12,772,054
Provision for post-employment benefit plans	3,253,990	729,630	(875,788)	3,107,832
Provision for labor, tax and civil lawsuits	2,994,617	671,472	(597,004)	3,069,085
Social contribution tax written to 18% (MP 2,158/2001)	1,458,907	182,337	(364,674)	1,276,570
Business combination	1,119,451	259,005	-	1,378,456
Negative fair value adjustments of financial assets	871,561	3,571,668	(3,642,803)	800,426
Effective interest rate	357,791	174	-	357,965
Income tax and social contribution tax loss carry forwards	237,662	74,994	(81,642)	231,014
Other provisions	835,819	309,749	(583,211)	562,357
Total	**21,954,460**	**13,204,252**	**(11,602,953)**	**23,555,759**

The New York and Miami branches do not recognize some deferred tax asset due to the low probability of realization, according to management's evaluation, in the amount of R$ 731,169 thousand. This amount is composed of R$ 440,714 thousand related to tax losses, R$ 48,199 thousand related to temporary differences and R$ 242,256 thousand related to other items.

e) Expected realization of deferred tax assets

R$ thousand

	Deferred tax assets
In 2015	6,287,476
In 2016	5,577,102
In 2017	5,255,736
In 2018	5,121,694
In 2019	723,071
In 2020	188,282
In 2021	108,049
In 2022	54,917
In 2023	52,571
In 2024	50,532
In 2025	136,329
Total	**23,555,759**

Expected realization of deferred tax assets is supported by a technical study prepared as of December 31, 2014.

During 2014, there was realization of deferred tax assets in the amount of R$ 7,993,660 thousand, corresponding to 123.78% of the forecast amount in the technical study prepared as of December 31, 2013.

36 – SHAREHOLDERS' EQUITY

a) Book value per common share

	Dec 31, 2014	Dec 31, 2013
Shareholders' equity (R$ thousand)	81,784,724	73,192,297
Book value per share (R$) (1)	29.25	26.06
Market value per common share (R$)	23.77	24.40

(1) The book value per share calculation is made by dividing the shareholders' equity by the number of common shares outstanding, excluding treasury shares.

b) Share capital

The share capital, entirely subscribed and paid-in, in the amount of R$ 54,000,000 thousand (the same amount as of December 31, 2013) of Banco do Brasil is divided into 2,865,417,020 book-entry common shares with no par value. The Federal Government is the largest shareholder, holding control of the majority of our voting shares.

The Bank may, even without amending its by-laws, if approved by the Meeting of Shareholders, and in the conditions established therein, increase its share capital up to the limit of R$ 110,000,000 thousand, by issuing common shares, granting shareholders preference for subscribing to the capital increase proportionally to the number of held shares.

c) Instruments qualifying as common equity tier 1 capital (additional equity instrument)

On September 26, 2012, the Bank signed a Loan Agreement with the Federal Government valued at up to R$ 8,100,000 thousand, without maturity date, with fixed remuneration, semi-annual interest payments, whose funds were allocated to finance agribusiness.

Until August 27, 2014, this instrument was authorized by BACEN to be included in the referential equity of Tier I (additional Tier I capital) and it was subject to the limitation set out in article 28 of the Resolution CMN 4,192 dated March 1, 2013.

On August 28, 2014, in the terms of Law 12,793, dated April 2, 2013, an amendment to the contract was signed aiming to make the instrument eligible as common equity Tier I capital, in accordance with article 16 of Resolution CMN 4,192/2013.

After the amendment to the contract, compensation became fully variable and the interest is due on periods matching the fiscal year of the Bank – starting on January 1 and ending on December 31 of each year. Remuneration for each fiscal year will be paid in a single annual installment adjusted by the Selic rate until the date of effective payment, within 30 calendar days after making the payment of dividends for the result recorded in the fiscal year.

The payment of compensation will be made exclusively with funds from profits and profit reserves that may be distributed as at the year-end prior to the calculation date. Payment is ultimately at management's discretion and there will not be cumulative unpaid interest - if payment or dividend credit are not made (including in the form of interest on own capital) before December 31 of the following fiscal year, the accrued amounts will no longer be due.

If the balance of retained earnings, of profit reserves, including legal reserve, and of the Bank's capital reserve are insufficient to absorb losses calculated in the closing balance of the fiscal year, this instrument will not be remunerated and the Bank will use the accrued interest and the principal balance, in this order, up to the amount necessary to offset the remaining losses, effectively constituting a pay down of the instrument.

The instrument does not have maturity date and it can be payable only in situations of the dissolution of the Bank or in repurchase operations authorized by BACEN. In case of dissolution of the Bank, the payment of the principal and the debt charges will be subordinated to the payment of other liabilities.

There will not be, under any circumstances, preferred compensation of the instrument, including relating to other equity elements classified in the Reference Equity.

On September 22, 2014, BACEN formally approved the instrument qualifying as common equity Tier I capital in the form of CMN Resolution 4,192/2013 from August 28, 2014.

d) Capital reserves

The capital reserves, in the amount of R$ 5,602,650 thousand (R$ 5,597,900 thousand as of December 31, 2013), primarily relate to changes in ownership interest in BB Seguridade, resulting from the Initial Public Offering, and also to the ownership interest increase in Banco Patagonia, resulting from the Mandatory Share Acquisition Public Offering.

e) Profit reserves

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Profit reserves	**26,625,511**	**19,972,166**
Legal reserve	5,468,217	4,902,575
Statutory reserves	21,157,294	15,069,591
Operating margin	16,946,706	10,802,484
Equalization of dividends	4,210,588	4,267,107

The legal reserve has the purpose of ensuring the integrity of capital and may only be used to offset losses or increase the capital. Five percent (5%) of net income, before any other allocation, will be transferred to the legal reserve, which shall not exceed twenty percent (20%) of the capital.

The statutory reserve for operating margin aims to guarantee an operating margin consistent with the development of the Bank's operations and consists of up to 100% of net income, after the legal allocations, including dividends, and is limited to 80% of the capital.

The statutory reserve for dividend equalization provides funds for the payment of dividends. The reserve consisting of up to 50% of net income, after the legal allocations, including dividends, and is limited to 20% of the capital.

f) Accumulated other comprehensive income (loss)

Accumulated other comprehensive income (loss) refers to: the fair value adjustments of the available-for-sale financial assets; the net effect of hedge operations; the foreign investments translation adjustments; and the actuarial valuation of pension plans. The Bank recognized in accumulated other comprehensive income (loss) all exchange differences resulting from converting the results of entities whose functional currency is different from the presentation currency of the Bank.

g) Unallocated retained earnings

Net income determined according to accounting practices adopted in Brazil is totally distributed in the form of dividends and interest on own capital or allocated to the formation of profit reserves. Hence the amount presented in this account, in these financial statements prepared in accordance with IFRS, mainly represents the effect of the differences between accounting practices adopted in Brazil and IFRS.

h) Interest on own capital/dividends

	Amount (R$ thousand)	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2014				
Dividends	227,611	0.081	05.19.2014	05.30.2014
Interest on own capital	882,332	0.315	03.11.2014	03.31.2014
2nd quarter/2014				
Dividends	216,417	0.077	08.19.2014	08.29.2014
Interest on own capital	899,716	0.321	06.11.2014	06.30.2014
3rd quarter/2014				
Dividends	155,816	0.056	11.14.2014	11.28.2014
Interest on own capital	941,310	0.337	09.11.2014	09.30.2014
4th quarter/2014				
Dividends	251,260	0.090	02.19.2015	02.27.2015
Interest on own capital	950,678	0.340	12.11.2014	12.30.2014
Total allocated to the shareholders in 2014	**4,525,140**	**1.617**		
Dividends	851,104	0.304		
Interest on own capital (1)	3,674,036	1.313		
Net income for the period (2)	11,312,852			

(1) Amounts subject to the rate of 15% Income Tax Withholding.
(2) Net income determined according to accounting practices adopted by financial institutions in Brazil.

	Amount (R$ thousand)	Amount per share (R$)	Base date of payment	Payment date
1st quarter/2013				
Dividends	279,429	0.098	05.21.2013	05.31.2013
Interest on own capital	753,777	0.265	03.11.2013	03.28.2013
2nd quarter/2013				
Dividends	2,177,881	0.767	08.22.2013	08.30.2013
Interest on own capital	802,241	0.283	06.11.2013	06.28.2013
3rd quarter/2013				
Dividends	187,733	0.067	11.21.2013	11.29.2013
Interest on own capital	886,279	0.314	09.11.2013	09.30.2013
4th quarter/2013				
Dividends	365,182	0.130	02.13.2014	02.24.2014
Interest on own capital	871,626	0.310	12.11.2013	12.30.2013
Total allocated to the shareholders in 2013	**6,324,148**	**2.234**		
Dividends	3,010,225	1.062		
Interest on own capital (1)	3,313,923	1.172		
Net income for the period (2)	15,810,371			

(1) Amounts subject to the rate of 15% Income Tax Withholding.
(2) Net income determined according to accounting practices adopted by financial institutions in Brazil.

In accordance with Brazilian laws and the Bank's Bylaws, Management decided on the payment of interest on own capital to its shareholders, imputed to the value of dividends, plus additional dividends, equivalent to 40% of the net income determined according to accounting practices adopted by financial institutions in Brazil.

The interest on own capital is calculated on a *pro rata* daily basis based on adjusted net equity accounts and the long-term interest rate (TJLP), as long as there is profit computed before its deduction or reserve for retained earnings and profit reserves at least twice its amount.

To comply with the Income Tax legislation, the amount of interest on own capital was recorded in profit or loss as an allowable deduction and, for disclosure purposes, reclassified to "Unallocated retained earnings". The total interest on own capital in 2014 provided a reduction on income tax expenses totaling R$ 1,469,614 thousand (R$ 1,325,569 thousand in 2013).

i) Shareholdings (number of shares)

Changes in the number of shares held by the Bank's shareholders, directly or indirectly, of more than 5%, by the Board of Directors, members of the Executive Committee and Audit Committee are as follows:

Shareholders	Dec 31, 2014		Dec 31, 2013	
	Shares	% Total	Shares	% Total
Federal Government	1,659,005,282	57.9	1,670,678,890	58.3
Ministério da Fazenda	1,453,487,115	50.7	1,453,487,115	50.7
Fundo Fiscal de Investimento e Estabilização	110,650,000	3.9	110,650,000	3.9
Caixa F1 Garantia Construção Naval	87,368,167	3.0	98,145,267	3.4
Fundo Garantidor para Investimentos	7,500,000	0.3	7,500,000	0.3
FGO Fundo de Investimento em Ações	-	-	896,508	-
Caixa de Previdência dos Funcionários do Banco do Brasil – Previ	297,387,714	10.4	298,792,014	10.4
BNDES Participações S.A. – BNDESPar (1)	-	-	5,522,648	0.2
Treasury shares (2)	68,881,576	2.4	56,702,328	2.0
Other shareholders	840,142,448	29.3	833,721,140	29.1
Total	**2,865,417,020**	**100.0**	**2,865,417,020**	**100.0**

(1) Related to the controller shareholder, but not part of the control block.
(2) On December 31, 2014 includes 29,138 shares of the Bank held by BB DTVM (12,680 shares on December 31, 2013).

	Common shares (ON)	
	Dec 31, 2014	Dec 31, 2013
Board of Directors (except for the Bank's CEO)	10,007	7
Executive Committee (includes the Bank's CEO)	112,867	99,908
Fiscal Council	1,176	-
Audit Committee	75	75

j) Quantity of issued shares and quantity of shares in the market (free float)

	Quantity of shares	
	Common shares	Treasury shares
Balance on Dec 31, 2013	**2,865,417,020**	**56,702,328**
Movements	-	12,179,248
Balance on Dec 31, 2014	**2,865,417,020**	**68,881,576**

	Dec 31, 2014		Dec 31, 2013	
	Amount	%	Amount	%
Free float at beginning of period	**833,621,216**	**29.1**	**848,930,393**	**29.6**
Disposal of shares by Caixa F1 Garantia Construção Naval	10,777,100		7,518,300	
Disposal of shares by BNDESPar	5,522,648		-	
Disposal / (Acquisition) of shares by Previ	1,404,300		(1,268,700)	
Disposal of shares by FGO – Fundo de Investimento em Ações	896,508		8,570,300	
Disposal of shares by FGEDUC – Investimento Multimercado	-		6,360,290	
Acquisition of shares – repurchase program	(12,311,300)		(36,277,300)	
Acquisition of shares – share-based payment	-		(224,981)	
Other changes [1]	109,093		12,914	
Free float at the end of period [2]	**840,019,565**	**29.3**	**833,621,216**	**29.1**

(1) Refers mainly to changes arising from Technical and Advisory Bodies.
(2) Does not include any shares held by the Board of Directors and Executive committee.

k) Treasury shares

On June 13, 2013, the Board of Directors approved the Repurchase Program of up to 50 million shares, under the same conditions of the previous program, however, valid for up to 365 days from that date. This program finished in June 6, 2014, and 43,126,700 shares were acquired, amounting to R$ 1,014,504 thousand, minimum, average and maximum cost per share are respectively R$ 18.84, R$ 23.52 and R$ 28.67. Shares acquired under this program, in the amount of 353,588 shares were used for the variable compensation program.

On June 06, 2014, the Board of Directors approved the repurchase program of up to 50 million shares, under the same conditions of the previous program. Until December 31, 2014, 5,461,900 shares had been acquired in the amount of R$ 142,769 thousand, with minimum, average and maximum cost per share of respectively R$ 24.80, R$ 26.14 and R$ 29.27.

On December 31, 2014, the Bank had 68,881,576 treasury shares, amounting to R$ 1,621,507 thousand, of which 68,410,254 shares resulted from repurchase programs, 471,290 shares resulted from acquisitions for share-based payment and 32 shares remain from mergers.

l) Share-Based Payment

2011 Program

In February 2012, 130,146 shares were purchased at an average cost per share of R$ 27.61, all placed in treasury. On March 8, 2012, 130,131 shares were transferred to the members of the Executive Commitee and blocked for trading, with vesting (i.e. release from trading restrictions) in three equal annual installments. The first and second annual installments were released on March 08, 2013 and March 10, 2014, respectively. The third installment of 43,361 shares will be released on March 09, 2015, if all transfer restrictions are met.

2012 Program

The 2012 Program was developed under the CMN Resolution 3,921 as of November 25, 2010, which describes the remuneration policy for financial institutions executives and establishes that at least 50% of variable remuneration shall be paid in shares or share-based instruments, of which at least 40% should be deferred for future payment, with a minimum period of three years, consistent with the institution's risk management policies.

The Bank and BB DTVM (BB Gestão de Recursos – Distribuidora de Títulos e Valores Mobiliários S.A.) purchased 232,093 shares for payment of variable remuneration at the average cost of R$ 26.78 per share. The Bank purchased 212,301 shares, all of which were placed in treasury for eventual future payment. Of these, 53,108 shares were transferred on March 10, 2014 and the other shares were deferred for future transfer, as scheduled below, if all transfer restrictions are met.

Share-based Payment - Estimated schedule for transfer	Number of shares	Scheduled Date
First installment	53,064	03.11.2015
Second installment	53,064	03.10.2016
Third installment	53,065	03.10.2017
Total	**159,193**	

In attendance of the variable remuneration policy defined for the Executive Board of BB DTVM, 19,792 shares were acquired by BB DTVM, of which 10,282 shares were transferred to the members of Executive Committee and blocked for trading (3,170 shares in 2014). The other 9,510 shares were deferred for future transfer, in annual installments, beginning in 2015, if all transfer restrictions are met.

2013 Program

The Bank has indicated 353,588 treasury shares with an average cost of R$ 23.31 per share, as belonging to the variable remuneration program. From these treasury shares, 70,812 shares were initially transferred and the remaining shares were deferred for future transfer, consistent with the institution's risk management policies. The schedule below summarizes the future transfers for beneficiaries if all transfer restrictions are met.

Share-based Payment - Estimated schedule for transfer	Number of shares	Scheduled Date
First installment	70,694	03.11.2015
Second installment	70,694	03.11.2016
Third installment	70,694	03.13.2017
Fourth installment	70,694	03.12.2018
Total	**282,776**	

In attendance of the variable remuneration policy defined for the Executive Board of BB DTVM, 24,546 shares were acquired by BB DTVM, the average cost of R$ 23.83, of which 4,918 shares were transferred and the other shares deferred for future transfer, in 4 annual installments, beginning in 2015 if all transfer restrictions are met.

37 – EARNINGS PER SHARE

	2014	2013	2012
Net income attributable to shareholders of the Bank (in R$ thousand)	11,853,096	10,438,066	11,245,922
Weighted average of ordinary and dilutive potencial ordinary shares outstanding	2,800,275,232	2,834,080,029	2,861,260,055
Earnings per share – basic and diluted (in R$)	4.23	3.68	3.93

The **basic earnings per share** is calculated by dividing net income attributable to shareholders of the Bank by the weighted average number of common shares outstanding in each of the periods presented.

The **diluted earnings per share** is calculated by dividing net income attributable to shareholders of the Bank by the weighted average number of common shares outstanding, including the effect of all dilutive potential ordinary shares.

The Bank has no option, bonus of subscription or its equivalents which provide their holder the right to acquire shares. Thus, the basic and diluted earnings per share are equal.

38 – FAIR VALUE OF FINANCIAL INSTRUMENTS

R$ thousand

	Dec 31, 2014		Dec 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets				
Cash and bank deposits	13,337,180	13,337,180	11,386,337	11,386,337
Compulsory deposits with central banks	63,224,237	63,224,237	90,682,209	90,682,209
Loans to financial institutions net of allowance	57,808,321	56,801,142	65,119,694	63,649,951
Securities purchased under resale agreements	263,325,089	263,286,130	183,390,984	183,334,231
Financial assets at fair value through profit or loss	12,441,262	12,441,262	18,991,047	18,991,047
Financial assets available for sale	93,803,982	93,803,982	90,385,074	90,385,074
Financial assets held to maturity	359,875	189,482	643,283	512,725
Loans to customers net of allowance	631,633,295	625,182,968	564,766,606	565,876,719
Liabilities				
Deposits of clients	437,821,753	438,819,463	461,425,409	461,436,131
Amounts payable to financial institutions	30,675,249	25,366,694	26,169,057	26,245,888
Financial liabilities at fair value through profit or loss	2,995,367	2,995,367	3,433,119	3,433,119
Securities sold under repurchase agreements	293,920,434	292,693,591	223,917,139	223,335,833
Short-term liabilities	20,327,943	18,563,191	15,190,210	15,200,013
Long-term liabilities	322,880,132	326,589,061	272,036,056	273,881,452

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. If a price quoted in an active market is available for a financial instrument, its fair value is calculated based upon that price. In the absence of an active market for a financial instrument, its fair value is calculated using an estimate, aiming at a fair and equitable valuation of financial instruments.

Measurement methods used for estimating fair value of different types of financial instruments are as follows:

a) Cash and bank deposits

Carrying amounts shown in the consolidated balance sheet under "cash and bank deposits" relate to high liquidity assets. Thus, the carrying amount substantially represents the fair value.

b) Compulsory deposits with central banks

The carrying amounts presented in the consolidated balance sheet in the group of "compulsory deposits with central banks" are approximately equivalent to their fair values.

c) Loans to financial institutions and securities purchased under resale agreements

The fair value of loans to financial institutions and investments in repurchase agreements with prefixed rates is determined through the discounting of estimated cash flows using interest rates equivalent to current contracting rates for similar instruments. There are similar assets for these on the market and the information used to calculate the fair value (funding interest rates) can be compared to the rates used in similar operations carried out by other institutions in the financial market. For variable rate instruments, carrying amounts are deemed approximately equivalent to fair value.

Being transactions backed by securities, the pricing of repurchase agreements does not consider any credit risk measurement in its fair value.

d) Financial assets and liabilities at fair value through profit or loss, financial assets available for sale and financial assets held to maturity

These accounts are composed mostly of debt and equity instruments and derivatives. Considering the definition of fair value presented previously, if there is no price quoted in an active market available for a financial instrument and

if it is not possible to identify recent transactions with a similar financial instrument, the Bank defines the fair value of financial instruments based on assessment methodologies commonly used in the market such as the present value method obtained from discounted cash flows (for swaps, futures and currency forwards) and the Black-Scholes model (for options).

In accordance with the present value method, the expected future cash flows are estimated based on the instruments' rate of return and discounted to present value considering terms and yield curves.

The yield curves considered depends on the type of asset, for example: For securities whose profitability is tied to the IPCA, the IPCA curve is used plus the practiced spread on the fair value date.

The Black-Scholes model is used to evaluate European options. The option price can be measured from a 'closed-form' solution to the Black-Scholes equation and the input variables are directly observable in the market.

The Bank has chosen this model without dividends payment to obtain both the options premium and the volatility surfaces, since it is widely used by the market and also by the stock exchanges for the daily settlement amounts for European options. In call options that will be used to obtain the volatility surface, there is equivalence between American and European models, which allows the use of the model mentioned even in the case of American type call options.

The primary sources used for the inputs for each class of financial assets are as follows: public securities (Anbima/Bacen), private securities (BM&FBovespa, SND – National System of Debentures, Anbima and Cetip) and derivatives (BM&FBovespa, Broadcast and Reuters).

Alternative sources of information (secondary sources) are used when information from primary sources is unavailable, in a situation of a systemic crisis, when there is a lack of liquidity for certain assets or classes of assets, and in case of significant differences among information given by market providers. As an alternative source, the Bank uses Bloomberg. Additionally, in situations of critical missing information, estimates are made using prior day information from primary sources.

e) Loans to customers

The fair value is estimated for groups of similar loans to customers based on the type of loan, quality of credit and maturity. The future cash flows of loans to customers are calculated based on contractual interest rates and payment dates, while the fair value of loans to customers is determined by discounting these cash flows using interest rates equivalent to the contract rates for loans of similar type, quality and maturity as at the date of the valuation.

The credit risk spread is calculated by a methodology based on the expected loss index called IPP. In addition to loss indices and severity observed in various credit lines, this methodology also considers customer information at the time of contracting the operation, such as the business segment to which the customer pertains and credit risk assigned to him.

There are similar assets for these on the market and the information used to calculate the fair value (interest rates) can be compared to the rates used in similar operations carried out by other institutions in the financial market. These rates include all costs and risks, including credit risk, for example: financial funding, administrative costs, taxes, credit losses and financial institution gain. It is based on Level 2 information, specifically interest rates and observed yield curves in commonly quoted intervals. These rates include all costs and risks inherent to the transaction.

There is a group of revolving credit operations (e.g., overdraft and revolving credit cards) for which the carrying amounts approximate the respective fair values. This group is composed of revolving credit operations whose terms do not exceed one month.

f) Deposits of clients

The fair value of the fixed rate deposits with pre-established maturities is calculated through the discounting of the contractual cash flows using interest rates currently offered in the market for instruments with similar maturity periods.

There are similar liabilities for these on the market and the information used to calculate the fair value (funding interest rates) can be compared to the rates used in similar operations carried out by other institutions in the financial market. These rates include all costs and risks, for example: financial opportunity cost, administrative costs, taxes and financial institution gain.

For variable rate deposits and those with maturities of up to 30 days, the carrying amount is considered approximately equivalent to the fair value.

g) Securities sold under repurchase agreements

The fair value of "securities sold under repurchase agreements" with fixed interest rates is determined through discounted cash flows using interest rates equivalent to the current rates for similar instruments.

There are similar liabilities for these on the market and the information used to calculate the fair value (funding interest rates) can be compared to the rates used in similar operations carried out by other institutions in the financial market.

For variable rate securities sold under repurchase agreements, carrying amounts are deemed approximately equivalent to the fair value.

Being transactions backed by securities, the pricing of repurchase agreements does not consider any credit risk measurement in its fair value.

h) Short-term liabilities

The fair value of short-term liabilities are calculated by means of discounting cash flows using interest rates offered in the market for liabilities with similar contractual terms, maturities, and risks.

i) Long-term liabilities

The fair value of long-term liabilities are calculated based on discounted cash flows, which takes into account the interest rates offered in the market for liabilities with similar contractual terms, maturities, and risks.

j) Level of information regarding financial assets and liabilities

According to the level of inputs in the measurement at fair value, the assessment techniques used by the Bank are as follows:

Level 1 – Prices quoted are used in active markets for identical financial instruments. A financial instrument is considered quoted in an active market if the quoted prices are readily and regularly available and these prices represent real market transactions which occur regularly on an arm's length basis.

Level 2 – Available information other than Level 1 is used, including the prices quoted in non-active markets for similar assets and liabilities, or that can be corroborated by information observed in the market to support the assessment of the assets and liabilities.

Level 3 – Information that is not available in the market is used in the definition of the fair value. If the market for the financial instrument is not active, the entity establishes the fair value using the valuation technique which takes into account internal data that is consistent with the economic methodologies accepted for pricing of financial instruments.

The Bank primarily uses values obtained directly from active markets, and, if there is no data available, uses values obtained though market reference or, as a final option, models that consider similar assets. The productive process of generating fair value of financial assets is evaluated on a daily bases, verifying the existence or non-existence of transacted market prices for the assets in the Bank's portfolio.

In reference to the policy of transfers between levels for each financial instrument, the market liquidity is analyzed and the type of measurement at fair value is defined (in this case, mark to market or model). The policy on the recognition time of transfers is the same for transfers into and out of levels.

The model defined for private securities mark to market or mark to model value is applied following a hierarchy of market data, and all these instruments have their evaluation method defined each day.

If a private security has registered trades on a specific day, the close price will be used as the mark-to-market price. If on the same day the private security doesn´t have registered trades, and there is an indicative price released by Anbima, this price is utilized.

If neither trades nor indicative prices are released on a given day, we check if the security was negotiated within the last 30 days. If negotiated within the timeframe, the model used is based on the mathematical relationship between the last price negotiated and the accrued value for the security on the first day we can observe market volumes.

If there were no trades within the past 30 days, as mentioned above, a rating grouping criteria is used. This criterion is split into two other criteria, as demonstrated and applied in the order below:

1st criterion – If the instrument´s rating credit curve is released by Anbima, we use the spreads of this curve to obtain the theoretical present value.

2nd criterion – If the instrument´s rating credit curve is not released by Anbima, we use a linear regression that is calculated using a 30 day panel of indicative prices and interest rates released by Anbima. The explanatory variables used to calculate the regression are the following: securities rating, securities duration and indicative rates.

The Bank is always aiming to be more conservative on its use of mark-to-market values, thus our figures, obtained both by market prices or mathematical models are compared to prices obtained using our credit spread calculated by the Credit Department, and the smallest price obtained is utilized.

In other words, the criteria mentioned above (market prices, indicative prices, historical mathematical relationships and the rating aggregation model), which are all market based data, may result in higher prices being utilized rather than the ones obtained using our calculated credit spread.

In the latest period presented, there were no movements between the levels reported in the hierarchy levels table.

R$ thousand

	Dec 31, 2014	Distribution by level		
		Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value in the balance sheet on a recurring basis				
Assets	**106,245,244**	**55,771,111**	**50,474,133**	**-**
Financial assets at fair value through profit or loss	**12,441,262**	**9,153,265**	**3,287,997**	**-**
Debt and equity instruments	**10,947,947**	**9,153,265**	**1,794,682**	**-**
Government bonds	10,410,219	8,929,939	1,480,280	-
Corporate bonds	537,728	223,326	314,402	-
Derivatives	**1,493,315**	**-**	**1,493,315**	**-**
Swaps	846,297	-	846,297	-
Forward operations	576,996	-	576,996	-
Options	61	-	61	-
Other derivative financial instruments	69,961	-	69,961	-
Financial assets available for sale	**93,803,982**	**46,617,846**	**47,186,136**	**-**
Government bonds	46,061,393	45,366,536	694,857	-
Corporate bonds	47,742,589	1,251,310	46,491,279	-
Liabilities	**2,995,367**	**-**	**2,995,367**	**-**
Financial liabilities at fair value through profit or loss	**2,995,367**	**-**	**2,995,367**	**-**
Debt instruments	345,183	-	345,183	-
Derivatives	**2,650,184**	**-**	**2,650,184**	**-**
Swaps	879,991	-	879,991	-
Forward operations	136,005	-	136,005	-
Options	1,407,944	-	1,407,944	-
Other derivative financial instruments	226,244	-	226,244	-
Financial assets and liabilities not measured at fair value in the balance sheet				
Assets	**945,459,722**	**-**	**945,459,722**	**-**
Loans to financial institutions net of allowance	56,801,142	-	56,801,142	-
Securities purchased under resale agreements	263,286,130	-	263,286,130	-
Financial assets held to maturity	189,482	-	189,482	-
Loans to customers net of allowance	625,182,968	-	625,182,968	-
Liabilities	**1,102,032,000**	**-**	**1,102,032,000**	**-**
Deposits of clients	438,819,463	-	438,819,463	-
Amounts payable to financial institutions	25,366,694	-	25,366,694	-
Securities sold under repurchase agreements	292,693,591	-	292,693,591	-
Short-term liabilities	18,563,191	-	18,563,191	-
Long-term liabilities	326,589,061	-	326,589,061	-

R$ thousand

	Dec 31, 2013	Distribution by level		
		Level 1	Level 2	Level 3
Financial assets and liabilities measured at fair value in the balance sheet on a recurring basis				
Assets	**109,376,121**	**60,175,496**	**49,200,625**	**-**
Financial assets at fair value through profit or loss	**18,991,047**	**16,176,915**	**2,814,132**	**-**
Debt and equity instruments	**18,006,368**	**16,176,915**	**1,829,453**	**-**
Government bonds	16,514,763	16,029,372	485,391	-
Corporate bonds	1,491,605	147,543	1,344,062	-
Derivatives	**984,679**	**-**	**984,679**	**-**
Swaps	692,410	-	692,410	-
Forward operations	259,062	-	259,062	-
Options	1,452	-	1,452	-
Other derivative financial instruments	31,755	-	31,755	-
Financial assets available for sale	**90,385,074**	**43,998,581**	**46,386,493**	**-**
Government bonds	43,978,538	43,296,046	682,492	-
Corporate bonds	46,406,536	702,535	45,704,001	-
Liabilities	**3,433,119**	**-**	**3,433,119**	**-**
Financial liabilities at fair value through profit or loss	**3,433,119**	**-**	**3,433,119**	**-**
Debt instruments	342,150	-	342,150	-
Derivatives	**3,090,969**	**-**	**3,090,969**	**-**
Swaps	573,243	-	573,243	-
Forward operations	148,000	-	148,000	-
Options	2,274,673	-	2,274,673	-
Other derivative financial instruments	95,053	-	95,053	-
Financial assets and liabilities not measured at fair value in the balance sheet				
Assets	**813,373,626**	**217,582**	**813,156,044**	**-**
Loans to financial institutions net of allowance	63,649,951	-	63,649,951	-
Securities purchased under resale agreements	183,334,231	-	183,334,231	-
Financial assets held to maturity	512,725	217,582	295,143	-
Loans to customers net of allowance	565,876,719	-	565,876,719	-
Liabilities	**1,000,099,317**	**-**	**1,000,099,317**	**-**
Deposits of clients	461,436,131	-	461,436,131	-
Amounts payable to financial institutions	26,245,888	-	26,245,888	-
Securities sold under repurchase agreements	223,335,833	-	223,335,833	-
Short-term liabilities	15,200,013	-	15,200,013	-
Long-term liabilities	273,881,452	-	273,881,452	-

39 – DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments that meets all of the following requirements: (i) their value change due to changes in an underlying variable (exchange rate, interest rate, price index, price of a commodity etc); (ii) it requires no initial payout or the initial payout is less than would be required for other types of contracts, when it would be expected to have a similar response to changes in markets factors; and (iii) the financial instrument is settled at a future date.

Derivatives held or maintained by the Bank are essentially for trading purpose, most related to demand for their customers. The Bank may also take positions with expectation of profit, taking into account favorable changes in prices, rates or index.

The following tables demonstrates the composition of derivatives portfolio by type of risk with their notional values, as well as their respective market values and the composition of the portfolio of derivatives by maturity of their notional values.

a) Breakdown of the portfolio of derivatives for trading per type of risk.

R$ thousand

	Dec 31, 2014	Dec 31, 2013
	Notional amount	Notional amount
Futures contracts		
Purchase commitments	**3,867,780**	**3,598,210**
Currency risk	2,820,606	3,304,942
Interest rate risk	1,040,374	135,893
Other risks	6,800	157,375
Commitments to sell	**9,453,414**	**11,280,667**
Interest rate risk	8,952,722	8,323,242
Currency risk	403,338	417,955
Other risks	97,354	2,539,470

Futures contracts are contractual arrangements between two parties who agree to buy or sell a financial instrument at a fixed price at a future date. These contracts are standardized and only traded on stock exchange according to specific rules. Contracts are adjusted to market value daily and are subject to margin deposits in cash on the stock exchange to guarantee the transactions.

R$ thousand

	Dec 31, 2014		Dec 31, 2013	
	Notional amount	Fair value	Notional amount	Fair value
Forward operations				
Asset position	**10,155,637**	**576,996**	**7,180,478**	**259,062**
Currency risk	10,076,826	538,002	7,171,743	256,971
Interest rate risk	22,497	22,497	-	-
Other risks	56,314	16,497	8,735	2,091
Liability position	**5,333,561**	**(136,005)**	**5,180,123**	**(148,000)**
Currency risk	5,292,794	(111,386)	5,164,438	(143,715)
Interest rate risk	22,497	(22,497)	-	-
Other risks	18,270	(2,122)	15,685	(4,285)

Forwards contracts are customized contractual arrangements between two parties who agree to buy or sell at a future date a financial instrument at a price fixed on the contract date. These contracts can only be fully settled at maturity date and are traded on the over-the-counter (OTC) market.

R$ thousand

	Dec 31, 2014		Dec 31, 2013	
	Notional amount	Fair value	Notional amount	Fair value
Option contracts				
Long position (purchased options)	**36,297**	**61**	**215,487**	**1,452**
Currency risk	36,297	61	215,487	1,452
Short position (sold options)	**3,395,577**	**(1,407,944)**	**4,964,140**	**(2,274,673)**
Interest rate risk	3,094,436	(1,404,251)	4,689,648	(2,270,942)
Currency risk	54,447	(1,528)	216,568	(1,528)
Other risks	246,694	(2,165)	57,924	(2,203)

Option contracts are contractual arrangements which provide for the buyer, upon payment of a premium to the seller, the right to buy or sell a financial instrument at a fixed price, at a fixed future date or within a predetermined time period. The Bank buys and sells options through a regulated market.

R$ thousand

	Dec 31, 2014		Dec 31, 2013	
	Notional amount	Fair value	Notional amount	Fair value
Swap contracts				
Asset position	**7,487,677**	**846,297**	**31,734,234**	**692,410**
Currency risk	6,422,397	787,259	9,041,608	568,255
Interest rate risk	1,065,280	59,038	22,692,626	124,155
Liability position	**11,032,438**	**(879,991)**	**9,090,616**	**(573,243)**
Currency risk	10,356,380	(813,096)	7,332,448	(442,911)
Interest rate risk	676,058	(66,895)	1,227,432	(125,117)
Other risks	-	-	530,736	(5,215)

Swap contracts are contractual arrangements between two parties who agree to exchange payment flows over time based on notional values, related to variations in a specific index, such as interest rate, foreign exchange rate or equity index.

Interest rate swaps are contracts made by the Bank with other financial institutions in which the Bank receives or pays a variable interest rate in exchange to the receipt or payment, respectively, of a fixed interest rate.

In currency swaps, the Bank pays specific amount of a type of currency and receives a specific amount of another currency.

R$ thousand

	Dec 31, 2014		Dec 31, 2013	
	Notional amount	Fair value	Notional amount	Fair value
Other derivative agreements				
Asset position	**2,442,456**	**69,961**	**3,383,410**	**31,755**
Currency risk	2,442,456	69,961	3,383,410	31,755
Liability position	**3,066,544**	**(226,244)**	**7,046,452**	**(95,053)**
Currency risk	3,066,544	(226,244)	7,046,452	(95,053)

Other derivatives contracts are primarily related to Non Deliverable Forwards (NDF) which are traded in the OTC market and have as their underlying variable an exchange rate of a specific currency.

b) Composition of the portfolio of derivatives for trading by maturity date

R$ thousand

	Maturity in days					
Notional amount – asset position	**0-30**	**31-180**	**181-360**	**Above 360**	**Dec 31, 2014**	**Dec 31, 2013**
Futures contracts	737,187	2,828,056	291,932	10,605	**3,867,780**	**3,598,210**
Forward operations agreements	3,889,311	3,442,807	1,785,825	1,037,694	**10,155,637**	**7,180,478**
Option contracts	30,947	-	5,350	-	**36,297**	**215,487**
Swap contracts	2,188,648	2,313,538	1,398,300	1,587,191	**7,487,677**	**31,734,234**
Other derivative agreements	2,256,985	107,644	15,102	62,725	**2,442,456**	**3,383,410**

R$ thousand

Notional amount – liability position	Maturity in days				Dec 31, 2014	Dec 31, 2013
	0-30	31-180	181-360	Above 360		
Futures contracts	220,344	1,356,154	61,413	7,815,503	**9,453,414**	**11,280,667**
Forward operations agreements	2,949,713	1,515,220	642,274	226,354	**5,333,561**	**5,180,123**
Option contracts	100,030	2,418,442	780,008	97,097	**3,395,577**	**4,964,140**
Swap contracts	990,030	1,632,262	3,750,430	4,659,716	**11,032,438**	**9,090,616**
Other derivative agreements	1,011,238	714,661	1,277,525	63,119	**3,066,544**	**7,046,452**

c) Portfolio of derivatives designated as fair value hedge

Hedge accounting transactions consist of applying specific rules and accounting procedures to mitigate the volatility arising from the accounting implications of derivatives at fair value through profit or loss. The main purpose of hedge accounting is to record gains and losses from derivatives in the same period that the hedged items affect the entity's accounting results in order to reduce the accounting results volatility arising from the fair value of the derivative.

The Bank enters into derivatives in order to reduce its exposure to credit and market risks, according to the Bank's assets and liabilities management. The Bank uses fair value hedges to protect itself from exposures in interest and exchange rate fluctuations of their financial instruments. The Bank uses swaps as hedging instrument (Cross Currency Interest Rate Swap) with the purpose of protecting its external funding against interest rate and foreign exchange fluctuations. The hedges were deemed as effective, according to the requirements of IAS 39, which prove the effectiveness of the hedge is the range of 80% to 125%.

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Fair value hedge instruments		
Assets	**345,853**	**343,552**
Swap	345,853	343,552
Hedged items		
Liabilities	**345,183**	**342,150**
Other liabilities	345,183	342,150

During the years 2014 and 2013 were recognized gains and losses arising from hedge instruments and hedged items.

R$ thousand

	2014	2013	2012
Losses on hedged items	(8,416)	-	-
Gains on hedge instruments	8,282	-	-
Net effect	**(134)**	**-**	**-**
Gains on hedged items	5,143	46,230	34,794
Losses on hedge instruments	(5,986)	(43,537)	(36,253)
Net effect	**(843)**	**2,693**	**(1,459)**

40 – FINANCIAL GUARANTEES AND OTHER COMMITMENTS

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Credit commitments	150,309,018	149,933,684
Guarantees provided	8,739,412	11,687,365
Confirmed export credit	2,450,185	2,177,818
Opened import credit	874,343	538,429

Credit commitments consist of values related to items such as: overdrafts; revolving credit lines; and other similar items. Guarantees provided, such as standby letter of credit, are conditional commitments, generally to guarantee the performance of a customer to a third party in loan contracts.

In financial instruments related to credit, the contractual amount represents the maximum potential of credit risk in the event the counterpart fails to fulfill the terms of the contract. The majority of these commitments mature without being drawn upon. As a result, the total amount is not representative of the effective future exposure to credit risks or liquidity requirements originating from these commitments. To decrease the credit risk, the Bank requires the contracted party to deliver, as collateral, cash resources, securities or other assets to collateralize the credit facility, similar to the collateral required for loans to customers.

Pursuant to IAS 37, to support probable losses resulting from the need to pay off obligations resulting from agreements of the nature specified above, the Bank has recorded a provision for estimated probable losses over guarantees and other commitments as of December 31, 2014 in the amount of R$ 193,877 thousand (R$ 145,678 thousand as of December 31, 2013).

41 – REGULATORY CAPITAL AND FIXED ASSET LIMIT

Capital management

On June 30, 2011, aligned with Pillar II of Basel, BACEN released a Resolution which established the need to implement capital management structure for financial institutions. In complying with the Resolution, the Bank defined the Accounting, the Risk Management, Controlling and Finance Units to be parts of its capital management structure. Furthermore, in line with the same Resolution, the Board of Directors appointed the Controller as responsible for Capital Management with BACEN.

In accordance with CMN resolutions, financial institutions in Brazil must permanently maintain amounts of regulatory capital, Tier I and Core Capital, in excess of the minimum requirements established by BACEN, defined here as Minimum Referential Equity Required (MRER).

The Bank has approaches that enable the identification and evaluation of significant risks incurred, including those not covered by the MRER related to the Pillar I risks. Its policies and strategies, as well as the capital plan, provide for the maintenance of capital at levels consistent with the risks faced by the Bank. Stress tests are performed on a monthly basis and their impacts are assessed from the capital perspective. Capital adequacy management reports are sent to corporate units and to strategic committees, providing support to the decision making process by the Senior Management of the Bank.

The mentioned Resolution also established the need for further Internal Capital Adequacy Assessment Process (ICAAP), which was implemented at Banco do Brasil on June 30, 2013. The Bank assigned the responsibility for coordinating ICAAP to the Risk Management Unit. Meanwhile, the Internal Controls Unit, an area independent and segregated from the capital management structure, is institutionally responsible for the validation of ICAAP. Finally, Internal Audit holds the institutional responsibility for annually evaluating the process of capital management.

The Capital Adequacy Ratio was determined according to the criteria established by the BACEN, which refer to the calculation of the Referential Equity (RE) and the Minimum Referential Equity Required (MRER) in relation to Risk Weighted Assets (RWA), respectively.

On October 1, 2013, Base III took effect in Brazil. Basel III is a new set of regulations as recommended by the Basel Committee on Banking Supervision regarding the capital structure of financial institutions. The new rules adopted address the following issues:

I - new methodology for calculating regulatory capital, which continues to be divided into Tier I and II, the Tier I consists of the Core Capital (net of regulatory adjustments) and Additional Tier I Capital;

II - new methodology for calculating the capital requirements, adopting minimum requirements for Referential Equity, Tier I and Core Capital, and the introduction of the Additional Core Capital.

The following regulatory adjustments began to be made as deductions from the Referential Equity from January 2014:

- goodwill;
- intangible assets recognized after October 1, 2013;
- actuarial assets related to defined benefit pension funds net of deferred tax liabilities;
- non-controlling interests;
- investments, directly or indirectly, of greater than 10% of the capital of unconsolidated entities similar to financial institutions, insurance companies, reinsurance companies, capitalization companies and open pension entities;
- deferred tax assets resulting from temporary differences that rely on the generation of future taxable profits or future taxable income for their realization;
- deferred tax assets resulting from tax loss of excess depreciation;
- deferred tax assets resulting from tax losses and negative base for social contribution on net income.

According to CMN Resolution No. 4,192/2013, these deductions will be gradually implemented at 20% per year, from 2014 to 2018, with the exception of deferred assets and funding instruments issued by financial institutions which have been fully deducted since October 2013.

On August 28, 2014, the Perpetual Bond in the amount of R$ 8,100,000 thousand which composed the Additional Tier 1 Capital was authorized by BACEN to compose the Common Equity Tier 1 Capital of the Bank.

According to BACEN Circular 3,726/2014, the calculation of the Regulatory Equity (RE) and the amount of Risk-Weighted Assets (RWA) should be elaborated based on Consolidated Financial Report until December 31, 2017.

R$ thousand

	Consolidated Financial	
	Dec 31, 2014	Dec 31, 2013
RE – Referential Equity	**126,588,485**	**118,234,351**
Tier I	**89,538,218**	**85,500,897**
Common Equity Tier 1 Capital (CET1)	71,035,684	67,055,163
Shareholders' Equity	70,675,464	70,537,211
Instrument qualifying as CET1	8,100,000	-
Regulatory adjustments	(7,739,780)	(3,482,048)
Additional Tier 1 Capital (AT1)	18,502,534	18,445,734
Hybrid instruments authorized in accordance with CMN Resolution No. 4,192/2013	16,132,770	8,489,750
Hybrid instruments authorized in accordance with regulations preceding the CMN Resolution No. º 4,192/2013 (1)	2,369,764	9,955,984
Tier II	**37,050,267**	**32,733,454**
Subordinated Debt qualifying as Capital	37,065,165	32,747,645
Subordinated Debt authorized in accordance with CMN Resolution No. 4,192/2013 – Letters of Credit	3,959,773	-
Subordinated Debt authorized in accordance with regulations preceding the CMN Resolution No. 4,192/2013	33,105,392	32,747,645
Funds obtained from the FCO (2)	20,467,309	18,529,802
Funds obtained abroad (3)	4,800,822	5,400,925
Funds obtained from CDB (3)	1,292,346	1,453,889
Funds raised in Letters of Credit (3)	6,544,915	7,363,029
Deduction from Tier II	(14,898)	(14,191)
Funding instruments issued by financial institution	(14,898)	(14,191)
Risk Weighted Assets (RWA)	**785,973,522**	**813,623,083**
Credit Risk (RWA_{CPAD})	734,716,021	761,431,384
Market Risk (RWA_{MPAD})	11,545,497	15,239,976
Operational Risk (RWA_{OPAD})	39,712,004	36,951,723
Minimum Referential Equity Requirements(4)	**86,457,087**	**89,498,539**
Margin on the Minimum Referential Equity Required	**40,131,398**	**28,735,812**
Tier I Ratio (Tier I / RWA)	**11.39%**	**10.51%**
Common Equity Tier 1 Capital Ratio (CET1 / RWA)	9.04%	8.24%
Capital Adequacy Ratio (RE / RWA)	**16.11%**	**14.53%**

(1) The instruments authorized by BACEN to compose the Referential Equity according to CMN Resolution No. 3,444/2007 and do not fulfill the requirements established by CMN Resolution No. 4,192/2013 are reduced by 10% per year from 2013 to 2022. This reduction is applied on the amounts that composed the RE on December 31, 2012.

(2) According to CMN Resolution No. 4,192/2013, balances of the FCO are eligible to compose the RE.

(3) It was considered the balance of subordinated debt instruments that composed the RE in December 31, 2012, applying on it the decay of 20%, as determined by CMN Resolution No. 4,192/2013.

(4) According to CMN Resolution No. 4,193/2013, corresponds to the application of the "F" factor to the amount of RWA, where "F" equals: 11%, from October 1, 2013 to December 31, 2015; 9,875% from January 1, 2016 to December 31, 2016; 9,25%, from January 1, 2017 to December 31, 2017; 8,625% from January 1, 2018 to December 31, 2018 and 8%, from January 1, 2019.

Fixed asset ratio and surplus capital

	Consolidated Financial	
	Dec 31, 2014	Dec 31, 2013
Fixed asset ratio	22.18%	23.47%
Surplus capital in relation to the fixed asset ratio (R$ thousand)	35,212,663	31,362,914

As defined by the BACEN, the fixed asset ratio indicates the percentage of fixed assets compared to Referential Equity. The maximum rate allowed is 50%.

The surplus capital refers to the difference between the limit of 50% of the Referential Equity and total fixed assets.

42 – RISK MANAGEMENT

a) Risk governance

Risk management at Banco do Brasil covers credit, market, liquidity and operational risks, among others. Management activities are performed by specific and specialized structures, according to objectives, policies, strategies, processes and systems designed to address each of these risks.

The risk governance framework of the Bank involves a structure of committees and subcommittees, with involvement of several areas of the Bank, covering the following aspects of risk management:

(i) segregation of duties: business *versus* risk;

(ii) specific structure for risk management;

(iii) defined management process;

(iv) decisions at several hierarchical levels;

(v) clear rules and approval levels structure; and

(vi) reference to best management practices.

All decisions related to risk management are taken in a collective manner and are always in accordance with the internal guidelines and rules of Banco do Brasil.

These decisions are reported to the applicable units through resolutions and policies that objectively express the positions taken by executive management, ensuring a consistent application throughout the Bank.

Banco do Brasil's risk governance is centralized in the Global Risk Committee (CRG), composed by members of the Executive Board of Directors, being a steering committee whose main purpose is to establish strategies for risk management, overall risk-exposure limits and levels of compliance and capital allocation in light of risks.

The Risk Management Board (DIRIS), which reports to the Office of the Vice President for Internal Controls and Risk Management (VICRI), is responsible for managing credit, market and liquidity risks, providing synergy among processes, specialization and contributing to better capital allocation and adhering to the New Basel Agreement.

The Operationl Risk Management Board (URO), which also reports to the VICRI, is responsible for managing operationl risk focusing on reducing losses, dissemination of operational risk culture and improve the instruments and tools used to mitigation.

The Board of Internal Controls (DICOI) operates independently as the second layer of control and validation of the risks.

The risks addressed in Pillar II emphasize the Bank's need for an adequate volume of capital to tolerate all risks involved in the business. In the Bank's process to ensure compliance with CMN Resolution 3.988/11 and Circular BACEN 3.547/11, the Bank established concepts, categories, and management activities for strategy, reputational and environmental risks.

Additionally, the Bank assigned responsibility for managing the Pillar II risks to DIRIS. In the case of strategy and reputation risks and environmental risks, the responsibility of DIRIS is shared with the Strategy and Organization Unit and the Sustainable Development Unit, respectively

The Board of Directors (CA), in conjunction with the Global Risk Committee (CRG) and Operational Risk Subcommittee have been defined as the governance structure for resolving matters related to the above-mentioned risks.

The interest rate risk of the Bank´s non-trading portfolio follows the established governance for market risk and concentration risk. The counterparty credit risk follows the established governance for credit risk.

In order to provide agility to the management process, the Bank created the Subcommittees of Credit Risk (SCR), Market and Liquidity Risk (SMLR) and Operational Risk (SOR), which have been delegated decision-making power by CRG. These groups provide information to CRG and make decisions on behalf of the CRG.

The responsibilities of the SCR are as follows:

(i) determine credit risk management models, observing the strategies approved by the CRG;

(ii) determine the actions to be implemented to improve the credit portfolio management;

(iii) establish credit portfolio risk indicators and respective limits and contingency plans concerning credit risk management, among others; and

(iv) submit proposals to the CRG regarding matters related to credit risk.

The responsibilities of the SMLR are as follows:

(i) determine models for market and liquidity risk management, observing the strategies approved by the CRG;

(ii) establish specific limits for market risk exposure;

(iii) analyze and propose to the CRG the global market risk exposure limits;

(iv) analyze and propose to the CRG the capital allocation for market risk coverage;

(v) propose to the CRG the minimum reserve and global liquidity risk limits;

(vi) propose liquidity contingency plans to the CRG; and

(vii) evaluate the back testing results and implement, when necessary, corrective measures to the market and liquidity risk management models.

The responsibilities of the SOR are as follows:

(i) determine operational risk management models, observing the strategies approved by the CRG;

(ii) establish key risk indicators and respective levels of tolerance and warning and critical ranges;

(iii) approve specific operational risk exposure limits;

(iv) approve contingency plans concerning operational risk management;

(v) define mitigation actions for losses and key risk indicators in the critical ranges;

(vi) monitor and evaluate the management of operational risk associated with relevant outsourced services related to the Bank's regular operations; and

(vii) propose global limits for operational risk exposure.

The subcommittees generally meet once a month, and extraordinarily, when convened by the coordinator, or at the request of any one of its members, for subjects that require a critical decision, subject to availability of a quorum.

Regarding the reporting mechanisms of the risk exposure levels to senior management, special emphasis is placed on the Risks Panel, prepared and reported monthly to the risk subcommittees and to the CRG.

b) Risk management process

Banco do Brasil considers risk management one of the main factors of the decision-making process.

The risk management process, which involves a continuous flow of information, consists of the following principal steps:

a) planning: data gathering, analysis and preparation of proposals;

b) decision: proposals are assessed and deliberated in a collective manner, at appropriate decision-making levels and communicated to concerned parties;

c) execution: the responsible units implement the decisions made; and

d) monitoring: checking on the implementation of the resolutions/policies and reporting to subcommittees and the CRG.

c) Market risk

Market risk reflects the possibility of losses caused by changes in interest rates, foreign exchange rates, equity prices and commodity prices.

Policies

The board-approved market risk policy and the policy for use of derivative financial instruments are part of the documented strategies regarding the Bank's management of market risk.

These documented strategies establish guidelines to be observed in the Bank's decision-making. They involve market risk assessment, dealing with quantitative aspects, such as metrics used, and also qualitative aspects such as the hedging policy, scope of management, and segregation of functions.

Within the sphere of the market risk management policies and strategies of Banco do Brasil, there is a management model intended to identify, assess, monitor, and control exposures to the risks of the Bank's own positions.

The Bank has policies and strategies in place regarding the use of financial derivative instruments to govern the performance of operations for its clients as well as to govern the management of its own positions, considering the various risk categories and adopting a consolidated view of the different risk factors.

The trading of derivative financial instruments is dependent upon prior evaluation of the nature and the dimension of the risks involved.

Since the hedging policies for market risk management are defined for the entire Bank, the effectiveness of each operation, and compliance with local regulations, in the case of overseas branches, is achieved.

Risk measuring systems and communication and information processes

The market risk measuring process makes use of corporate systems and of the Riskwatch application, developed by the Canadian company Algorithmic. The infrastructure for the information technology associated with this process is located in Brasília (DF) and in Rio de Janeiro (RJ).

The main objectives of the Riskwatch application are to:

(i) consolidate management information of the Bank, ascertaining and providing information for market and liquidity risk management and for asset and liability management; and

(ii) provide market and liquidity risk measurements (products/cash flows by currency and index), as well as assets and liabilities management.

Riskwatch functions that merit special emphasis are:

(i) calculate market risk indicators, such as Value-at-Risk (parametric and nonparametric), duration, yield, etc;

(ii) elaborate cash flow reports, either consolidated or by product, marked to market or nominal;

(iii) determine the portfolio sensitivity to the fluctuations in national and international interest rates;

(iv) calculate the theoretical result of portfolios after the application of historical and stress scenarios; and

(v) elaborate reports on the mismatching of maturities, rates, indexes and currencies.

Proprietary positions are segregated into two parts, a trading portfolio and a non-trading portfolio. Through a resolution issued by the CRG, a policy was stipulated for the classification of transactions in the trading portfolio. This resolution defines that, within Banco do Brasil and its subsidiaries, operations carried out with the intention of trading or to hedge the trading portfolio, for which there is the intention of trading them prior to their contractual period, observing normal market conditions, and in cases where they are not non-negotiable, are classified in the trading portfolio.

Transactions with proprietary positions not classified in the trading portfolio are considered components of the non-trading portfolio. The proprietary positions held by companies that are not part of the Bank are not subject to classification in the trading portfolio.

For the market risk management process, the Bank makes use of a structure of management groups and books, both for the domestic area and for the international area, with specific objectives and limits of exposure to risks.

With regard to the limits of market risk exposure, the CRG established the following classification criteria:

Global limits: are applied to the trading and non-trading portfolios, to the set of transactions subject to capital requirements and to the interest rate risk in the non-trading portfolio (RBan) and are approved by CRG. The main metrics used for management are Value-at-Risk, stress and financial volume.

Specific limits: are applied at the level of the management groups and books of the trading and non-trading portfolios, or to both, and cover the market risk factors which are subject to capital requirements and also the market risk factors that are sensitive to the interest rate risk in the non-trading portfolio (risk factors of RBan). Such limits are approved by the SRML. The main metrics used for management are Value-at-Risk and stress.

Operational limits: are applied at the level of the transactions that make up the management groups and books. This enables the Bank to understand the effective risk level of positions taken and aims to ensure compliance with the strategies of the Bank, and the established global and specific limits. The limits are defined and approved by DIRIS. The main metrics used are the Value-at-Risk and operating range of exposure to market risks.

DIRIS reports daily to the managers of the groups and books of the trading and non-trading portfolios, on the consumption of the specific and operational limits. It reports monthly to the strategic committees on the consumption of global limits, through the market risk management report.

In the event the limits are exceeded, DIRIS, responsible for controlling and monitoring the portfolio, issues a report called the "Limit Exceeding Form". The managers of groups and books must submit their explanations for exceeding limits and specify the deadline for regularization. In turn, the hierarchical level with the authority to manage the event must issue an opinion on the manager's explanation. The team responsible for monitoring the limit is responsible for keeping track of the actions to align the risk levels to the established limits.

The communication to Senior Management of the Bank occurs at the monthly ordinary meetings of the strategic risk committees and subcommittees.

The Bank uses statistical methodologies to measure the market risks of its positions. Some of the metrics resulting from the use of these methodologies are:

(i) Sensitivity analysis;

(ii) Value-at-Risk; and

(iii) Stress testing.

(i) Sensitivity analysis

Analysis method and objective

The Bank conducts a quarterly sensitivity analysis of exposure to the interest rate risk of its owned positions, using as a method the application of parallel shocks on the market yield curves relating to the most relevant risk factors. The method is intended to simulate the impacts on the Bank's income vis-à-vis potential scenarios, which consider possible fluctuations in the market interest rates.

Method assumptions and limitations

The application of parallel shocks on the market yield curves assumes that uptrends or downtrends in the interest rates occur in an identical way, both for short terms and for longer terms. As market movements do not usually present such behavior, this method can present deviations from actual results.

Scope, method application scenarios and implications for income

The sensitivity analysis process at Banco do Brasil is carried out considering the following scope:

(i) operations classified in the trading portfolio, basically composed of trading government bonds and derivative financial instruments, have positive or negative effects as a result from the possible movements of interest rates in the market. These changes generate a direct impact on the Bank's results or shareholders' equity; and

(ii) operations classified in the non-trading portfolio, mainly composed of operations contracted with the intention of being held until their maturities - loans to customers, funding in the retail market, government bonds, available for sale and held to maturity bonds - and which are accounted for at rates based on the contractual rates. The positive or negative effects resulting from changes in the interest rates in the market do not directly affect the Bank's income.

Two potential scenarios are considered for the performance of the sensitivity analysis, in which the benchmark annual SELIC rate would suffer parallel shocks, an increase or a decrease of 100 basis points (+/- 1 percentage point).

Results of the sensitivity analysis

Results obtained for the sensitivity analysis of the trading portfolio and for the set of operations included in the trading and non-trading portfolios are presented in the following tables:

Sensitivity analysis for trading portfolio

R$ thousand

Risk factors	Exposures	Dec 31, 2014		Dec 31, 2013	
		+100 bps	-100 bps	+100 bps	-100 bps
Pre fixed rate	Fixed interest rates	4,893	(5,155)	(3,711)	3,789
Interest rate coupons	Interest rate coupons	(18)	18	(23)	23
Price index coupons	Inflation indices	(782)	811	(924)	965
Foreign currency coupons	Foreign currency coupons	(4,878)	4,891	(8,651)	9,108
Total		**(785)**	**565**	**(13,309)**	**13,885**

Sensitivity analysis for the set of operations recorded in the trading and non-trading portfolios

R$ thousand

Risk factors	Exposures	Dec 31, 2014		Dec 31, 2013	
		+100 bps	-100 bps	+100 bps	-100 bps
Pre fixed rate	Fixed interest rates	(5,006,342)	5,280,901	(4,074,557)	4,154,789
Interest rate coupons	Interest rate coupons	2,542,058	(2,591,922)	2,244,765	(2,285,274)
Price index coupons	Inflation indices	(676,513)	721,644	(891,688)	950,951
Foreign currency coupons	Foreign currency coupons	650,558	(645,603)	(131,537)	194,250
Total		**(2,490,239)**	**2,765,020**	**(2,853,017)**	**3,014,716**

(ii) Value-at-Risk

The Value-at-Risk is a metric used to estimate the potential maximum loss, under routine market conditions, in monetary values, considering a particular confidence interval and time horizon.

Methodology

To measure Value-at-Risk, Banco do Brasil uses the historical simulation method and the following parameters: (i) 99% of one-tailed confidence interval; (ii) 252 days of history; and (iii) 10 business days as time horizon.

The historical simulation method assumes that historical events have a direct correlation with possible future events and this method uses generalized historical events as possible future events (retrospective scenarios), hence each retrospective scenario corresponds to a possible "market state" under the simulation time horizon. One of the major

advantages of using the Value-at-Risk by historical simulation method is that the modeling risk is mitigated, since the use of the empirical distribution of returns renders the assumption of the hypothesis of normality unnecessary for the time series of returns, commonly assumed by other methods such as the parametric method.

The risk factors employed to measure Value-at-Risk for exposures subject to market risks are categorized in the following classes: (i) interest rates: risk of changes in the coupon interest rates in the market, (Example: Prefixed, dollar, IPCA (Amplified Consumer Price Index), TR (Referential Rate)); (ii) exchange rates: risk of changes in the exchange rates in the market, (Example: Reais *versus* Dollar, Reais *versus* Euro, Reais *versus* Yen); (iii) stock prices: risk of changes in quoted stock prices, (Example: PETR4 (Petrobras-PN), VALE5 (Vale-PNA)); and (iv) prices of commodities: risk of changes in the prices of commodities in the market, (Example: cattle, soya, corn).

Process of back testing

The objective of back testing, which is executed monthly, is to assess the accuracy of the market risk model (Value-at-Risk). This assessment is separate from the Value-at-Risk metric development and use procedures.

The Bank's methodology consists of verifying whether the number of extrapolations (number of times the negative returns exceeded the losses estimated by Value-at-Risk) is compatible with that provided for by the model (from the statistical viewpoint), and whether they occurred independently over time.

As a comparison between models, there is an evaluation of the magnitude of extreme values, in addition to the arrangement of the Value-at-Risk models.

Back testing is performed on a monthly basis by comparing the negative changes which have occurred in the positions (losses) with the estimates of Value at Risk (VaR).

Back testing models use statistical methods of evaluation based on hypothesis testing (Kupiec, Christoffersen and Basel), with a 99% significance level.

All of the methods consist of verifying whether extrapolation events (the number of times that negative returns exceed the losses estimated by the VaR model) are consistent with the model by back testing, which foresee acceptable ranges that depend on the length of the series.

In Kupiec and Christoffersen tests, there is a lower limit and an upper limit of the range, rejecting events when they are out of range and not rejecting them when within range. The test also checks whether Christoffersen extrapolations independently occurred over time, a situation that is not rejected.

For the Basel test (Traffic Lights), there is a green band, below a defined number of extrapolations when the model is accurate; a yellow stripe between two threshold values that puts the model under observation and a red band above a defined number of extrapolations, where the model is considered not accurate.

The table below lists the four times extrapolations occurred and the percentages of extrapolation in relation to VaR, from January 2012 to December 2014.

Date	% in comparison with VaR
February 03, 2012	115.48%
May 27, 2013	100.12%
May 29, 2013	127.37%
August 20, 2013	104.64%

The VaR model proved consistent, since the tests indicated that adverse outcomes (amount of extrapolations) fell within the limits established by the statistical tests and the level of confidence (99%).

Value-at-Risk – Consolidated results

Minimum, average, and maximum Value-at-Risk

R$ thousand

Period	Minimum	Average	Maximum
January to December / 2014	1,837,711	2,556,596	3,332,013
January to December / 2013	1,142,232	1,710,861	2,520,732

The tables below report the minimum, average and maximum values of VaR, disaggregated by risk factor – interest rates (fixed rate, price index coupon, interest rate coupon, foreign currency coupons), exchange rate, commodity price and stocks price – for the periods of 2014 and 2013, January to December.

R$ thousand

2014	Trading Book			Banking Book					
	Fixed rate	Price Index Coupon	Stocks	Fixed rate	Interest rate Coupon	Price Index Coupon	Foreign currency coupon	Commodities	Exchange rate
Maximum	30,596	1,476	811	3,852,044	2,802,860	267,125	1,611,853	39,469	200,873
Average	11,344	756	68	3,439,927	1,906,554	203,714	1,101,475	19,332	106,224
Minimum	2,933	443	-	2,751,085	1,099,477	126,808	788,862	2,681	25,227

R$ thousand

2013	Trading Book			Banking Book					
	Fixed rate	Price Index Coupon	Stocks	Fixed rate	Interest rate Coupon	Price Index Coupon	Foreign currency coupon	Commodities	Exchange rate
Maximum	27,640	29,115	269	3,825,566	3,709,014	208,656	1,326,313	16,217	114,788
Average	21,224	12,321	119	3,105,477	2,420,335	167,651	1,036,708	6,833	58,172
Minimum	12,766	827	-	2,476,325	1,309,977	88,989	728,946	2,681	23,356

There were no positions or financial instruments not considered in the VaR calculation for the reported periods.

Trading group

For the purposes of management, Banco do Brasil segregates the trading portfolio transactions from the other transactions, establishing specific strategies and limits. The groups shown below, international and domestic trading, are subdivisions of the trading portfolio.

Minimum, average and maximum Value-at-Risk of the international trading portfolio

R$ thousand

Period	Minimum	Average	Maximum
January to December/2014	1,143	3,727	11,640
January to December/2013	1,882	10,595	69,879

Minimum, average and maximum Value-at-Risk of the domestic trading portfolio

R$ thousand

Period	Minimum	Average	Maximum
January to December / 2014	72	1,335	20,864
January to December / 2013	2	2,057	27,177

(iii) Stress testing

The Bank uses the stress metrics arising from simulations of its exposure to market risks under extreme conditions, such as financial crises and economic upheavals. These tests are intended to simulate the size of impacts of plausible events that are unlikely to occur in the regulatory and economic capital requirements.

Banco do Brasil´s stress test program has the following objectives:

(i) to be integrated with the risk management structure of the institution;

(ii) associate potential losses with plausible events;

(iii) be considered in the development of the risk mitigation strategies and in the contingency plans of the institution;

(iv) be performed individually and jointly by risk factor; and

(v) consider the concentration in particular risk factors of the non-linear instruments and the breaking of assumptions of the Value-at-Risk model.

For capital requirements, the market risk stress test program makes use of valuation methods based on:

(i) Retrospective tests,

(ii) Prospective tests,

(iii) Sensitivity analysis tests.

Retrospective test

The retrospective stress test method estimates the percentage of variation of the fair value, through the application of shocks compatible with specific scenarios able to reproduce historical periods of market stress or of greater losses of the Institution, considering the following parameters:

(i) metrics: minimum (worst loss) and maximum (highest gain) of the historical series of daily returns of the trading portfolio;

(ii) extension of the historical series: from 01/04/2000 to the as of date;

(iii) holding period: one month (21 business days); and

(iv) test periodicity: weekly.

The control, monitoring and the daily supervision of stress limits, for the trading portfolio of Banco do Brasil and for its groups and accounting records, are carried out based on the metrics of the retrospective stress test.

The results of the retrospective stress tests aim to evaluate the capacity for absorption of significant losses and to identify any measures to reduce the institution's risks, We present below the results of the retrospective stress tests of the trading portfolio according to Banco do Brasil´s market risk stress test program:

Loss estimates of the retrospective stress test

R$ thousand

Risk factors	Dec 31, 2014	
	Net exposure	Stress
Interest rate	3,204,906	(453,034)
Foreign exchange	2,674,793	(1,037,827)
Commodity price	12,277	(66,196)
Equity price	-	-
Total	**5,891,976**	

R$ thousand

Risk factors	Dec 31, 2013	
	Net exposure	Stress
Interest rate	4,210,301	(758,755)
Foreign currency	407,463	(1,412,644)
Commodities	8,956	(5,231)
Stocks	-	-
Total	**4,626,720**	

Gain estimates of the retrospective stress test

R$ thousand

Risk factors	Dec 31, 2014	
	Net exposure	Stress
Interest rate	3,204,906	505,017
Foreign currency	2,674,793	866,650
Commodities	12,277	3,632
Stocks	-	-
Total	**5,891,976**	

R$ thousand

Risk factors	Dec 31, 2013	
	Net exposure	Stress
Interest rate	4,210,301	742,888
Foreign currency	407,463	753,013
Commodities	8,956	4,114
Stocks	-	-
Total	**4,626,720**	

The following assumptions have been used in the retrospective test:

For the worst loss as of December 31, 2014, the more relevant values resulted from historical shocks as follows:

(i) Corporative fixed curve of November 05, 2002 for instruments with maturity between 731 and 1832 business days;

(ii) Argentine Peso exchange rate (ARS) of -8.12% on August 01, 2002.

For the highest gain as of December 31, 2014, the more relevant values resulted from historical shocks as follows:

(i) Corporative fixed curve of October 16, 2002 for instruments with maturity between 731 and 1832 business days;

(ii) Argentine Peso exchange rate (ARS) of 18.58% on March 22, 2002; and

(iii) US Dollar exchange rate (USD) of 7.58% on October 06, 2008.

For the worst loss as of December 31, 2013, the more relevant values resulted from historical shocks as follows:

(i) Corporative fixed curve of November 05, 2002 for instruments with maturity between 731 and 1832 business day;

(ii) Argentine Peso exchange rate (ARS) of 18.58% on March 22, 2002.

For the highest gain as of December 31, 2013, the more relevant values resulted from historical shocks as follows:

(i) Corporative fixed curve of October 16, 2002 for instruments with maturity between 731 and 1832 business days;

(ii) Argentine Peso exchange rate (ARS) of -10.29% on March 26, 2002.

The "Net exposure" column is the present value net result of long and short exposures, considered in the market risks capital requirements, which are presented in the following tables segregated by risk factors:

Net exposure for retrospective stress testing – Detailing

R$ thousand

Risk Factor	Net exposure	
	Dec 31, 2014	Dec 31, 2013
Foreign exchange	**2,674,793**	**407,463**
CHF	51,350	47,053
CAD	2,367	1,965
EUR	699,489	675,104
GBP	50,902	(3,815)
JPY	(11,989)	(60,880)
USD	1,016,895	1,177,509
Other currencies	865,779	(1,429,473)
Commodities	**12,277**	**8,956**
Cattle	-	680
Coffee	4,570	6,520
Corn	3,238	1,345
Soybean	4,469	411
Interest rate	**3,204,906**	**4,210,301**
Fixed	2,927,840	4,137,270
Price indices coupon	32,841	30,527
Exchange rate coupon	244,225	42,504
Total	**5,891,976**	**4,626,720**

Brazilian government bonds, private company bonds and derivative financial instruments are the instruments that comprise net exposures above.

Regarding the results of the worst losses and highest gains calculated by a retrospective methodology, it is worth explaining that they refer to losses and gains computed by historical simulations. In this kind of methodology, we obtain the results for each risk factor (short or long positions) according to the historical positive or negative changes in corporate yield curves used for stress testing purpose.

That is, in the worst loss scenario, we calculate the worst losses obtained from historical simulation for each risk factor, independently of their net short or long exposure, and similarly for highest gains. On the results in the stress scenario, there is the impact of a holding period of 21 days, which is the result of multiplying the daily gain or loss by square root of 21, as defined by senior management of the Institution. The table below shows the gains and losses per risk factor, computed by historical simulation with data from January 1st, 2000 and observing the holding period of 21 days.

Losses and Gains for Retrospective Stress Test – Detailing

R$ thousand

Risk Factor	Dec 31, 2014		Dec 31, 2013	
	Loss	Gain	Loss	Gain
Foreign exchange	**(1,037,827)**	**866,650**	**(1,412,644)**	**753,013**
CHF	(21,150)	22,643	(19,380)	20,748
CAD	(1,130)	1,047	(938)	870
EUR	(239,595)	197,785	(231,243)	190,890
GBP	(19,291)	14,762	(1,106)	1,446
JPY	(6,136)	4,745	(31,160)	24,094
USD	(378,536)	353,203	(438,324)	408,989
Other currencies	(382,618)	592,640	(1,472,005)	829,554
Commodities	**(66,196)**	**3,632**	**(5,231)**	**4,114**
Cattle	-	-	(680)	88
Coffee	(5,176)	2,301	(5,863)	4,113
Corn	(64,295)	919	(2,532)	1,146
Soybean	(64,815)	1,695	(3,126)	80
Interest rate	**(453,034)**	**505,017**	**(758,755)**	**742,888**
Fixed	(459,932)	520,959	(808,852)	879,088
Price indices coupon	(13,803)	16,253	(17,200)	20,960
Exchange rate coupon	(135,538)	126,811	(191,532)	192,012

Analyzing the tables above, we conclude that the calculation of gains and losses in stress conditions obtained through historical simulation of short and long exposures that compose the net exposure, can generate values higher than the actual net exposure.

Prospective test

The prospective stress test method estimates the percentage of variation of the present value subject to the risk factors underlying the capital requirement for coverage of market risks, through the application of shocks on the market risk factors, estimated with a basis on stress scenarios generated by the Strategy and Organization Unit (DIREO) and by the Finance Unit (DIFIN), considering the following parameters:

(i) metrics: highest losses and highest gains estimated for the returns of the trading portfolio in the period;

(ii) extension of the series: prospecting for 21 business days;

(iii) holding period: one month (21 business days); and

(iv) test periodicity: weekly.

The prospective stress tests aim to simulate adversities based on characteristics of the Institution's portfolio and of the macroeconomic environment, under severe and plausible conditions. We present below the results of the prospective stress tests of the trading portfolio according to Banco do Brasil´s market risk stress test program.

In estimating losses from the prospective stress test, as of December 31,2014, for the trading portfolio of the Bank, based on the perception of the senior management about the interest rates behavior, foreign currencies, commodities and stocks, for a time horizon of 21 days, the Bank used the following assumptions: annual average interest rate of 18.02%; exchange rate (real/dollar) of R$ 2.00, a negative change of 2.75% for the Commodity Research Bureau index (CRB) for commodity prices.

Loss estimates of the prospective stress test

R$ thousand

Risk factors	Dec 31, 2014	
	Net exposure	Stress
Interest rate	3,204,906	218,746
Foreign currency	2,674,793	(2,134,764)
Commodities	12,277	68,062
Total	**5,891,976**	

In estimating gains from the prospective stress test, as of December 31,2014, for the trading portfolio of the Bank, based on the perception of the senior management about the interest rates behavior, foreign currencies, commodities and stocks, for a time horizon of 21 days, the Bank used the following assumptions: annual average interest rate of 9.11%; exchange rate (real/dollar) from R$ 3.33; a positive change of 6.64% for the Commodity Research Bureau (CRB) index for the commodities prices.

Gain estimates of the prospective stress test

R$ thousand

Risk factors	Dec 31, 2014	
	Net exposure	Stress
Interest rate	3,204,906	(163,,942)
Foreign currency	2,674,793	3,386,577
Commodities	12,277	8,635
Total	**5,891,976**	

The following assumptions were used in estimating losses from the prospective stress test for the trading portfolio of the Bank, in December 31, 2013:

(i) For the risk factors of interest rates and foreign currencies: based on the judgment of the senior management about the interest rates behavior and foreign currencies, for a time horizon of 21 days, the Bank used an annual average interest rate of 17.27% and an exchange rate (real/dollar) of R$ 2.03.

(ii) For the risk factors of Stocks: a negative change of 0.55% was assumed, corresponding to the worst daily return of the historical series observed for the Bovespa Index, extrapolated for 21 days (extension of the historical series from January 1st, 2000 to December 31, 2013, according with the present methodology);

(iii) For the risk factors of Commodities: a negative change of 0.97% was assumed for the Commodity Research Bureau (CRB) index, extrapolated for 21 days days (extension of the historical series from January 1st, 2000 to December 31, 2013, according with the present methodology).

Loss estimates of the prospective stress test

R$ thousand

Risk factors	Dec 31, 2013	
	Exposure	Stress
Interest rate	4,210,301	(17,676)
Foreign currency	407,463	(3,702)
Commodities	8,956	196
Total	**4,626,720**	

The following assumptions were used in estimating gains from the prospective stress test for the trading portfolio of the Bank in December 31, 2013:

(i) For the risk factors of interest rates and foreign currencies: based on the perception of the senior management about the interest rates behavior and foreign currencies, for a time horizon of 21 days, the Bank used an annual average interest rate of 9.00% and an exchange rate (real/dollar) of R$ 3.25.

(ii) For the risk factors of Stocks: a positive change of 18.82% was assumed, corresponding to the biggest daily return of the historical series observed for the Bovespa Index, extrapolated for 21 days (extension of the historical series from January 1st, 2000 to December 31, 2013, according with the present methodology);

(iii) For the risk factors of Commodities: a positive change of 5.80% was assumed for the Commodity Research Bureau (CRB) index, extrapolated for 21 days days (extension of the historical series from January 1st, 2000 to December 31, 2013, according with the present methodology).

Gain estimates of the prospective stress test

R$ thousand

Risk factors	Dec 31, 2013	
	Exposure	Stress
Interest rate	4,210,301	44,390
Foreign currency	407,463	8,217
Commodities	8,956	(1,045)
Total	**4,626,720**	

At December 31, 2013 the scenarios for CRB and IBOVESPA were highly stressed, the scenarios used for prospective stress testing are based on macroeconomic variables.

The stress scenario of positive change in the CRB index is greater than the stress of negative change due to the fact that for the stress scenario of positive shock in CRB Index, it was assumed that the monthly variations for the CRB index were equal to those observed between the months of April 2009 and March 2010, when there occurred the highest cumulative change over a period of 12 months since May 1982, which resulted in a variation of 5.80%.

The stress scenario of negative change for the same index, adopted the premise that the CRB index returns to the average of the indicator presented between 2002 and 2003, which is approximately 243, period prior to an upward trend in commodity prices related to the high economic growth in many economies, but mainly China and the United States. The assumption was a smooth convergence towards this average over a period of approximately four years thus resulting in a variation of 0.91%.

For the IBOVESPA index, we have that its projection is estimated by the method of a log-log regression model, whose variables are the CRB index, the internal exchange rate, the difference between the Selic rate and the Fed Funds and the lagged IBOVESPA. Because the CRB index is a relevant factor in this projection, IBOVESPA follows his trend of smoother shocks.

The difference between the results of the retrospective and prospective tests can be explained by the fact that the prospective methodology uses specific scenarios of prices, interest rate and indices increase or decrease, and it may present gains or losses due to the net exposure of each risk factor. The total result of the prospective test is obtained by adding the individual results of each risk factor. In turn, the retrospective methodology calculates worst losses and highest gains for each risk factor, based on scenarios of historical changes in corporate yield curves.

That is, the prospective methodology with scenarios of decreasing indices, may present gains or losses, and the same applies for increase scenarios. In the retrospective methodology, the metrics of worst losses presents only loss, and the metrics of highest gains presents only gains.

In its market risk management Banco do Brasil uses a methodology that presents the worst loss in the scenarios presented. Therefore, for the year 2013 the results of the retrospective tests were used to determine the capital requirements of Pilar II risks. For the year 2014, was considered, for the same purpose, the result of prospective methodology.

Foreign exchange and gold exposure

Banco do Brasil's policy for managing its foreign exchange risk is to reduce its effects on the Bank's results.

Net foreign exchange exposure, for December 31, 2014 was a liability in the amount of US$ 1,355,291 thousand, and for the period of December 31, 2013, was a liability in the amount of US$ 1,466,068 thousand.

Foreign currencies and gold balance

R$ thousand

Currency	Balance sheet accounts			
	Dec 31, 2014		Dec 31, 2013	
	Assets	Liabilities	Assets	Liabilities
USA Dollar	165,156,584	170,747,092	137,688,048	144,684,286
Euro	14,252,632	14,859,234	17,324,518	16,724,629
Pound Sterling	164,802	1,181,768	2,442,766	1,273,969
Yen	2,048,371	3,146,327	1,388,838	2,125,877
Swiss Franc	10,340	929,426	13,602	986,402
Canadian Dollar	7,724	5,806	4,964	2,004
Gold	20,129	-	17,346	-
Other currencies	12,351,561	11,940,373	10,644,929	12,567,222
Total	**194,012,143**	**202,810,026**	**169,525,011**	**178,364,389**
Net position – balance sheet accounts		**(8,797,883)**		**(8,839,378)**

R$ thousand

Currency	Derivatives			
	Dec 31, 2014		Dec 31, 2013	
	Long position	Short position	Long position	Short position
USA Dollar	47,445,690	45,659,025	26,845,759	21,648,000
Euro	5,123,988	4,756,443	4,029,682	4,787,820
Pound Sterling	831,866	194,277	1,024,842	2,468,934
Yen	960,944	9,029	565,379	27,744
Swiss Franc	1,055,592	93,505	1,027,333	5,003
Canadian Dollar	-	285	-	269
Other currencies	589,674	97,230	917,743	68,002
Total	**56,007,754**	**50,809,794**	**34,410,738**	**29,005,772**
Net position – derivatives	**5,197,960**		**5,404,966**	

R$ thousand

Currency	Dec 31, 2014	Dec 31, 2013
	Net position	Net position
USA Dollar	(3,803,843)	(1,798,479)
Euro	(239,057)	(158,249)
Pound Sterling	(379,377)	(275,296)
Yen	(146,041)	(199,403)
Swiss Franc	43,001	49,530
Canadian Dollar	1,633	2,691
Gold	20,129	17,346
Other currencies	903,633	(1,072,552)
Net position total	**(3,599,923)**	**(3,434,412)**

R$ thousand

Summary	Dec 31, 2014		Dec 31, 2013	
Balance sheet accounts and derivatives	250,019,897	253,619,820	203,935,749	207,370,161
Net position total		**(3,599,923)**		**(3,434,412)**
Net position total – US$		**(1,355,291)**		**(1,466,068)**

d) Liquidity risk

Liquidity risk is the risk that the Bank will not be capable of fulfilling its financial commitments as they mature, without incurring unacceptable losses. For risk management purposes, liquidity is measured in monetary values according to the composition of assets and liabilities established by the liquidity manager.

This risk takes two forms: market liquidity risk and cash flow liquidity risk. The first is the possibility of loss resulting from the incapacity to perform a transaction in a reasonable period of time and without significant loss of value. The second is associated with the possibility of a shortage of funds to honor commitments assumed on account of the mismatching between payments and receipts.

Liquidity risk management

Banco do Brasil uses the following metrics as liquidity risk limits: (i) liquidity reserve (RL); (ii) liquidy cushion; and (iii) free funds availability indicator (DRL).

The RL is the metric used in short-term liquidity risk management, constituting the minimum level of assets of high liquidity to be maintained by the Bank, consistent with the exposure to risk arising from the characteristics of its on-balance-sheet and off-balance-sheet transactions and market conditions. This methodology is used daily as a parameter for the identification of contingency situations and the consequent activation of the liquidity contingency plan.

The liquidity cushion is the limit of prudential liquidity level adopted in daily control of liquidity risk in stress scenarios

The DRL is used in planning and executing the annual budget. It aims to guarantee a balance between funding and the investment of resources in the loan portfolio and to ensure financing of liquidity in local currency with stable resources. A minimum DRL limit is defined annually by the CRG and is monitored on a monthly basis.

The liquidity contingency plan establishes a set of procedures in order to identify, manage and report liquidity contingency situations, allowing the activation of liquidity contingency actions to protect the institution’s payment capacity.

As an additional control, the capacity to generate liquidty through the liquidity contingency measures, provided for in the contingency plan, is tested monthly through the liquidy stress test of potential of contingency liquidy measures, in light of the effects of different scenarios on the liquidity of the Institution and its ability to generate net resources.

Liquidity risk analysis

The liquidity risk limits are used to monitor the liquidity risk exposure level of the institution. While the liquidity reserve limit allows control of the risk resulting from the daily cash flow, the DRL monitors the medium and long-term view of the company's financial condition, ensuring the generation of stable resources for the financing of operational liquidity.

The control of these limits, that act in a complementary manner in the management of the short, medium and long-term liquidity risk of the institution, ensured a favorable liquidity situation throughout the period, avoiding the activation of the liquidity contingency plan or the implementation of emergency actions in the budget planning to address the structural liquidity adequacy concerns.

Funding management

The funding composition and a wide and diversified customer base constitute an important element of the liquidity risk management of Banco do Brasil. The main funding is represented by client deposits which are composed of demand deposits, savings deposits and voluntary time deposits characterized by being products without defined maturity with due dates defined by internal models adopted for market and liquidity risks management purposes.

Other representative funding sources are: judicial deposits, which are also characterized by high stability and undefined maturity; the external market funding destined to finance exports and imports; and other retail funding represented by other demand funds, such as collection, payment order, payments and receptions on behalf of third parties. The Agribusiness Letters of Credit issued, which has daily liquidity for the investor, is also a significant component of other retail funding.

Funding under repurchase agreements that are backed by securities and funding operations within the Bank's treasury are held for the short-term management of operational liquidity and for implementation of strategies on capital market funding in the medium and long term.

In order to present the funding maturity profile according to the criteria of IFRS 7, retail funding and deposits with no defined maturity (SMD) – demand deposits, savings deposits, time deposits with daily liquidity and judicial deposits – will have their maturities allocated in the column "Up to 1 month". The remaining fundings are presented by future flow on their respective maturity bands.

The observed increase of approximately R$ 96 billion on total funding volume between December 2014 and December 2013 is mainly due to the increased funding from judicial deposits, external emissions and issuance of Agribusiness Letters of Credit classified as SMD.

Funding composition

R$ thousand

Liabilities	Dec 31, 2014						
	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years[1]	Total gross	Part %
Term deposits	1,253,075	285,044	278,314	4,685,989	-	6,502,422	0,6%
Cash inflow	3,738,083	4,531,638	8,096,471	34,868,987	16,452,341	67,687,520	6,3%
Judicial deposits	114,849,798	-	-	-	-	114,849,798	10,7%
Foreign market funding	1,163,370	8,130,386	6,872,042	24,634,006	98,052,479	138,852,283	13,0%
Other retail funding	9,346,393	8,481	40	19	-	9,354,933	0,9%
Clients deposits without defined maturity	271,461,321	-	-	-	-	271,461,321	25,4%
Other retail funding without defined maturity	116,481,244	-	-	-	-	116,481,244	10,9%
Funds and onlendings	17,717,718	7,753,164	8,106,922	40,325,108	23,569,439	97,472,351	9,1%
Repurchase agreements	236,175,309	6,070,293	1,566,215	3,438,794	347	247,250,958	23,1%
Total gross	**772,186,311**	**26,779,006**	**24,920,004**	**107,952,903**	**138,074,606**	**1,069,912,830**	**100,0%**

(1) It includes the amount of funding with indefinite maturity.

R$ thousand

Liabilities	Dec 31, 2013						
	Up to 1 month	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years[1]	Total gross	Part %
Term deposits	323,966	437,189	1,103,626	3,406,118	-	5,270,899	0.5%
Cash inflow	5,073,640	9,347,398	4,732,399	32,312,140	18,788,422	70,253,999	7.2%
Judicial deposits	101,668,711	-	-	-	-	101,668,711	10.4%
Foreign market funding	1,652,212	8,124,257	4,928,496	17,674,589	75,981,612	108,361,166	11.1%
Other retail funding	12,728,225	1,185	347	274	-	12,730,031	1.3%
Clients deposits without defined maturity	298,505,775	-	-	-	-	298,505,775	30.7%
Other retail funding without defined maturity	77,887,575	-	-	-	-	77,887,575	8.0%
Funds and onlendings	7,488,567	8,833,353	10,087,716	50,978,989	32,421,320	109,809,945	11.3%
Repurchase agreements	171,817,439	11,485,540	2,237,331	3,458,907	22,679	189,021,896	19.4%
Total gross	**677,146,110**	**38,228,922**	**23,089,915**	**107,831,017**	**127,214,033**	**973,509,997**	**100.0%**

(1) It includes the amount of funding with indefinite maturity.

Financial guarantee contracts

Financial guarantee contracts are credit conditional commitments issued by the Bank to guarantee performance of individual and corporate clients and other financial institutions to third parties.

The contingent nature of these liabilities is considered for the Bank's liquidity risk management in the definition of scenarios used in the liquidity stress test, carried out on a monthly basis.

The following tables presents a summary of the commitment value of the financial guarantee contracts realized by the Bank:

Financial guarantee contracts

R$ thousand

Liabilities	Dec 31, 2014				
	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Financial institutions	867,884	75,733	143,761	1,986,446	3,073,824
Individuals and corporations	3,086,938	1,931,110	6,898,494	1,602,950	13,519,492
Credits assignment co-obligations	51	-	2	5,979	6,032
Other co-obligations	1,235,497	-	-	-	1,235,497
Total	**5,190,370**	**2,006,843**	**7,042,257**	**3,595,375**	**17,834,845**

R$ thousand

Liabilities	Dec 31, 2013				
	1 to 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
Financial institutions	793,891	285,693	870,171	2,035,142	3,984,896
Individuals and corporations	4,130,789	2,200,633	8,088,657	1,918,980	16,339,060
Credits assignment co-obligations	447	-	8	60,503	60,958
Other co-obligations	1,374,715	-	-	-	1,374,715
Total	**6,299,842**	**2,486,326**	**8,958,836**	**4,014,625**	**21,759,629**

Derivative financial instruments

Banco do Brasil is a counterparty to financial derivative operations to hedge its own positions to meet the needs of our customers and to take proprietary positions. The hedging strategy is in line with the market and liquidity risk policy and with the derivative financial instruments use policy approved by the Board of Directors.

The Bank has various tools and systems for the management of the derivative financial instruments and uses statistical and simulation methodologies to measure the risks of its positions, by means of Value-at-Risk, sensitivity analysis and stress test models.

Operations with financial derivatives, with special emphasis on those subject to margin calls and daily adjustments, are considered in the measurement of the liquidity risk limits adopted by the Bank and in the composition of the scenarios used in the liquidity stress tests, conducted monthly.

The contractual maturity profile of liabilities with financial derivatives is presented in Note 39.

e) Credit risk

Credit risk is the risk of loss associated with non-performance by the borrower or counterparty of their respective financial obligations under the agreed terms, with loan agreement devaluation arising from the deterioration in the borrower's risk rating, with reduced earnings or remuneration, with benefits granted in renegotiations and with recovery costs. Credit risk comprises, among others:

- Counterparty's credit risk: is the possibility of non-performance, by a particular counterparty, of obligations related to the settlement of transactions involving the trading of financial assets, including those related to the settlement of derivative financial instruments;
- Country risk: is the possibility of losses associated to the non-performance of financial obligations under the terms agreed by a borrower or counterparty established outside the country, as a result of actions taken by the government of the country where the borrower or counterparty is established, and the transfer risk, understood as the possibility of dificulties in converting the currency of amounts received;
- Commitment risk: is the possibility of disbursements to honor guarantees, co-obligations, loan commitments or other operations of similar nature;
- Mediator risk: is the possibility of losses associated to the non-performance of financial obligations under the terms agreed with an intermediary of customers loans;
- Concentration risk: is the possibility of credit losses arising from significant exposure to a counterparty, a risk factor or groups of counterparties related by common characteristics.

The credit risk management of the Bank is performed based on market practices and in compliance with the supervision rules and banking regulations of BACEN. The purpose of credit risk management is to identify, measure, control and mitigate the exposure risk; and to contribute to the soundness and solvency maintenance and to ensure fulfillment of interests of the shareholders.

Credit policy

Banco do Brasil's credit policy contains strategic guidelines on credit risk management actions in the financial conglomerate. It is approved by the Board of Directors and reviewed on a yearly basis. This policy includes the assumption and management of credit risk, collection and recovery and applies to all businesses that involve credit risk, including business made on behalf of third parties, except for where the fund provider requires the adoption of different rules.

Banco do Brasil's credit risk is managed according to best market practices and follows the banking supervision and regulatory rules. It seeks to identify, assess, control, and mitigate the risk exposures, monitor the management process, contribute to maintain the bank's health and solvency, and ensure the interests of the shareholders.

The management of collections determines the actions of the Bank in the recovery procedures for loans in arrears, the violation of any contractual or legal obligation or situations peculiar to its international operations and arbitration or specific legislation of the country where the Bank's branches are located.

Mitigation policy

In conducting any business subject to credit risk, the Bank takes a conservative approach and uses mechanisms that provide full or partial coverage of the risk incurred. In credit risk management at an aggregate level, to keep exposures within the risk levels established by Senior Management, the Bank seeks to transfer or share the credit risk.

The use of mitigation instruments is declared in the credit policy, presented in strategic decisions and formalized in the credit standards, reaching all organization levels and covering all credit process stages.

For loans collateralized by assets, the assets are submitted to technical analysis or valued by means of a valuation opinion, whose validity period is for up to twelve months. In the case of a personal guarantee, there is an analysis of the guarantors' financial and economic situation, beyond the direct and indirect obligations to the Bank, considering debts with third parties, especially tax, social security and labor debts.

The credit standards provide comprehensive guidance to the operational units. Among other aspects, the standards cover the classification, requirement, choice, valuation, formalization, control and reinforcement of collateral, ensuring the adequacy and sufficiency of the mitigaton during all the cycle of the operation.

Measuring systems

Credit risk is measured by indicators such as non-performance, portfolio quality, allowance for loan losses, concentration, expected loss and regulatory and economic capital requirements, among others.

The quantity and nature of our operations, the diversity and complexity of our products and services, and the volume exposed to credit risk require systematic measurement of credit risk at Banco do Brasil. The Bank has enough databases and corporate-system infrastructure to ensure comprehensive measurement of credit risk.

The Bank uses information provided by several corporate foundations and considers, for the calculation of the final risk of transactions, the nature of the transaction, collateral, term, customer risk, credit limit, debt level, delays in payments of transactions as well as transactions with higher risks in the portfolio of the client or the business group to which it belongs.

The risk rating criteria of operations at Banco do Brasil are divided according to the characteristics of the credit, as follows:

(i) specific transactions: operations that have some characteristic that minimizes the credit risk, such as collaterals or specific products, are thus considered;

(ii) receivership, bankruptcy, court-supervised or out-of-court recovery client operations or similar situations contained in the Brazilian Civil Code: this type of situation is weighted in the risk rating;

(iii) debt renegotiation operations: classified considering the renegotiated operation's final risk; and

(iv) other operations: those that do not fit within the previous categories, divided on two subgroups:

  (a) clients having indebtedness equal or lower than R$ 50 thousand: collective rating according to the credit product in which the operation is contracted; and

  (b) clients having indebtedness above R$ 50 thousand: aspects related to the obligor (credit limit and total indebtedness) and aspects of the operation (nature, purpose, term and collaterals) are weighed by means of a specific mathematical formulation.

The following table presents the risk classification used by the Bank to apply the criteria for determining risk, based on the contract data (nature, purpose, guarantee, maturity, and project risk) and the client data (risk, credit limit and total debt) captured directly from operational systems.

Credit risk classification

Classification	Risk level	Description
AA A B C	Low risk	Operations classified in lower ratings, considered as a low probability of write-off.
D E	Medium risk	Operations classified in average ratings. Typically are new client operations or with a history of restrictions, and may also be renegotiated or classified operations by delay or drag (1).
F G H	High risk	Operations classified in higher ratings, with high probability of write-off, that may be originated from delayed operations, subject to drag (1) or renegotiated.

(1) Mechanism of automatic risk change of an operation caused by the existence of the operations with higher risk in the client's portfolio or group which he belongs.

The classification in the table, which varies from risk AA to H, follow the same criteria defined by the Brazilian Central Bank, which establishes that the risk rating of loans must be carried out in descending risk order, based on consistent and verifiable criteria that include aspects related to the obligor and its guarantors. According to the table, the higher the rating the higher the credit risk of the loan to the financial institution.

Maximum credit risk exposure

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Cash and bank deposits	13,337,180	11,386,337
Compulsory deposits with central banks	63,224,237	90,682,209
Loans to financial institutions	57,808,321	65,119,694
Securities purchased under resale agreements	263,325,089	183,390,984
Financial assets at fair value through income or loss	12,441,262	18,991,047
Financial assets available for sale	93,803,982	90,385,074
Financial assets held to maturity	359,875	643,283
Loans to customers	650,584,264	580,419,815
Total items recorded in the consolidated balance sheet	**1,154,884,210**	**1,041,018,443**
Off balance sheet items	162,372,958	164,337,296
Total credit risk exposure	**1,317,257,168**	**1,205,355,739**

The assets representing cash and bank deposits and compulsory deposits with central banks do not typically exhibit material credit risk. The other exposures are as follows:

Loans to financial institutions

Loans to financial institutions refer to interbank deposits and to loan portfolios acquired with co-obligation of the assigning institution and are shown in Note 17.

These loans follow the Bank's risk analysis, being classified by internal rating and these exposures exhibit low credit risk.

Repurchase agreements

Repurchase agreements are mainly formalized with the Brazilian Central Bank and other financial institutions. Securities used to back these transactions are normally federal government bonds. These transactions do not present non-performing credits and are not generally subject to impairment losses.

Financial assets at fair value through profit or loss, available for sale and held to maturity

Financial assets recorded at fair value through profit or loss are represented by securities held for trading, derivatives financial instruments, whose changes in their values, positive or negative, impact profit or loss.

Financial assets available for sale include government bonds, mainly those issued by the Federal Government, and private bonds. Financial instruments classified in this category are measured at fair value and the changes in value directly impact equity.

In the calculation of the fair value of financial instruments recorded at fair value through profit or loss and available-for-sale the credit risk of the counterparty is already considered.

Financial assets held to maturity are composed almost exclusively by securities issued by the federal government and do not present significant credit risk.

Items not recorded in the balance sheet

Transactions not recorded in the balance sheet are primarily credit limits to be released and guarantees provided and the same risk rating criteria of typical credit transactions are applied which impact the client credit limit.

Credits limits to be releases are limits made available to clients such as credit card and overdraft accounts or disbursement commitments that follow the fund release schedule, such as productive investment financing or real estate credit, and are contracted with clients with low credit risk.

Guarantees provided are guarantees and surety operations, or other form of personal guarantee, normally conducted with clients classified as low risk, disbursement only occurs in the event of a default by the client with its creditor, converting the exposure into a loan.

Items not recorded in the consolidated balance sheet are presented in the Note 40.

Loans to customers

The loans to customers are classified in:

(i) performing not subject to impairment losses;

(ii) non-performing not subject to impairment losses; and

(iii) non-performing subject to impairment losses.

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Performing not subject to impairment losses	608,939,585	545,031,533
Non-performing not subject to impairment losses[1]	11,668,732	11,211,977
Subject to impairment losses	29,975,947	24,176,305
Total loans to customers	**650,584,264**	**580,419,815**
Impairment losses	(18,950,969)	(15,653,209)
Net total	**631,633,295**	**564,766,606**

(1) Includes the amount of overdue and non-accrual loans.

Loans to customers – performing and not subject to impairment losses

R$ thousand

Risk level	Dec 31, 2014	Dec 31, 2013
Low risk	602,988,405	539,461,131
Medium risk	5,621,456	5,120,495
High risk	329,724	449,907
Total	**608,939,585**	**545,031,533**

Loans to customers in the normal situation and which have no evidence of loss compose this classification.

Loans classified as high risk are not subject to loss by impairment as there was no evidence of impairment problems of these loans. In December 31, 2014 only 0.05% of the exposures in this category are concentrated in high-risk loans to customers.

Exposures associated with medium and high risk are primarily related to customer loans that management considers to have an elevated credit risk based on the credit rating criteria or the age of the credit analysis, but who are performing based on installment payments and maintenance of existing loans.

In a prudential way, the Bank assigns more conservative risk levels to operations of these clients.

Loans to customers – non-performing and not subject to impairment losses

R$ thousand

	Dec 31, 2014	Dec 31, 2013
1 to 60 days	11,382,160	10,814,547
61 to 90 days	67,478	19,621
Over 90 days	219,094	377,809
Total	**11,668,732**	**11,211,977**

This classification is composed of overdue loans with no evidence of loss, or overdue loans with an indication of loss that, according to the methodology used by management, is not determined to be a loss due to impairment.

Overdue loans for more than 90 days (normally rural transactions) that are classified as "non-performing and not subject to impairment losses" are considered "without loss by impairment" because CMN and BACEN regulations allow the Bank to grant a grace period for its customers to comply with new payment terms (e.g., late payment of overdue installments and the rescheduling of payments under specific conditions established by the Bank's product managers). If the customer complies with the new terms, the loans are reclassified to the non-delinquent status. Otherwise, these loans must be reclassified and impairment is calculated.

R$ thousand

Risk Level	Dec 31, 2014	Dec 31, 2013
Low Risk	10,693,962	10,371,339
Medium Risk	831,423	477,656
High Risk	143,347	362,982
Total	**11,668,732**	**11,211,977**

Non-Performing loans classified as "high risk" are not subject to loss by impairment due to the adopted criteria and the lack of evidence of problems with recoverability. On December 31, 2014, only 1.23% and 7.13% of the exposures in this category were concentrated in loans to high risk and medium risk customers, respectively.

Loans to customers – subject to impairment loss

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Collective assessment	27,642,520	23,046,381
Individual assessment	2,333,427	1,129,924
Total	**29,975,947**	**24,176,305**

This classification is composed of loans to customers with evidence of loss caused by impairment, according to the methodology used by management. For loans to customers with material value and recoverability problems, the Bank performs individualized analysis for measurement of losses incurred. For other loans to clients the Bank performs a group analysis.

Client operations with significant financial difficulty are considered loans with recoverability problems, such as those with a breach of contract, for example, default or delay in payment of interest or principal, as well as whenever it will be likely that borrower will go bankrupt or start a process of financial reorganization.

Any recoverability problem is treated as inherent to the client and not exclusively in relation to one or some of its operations. Thus, if any operation is identified in such situation, all other operations of the client are similarly classified.

In determining the relevance of the exposure and its consequent loss measurement methodology (group or individual), the Bank classifies the client, and not only each operation, as material or not-material, based on its total indebtedness. Clients showing indebtedness at a value which would need an approval by senior management, belonging to a strategic decision level, are considered material.

Once clients with recoverability problems whose value is considered material are segregated, their loans are evaluated individually by the area responsible for collection and credit recovery of Banco do Brasil.

In the individual evaluation, aspects inherent to the client and specific to the operations are assessed, such as:

(i) customer operations status;

(ii) risk sharing (Banco do Brasil versus third party risks);

(iii) customer's economic and financial situation;

(iv) credit restrictions inherent to the customer, internal as well as external (group credit policy, credit operation history and records in credit bureaus); and

(v) operation-linked guarantees.

R$ thousand

Risk Level	Dec 31, 2014	Dec 31, 2013
Low Risk	3,240,518	2,685,723
Medium Risk	6,286,610	5,015,157
High Risk	20,448,819	16,475,425
Total	**29,975,947**	**24,176,305**

The loans to customers subject to loss due to a decrease in the recoverable amount represented 68.22% of the exposure classified as high risk and 20.97% of the exposure classified as medium risk, in 2014.

Assets received as collateral

The main collateral related to loans to customers are listed below:

(i) rural properties (land and buildings);

(ii) urban properties – real estate located in urban areas (houses, apartments, warehouses, sheds, commercial or industrial buildings, urban lots, shops etc);

(iii) crops – harvest of the assets being financed (avocado, rice, beans, etc.). When it comes to perishable products (vegetables, fruits, flowers etc), additional collaterals are required;

(iv) furniture – goods that can be easily moved or, if set in the ground, can be removed without any damage to its material integrity or the property where they are installed (machinery, equipment, vehicles etc);

(v) BB operations – existing financial investments in the Bank (savings, CBD, fixed income funds etc,),

(vi) personal – personal guarantees (including surety funds such as the FGO, FAMPE, FUNPROGER etc);

(vii) extractive agricultural products – extractive agricultural product (pineapple, acai, rice, coffee, cocoa, grapes etc);

(viii) industrial products – raw materials, goods or industrial products (steel coil, footwear, stainless steel plate etc);

(ix) receivables – receivables represented by credit card, checks or checks in custody;

(x) livestock – herd animals (cattle, pigs, sheep, goats, horses etc);

(xi) securities and rights – credit securities or collateral rights (Commercial Credit Notes (CCC), Industrial Credit Notes (CCI), Credit Notes Export (CCE), Rural Product Notes (CPR), Rural Notes, internalized resources in the Banco, receivables and other credit documents that represent receivables arising from services rendered or goods delivered from services already rendered or goods delivered); and

(xii) credit insurance – credit insurance (Brazilian Insurer of Export Credit – SBCE, Credit Insurer of Brasil - SECREB etc).

In lending to customers, preference is given to collateral that provides for high liquidity on the operation.

The maximum amount considered for purposes of collateral commitment is obtained by applying a specific percentage of the good or right value, according to the following table:

Percentage of coverage of assets received as collateral

Asset	% coverage
Credit rights	
Receipt for bank deposit	100%
Certificate of bank deposit (1)	100%
Savings deposits	100%
Fixed income investment funds	100%
Pledge Agreement – cash collateral (2)	100%
Standby letter of credit	100%
Others	80%
Guarantee funds	
Guarantee Fund for Generation of Employment and Income	100%
Guarantee Fund for Micro and Small Business	100%
Guarantee Fund for Operations	100%
Guarantee Fund for Investment	100%
Other	100%
Guarantee (3)	100%
Credit insurance	100%
Pledge Agreement – securities (4)	77%
Offshore funds – BB Fund (5)	77%
Livestock (6)	70%
Pledge Agreement - cash collateral (7)	70%
Other (8)	50%

(1) Except certificates that have swap contracts.
(2) In the same currency of the operation.
(3) Provided by a banking institution that has a credit limit at the Bank, with sufficient margin to support the co-obligation.
(4) Contract of deposit/transfer of customer funds.
(5) Exclusive or retail.
(6) Except in Rural Product Notes (CPR) transactions.
(7) Cash collateral celebrated in a distinct currency of the supported operations that have no foreign exchange hedge mechanism.
(8) Include properties, vehicles, machines, equipment, among others.

Collateral in the form of credit rights represented by money market investments should be internalized within the Bank and are blocked by the institution, remaining in this status until the settlement of the transaction. The Bank may, at its discretion, upon the maturity of the money market investment, make use of it for settlement of the balances relating to the overdue installments, regardless of notice or notification to the assignor/borrower.

In addition to credit assignment or credit right assignment clauses for mitigation instruments, the credit instrument contains a guarantee reinforcement clause, to ensure the percentage of coverage agreed in the operation contract during the operation maturity.

The surety funds used as collateral by the Bank, mitigating credit risk operations, have the following characteristics:

(i) maximum limits to the percentage of coverage that the fund provides depending on the type of operation: investment or working capital;

(ii) client qualification criteria based on the turnover or on the client risk;

(iii) existence or non-existence of counter-guarantees;

(iv) maximum limits on the amount of resources that constitute the equity of the fund (leverage ratio); and

(v) limits for accumulated deficit, that is, a stop loss definied as a maximum rate of default allowed.

The managers of the guarantee funds monitor the compliance of operations with the rules of the fund, prior to the concession of this collateral, and the operational management of collateral granted and of the assets of the fund, determining, if necessary, the suspension of the use of the funds as a guarantee for operations, before the sum of pledged resources exceeds the leverage established for each fund.

The following table presents the value of guarantees to which the Bank has rights in relation to the loans. These guarantees are considered in the loan losses calculation methodology:

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Value of the loans	10,587,000	7,476,000
Value of the guarantees	6,601,154	11,747,164

The values of the guarantees presented in the table above refer to the asset backed guarantees to which the Bank has rights by means of credit instruments (banknotes or agreements) that could be judicially executed up to the contracted loan amount.

The Bank uses the following criteria to evaluate guarantees in order to account for allowance for losses on loans to with individualized impairment analysis:

(i) Consider all the guarantees recorded in the Bank own systems;

(ii) Consider as asset backed guarantees: real estate; securities and receivable rights; operations at BB, in Brazil and abroad; and movable property (machinery, vehicles and long term useful life industrial properties);

(iii) Excludes the guarantees with volatile prices, e.g., stocks;

(iv) Excludes the rapid decay guarantees e.g., crop and livestock, with assessment performed more than one year from the reference date;

(v) Excludes the guarantees composed by promissory notes without surety, GBB surety operations, surety operations with related companies, surety operations with individual partner or managerial person and standby letters of credit.

Concentration

Credit risk management strategies guide the actions at an operational level. Strategic decisions include, among other aspects, the risk profile of Banco do Brasil and the setting of risk and concentration limits. Concentration limits set out by the Brazilian Central Bank are also considered.

They are used to manage credit risk exposure concentration, monitoring of sectorial limits and individual and corporate group exposure. In addition, the Bank developed and implemented a credit risk concentration measurement and monitoring system in the business loan portfolio. The model is based on the Herfindahl Index, which evaluates concentration based on borrower's credit risks and considers the inter-relation between several economic sectors that comprise the business loan portfolio.

Information on exposures by economic activity is presented in Note 22 – Loans to Customers.

Exposures per geographic region

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Banco do Brasil		
Domestic market	**598,468,370**	**530,747,984**
Southeast	329,146,537	292,604,749
South	109,057,574	99,393,550
Midwest	72,221,459	61,478,728
Northeast	62,070,669	54,475,165
North	25,972,131	22,795,792
Foreign market	**52,115,894**	**49,671,831**
Total	**650,584,264**	**580,419,815**

Renegotiated credit transactions

Renegotiated credit transactions are those with evidence of credit recoverability problems due to significant financial difficulty of the debtor that have been renegotiated, with changes to originally agreed-upon conditions.

Balances related to renegotiated transactions are presented in Note 22.

Assets that the Bank acquired in the settlement of loans

R$ thousand

	Dec 31, 2014	Dec 31, 2013
Real estate	201,113	213,544
Machines and equipments	3,425	4,395
Vehicles and related	240	288
Other	55	55
Total	**204,833**	**218,282**

The movable and immovable property obtained due to the recovery of defaulted loans are periodically offered to the market through bidding processes, most often in the form of auction, the Bank's policy is not to use these properties to obtain financial revenue or in the performance of its main activity.

f) Operational risk

Operational risk is defined as the possibility of loss due to failures, deficiencies and improper internal processes, people and systems or external events. This includes the legal risk associated with inadequacy or deficiency in executed contracts, besides sanctions due to non-compliance with legal provisions and compensation for damages to third parties arising from activities developed by the institution.

In order to fulfill the strategies and policies defined for operational risk and in compliance with regulatory requirements, the activities related to the phases of management are summarized in the following table:

Phases of operational risk management process

Management phase	Summary of activities
Identification	Consists of identifying and classifying the operational risk events to which the Bank is exposed, indicating incidence areas, causes and potential financial impacts associated to the organization's processes, products and services.
Assessment	It is the quantification of the operational risk exposure with the objective of assessing the impact in the Bank´s business. Also, it consists of the qualitative assessment of the identified risks, analyzing their probability to happen and their impact, in an effort to determine the risk tolerance level.
Control	Consists of the analysis of the behavior of operational risks, limits, indicators and operational loss events, including the implementation of mechanisms, ensuring that the limits and operational risk indicators remain within the desired levels.
Mitigation	Consists of the creation and implemention of mechanisms to modify the risk, with the objective to reduce the operational losses by removing the cause of the risk, changing the probability of occurrence or changing risk event consequences.
Monitoring	The objective is to identify the deficiencies of the operational risk management process and informing the Board of Directors of the weaknesses detected. It is the feedback phase of the operational risk management process, where it is possible to detect weaknesses in the previous phases.

Operational risk policy

The operational risk policy, approved and reviewed annually by the Board, provides guidance to the Bank´s departments, intended to ensure the effectiveness of operational risk management model, it is expected that subsidiaries and associates define their paths from these guidelines, considering the specific needs and legal and regulatory aspects which are imposed.

In according to Brazilian regulation requirements (CMN Resolution 3,380), politics permeates the activities related to operational risk management, in order to identify, evaluate, control, mitigate and monitor risks associated with each individual of the Financial Conglomerate institution and identify and track risks associated with other group companies in the economic-financial consolidated.

Monitoring

The monitoring of operational losses, for production of the appropriate reports and engagement of the departments managing the processes, systems, products or services in case of the need to propose mitigation actions, is performed through the monthly calculation of the amounts of losses according to the operational losses global limit, which includes incidents in the internal and external networks.

Aiming to make monitoring even more efficient the Bank adopted specific limits for the following categories of operational risk events:

(i) labor issues;

(ii) business failures (economic plans; indemnification and collection; exclusion of restrictive register; repetition of overpayment; failures in service);

(iii) external fraud and theft (external theft; external electronic fraud; losses with cards and document frauds);

(iv) internal frauds; and

(v) System failures.

The systematic monitoring of operational loss events is performed through the analysis of the information contained in the Risk Panel, among them the monitoring of global and specific limits and decisions of the Global Risk Committee and the Operational Risk Subcommittee. In case of extrapolations from the established limits, managers responsible for the process, product or service are triggered to clarify the reasons for extrapolation and propose risk mitigation actions.

43 – TRANSFERS OF FINANCIAL ASSETS

In the course of its activities, the Bank enters into transactions that result in the transfer of financial assets, mainly represented by debt instruments, equity instruments and loans to customers. In applying the accounting for transfers of financial assets, the Bank evaluates the level of continuing involvement with transferred assets to determine if it continues its recognition in its entirety, on the extent of its continuing involvement or it is derecognized.

The transactions of transfers of financial assets held by the Bank are represented mainly by the sale of securities under repurchase agreements and the transfer of loan portfolios with substantial retention of risks and benefits, whose associated liabilities are recorded in securities sold under repurchase agreements and amounts payable to financial institutions, respectively.

Financial assets transferred and still recognized in the consolidated balance sheet and their associated liabilities

R$ thousand

	Dec 31, 2014		Dec 31, 2013	
	Financial assets transferred	Associated liabilities	Financial assets transferred	Associated liabilities
Financial assets related to repurchase agreements				
Financial assets at fair value through profit or loss	765,873	764,410	4,477,637	4,474,827
Financial assets available for sale	14,125,407	13,262,906	33,724,932	33,703,766
Financial assets held to maturity	42,384,813	42,409,823	21,526,587	21,513,077
Total	**57,276,094**	**56,437,139**	**59,729,156**	**59,691,670**

Financial assets transferred and still recognized in the consolidated balance sheet where the associated liabilities are resources only to the transferred assets

R$ thousand

	Dec 31, 2014		Dec 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Credit assignment with substantial retention of risks(1)				
Financial assets transferred	321,251	313,899	207,612	206,281
Associated liabilities	321,366	321,366	207,616	207,616
Net position	**(115)**	**(7,467)**	**(4)**	**(1,335)**

(1) Financial assets transferred and associated liabilities are recognized in the consolidated balance sheet within line items "Loans to customers" and "Amounts payable to financial institutions", respectively.

Sales with repurchase agreement

Sales with repurchase agreement are transactions in which the Bank sells a security and simultaneously agrees to buy that same security with fixed price at a future date. The Bank continues to recognize the security in its entirety on the balance sheet because the risks and benefits of securities were substantially retained, in other words, any change in market value and the income that the security offers are the responsibility of the Bank.

The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because the Bank sells the contractual rights to the cash flows of the securities it does not have the ability to use the transferred assets during the term of the arrangement.

Credit assignment with substantial retention of risks and benefits

The Bank transfers the right to receive future cash flows of financial assets classified as loans and receivables to the transferee by means of receipt of an amount in cash, calculated on the date of transfer. However, the Bank continues to recognize the asset on its balance sheet in separate accounts because the risks and benefits of securities were substantially retained, in other words, any event of default occurred in the transferred receivables is the responsibility of the Bank.

The cash consideration received is recognized as a financial asset and a financial liability is recognized for the amounts payable to financial institutions. Because the Bank sells the contractual rights to the cash flows of the loans it does not have the ability to use the transferred assets during the term of the arrangement.

44 – OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

The information presented below refers to financial assets and liabilities that:

- are presented net on the Consolidated Balance Sheet; or
- are subject to a master netting agreements or similar agreements, irrespective of been presented net on the consolidated balance sheet.

In accordance with IAS 32, financial assets and financial liabilities are offset and the net amount is presented in the consolidated balance sheet when, and only when, there is a legally enforceable right to offset the recognized amounts and the Bank intends to settle them on a net basis, or realize the asset and settle the liability simultaneously.

According to IFRS 7, the Bank must also presents the amounts related to financial instruments subject to master netting agreements or similar agreements, which do not meet some or all of offsetting criteria from IAS 32. Similar agreements include the Global Derivative Agreements (CGD / ISDA) and the Global Master Repurchase Agreements (GMRA).

Some of the OTC derivative financial instruments transacted by the Bank, are executed through contracts CGD and ISDA (International Swaps and Derivatives Agreement), in Brazil and abroad, respectively. Such contracts include offsetting clauses, such as:

- Netting of payments: offset in the normal course of operations, processed whenever there are amounts to be paid between the parties in the same currency and related to the same transaction;
- Multiple Transaction Payment Netting: offset in the normal course of operations, processed whenever there are amounts to be paid between the parties in the same currency and on the same date;
- Set off: offset in early termination of operations, processed if the innocent party (the one that is not in default) chooses to exercise the right to offset.

Some repurchase agreements are also executed through master netting agreements performed by the Bank abroad. The contracts GMRA are signed with offsetting clauses, similar to those of CGD / ISDA agreements.

The offsetting of financial assets and liabilities signed with master netting agreements or similar agreements may occur during the normal course of operations (netting of payments or multiple transaction payment netting) and in the event of default, insolvency or bankruptcy of any of the counterparties (set off).

The financial instruments received or pledged as collateral include cash deposits and / or financial instruments recognized as highly liquid. These guarantees are subject to normal market conditions and include, when appropriate, a ISDA Credit Support Annex (CSA). This means that the securities received as collateral can be sold or offered as collateral during the term of the transaction, with the obligation to be returned at maturity. Only in the event of default, insolvency or bankruptcy of any of the counterparties could the guarantee be sold and the proceeds used to pay down the outstanding balance.

Guarantees are accepted and received in the form of cash or trading securities for both contracts repos and derivatives contracts.

Financial assets subject to offsetting, enforceable master offsetting agreements or similar agreements.

R$ thousand

Dec 31, 2014	Effects of offsetting on balance sheet			Related amounts not offset					
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral received		Net amounts	Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
					Cash	Securities			
Derivatives	4,711,310	(3,833,770)	877,539	(4,957)	(195,723)	-	676,859	615,776	1,493,315
Reverse repurchase agreement	282,787	-	282,787	(24,366)	-	(257,185)	1,236	263,042,302	263,325,089
Total	**4,994,096**	**(3,833,770)**	**1,160,326**	**(29,323)**	**(195,723)**	**(257,185)**	**655,683**	**263,658,078**	**264,818,404**

Financial liabilities subject to offsetting, enforceable master offsetting agreements or similar agreements.

R$ thousand

Dec 31, 2014	Effects of offsetting on balance sheet			Related amounts not offset					
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral offered		Net amounts	Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
					Cash	Securities			
Derivatives	(4,318,225)	3,833,770	(484,455)	4,957	-	-	(479,498)	(2,165,729)	(2,650,184)
Repurchase agreement	(1,598,740)	-	(1,598,740)	24,366	-	1,573,337	(1,037)	(292,321,694)	(293,920,434)
Total	**(5,916,965)**	**3,833,770**	**(2,083,195)**	**29,323**	**-**	**1,573,337**	**(480,535)**	**(294,487,423)**	**(296,570,618)**

(1) Includes the amount of operations subject to enforceable master netting arrangements and similar agreements;
(2) Includes the total amount of operations without master netting agreements.

Financial assets subject to offsetting, enforceable master offsetting agreements or similar agreements.

R$ thousand

Dec 31, 2013	Effects of offsetting on balance sheet			Related amounts not offset					
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral received		Net amounts	Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
					Cash	Securities			
Derivatives	672,446	-	672,446	(20,301)	(4,553)	-	647,592	312,233	984,679
Reverse repurchase agreement	320,785	-	320,785	(164,017)	-	(154,336)	2,433	183,070,199	183,390,984
Total	**993,231**	**-**	**993,231**	**(184,318)**	**(4,553)**	**(154,336)**	**650,025**	**183,382,432**	**184,375,663**

Financial liabilities subject to offsetting, enforceable master offsetting agreements or similar agreements.

R$ thousand

Dec 31, 2013	Effects of offsetting on balance sheet			Related amounts not offset					
	Gross amounts[1]	Gross amounts offset	Net amounts offset	Impact of master netting agreements	Financial collateral offered		Net amounts	Amounts not subject to enforceable netting arrangements[2]	Balance sheet total
					Cash	Securities			
Derivatives	(612,596)	-	(612,596)	20,301	164,926	-	(427,369)	(2,478,373)	(3,090,969)
Repurchase agreement	(4,466,131)	-	(4,466,131)	164,017	-	4,295,527	(6,587)	(219,451,008)	(223,917,139)
Total	**(5,078,727)**	**-**	**(5,078,727)**	**184,318**	**164,926**	**4,295,527**	**(433,956)**	**(221,929,381)**	**(227,008,108)**

(1) Includes the amount of operations subject to enforceable master netting arrangements and similar agreements;
(2) Includes the total amount of operations without master netting agreements.

45 – EMPLOYEE BENEFITS

Banco do Brasil sponsors the following private pension and complementary health plan entities that provide for retirement and healthcare benefits for its employees:

	Plans	Benefits	Classification
Previ – Caixa de Previdência dos Funcionários do Banco do Brasil	Previ Futuro	Retirement and Pension	Defined contribution
	Plano de Benefícios 1	Retirement and Pension	Defined benefit
	Plano Informal	Retirement and Pension	Defined benefit
Cassi – Caixa de Assistência dos Funcionários do Banco do Brasil	Plano de Associados	Health Care	Defined benefit
Economus – Instituto de Seguridade Social	Prevmais	Retirement and Pension	Variable contribution
	Regulamento Geral	Retirement and Pension	Defined benefit
	Regulamento Complementar 1	Retirement and Pension	Defined benefit
	Grupo B'	Retirement and Pension	Defined benefit
	Plano Unificado de Saúde - PLUS	Health Care	Defined benefit
	Plano Unificado de Saúde - PLUS II	Health Care	Defined benefit
	Plano de Assistência Médica Complementar - PAMC	Health Care	Defined benefit
Fusesc – Fundação Codesc de Seguridade Social	Multifuturo I	Retirement and Pension	Variable contribution
	Plano de Benefícios I	Retirement and Pension	Defined benefit
SIM – Caixa de Assistência dos Empregados dos Sistemas Besc e Codesc, do Badesc e da Fusesc	Plano de Saúde	Health Care	Defined contribution
Prevbep – Caixa de Previdência Social	Plano BEP	Retirement and Pension	Defined benefit

Number of participants covered by benefit plans sponsored by the Bank

	Dec 31, 2014			Dec 31, 2013		
	Number of participants			Number of participants		
	Actives	Retired/Users	Total	Actives	Retired/Users	Total
Retirement and Pension Plans	**115,096**	**104,823**	**219,919**	**115,509**	**104,071**	**219,580**
Plano de Benefícios 1 – Previ	23,981	88,138	112,119	25,849	87,167	113,016
Plano Previ Futuro	74,284	777	75,061	72,584	660	73,244
Plano Informal	-	3,709	3,709	-	3,917	3,917
Other plans	16,831	12,199	29,030	17,076	12,327	29,403
Health Care Plans	**116,337**	**95,533**	**211,870**	**116,806**	**95,065**	**211,871**
Cassi	103,269	88,134	191,403	103,459	87,136	190,595
Other plans	13,068	7,399	20,467	13,347	7,929	21,276

Bank's contributions to benefit plans

R$ thousand

	2014	2013	2012
Retirement and Pension Plans	**1,320,227**	**1,835,959**	**2,243,701**
Plano de Benefícios 1 – Previ [1]	581,637	1,137,810	1,521,578
Plano Previ Futuro	427,359	361,039	299,276
Plano Informal	185,402	192,370	297,589
Other plans	125,829	144,740	125,258
Health Care Plans	**1,013,570**	**970,181**	**927,960**
Cassi	896,175	895,454	817,542
Other plans	117,395	74,727	110,418
Total	**2,333,797**	**2,806,140**	**3,171,661**

(1) Refers to the contributions from participants comprised by Agreement 97 and Plan 1, considering that these contributions occurred respectively by the realization of Fundo Paridade (Note 45.f.1) and Fundo de Contribuição and Fundo de Utilização (Note 45.f.2). Agreement 97 aims to regulate the way funding is required to achieve a portion equivalent to 53.7% of guarantee amount concerning the payment of supplement retirement due to the participants who joined the Bank up to 04.14.1967 and who have retired or will retire after the aforementioned date, except for those participants who are part of Plano Informal.

The Bank's contributions to benefit plans, during the 1st half/2015, are estimated in R$ 743,064 thousand.

Amounts recognized in profit or loss

R$ thousand

	2014	2013	2012
Retirement and Pension Plans	**633,799**	**(35,459)**	**1,453,449**
Plano de Benefícios 1 – Previ	1,348,061	598,311	1,355,234
Plano Previ Futuro	(427,359)	(361,039)	(299,276)
Plano Informal	(146,705)	(142,999)	463,240
Other plans	(140,198)	(129,732)	(65,749)
Health Care Plans	**(1,379,055)**	**(1,323,661)**	**(1,302,529)**
Cassi	(1,260,715)	(1,213,209)	(1,151,709)
Other plans	(118,340)	(110,452)	(150,820)
Total	**(745,256)**	**(1,359,120)**	**150,920**

a) Retirement and Pension Plans

Previ Futuro (Previ)

Participants in this plan are the Bank's employees hired as from December 24, 1997. The active participants contribute to Previ with an amount between 7% and 17% of their contribution salary, which varies based on time of service and the amount of the contribution salary. There is no contribution for retired participants. The sponsor contributes an amount equal to the contributions of the participants, limited to 14% of the total contribution payroll of these participants.

Plano de Benefícios 1 (Previ)

The participants of this plan are the Bank's employees who were enrolled up to December 23, 1997. Due to the establishment of parity between the Bank's and participants' contributions, in December 2000, the Fundo Paridade was set up, and its resources are being used for the purpose of offsetting contributions to the plan. Due to the accumulated surplus, the contributions of participants, beneficiaries (retirees and pensioners) and of the sponsor (Banco do Brasil) were suspended, since January 2007. According to the Memorandum of Understanding signed between the Bank, Previ and entities representing the beneficiaries, it was proposed to amend the rules of the Plan 1, which includes the suspension of contributions for the years 2011, 2012 and 2013. Considering that, in December 2013, the excess of the surplus recorded in the Contingency Reserve was less than 25% of mathematical reserves, the Bank's and participants' contributions were re-initiated in January 2014.

Plano Informal (Previ)

The responsibilityfor this plan is fully borne by Banco do Brasil whose contractual obligations include: (i) retirement pensions to founder participants and pension payments to beneficiaries of participants deceased up to April 14, 1967; (ii) payment of retirement supplements to the other participants employed by Banco do Brasil who retired up to April 14, 1967 or who, on that date, would have the right through length of service to retire and who had at least 20 years of effective service with the Bank; and (iii) increase in the amount of retirement benefits and of pensions beyond the amount provided in the benefit plan of Previ, resulting from judicial decisions and from administrative decisions due to restructuring of the job and salary plan and of incentives created by the Bank. On December 31, 2012, Banco do Brasil and Previ formalized an agreement whereby the Banco do Brasil paid, with Fundo Paridade funds, 100% of the mathematical reserves relating to the Grupo Especial, that is Banco do Brasil's exclusive liability, of which operations had migrated from Plano Informal to Plano de Benefícios 1 of Previ. The Grupo Especial includes participants from Plano de Benefícios 1 - Previ, listed in the first paragraph of the first clause of the contract of December 24, 1997, which received additional supplemental retirement arising from administrative decisions and/or judicial decisions (Notes 45.f).

Prevmais (Economus)

The participants of this plan are the employees from Banco Nossa Caixa (merged into Banco do Brasil on November 30, 2009) enrolled after August 01, 2006, and the participants previously linked to the Regulamento Geral benefit plan who opted for the distribution of their vested account balances. The funding for income benefits is equally provided by employees and employer, not exceeding 8% of the participants' salary. The plan also provides risk benefits, such as complementation of sickness aid, work-related accident, disability benefits and death pension.

Regulamento Geral (Economus)

The participants of this plan are the employees from Banco Nossa Caixa enrolled up to July 31, 2006. This plan is closed to new members. Employees and the sponsor contribute equally, on average, with 12.11% of participation salary.

Regulamento Complementar 1 (Economus)

The participants of this plan are the employees from Banco Nossa Caixa. This plan offers the benefits of supplemental sickness benefit and annuity for death and disability. The sponsor, participants and retired/users are responsible for the cost of the plan.

Grupo B' (Economus)

The participants of this plan are the employees from Banco Nossa Caixa admitted from January 22, 1974 to May 13, 1974 and their beneficiaries. This plan is closed to new members. The level of benefit to be granted when the implementation of all the conditions laid down in regulation is known *a priori*.

Plano Multifuturo I (Fusesc)

The participants of this plan are the employees from Banco do Estado de Santa Catarina - Besc (merged into Banco do Brasil on September 30, 2008) enrolled after January 12, 2003 and the employees previously linked to Plano de Benefícios I (Fusesc) who opted for this plan. Employees and sponsor equally contribute from 2.33% to 7% of participation salary to that plan, as determined by each participant.

Plano de Benefícios I (Fusesc)

The participants of this plan are the employees from Besc enrolled until January 11, 2003. This plan is closed to new members. Employees and the sponsor contribute equally, on average, with 9.89% of participation salary.

Plano BEP (Prevbep)

Participants of this plan are the employees from Banco do Estado do Piauí – BEP (merged in to Banco do Brasil on November 30, 2008). Employees and the sponsor contribute equally, on average, with 3.58% of participation salary.

b) Health Care Plans

Plano de Associados (Cassi)

The Bank is the sponsor of a health plan managed by Cassi which the main objective is to provide coverage for expenses related to the promotion, protection, recovery and rehabilitation of a member's health and of his/her enrolled beneficiaries. Each month, the Bank contributes with a sum equivalent to 4.5% of the total payroll or of the total retirement or pension plan benefit. Monthly contributions from members and pension beneficiaries amount to 3% of the payroll or the total retirement or pension plan benefits and co-participation in the cost of some hospital procedures.

Plano Unificado de Saúde - PLUS (Economus)

The participants of this plan are the employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limit, covering the employee and his/her preferred dependants, deducted from the employee's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the employee and his/her dependants (preferred and non-preferred).

Plano Unificado de Saúde - PLUS II (Economus)

The participants of this plan are the employees from Banco Nossa Caixa. Participation in this plan takes place by means of a 1.5% contribution of gross salary, without limit, covering the employee and his/her preferred dependants, deducted from the employee's payroll and 10% as a co-participation in the price of each medical visit and low-cost exams, made by the employee and his/her preferred dependants and children of age. The plan does not include non-preferred dependants.

Plano de Assistência Médica Complementar - PAMC (Economus)

The participants of this plan are the employees from Banco Nossa Caixa located in the State of São Paulo. The plan owners are those employees retired due to disability in Groups "B" and "C", and their dependants, who participate in the costs as much as they use it, and according to the salary range progressive table.

Plano SIM Saúde (SIM)

The participants of this plan are the employees from Besc, in addition to the employees who are linked to other sponsors (Badesc, Codesc, Bescor, Fusesc and SIM itself). Monthly contributions from active owner beneficiaries amount to 3.44% of the gross remuneration, including the 13th salary, monthly contributions from inactive owners amount to 8.86%, and those from the sponsors amount to 5.42%. The beneficiaries also contribute 0.75% per dependent. The plan also requires joint participation in ambulatory care procedures.

c) Risk factors

The Bank may be required to make extraordinary contributions to Previ, Economus, Fusesc and Prevbep, which might have a negative effect on operating income.

The criteria used in the determination of the Bank's obligation with the set of sponsored entities plans (Previ, Economus, Fusesc and Prevbep) include long-term actuarial and financial estimates and assumptions, as well as the application and interpretation of regulatory standards in effect on this date. Accordingly, inaccuracies inherent in the use of estimates and assumptions may result in divergences between the amount recorded and the amount actually realized, resulting in negative impacts on the result of the Bank’s operations.

d) Actuarial valuations

The actuarial valuations are prepared every six months and the information contained in the tables below refers to those carried out on the base dates of December 31, 2014 and December 31, 2013.

d.1) Changes in present value of defined benefit actuarial obligations

R$ thousand

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados – Cassi		Other Plans	
	2014	2013	2014	2013	2014	2013	2014	2013
Opening balance	**(113,522,849)**	**(128,413,440)**	**(1,004,111)**	**(1,091,017)**	**(6,333,578)**	**(7,717,855)**	**(5,971,976)**	**(6,949,678)**
Interest cost	(14,412,148)	(11,946,190)	(121,305)	(99,016)	(755,247)	(718,314)	(750,257)	(634,651)
Past service cost	-	-	(25,402)	(43,983)	-	-	-	-
Current service cost	(502,741)	(565,900)	-	-	(116,703)	(136,080)	(38,970)	(41,725)
Benefits paid net of retirees contributions	8,394,631	9,268,627	185,004	192,084	507,409	536,639	424,664	426,885
Remeasurements of actuarial gain/(losses)	(2,841,570)	18,134,054	45,434	37,821	867,788	1,702,032	(92,328)	1,227,193
Closing balance	**(122,884,677)**	**(113,522,849)**	**(920,380)**	**(1,004,111)**	**(5,830,331)**	**(6,333,578)**	**(6,428,867)**	**(5,971,976)**
Present value of actuarial liabilities with surplus	(122,884,677)	(113,522,849)	-	-	-	-	(5,115,870)	(5,033,968)
Present value of actuarial liabilities without surplus	-	-	(920,380)	(1,004,111)	(5,830,331)	(6,333,578)	(1,312,997)	(938,008)

d.2) Changes in fair value of plan assets

R$ thousand

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados – Cassi		Other Plans [1]	
	2014	2013	2014	2013	2014	2013	2014	2013
Opening balance	**144,420,740**	**152,029,136**	**-**	**-**	**-**	**-**	**5,033,968**	**4,921,429**
Interest income	17,611,010	13,708,711	-	-	-	-	621,916	475,875
Contributions received	581,637	1,137,977	185,004	192,084	507,409	536,639	151,576	149,825
Benefits paid net of retirees contributions	(8,394,631)	(9,268,627)	(185,004)	(192,084)	(507,409)	(536,639)	(424,664)	(426,885)
Actuarial gain / (loss) on plan assets	(19,073,110)	(13,186,457)	**-**	-	**-**	-	(266,926)	(86,276)
Closing balance	**135,145,646**	**144,420,740**	-	**-**	-	**-**	**5,115,870**	**5,033,968**

(1) Refers to the following plans: Regulamento Geral (Economus), Prevmais (Economus), Regulamento Complementar 1 (Economus), Multifuturo I (Fusesc), Plano I (Fusesc) and Plano BEP (Prevbep).

d.3) Amounts recognized in the consolidated balance sheet

R$ thousand

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados – Cassi		Other plans	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
1) Fair value of the plan assets	135,145,646	144,420,740	-	-	-	-	5,115,870	5,033,968
2) Present value of actuarial liabilities	(122,884,677)	(113,522,849)	(920,380)	(1,004,111)	(5,830,331)	(6,333,578)	(6,428,867)	(5,971,976)
3) Surplus/(deficit) (1+2)	12,260,969	30,897,891	(920,380)	(1,004,111)	(5,830,331)	(6,333,578)	(1,312,997)	(938,008)
4) Net actuarial (liability)/asset [1]	**6,130,485**	**15,448,946**	**(920,380)**	**(1,004,111)**	**(5,830,331)**	**(6,333,578)**	**(916,046)**	**(702,015)**

(1) Refers to the portion of the sponsor in surplus/(deficit). The actuarial assets recorded in Other assets (Note 28) will be realized before the end of the plan. The end of the plan is understood as the date in which the last commitment will be paid.

d.4) Maturity profile of defined benefit actuarial obligations

R$ thousand

	Duration [1]	Expected benefit payments [2]				
		Up to 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Plano 1 (Previ)	9.53	9,580,530	9,585,544	28,697,230	203,223,602	**251,086,906**
Plano Informal (Previ)	5.16	159,009	145,010	349,747	793,841	**1,447,607**
Plano de Associados (Cassi)	10.63	564,389	545,141	1,539,332	13,571,513	**16,220,375**
Regulamento Geral (Economus)	9.07	435,580	430,583	1,280,397	8,385,446	**10,532,006**
Regulamento Complementar 1 (Economus)	13.44	1,312	1,432	5,111	94,972	**102,827**
Plus I e II (Economus)	5.38	49,466	45,203	112,862	282,783	**490,314**
Grupo B' (Economus)	7.72	12,704	12,524	36,333	174,218	**235,779**
Prevmais (Economus)	13.96	9,960	10,339	33,390	573,358	**627,047**
Multifuturo I (Fusesc)	11.19	4,973	5,040	15,493	157,083	**182,589**
Plano I (Fusesc)	11.73	29,708	31,223	103,850	1,274,497	**1,439,278**
Plano BEP (Prevbep)	10.42	2,427	2,533	8,541	77,201	**90,702**

(1) Weighted average duration of the defined benefit actuarial obligation.
(2) Amounts considered without discounting at present value.

d.5) Breakdown of the amounts recognized in the consolidated statement of income relating to defined benefit plans

R$ thousand

	Plano 1 – Previ			Plano Informal – Previ			Plano de Associados – Cassi			Other plans		
	2014	2013	2012	2014	2013	2012	2014	2013	2012	2014	2013	2012
Current service cost	(251,370)	(282,950)	(257,040)	-	-	-	(116,704)	(136,080)	(95,589)	(19,522)	(17,696)	(13,653)
Interest cost	(7,206,074)	(5,973,094)	(5,117,860)	(121,304)	(99,016)	(177,875)	(755,247)	(718,314)	(625,078)	(267,520)	(106,479)	(91,889)
Expected yield on plan assets	8,805,505	6,854,355	6,730,134	-	-	-	-	-	-	173,729	-	-
Amortization of net actuarial gains/(losses)	-	-	-	-	-	(259,387)	-	-	(91,006)	-	-	(106,314)
Unrecognized past service cost	-	-	-	(25,401)	(43,983)	-	-	-	(9,912)	-	-	-
Expense with active employees	-	-	-	-	-	-	(388,764)	(358,815)	(330,124)	(149,403)	(135,779)	(131,300)
Other adjustments/reversals	-	-	-	-	-	900,502	-	-	-	4,178	19,770	126,587
(Expense)/income recognized in profit or loss	**1,348,061**	**598,311**	**1,355,234**	**(146,705)**	**(142,999)**	**463,240**	**(1,260,715)**	**(1,213,209)**	**(1,151,709)**	**(258,538)**	**(240,184)**	**(216,569)**

d.6) Composition of the plan assets

R$ thousand

	Plano 1 – Previ		Other plans	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Fixed income	46,440,688	44,380,493	4,490,711	4,101,845
Equity securities[(1)]	74,607,857	86,219,182	227,912	457,923
Real estate investments	8,177,129	8,159,772	165,839	179,461
Loans and financing	4,946,825	4,823,653	104,875	102,190
Other	973,147	837,640	126,533	192,549
Total	**135,145,646**	**144,420,740**	**5,115,870**	**5,033,968**
Amounts listed in fair value of plan assets				
In the entity's own financial instruments	10,940,267	10,356,950	25,537	-
In properties or other assets used by the entity	163,817	162,322	7,621	4,788

(1) Includes, in Plano de Benefícios 1 from Previ, the amount of R$ 28,835,180 thousand (R$ 40,714,439 thousand as of December 31, 2013), related to the assets that are not quoted in active markets.

d.7) Main actuarial assumptions

	Plano 1 – Previ		Plano Informal – Previ		Plano de Associados – Cassi		Other Plans	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Inflation rate (p.a.)	6.07%	6.66%	6.23%	6.66%	6.04%	6.66%	6.07%	6.66%
Real discount rate (p.a.)	6.31%	6.41%	6.19%	6.15%	6.33%	6.50%	6.31%	6.45%
Nominal rate of return on investments (p.a.)	12.76%	13.50%	-	-	-	-	12.76%	13.55%
Real rate of expected salary growth (p.a.)	1.01%	0.25%	-	-	-	-	0.73%	0.43%
Actuarial life table	AT-2000		AT-2000		AT-2000		AT-2000	
Capitalization method	Projected credit unit		Projected credit unit		Projected credit unit		Projected credit unit	

d.8) Sensitivity analysis

The sensitivity analyses are based on changes in an assumption, maintaining all the other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The methods used for the elaboration of the sensitivity analysis did not change from the previous period, however updates in the parameters of the discount rate were observed.

R$ thousand

Dec 31, 2014			Mortality table		Salary increase		Interest rate	
			+1 age	-1 age	+0.25%	-0.25%	+0.25%	-0.25%
Plano 1 (Previ)	Present value of defined benefit actuarial obligations	122,884,677	120,819,653	124,918,653	123,107,300	122,663,904	120,566,239	125,298,519
	Surplus/(deficit) in the plan	12,260,969	14,325,994	10,226,994	12,038,347	12,481,743	14,579,408	9,847,128
Plano Informal (Previ)	Present value of defined benefit actuarial obligations	920,380	885,132	956,509	-	-	909,699	931,342
	Surplus/(deficit) in the plan	(920,380)	(885,132)	(956,509)	-	-	(909,699)	(931,342)
Plano de Associados (Cassi)	Present value of defined benefit actuarial obligations	5,830,331	5,700,483	5,958,207	5,831,606	5,829,089	5,707,305	5,958,359
	Surplus/(deficit) in the plan	(5,830,331)	(5,700,483)	(5,958,207)	(5,831,606)	(5,829,089)	(5,707,305)	(5,958,359)
Regulamento Geral (Economus)	Present value of defined benefit actuarial obligations	5,042,173	4,983,974	5,098,047	-	-	4,944,403	5,144,583
	Surplus/(deficit) in the plan	(1,031,152)	(972,947)	(1,087,020)	-	-	(933,376)	(1,133,556)
Regulamento Complementar 1 (Economus)	Present value of defined benefit actuarial obligations	31,638	32,879	30,431	-	-	30,629	32,697
	Surplus/(deficit) in the plan	(1,956)	(3,196)	(748)	-	-	(947)	(3,014)
Plus I e II (Economus)	Present value of defined benefit actuarial obligations	360,249	341,135	379,984	-	-	352,996	367,793
	Surplus/(deficit) in the plan	(360,249)	(341,135)	(379,984)	-	-	(352,996)	(367,793)
Grupo B' (Economus)	Present value of defined benefit actuarial obligations	125,278	122,355	128,125	-	-	122,923	127,716
	Surplus/(deficit) in the plan	(125,278)	(122,355)	(128,125)	-	-	(122,923)	(127,716)
Prevmais (Economus)	Present value of defined benefit actuarial obligations	190,028	189,861	190,231	-	-	184,695	195,641
	Surplus/(deficit) in the plan	77,022	77,190	76,820	-	-	82,356	71,409
Multifuturo I (Fusesc)	Present value of defined benefit actuarial obligations	73,926	73,029	74,791	-	-	72,246	75,678
	Surplus/(deficit) in the plan	57,201	58,098	56,337	-	-	58,882	55,450
Plano I (Fusesc)	Present value of defined benefit actuarial obligations	561,185	559,500	562,867	561,186	561,182	554,996	567,606
	Surplus/(deficit) in the plan	30,012	31,695	28,328	30,010	30,013	36,199	23,590
Plano BEP (Prevbep)	Present value of defined benefit actuarial obligations	44,390	43,728	45,030	44,587	44,186	43,460	45,358
	Surplus/(deficit) in the plan	41,403	42,066	40,765	41,208	41,608	42,334	40,436

e) Overview of actuarial asset/(liability) recorded by the Bank

R$ thousand

	Actuarial assets		Actuarial liabilities	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
Plano 1 (Previ)	6,130,485	15,448,946	-	-
Plano Informal (Previ)	-	-	(920,380)	(1,004,111)
Plano de Associados (Cassi)	-	-	(5,830,331)	(6,333,578)
Regulamento Geral (Economus)	-	-	(532,645)	(353,961)
Regulamento Complementar 1 (Economus)	-	-	(694)	(218)
Plus I e II (Economus)	-	-	(360,250)	(327,519)
Grupo B' (Economus)	-	-	(125,279)	(115,589)
Prevmais (Economus)	38,511	31,513	-	-
Multifuturo I (Fusesc)	28,602	22,870	-	-
Plano I (Fusesc)	15,006	19,436	-	-
Plano BEP (Prevbep)	20,703	21,453	-	-
Total	**6,233,307**	**15,544,218**	**(7,769,579)**	**(8,134,976)**

f) Allocations of the Surplus – Plano 1

R$ thousand

	2014	2013
Fundo Paridade		
Opening balance	**172,124**	**740,643**
Interest and inflation adjustment	15,181	78,060
Contributions to Plano 1 – Agreement 97	(60,552)	(603,066)
Early contribution to amortize – Grupo Especial [1]	(7,864)	(43,513)
Closing balance	**118,889**	**172,124**
Fundo de Destinação		
Opening balance	**-**	**2,373,525**
Interest and inflation adjustment	-	148,012
Amounts transferred to Plano 1	-	(223,687)
Transfers to Fundo de Utilização	-	(1,769,790)
Values reverted to Plan 1	-	(528,060)
Closing balance	**-**	**-**
Fundo de Contribuição		
Opening balance	**-**	**726,637**
Interest and inflation adjustment	-	55,745
Contributions to Plano 1	-	(491,231)
Values reverted to Plan 1	-	(291,151)
Closing balance	**-**	**-**
Fundo de Utilização		
Opening balance	**7,794,154**	**5,357,912**
Amounts transferred from Fundo de Destinação	-	1,769,790
Contributions to Plano 1	(513,220)	
Interest and inflation adjustment	874,309	666,452
Closing balance	**8,155,243**	**7,794,154**
Total funds allocated surplus	**8,274,132**	**7,966,278**

(1) Refers to the payment of 100% of mathematical reserves guarantors of additional supplemental retirement of Grupo Especial.

f.1) Fundo Paridade

The plan was funded, up to December 15, 2000, through a contribution of 2/3 (two thirds) from the Bank and another of 1/3 (one third) from participants. As from December 16, 2000, in order to adjust to the provisions of Constitutional

Amendment No. 20, both the Bank and the participants began to make a contribution of 1/2 (one half), and an agreement was signed by the parties involved and duly approved by the Supplementary Pension Plan Secretariat.

The cost for the implementation of the equal contributions was determined by using the Plan's surplus at the time. As a result of this agreement, the Bank was entitled to recognize the amount of R$ 2,227,254 thousand, which was recorded in Other assets. This asset is monthly adjusted based on the actuarial target (INPC + 5% per year) and, since January 2007, has been used to offset any financial imbalance in the ratio between the Unamortized Reserve and Advanced Amortization arising from the agreement entered into with Previ in 1997, which granted supplementary benefits to the participants of Plano 1 who joined the Plan up to April 14, 1967 and had not retired up to that date.

f.2) Fundo de Destinação and Fundo de Contribuição

Fundo de Destinação

On November 24, 2010, Banco do Brasil signed a Memorandum of Understanding with the entities that represents current and retired employees, aiming to allocate and use a share of the Plan's surplus, as determined by Supplementary Law 109/2001 and CGPC Resolution No. 26/2008.

In view of the approval of the measures provided for in the Memorandum of Understanding by Previ's Decision-Making Council, the Bank recorded, as of November 30, 2010, under Other assets, the amount of R$ 7,519,058 thousand against the write-off of the amount from Other assets - Actuarial assets, adjusted by the actuarial target (INPC + 5% p.a.).

Fundo de Contribuição

The fund was composed of resources transferred from the Fundo de Destinação to support the interruption of contribution of payments for a period of three years, as established in the Memorandum of Understanding. The amount related to the Bank's contributions was transferred to Previ monthly. The Fundo de Contribuição was updated by an actuarial goal (INPC + 5% p.a.).

Reversal of Fundo de Destinação and Fundo de Contribuição

In December 2013, the excess of the surplus recorded in the Contingency Reserve was less than 25% of mathematical reserves, requiring its reconstitution. Thereby, according to the Article 18 of the Resolution CGPC No. 26/2008, the use of the plan's Special Reserve was interrupted and the amounts recorded in Fundo de Destinação and in Fundo de Contribuição, from participants and sponsor, were reversed to the Contingency Reserve.

f.3) Fundo de Utilização

The fund, composed of resources transferred from the Fundo de Destinação, can be used by the Bank for reimbursement or as a reduction in future contributions, after fulfilling the requirements established by applicable law. The Fundo de Utilização is updated by the actuarial goal (INPC + 5% p.a.).

46 – RELATED-PARTY TRANSACTIONS

The costs of salaries and other benefits granted to key management personnel of Banco do Brasil (Executive Board, Audit Committee, Board of Directors and Fiscal Council) are shown below.

R$ thousand

	2014	2013	2012
Short-term benefits	**53,030**	**54,425**	**40,673**
Salary and social security costs	**41,039**	**36,097**	**31,416**
Executive Board	37,669	32,964	28,784
Audit Committee	2,677	2,520	2,057
Board of Directors	348	259	284
Fiscal Council	345	354	291
Profit sharing	10,236	16,729	8,393
Other	1,755	1,599	864
Benefits for termination of work agreement	-	2,968	9,109
Share-based payment benefits (1)	3,372	-	4,946
Total	**56,402**	**57,393**	**54,728**

(1) In relation to program of Share-Based Payment (2011), the payment made by the Bank occurred in the 1st half/2012 and release of shares on March 08, 2013 (Note 36.I).

In accordance with the Bank's policy of variable remuneration, established in compliance with CMN Resolution 3,921/2010, the variable remuneration of Executive Directors is paid in shares (Note 36.I).

The Bank does not offer post-employment benefits to its key management personnel, except for those who are part of the staff of the Bank, and who participate in the Pension Plan for Employees of Banco do Brasil (Previ).

The Bank does not grant loans to key management personnel, pursuant to the prohibition for all financial institutions established by BACEN.

The transactions between the consolidated companies are eliminated in the consolidated financial statements. In relation to transactions with the Tesouro Nacional (National Treasury) and other subsidiaries, that are related parties because the National Treasury has control, joint control or significant influence, the Bank opted for the partial exemption granted by IAS 24. In this case, the Bank discloses only the most significant transactions.

The Bank has banking transactions with these related parties, such as interest bearing and non-interest bearing deposits, loans, sale and repurchase transactions, except for key management personnel, and acquisition of loan portfolios. There are also services rendered and guarantee agreements.

These transactions are conducted under normal market conditions, under the terms and conditions for comparable transactions with unrelated parties, including interest rates and collateral. These transactions do not involve abnormal payment risks.

The resources applied in federal government securities and in funds and programs from onlendings of the Official Institutions are listed in Notes 19 and 33, respectively.

The Bank has instituted the Fundação Banco do Brasil (FBB), which aims to promote, support, encourage and sponsor actions in the fields of education, culture, health, social welfare, recreation and sports, science and technology and assistance to urban-rural communities. In 2014, the Bank made contributions to FBB in the amount of R$ 51,838 thousand (R$ 115,539 thousand in 2013).

The information related to Bank's contributions and other transactions with sponsored entities are disclosed in Note 45.

Summary of related-party transactions

R$ thousand

	Dec 31, 2014						
	Controlling shareholder [1]	Subsidiaries [2]	Joint control [3]	Associated companies [4]	Key management personnel [5]	Other related parties [6]	Total
Assets							
Loans to financial institutions	-	64,763,332	15,259,733	-	-	-	80,023,065
Financial assets	-	45,379,081	129,205	-	-	-	45,508,286
Loans to customers	-	136,470	715,424	85,546	-	25,481,303	26,418,743
Other assets [7]	14,729,641	97,570	2,284,034	-	-	-	17,111,245
Total	**14,729,641**	**110,376,453**	**18,388,396**	**85,546**	**-**	**25,481,303**	**169,061,338**
Liabilities							
Deposits of clients	434,785	10,093,606	4,127,486	121	3,480	18,229,848	32,889,327
Securities sold under repurchase agreements	-	6,783,048	3,735,579	-	-	2,842,272	13,360,899
Long-term liabilities	284,612	48,350,388	-	-	-	88,870,865	137,505,864
Other liabilities	310,139	46,160,229	7,519	18,528	-	184,523	46,680,938
Total	**1,029,536**	**111,387,271**	**7,870,584**	**18,649**	**3,480**	**110,127,508**	**230,437,027**
Guarantees and other coobligations [8]	**-**	**3,058,388**	**6,800,000**	**-**	**-**	**-**	**9,858,388**
Consolidated statement of income							
				2014			
Income from interest and rendering	5,468,940	7,390,129	2,447,498	1,307	-	2,071,969	17,379,843
Borrowing expenses	(38,976)	(6,823,500)	(257,621)	(29,867)	(356)	(4,841,793)	(11,992,114)
Total	**5,429,964**	**566,629**	**2,189,877**	**(28,560)**	**(356)**	**(2,769,824)**	**5,387,730**

(1) Controller – comprised of the Brazilian National Treasury Department, representing the Federal Union, and the agencies of the direct administration of the Federal Government.

(2) Subsidiaries – comprised of the companies listed in Note 5.

(3) Joint control – comprised of the companies listed in Note 25.

(4) Associated companies – comprised of the companies listed in Note 25.

(5) Key Management Personnel – Board of Directors, Executive Board, Audit Committee and Fiscal Council.

(6) Includes the most significant transactions with state-owned companies and private companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES, Eletrobras, Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger, Fundo de Defesa da Economia Cafeeira – Funcafé. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.

(7) The transactions with the Controller refer to securities and credits receivables from the National Treasury.

(8) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim.

R$ thousand

	Dec 31, 2013						
	Controlling shareholder [1]	Subsidiaries [2]	Joint control [3]	Associated companies [4]	Key management personnel [5]	Other related parties [6]	Total
Assets							
Loans to financial institutions	-	42,181,597	11,772,354	-	-	7,086	53,961,037
Financial assets	-	21,421,483	166,656	-	-	-	21,588,139
Loans to customers	-	5,762	430,590	95,429	-	22,272,921	22,804,702
Other assets [7]	9,097,436	102,909	201,835	551	-	-	9,402,731
Total	**9,097,436**	**63,711,751**	**12,571,435**	**95,980**	**-**	**22,280,007**	**107,756,609**
Liabilities							
Deposits of clients	568,307	4,957,044	519,173	811	4,836	17,145,478	23,195,649
Securities sold under repurchase agreements	-	5,894,871	1,358,646	-	-	110,076	7,363,593
Long-term liabilities	473,365	31,889,552	-	-	-	84,334,852	116,697,769
Other liabilities [8]	8,555,950	22,265,207	145,509	12,753	-	-	30,979,419
Total	**9,597,622**	**65,006,674**	**2,023,328**	**13,564**	**4,836**	**101,590,406**	**178,236,430**
Guarantees and other coobligations [9]	**-**	**1,344,595**	**6,800,000**	**-**	**-**	**-**	**8,144,595**
Consolidated statement of income							
				2013			
Income from interest and rendering	4,029,379	4,652,116	1,334,400	5,002	--	412,978	10,433,875
Borrowing expenses	(81,854)	(4,790,708)	(65,455)	(6,405)	(337)	(4,707,438)	(9,652,197)
Total	**3,947,525**	**(138,592)**	**1,268,945**	**(1,403)**	**(337)**	**(4,294,460)**	**781,678**

(1) Controller – comprised of the Brazilian National Treasury Department, representing the Federal Union, and the agencies of the direct administration of the Federal Government.

(2) Subsidiaries – comprised of the companies listed in Note 5.

(3) Joint control – comprised of the companies listed in Note 25.

(4) Associated companies – comprised of the companies listed in Note 25.

(5) Key Management Personnel – Board of Directors, Executive Board, Audit Committee and Fiscal Council.

(6) Includes the most significant transactions with state-owned companies and private companies controlled by the Federal Government, such as: Petrobras, CEF, BNDES, Eletrobras, Fundo de Amparo ao Trabalhador – FAT, Fundo de Aval para Geração de Emprego e Renda – Funproger, Fundo de Defesa da Economia Cafeeira – Funcafé. In addition, entities linked to employees and sponsored entities: Cassi, Previ and others.

(7) The transactions with the Controller refer to securities and credits receivables from the National Treasury.

(8) Includes the Perpetual Bonds with the Federal Government, reclassified as equity instrument on August 28, 2014 (Note 36.c).

(9) Includes Opening Contract Interbank Revolving Credit Line to release with Banco Votorantim.

47 – CURRENT AND NON CURRENT ASSETS AND LIABILITIES

R$ thousand

	Dec 31, 2014		
	Up to 1 year	After 1 year	Total
Assets			
Cash and bank deposits	13,337,180	-	13,337,180
Compulsory deposits with central banks	63,224,237	-	63,224,237
Loans to financial institutions net of allowance	55,007,214	2,801,107	57,808,321
Securities purchased under resale agreements	263,085,888	239,201	263,325,089
Financial assets at fair value through profit or loss	12,441,262	-	12,441,262
Debt and equity instruments	10,947,947	-	10,947,947
Derivatives	1,493,315	-	1,493,315
Financial assets available for sale	18,630,439	75,173,543	93,803,982
Financial assets held to maturity	205,542	154,333	359,875
Loans to customers net of allowance	265,334,004	366,299,291	631,633,295
Non-current assets held for sale	24,165	-	24,165
Investments in associates and joint ventures	-	15,922,103	15,922,103
Property and equipment	-	7,179,878	7,179,878
Intangible assets	-	9,932,264	9,932,264
Goodwill	-	630,301	630,301
Other	-	9,301,963	9,301,963
Tax assets	8,976,160	23,556,195	32,532,355
Current	8,976,160	436	8,976,596
Deferred	-	23,555,759	23,555,759
Other assets	55,508,240	21,104,702	76,612,942
Total	**755,774,331**	**522,362,617**	**1,278,136,948**
Liabilities			
Deposits of clients	382,383,731	55,438,022	437,821,753
Amounts payable to financial institutions	25,197,137	5,478,112	30,675,249
Financial liabilities at fair value through profit or loss	2,995,367	-	2,995,367
Debt instruments	345,183	-	345,183
Derivatives	2,650,184	-	2,650,184
Securities sold under repurchase agreements	281,316,505	12,603,929	293,920,434
Short-term liabilities	15,577,586	4,750,357	20,327,943
Long-term liabilities	95,384,467	227,495,665	322,880,132
Provisions for labor, tax and civil lawsuits	7,671,791	921	7,672,712
Tax liabilities	2,641,450	2,457,073	5,098,523
Current	2,641,450	-	2,641,450
Deferred	-	2,457,073	2,457,073
Other liabilities	62,730,255	8,574,544	71,304,799
Shareholders' equity	**-**	**85,440,036**	**85,440,036**
Total	**875,898,289**	**402,238,659**	**1,278,136,948**

R$ thousand

	Dec 31, 2013		
	Up to 1 year	After 1 year	Total
Assets			
Cash and bank deposits	11,386,337	-	11,386,337
Compulsory deposits with central banks	90,682,209	-	90,682,209
Loans to financial institutions net of allowance	56,858,854	8,260,840	65,119,694
Securities purchased under resale agreements	183,187,678	203,306	183,390,984
Financial assets at fair value through profit or loss	18,991,047	-	18,991,047
Debt and equity instruments	18,006,368	-	18,006,368
Derivatives	984,679	-	984,679
Financial assets available for sale	26,426,504	63,958,570	90,385,074
Financial assets held to maturity	223,346	419,937	643,283
Loans to customers net of allowance	252,705,578	312,061,028	564,766,606
Non-current assets held for sale	43,904	-	43,904
Investments in associates and joint ventures	-	14,213,312	14,213,312
Property and equipment	-	6,575,390	6,575,390
Intangible assets	-	10,346,522	10,346,522
Goodwill	-	625,729	625,729
Other	-	9,720,793	9,720,793
Tax assets	11,683,583	21,954,897	33,638,480
Current	11,683,583	437	11,684,020
Deferred	-	21,954,460	21,954,460
Other assets	43,474,003	28,511,037	71,985,040
Total	**695,663,043**	**466,504,839**	**1,162,167,882**
Liabilities			
Deposits of clients	383,466,222	77,959,187	461,425,409
Amounts payable to financial institutions	24,318,761	1,850,296	26,169,057
Financial liabilities at fair value through profit or loss	3,433,119	-	3,433,119
Debt instruments	342,150	-	342,150
Derivatives	3,090,969	-	3,090,969
Securities sold under repurchase agreements	213,777,149	10,139,990	223,917,139
Short-term liabilities	13,837,773	1,352,437	15,190,210
Long-term liabilities	46,590,243	225,445,813	272,036,056
Provisions for labor, tax and civil lawsuits	7,456,554	29,987	7,486,541
Tax liabilities	5,454,383	6,153,998	11,608,381
Current	5,454,383	-	5,454,383
Deferred	-	6,153,998	6,153,998
Other liabilities	50,765,481	13,754,493	64,519,974
Shareholders' equity	**-**	**76,381,996**	**76,381,996**
Total	**749,099,685**	**413,068,197**	**1,162,167,882**

48 – SUBSEQUENT EVENTS

On November 19, 2014, the Bank announced to the market that BB Elo Cartões Participações, its wholly owned subsidiary, and Cielo S.A. signed the Association Agreement to establish new strategic partnership in the electronic payments industry, through the establishment of a new company.

On February 27, 2015, the new company – Token Gestão de Contas de Pagamento S.A. (Token) – was approved and set-up to explore the management of post-paid accounts transactions and purchase via debt of its payments arrangements. In addition, the new deal aims to form associations with other partners in order to leverage opportunities related to the electronic payment market, seeking to obtain synergies gains and optimizing the structuring of new businesses in the segment.

The total share capital of Token is divided in a proportion of 30% for BB Elo Cartões and 70% for Cielo. Bank's total indirect shareholding in the Association is 50.05%, because it already has indirect shareholding in Cielo S.A. in proportion of 28.75%.

MEMBERS OF THE MANAGEMENT

PRESIDENT
Alexandre Corrêa Abreu

VICE-PRESIDENTS
Antonio Mauricio Maurano
Antônio Valmir Campelo Bezerra
Geraldo Afonso Dezena da Silva
José Mauricio Pereira Coelho
Osmar Fernandes Dias
Paulo Roberto Lopes Ricci
Raul Francisco Moreira
Robson Rocha
Walter Malieni Junior

DIRECTORS
Adilson do Nascimento Anisio
Admilson Monteiro Garcia
Adriano Meira Ricci
Antonio Pedro da Silva Machado
Carlos Alberto Araujo Netto
Carlos Eduardo Leal Neri
Carlos Roberto Cafareli
Clenio Severio Teribele
Edmar José Casalatina
Edson Rogério da Costa
Hamilton Rodrigues da Silva
Ives Cézar Fülber
Janio Carlos Endo Macedo
José Carlos Reis da Silva
Leonardo Silva de Loyola Reis
Luís Aniceto Silva Cavicchioli
Luiz Henrique Guimarães de Freitas
Marcelo Augusto Dutra Labuto
Marco Antonio Ascoli Mastroeni
Marcos Ricardo Lot
Nilson Martiniano Moreira
Rogério Magno Panca
Sandro José Franco
Sandro Kohler Marcondes
Simão Luiz Kovalski
Tarcísio Hübner

BOARD OF DIRECTORS
Adriana Queiroz de Carvalho
Alexandre Corrêa Abreu
Bernardo Gouthier Macedo
Elvio Lima Gaspar
Rafael Vieira de Matos
Sérgio Eduardo Arbulu Mendonça
Tarcísio José Massote de Godoy

FISCAL COUNCIL
Aldo César Martins Braido
Augusto Carneiro de Oliveira Filho
Carlos Roberto de Albuquerque Sá
Marcos Machado Guimarães
Paulo José dos Reis Souza

AUDIT COMMITTEE
Antonio Carlos Correia
Egidio Otmar Ames
Elvio Lima Gaspar

ACCOUNTING DEPT.
Eduardo Cesar Pasa
General Accountant
Accountant CRC-DF 017601/O-5
CPF 541.035.920-87

Daniel André Stieler
Accountant CRC-DF 013931/O-2
CPF 391.145.110-53


BANCO DO BRASIL