

# Financial Statements

2014 Results



**BANCO DO BRASIL**

**INDEX**

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**Independent Auditor's Report**

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**Fiscal Council Report**

**Declaration of the Executive Board Members about the Financial Statements**

**Declaration of the Executive Board Members about the Report of Independent Auditors**

**Members of the Management Bodies**

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: "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\$ 11.2 billion and an annualized return on shareholders' equity of 15.0% in 2014. Income per share was R\$ 4.04 in the period.

Assets amounted to R\$ 1.4 trillion, an increase of 10.2% in twelve months, with a return on assets of 0.8%, 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\$ 80.6 billion, an increase of 11.6% in twelve months.

**Table 1. Highlights**

	R\$ million		
<b>Earnings<sup>1</sup></b>	<b>2013</b>	<b>2014</b>	<b>on 2013</b>
Net Income	15,758	11,246	(28.6)
Gross Income from Financial Intermediation	28,366	29,501	4.0
Fee Income	23,301	25,070	7.6
Income from Insurance, Pension Plans e Savings Bonds	3,230	4,471	38.4
Administrative Expenses <sup>2</sup>	(34,800)	(36,695)	5.4
	R\$ billion		
<b>Equity</b>	<b>Dec/13</b>	<b>Dec/14</b>	<b>on Dec/13</b>
Assets	1,304	1,437	10.2
Loan Portfolio - Broad Concept <sup>3</sup>	693	761	9.8
Commercial Funding <sup>4</sup>	607	635	4.5
Shareholders Equity	72	81	11.6
<b>BIS Ratio %<sup>5</sup></b>	<b>14.5</b>	<b>16.1</b>	<b>10.8</b>
<b>Indicators</b>	<b>2013</b>	<b>2014</b>	<b>on 2013</b>
Earnings per Share (R\$)	5.6	4.0	(27.4)
Return on Assets %	1.3	0.8	(36.1)
Return on Equity %	22.9	15.0	(34.6)
	thousand		
<b>Structural Information</b>	<b>Dec/13</b>	<b>Dec/14</b>	<b>on Dec/13</b>
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	1.4
Employees	112.2	111.6	(0.5)
Asset Management (R\$ billion)	493.7	554.7	12.4
	R\$		
<b>Market Ratios</b>	<b>Dec/13</b>	<b>Dec/14</b>	<b>on Dec/13</b>
BBAS3 - Book Value	25.2	28.1	11.6
BBAS3 - Closing Price	24.4	23.8	(2.6)
<b>Employee Profile</b>	<b>Dec/13</b>	<b>Dec/14</b>	<b>on Dec/13</b>
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
Others	428	385	(10.0)
Turnover (%)	4.8	3.2	(34.4)

1 - Items based on Consolidated Statements;

2 - Refers to the sum of Personnel Expenses and Other Administrative Expenses;

3 - Includes private securities and guarantees offered;

4 - Total Deposits, Agribusiness Letters of Credit, Mortgage Bonds and Repurchase Agreements Operations with Private Securities;

5 - 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](http://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

**Table 2. Interest in the Capital of Subsidiaries and Affiliates of the BB Banco Múltiplo**

R\$ mil	Activity		Share - %		Book Value		Equity
			Dec/14	Dec/13	Dec/14	Income 2014	
<b>Consolidated Equity Interests</b>							
<b>Banking Segment</b>							
Banco do Brasil – AG. Viena	Banking	(I)	100,00	332.003	725.057	38.076	
BB USA Holding Company, Inc.	Holding	(I)	100,00	4.073	575	(371)	
BB Leasing S.A. – Arrendamento Mercantil	Leasing	(I)	100,00	3.716.195	3.893.195	232.132	
BB Leasing Company Ltd.	Leasing	(I)	100,00	106.823	121.831	623	
BB Securities LLC.	Brokerage	(I)	100,00	88.352	142.968	38.077	
Brasilian American Merchant Bank	Banking	(I)	100,00	1.023.383	1.221.749	51.180	
BB Securities Asia Pte. Ltd.	Brokerage	(I)	100,00	11.556	15.303	1.794	
BB Securities Ltd.	Brokerage	(I)	100,00	111.025	143.921	14.288	
Besc DTVM S.A.	Asset Management	(I)	99,62	7.136	7.145	180	
Banco Patagonia S.A.	Multiple Bank	(I)	58,96	973.600	1.228.999	440.689	
Banco Votorantim S.A.	Multiple Bank	(II)	50,00	3.433.969	3.714.071	339.181	
BB Americas	Multiple Bank	(I)	100,00	70.000	119.537	22.500	
<b>Investment Segment</b>							
BB Banco de Investimento S.A.	Investment Bank	(I)	100,00	2.766.615	2.825.136	1.209.765	
<b>Segment of Fund Management</b>							
BB DTVM S.A.	Asset Management	(I)	100,00	131.501	131.638	755.067	
<b>Insurance, Private Pension Fund, and</b>							
BB Seguridade Participações S.A.	Holding	(I)	66,25	3.180.736	3.662.042	2.293.685	
<b>Segment of Payment Methods</b>							
BB Adm. de Cartões de Crédito S.A.	Service Rendering	(I)	100,00	19.023	19.030	17.142	
BB Elo Cartões Participações S.A.	Holding	(I)	100,00	463.718	586.915	180.555	
<b>Other Segments</b>							
BB Administradora de Consórcios S.A.	Consortiums	(I)	100,00	155.094	164.162	181.363	
BB Turismo	Tourism	(I)	100,00	13.282	14.534	1.928	
BB Money Transfers Inc.	Service Rendering	(I)	0,00	4.488	-	(366)	
BB Tecnologia e Serviços S.A. (old Cobra Tecnologia)	IT	(I)	99,97	161.639	207.606	60.063	

(I) Subsidiaries, fully consolidated;

(II) Jointly-controlled subsidiaries, proportionally consolidated.

**Table 3. Unconsolidated Interest in the Capital of Subsidiaries and Affiliates**

R\$ thousand	Activity		Share - %		Book Value		Equity
			Dec/14	Dec/13	Dec/14	Income 2014	
<b>Equity Interest</b>							
Cadam S.A.	Mining	(III)	21,64	25.929	25.201	(728)	
Cia. Hidromineral Piratuba	Sanitation	(III)	15,44	2.462	2.525	67	
Itapebi Geração de Energia <sup>1</sup>	Energy	(III)	0,00	-	-	-	
Estruturadora Brasileira de Projetos - EBP	Service Rendering	(III)	11,11	8.747	8.221	(448)	

(III) Affiliates accounted by equity method.

1 – The equity interest on Itapebi Geração de Energia was transferred to Neoenergia in Sep/13.

## 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 BB's loan portfolio attained R\$ 687.9 billion, growth of 10.3% in twelve months. BB continued to be the leader in BI credit with 21.0% of market share. The most important lines of the portfolio are presented as follows:

- i) R\$ 179.2 billion in individuals operations, without farmers, a 6.8% increase;
- ii) R\$ 290.9 billion in business operations (industry, commerce and services), without agribusiness, a 11.6% increase;
- iii) R\$ 163.6 billion in credit to agribusiness, a 13.6% increase.

Delinquencies remained under control and below the BI. The indicator that measures the delay in transactions for over 90 days and loan portfolio ended the period at 2.0%, against 2.9% of the system. The Bank also presents a credit structure with lower risk than the BI. Operations classified at risk levels AA-C closed June at 94.7% of the total portfolio, against 93.1% observed in BI.

#### 6.1.1 Individual Customers

The main credit facilities comprising this portfolio are as follows:

##### Payroll Loans

Loans to civil servants continued as the most representative of this portfolio, with 88.4% of the total, being composed of retirees and pensioners (7.7%) and private sector officials (3.9%). The payroll loans remains as the main line in the portfolio for individuals, with 35.8% of the total, already considering credit purchases and participation in Banco Votorantim. The growth in the last 12 months was 3.7% thus maintaining the Bank's leadership in the segment, with 25.5% of market share.

Still in Payroll Loans, highlight to the organic portfolio, that considers the credit originated only on BB branches and channels, with a total of R\$ 58.8 billion, increase of 12.4% from 2013.

##### Auto Loans

The balance of auto loans transactions, including credit acquisitions and ownership interest in Banco Votorantim, was R\$ 32.8 billion, reduction of 7.4% compared to 2013.

The growth of transactions originated in Banco do Brasil branches was noteworthy, with a balance of R\$ 10.6 billion. 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

In 2014, mortgage loans to individuals recorded a balance of R\$ 28.5 billion, an increase of 54.3% in 12 months. Disbursements in the year totaled R\$ 12.3 billion in the year, 27.4% greater than in the same period of 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

At the end of the period, BB recorded R\$ 10.8 billion of production financing. The portfolio balance was R\$ 10.3 billion in December, a 74.0% growth over 12 months.

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. The balance of loan operations attained R\$ 102.2 billion, an increase of 2.4% in twelve months. BB allocated R\$ 64.6 billion for working capital, which represented 63.2% of loan operations of SME. The balance of financing investment totaled R\$ 35.5 billion, a growth of 9.7% in comparison to 2013.

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](http://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\$ 3.8 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**

In December, the loan portfolio of wholesale clients, recorded a balance of R\$ 159.5 billion, 12.2% up on the same period in 2013.

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**

BB continues to act as principal partner of the Brazilian agribusiness with market share of 63.5% of the Rural Banking Industry. The agribusiness portfolio ended the year with a balance of R\$ 163.6 billion in agricultural loan and agro industrial transactions. This sum represents an increase of 13.6% in relation to 2013. The balance of R\$ 36.0 billion in operations with Pronaf and R\$ 22.1 billion with the Pronamp (National Program for Support to Medium-Sized Rural Producers).

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\$ 634.6 billion in 2014, among operations in the domestic and international markets.

As to funding, the following are highlighted:

- I. R\$ 103.8 billion in Agribusiness Letters of Credit and R\$ 14.4 billion in Mortgage Bonds;
- II. R\$ 122.4 billion in transfer of officials funds and programs. Among these funds the following are highlighted: FCO, FAT (Worker Assistance Fund), FMM, Funcafé (Brazilian Coffee Fund), Finame/BNDES. They all generate funding for loan operation at BB.
- III. R\$ 23.5 billion in Subordinated Letters of Credit. The balance of operations qualified as Tier II capital amounted to R\$ 6.5 billion.

## 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

The loan operations with the Public Administration was R\$ 29.2 billion in December 2014, a growth of more than 56.9% over 12 months, and mainly offering funds for infrastructure investments. 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\$2.3 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](http://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 Singapore). 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 volumes of US\$ 62.2 billion and US\$ 51.2 billion, respectively, and 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 Consórcios 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. The company reported consolidated net return on assets of 110.5% in the year.

## **7. Corporate Management**

### **7.1 Corporate Governance**

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](http://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 1<sup>st</sup> 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 1<sup>st</sup> half of 2014.

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

**Table 4. Compensation and Benefits**

	R\$ million		
	2013	2014	on 2013
Payroll <sup>1</sup>	16,533	17,841	7.9
Supplementary Pension <sup>2</sup>	1,836	1,321	(28.1)
Health Care Plans <sup>2</sup>	970	1,014	4.5
Statutory Profit Sharing <sup>3</sup>	2,204	1,623	(26.4)
Training <sup>4</sup>	59	75	27.6

1 - Expenses with salaries, benefits, social charges and personnel provisions, as Note 22 (Personnel Expenses);

2 - Funding of supplementary pension and health care plans, pursuant to Note 27;

3 - Amount set aside for Profit and Gain Sharing, as Statement of Income;

4 - As Note 22 (Personnel Expenses).

## 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 5<sup>th</sup> 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 10<sup>th</sup> 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. The balance of working capital operations contracted by micro companies totaled R\$ 6.1 billion, and of small companies totaled R\$ 34.9 billion. Investment operations aimed at micro companies was R\$ 2.0 billion; for small companies, investments was R\$ 22.2 billion.

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 5. Contracting of KPMG Auditores Independentes**

Engaging Party	Hire Date	End Date of Hiring	Type of Service	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
Braslicap Capitalizacão 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 488/05, 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. Has R\$ 945 million non-active tax credits arising from requirements defined by CMN Resolutions 3,059 of December 20, 2002 and 3,355 of March 31, 2006, and presented in a financial statement note for 2014;
- III. 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;
- IV. 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;
- V. 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](http://www.bb.com.br/ir).

**BALANCE SHEET**

ASSETS		Dec 31, 2014	Dec 31, 2013
<b>CURRENT ASSETS</b>		<b>845,371,438</b>	<b>748,834,255</b>
<b>Cash and Cash Equivalents</b>	(Note 6)	<b>13,786,585</b>	<b>11,834,158</b>
<b>Short-term Interbank Investments</b>	(Note 7.a)	<b>301,620,235</b>	<b>227,258,441</b>
Open market investments		264,237,748	187,854,433
Interbank deposits		37,382,487	39,404,008
<b>Securities and Derivative Financial Instruments</b>	(Note 8)	<b>134,593,926</b>	<b>113,913,434</b>
Own portfolio		126,674,173	88,429,987
Subject to repurchase agreements		4,998,373	20,334,621
Deposits with Banco Central do Brasil		--	15
Pledged in guarantee		1,627,105	4,493,312
Derivative financial instruments		1,302,657	655,499
(Allowance for securities losses)		(8,382)	--
<b>Interbank Accounts</b>		<b>66,923,660</b>	<b>93,994,844</b>
Payments and receipts pending settlement		10,428	24,538
<b>Restricted deposits</b>	(Note 9.a)	<b>65,634,181</b>	<b>92,938,774</b>
Deposits with Banco Central do Brasil		63,251,839	90,746,096
National Treasury - rural credits resources		78,861	53,704
National Housing Finance System		2,303,481	2,138,974
Interbank onlendings		10,883	55,321
Correspondent banks		1,268,168	976,211
<b>Interdepartmental Accounts</b>		<b>593,631</b>	<b>670,744</b>
Internal transfers of funds		593,631	670,744
<b>Loan Operations</b>	(Note 10)	<b>199,159,425</b>	<b>188,116,629</b>
Public sector		2,260,346	1,846,918
Private sector		206,057,526	195,011,653
Loan operations linked to assignment		469	408
(Allowance for loan losses)		(9,158,916)	(8,742,350)
<b>Leasing Transactions</b>	(Note 10)	<b>474,943</b>	<b>703,051</b>
Public sector		--	534
Private sector		507,749	752,176
(Allowance for leasing transactions losses)		(32,806)	(49,659)
<b>Other Receivables</b>		<b>125,529,228</b>	<b>109,671,685</b>
Receivables from guarantees honored		539,570	442,422
Foreign exchange portfolio	(Note 12.a)	18,362,653	17,524,195
Accrued income		3,800,572	2,059,030
Securities trading		861,083	251,258
Insurance, pension plans and capitalization	(Note 21.a)	4,104,489	3,739,624
Sundry	(Note 11.b)	99,851,614	87,030,697
(Allowance for other losses)		(1,990,753)	(1,375,541)
<b>Other Assets</b>	(Note 13)	<b>2,689,805</b>	<b>2,671,269</b>
Assets not for own use and materials in stock		618,273	553,570
(Allowance for impairment)		(147,365)	(165,221)
Prepaid expenses		2,218,897	2,282,920

See the accompanying notes to the financial statements.

**BALANCE SHEET**

ASSETS		Dec 31, 2014	Dec 31, 2013
<b>NON-CURRENT ASSETS</b>		<b>592,114,074</b>	<b>555,080,868</b>
<b>LONG-TERM RECEIVABLES</b>		<b>569,846,879</b>	<b>532,102,352</b>
<b>Short-term Interbank Investments</b>	(Note 7.a)	<b>2,616,369</b>	<b>3,873,345</b>
Open market investments		251,925	203,306
Interbank deposits		2,364,444	3,670,039
<b>Securities and Derivative Financial Instruments</b>	(Note 8)	<b>88,049,531</b>	<b>88,025,296</b>
Own portfolio		58,910,715	38,688,797
Subject to repurchase agreements		15,414,310	46,240,231
Pledged in guarantee		12,857,630	2,266,862
Derivative financial instruments		898,809	865,157
(Allowance for securities losses)		(31,933)	(35,751)
<b>Interbank Accounts</b>		<b>325,356</b>	<b>155,154</b>
Restricted deposits	(Note 9.a)	50,649	3,666
National Treasury - rural credits resources		50,649	3,666
Interbank onlendings		274,707	151,488
<b>Loan Operations</b>	(Note 10)	<b>419,339,736</b>	<b>372,086,512</b>
Public sector		58,015,534	47,366,542
Private sector		377,949,159	338,422,391
Loan operations linked to assignment		320,782	207,204
(Allowance for loan losses)		(16,945,739)	(13,909,625)
<b>Leasing Transactions</b>	(Note 10)	<b>549,153</b>	<b>587,874</b>
Private sector		563,081	605,547
(Allowance for leasing transactions losses)		(13,928)	(17,673)
<b>Other Receivables</b>		<b>57,578,124</b>	<b>66,215,605</b>
Foreign exchange portfolio	(Note 12.a)	5,246	949
Accrued income		64,515	34,474
Securities trading		431,573	1,011,466
Specific credits	(Note 11.a)	1,550,087	1,390,451
Insurance, pension plans and capitalization	(Note 21.a)	905,696	17,331
Sundry	(Note 11.b)	54,933,964	64,183,270
(Allowance for other losses)		(312,957)	(422,336)
<b>Other Assets</b>	(Note 13)	<b>1,388,610</b>	<b>1,158,566</b>
Prepaid expenses		1,388,610	1,158,566
<b>PERMANENT ASSETS</b>		<b>22,267,195</b>	<b>22,978,516</b>
<b>Investments</b>		<b>3,419,631</b>	<b>3,536,188</b>
Investments in subsidiaries and associates	(Note 14.a)	1,767,548	1,644,173
Domestic		1,181,056	1,372,326
Abroad		586,492	271,847
Other investments	(Note 14.b)	1,745,575	2,014,045
(Accumulated impairment)		(93,492)	(122,030)
<b>Property and Equipment</b>	(Note 15)	<b>7,556,737</b>	<b>7,258,491</b>
Land and buildings		6,370,075	5,967,995
Other property and equipment		9,864,596	9,095,123
(Accumulated depreciation)		(8,677,934)	(7,804,627)
<b>Intangible</b>	(Note 16)	<b>11,249,232</b>	<b>12,128,138</b>
Intangible assets		18,432,244	19,259,270
(Accumulated amortization)		(7,183,012)	(7,131,132)
<b>Deferred</b>		<b>41,595</b>	<b>55,699</b>
Organization and expansion costs		1,673,307	1,696,577
(Accumulated amortization)		(1,631,712)	(1,640,878)
<b>TOTAL ASSETS</b>		<b>1,437,485,512</b>	<b>1,303,915,123</b>

See the accompanying notes to the financial statements.

**BALANCE SHEET**

LIABILITIES/SHAREHOLDERS' EQUITY		Dec 31, 2014	Dec 31, 2013
<b>CURRENT LIABILITIES</b>		<b>931,769,187</b>	<b>812,028,739</b>
<b>Deposits</b>	(Note 17.a)	<b>401,177,785</b>	<b>395,192,185</b>
Demand deposits		74,210,189	75,818,389
Savings deposits		148,698,890	140,728,107
Interbank deposits		25,154,397	24,850,168
Time deposits		153,114,309	153,795,521
<b>Securities Sold Under Repurchase Agreements</b>	(Note 17.c)	<b>292,361,623</b>	<b>228,235,770</b>
Own portfolio		61,110,895	71,036,165
Third-party portfolio		231,250,728	157,048,739
Free movement portfolio		--	150,866
<b>Funds from Acceptance and Issuance of Securities</b>	(Note 19)	<b>51,246,818</b>	<b>25,167,346</b>
Bonds backed by real estate, mortgage and other credits		38,260,204	16,326,298
Debentures		--	7,571
Foreign securities		12,968,090	8,833,477
Certificates of Structured operations		18,524	--
<b>Interbank Accounts</b>		<b>31,463</b>	<b>34,862</b>
Receipts and payments pending settlement		16	500
Correspondent banks		31,447	34,362
<b>Interdepartmental Accounts</b>		<b>5,290,841</b>	<b>4,825,539</b>
Third-party funds in transit		5,288,673	4,813,518
Internal transfers of funds		2,168	12,021
<b>Borrowings</b>	(Note 18.a)	<b>17,398,060</b>	<b>15,480,736</b>
Domestic loans - other institutions		1,909	297,226
Foreign borrowing		17,396,151	15,183,510
<b>Domestic Onlending - Official Institutions</b>	(Note 18.b)	<b>34,415,072</b>	<b>32,268,744</b>
National Treasury		50,670	62,368
BNDES		15,065,291	12,810,221
Caixa Econômica Federal		12,359,686	4,219,810
Finame		6,075,536	5,273,223
Other institutions		863,889	9,903,122
<b>Foreign Onlending</b>	(Note 18.b)	<b>95</b>	<b>24,079</b>
<b>Derivative Financial Instruments</b>	(Note 8.d)	<b>2,420,029</b>	<b>2,977,391</b>
<b>Other Liabilities</b>		<b>127,427,401</b>	<b>107,822,087</b>
Billing and collection of taxes and contributions		437,888	358,009
Foreign exchange portfolio	(Note 12.a)	17,991,924	10,569,094
Shareholders and statutory distributions		2,356,593	1,413,174
Taxes and social security	(Note 20.a)	20,370,981	22,222,882
Securities trading		756,060	255,929
Technical provisions for insurance, pension plans and capitalization	(Note 21.b)	24,494,597	19,733,882
Financial and development funds	(Note 20.b)	6,629,365	5,219,026
Subordinated debts	(Note 20.c)	4,110,613	3,251,281
Equity and debt hybrid securities	(Note 20.d)	368,814	320,248
Other liabilities	(Note 20.e)	49,910,566	44,478,562

See the accompanying notes to the financial statements,

**BALANCE SHEET**

LIABILITIES/SHAREHOLDERS' EQUITY		Dec 31, 2014	Dec 31, 2013
<b>NON-CURRENT LIABILITIES</b>		<b>425,103,131</b>	<b>419,661,589</b>
<b>LONG-TERM LIABILITIES</b>		<b>424,663,164</b>	<b>419,227,134</b>
<b>Deposits</b>	(Note 17.a)	<b>67,183,984</b>	<b>95,820,823</b>
Interbank deposits		5,814,349	2,305,091
Time deposits		61,369,635	93,515,732
<b>Securities Sold Under Repurchase Agreements</b>	(Note 17.c)	<b>13,683,952</b>	<b>11,228,808</b>
Own portfolio		3,254,679	3,687,927
Third-party portfolio		10,423,741	7,540,881
Free movement portfolio		5,532	--
<b>Funds from Acceptance and Issuance of Securities</b>	(Note 19)	<b>107,787,719</b>	<b>97,885,746</b>
Bonds backed by real estate, mortgage and other credits		88,902,537	75,071,734
Debentures		59	762,389
Foreign securities		18,885,123	22,051,623
<b>Borrowings</b>	(Note 18.a)	<b>6,598,377</b>	<b>1,834,473</b>
Domestic loans - other institutions		1,751,978	1,890
Foreign borrowing		4,846,399	1,832,583
<b>Domestic Onlending - Official Institutions</b>	(Note 18.b)	<b>56,634,949</b>	<b>54,836,239</b>
National Treasury		289,228	474,365
BNDES		29,216,507	31,157,753
Finame		27,129,214	23,204,121
<b>Foreign Onlending</b>	(Note 18.b)	<b>382</b>	<b>382</b>
<b>Derivative Financial Instruments</b>	(Note 8.d)	<b>1,023,130</b>	<b>717,019</b>
<b>Other Liabilities</b>		<b>171,750,671</b>	<b>156,903,644</b>
Foreign exchange portfolio	(Note 12.a)	3,715,002	10,925,595
Taxes and social security	(Note 20.a)	2,412,810	6,654,063
Securities trading		74,383	806,852
Technical provisions for insurance, pension plans and capitalization	(Note 21.b)	77,725,415	57,995,462
Financial and development funds	(Note 20.b)	4,211,033	2,442,396
Special operations		2,153	2,131
Subordinated debts	(Note 20.c)	48,205,228	47,797,035
Equity and debt hybrid securities	(Note 20.d)	4,496,926	12,064,325
Debt instruments eligible as capital	(Notes 20.c and 20.d)	21,467,670	8,489,750
Other liabilities	(Note 20.e)	9,440,051	9,726,035
<b>DEFERRED INCOME</b>		<b>439,967</b>	<b>434,455</b>
<b>SHAREHOLDERS' EQUITY</b>	(Note 24)	<b>80,613,194</b>	<b>72,224,795</b>
<b>Capital</b>		<b>54,000,000</b>	<b>54,000,000</b>
Local residents		42,957,421	43,852,577
Domiciled abroad		11,042,579	10,147,423
<b>Instruments Qualifying to Common Equity Tier 1 Capital</b>	(Note 24.c)	<b>8,100,000</b>	<b>--</b>
<b>Capital Reserves</b>		<b>10,773</b>	<b>6,023</b>
<b>Revaluation Reserves</b>		<b>2,805</b>	<b>4,564</b>
<b>Profit Reserves</b>		<b>26,625,511</b>	<b>19,972,166</b>
<b>Accumulated Other Comprehensive Income</b>		<b>(9,597,840)</b>	<b>(3,132,049)</b>
<b>(Treasury Shares)</b>		<b>(1,621,507)</b>	<b>(1,324,407)</b>
<b>Noncontrolling Interests</b>		<b>3,093,452</b>	<b>2,698,498</b>
<b>TOTAL LIABILITIES</b>		<b>1,437,485,512</b>	<b>1,303,915,123</b>

See the accompanying notes to the financial statements,

**STATEMENT OF INCOME**

		2nd half/2014	2014	2013
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>		<b>81,687,380</b>	<b>147,026,911</b>	<b>114,976,457</b>
Loan operations	(Note 10.b)	49,957,870	91,080,146	74,418,316
Leasing transactions	(Note 10.i)	666,404	1,346,097	1,768,243
Securities	(Note 8.b)	25,344,351	44,010,048	29,970,137
Derivative financial instruments	(Note 8.e)	1,024,967	300,162	1,156,331
Foreign exchange results	(Note 12.b)	--	633,639	605,959
Compulsory investments	(Note 9.b)	2,781,635	5,668,646	4,697,085
Operations of sale and transfer of financial assets		255,477	601,398	607,254
Financial income from insurance, pension plans and capitalization	(Note 21.e)	1,656,676	3,386,775	1,753,132
<b>EXPENSES FROM FINANCIAL INTERMEDIATION</b>		<b>(67,771,087)</b>	<b>(117,525,459)</b>	<b>(86,610,678)</b>
Deposits and securities sold under repurchase agreements	(Note 17.d)	(43,402,072)	(80,518,581)	(56,625,845)
Borrowings and onlendings	(Note 18.c)	(12,712,635)	(14,631,754)	(11,185,018)
Leasing transactions	(Note 10.i)	(595,385)	(1,201,426)	(1,593,410)
Foreign exchange results	(Note 12.b)	(228,996)	--	--
Operations of sale and transfer of financial assets		(17,743)	(23,710)	(70,638)
Financial expenses from technical provisions of insurance, pension plans and capitalization	(Note 21.e)	(831,445)	(2,000,536)	(1,075,250)
Allowance for loan losses	(Notes 10.f and g)	(9,982,811)	(19,149,452)	(16,060,517)
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>		<b>13,916,293</b>	<b>29,501,452</b>	<b>28,365,779</b>
<b>OTHER OPERATING INCOME/EXPENSES</b>		<b>(5,572,594)</b>	<b>(11,667,464)</b>	<b>(13,745,840)</b>
Service fee income	(Note 22.a)	9,691,741	18,433,680	16,753,530
Bank fee income	(Note 22.b)	3,468,771	6,636,276	6,546,984
Personnel expenses	(Note 22.c)	(10,123,138)	(19,499,684)	(18,401,095)
Other administrative expenses	(Note 22.d)	(8,687,980)	(17,195,465)	(16,398,789)
Tax expenses	(Note 25.c)	(2,650,998)	(4,986,935)	(4,759,457)
Equity in associates and subsidiaries	(Note 14)	1,280,214	573,973	605,585
Insurance, pension plans and capitalization results	(Note 21.e)	2,368,082	4,471,328	3,230,354
Other operating income	(Note 22.e)	5,383,702	12,594,226	8,162,655
Other operating expenses	(Note 22.f)	(6,302,988)	(12,694,863)	(9,485,607)
<b>OPERATING INCOME</b>		<b>8,343,699</b>	<b>17,833,988</b>	<b>14,619,939</b>
<b>NON-OPERATING INCOME</b>	(Note 23)	<b>66,918</b>	<b>200,662</b>	<b>10,176,139</b>
Incomes		215,287	416,421	10,365,535
Expenses		(148,369)	(215,759)	(189,396)
<b>PROFIT BEFORE TAXATION AND PROFIT SHARING</b>		<b>8,410,617</b>	<b>18,034,650</b>	<b>24,796,078</b>
<b>INCOME TAX AND SOCIAL CONTRIBUTION</b>	(Note 25.a)	<b>(1,016,322)</b>	<b>(3,690,796)</b>	<b>(5,993,494)</b>
<b>EMPLOYEE AND DIRECTORS PROFIT SHARING</b>		<b>(827,406)</b>	<b>(1,622,845)</b>	<b>(2,204,278)</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>(827,249)</b>	<b>(1,475,195)</b>	<b>(840,369)</b>
<b>NET INCOME</b>		<b>5,739,640</b>	<b>11,245,814</b>	<b>15,757,937</b>
<b>EARNINGS PER SHARE</b>	(Note 24.f)			
Weighted average number of shares - basic and diluted		2,797,135,631	2,800,275,232	2,834,080,029
Basic and diluted earnings per share (R\$)		2.05	4.04	5.58

See the accompanying notes to the financial statements.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Capital	Instruments eligible to common equity tier 1	Capital reserves	Revaluation reserves	Profit reserves		Accumulated other comprehensive income		Treasury shares	Retained earnings (losses) in the parent company	Noncontrolling interest	Total
						Legal reserve	Statutory reserves	Banco do Brasil	Associated and subsidiary companies				
<b>Balances at 12.31.2012</b>		48,400,000	--	1	4,645	4,112,056	12,019,990	(3,539,268)	389,074	(461,248)	--	574,167	61,499,417
Capital increase – capitalization of reserves		5,600,000	--	--	--	--	(5,600,000)	--	--	--	--	--	--
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	(Note 24.i)	--	--	--	--	--	--	(1,325,873)	(555,934)	--	--	--	(1,881,807)
Accumulated other comprehensive income - benefit plans	(Note 24.i)	--	--	--	--	--	--	1,899,952	--	--	--	--	1,899,952
Share-based payment transactions		--	--	6,022	--	--	--	--	--	(6,022)	--	--	--
Repurchase of shares program		--	--	--	--	--	--	--	--	(857,137)	--	--	(857,137)
Expired dividends/interest on own capital		--	--	--	--	--	--	--	--	--	6,250	--	6,250
Realization of revaluation reserve in subsidiary/associated companies	(Note 24.d)	--	--	--	(81)	--	--	--	--	--	81	--	81
Change in noncontrolling interest		--	--	--	--	--	--	--	--	--	--	2,124,331	2,124,331
Net income for the period		--	--	--	--	--	--	--	--	--	15,757,937	--	15,757,937
Unrealized results	(Note 24.h)	--	--	--	--	--	(52,434)	--	--	--	52,434	--	--
Allocation - Reserves		--	--	--	--	790,519	9,169,197	--	--	--	(9,959,716)	--	--
- Dividends	(Note 24.g)	--	--	--	--	--	(467,162)	--	--	--	(2,543,063)	--	(3,010,225)
- Interest on own capital	(Note 24.g)	--	--	--	--	--	--	--	--	--	(3,313,923)	--	(3,313,923)
<b>Balances at 12.31.2013</b>		54,000,000	--	6,023	4,564	4,902,575	15,069,591	(2,965,189)	(166,860)	(1,324,407)	--	2,698,498	72,224,795
<b>Changes in the period</b>		5,600,000	--	6,022	(81)	790,519	3,049,601	574,079	(555,934)	(863,159)	--	2,124,331	10,725,378
<b>Balances at 06.30.2014</b>		54,000,000	--	10,768	4,524	5,180,834	18,079,306	(6,589,529)	(77,659)	(1,558,272)	--	2,740,653	71,790,625
Instruments eligible to common equity tier 1	(Note 24.c)	--	8,100,000	--	--	--	--	--	--	--	--	--	8,100,000
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	(Note 24.i)	--	--	--	--	--	--	(408,617)	(82,376)	--	--	--	(490,993)
Accumulated other comprehensive income - benefit plans	(Note 24.i)	--	--	--	--	--	--	(2,439,659)	--	--	--	--	(2,439,659)
Share-based payment transactions		--	--	5	--	--	--	--	--	1	--	--	6
Repurchase of shares program		--	--	--	--	--	--	--	--	(63,236)	--	--	(63,236)
Expired dividends/interest on own capital		--	--	--	--	--	--	--	--	--	4,124	--	4,124
Realization of revaluation reserve in subsidiary/associated companies		--	--	--	(1,719)	--	--	--	--	--	1,051	--	(668)
Change in noncontrolling interest		--	--	--	--	--	--	--	--	--	--	352,799	352,799
Net income for the period		--	--	--	--	--	--	--	--	--	5,739,640	--	5,739,640
Interest on instruments eligible to common equity tier 1		--	--	--	--	--	--	--	--	--	(80,380)	--	(80,380)
Unrealized results	(Note 24.h)	--	--	--	--	--	(8,022)	--	--	--	8,022	--	--
Allocation - Reserves		--	--	--	--	287,383	3,241,826	--	--	--	(3,529,209)	--	--
- Dividends	(Note 24.g)	--	--	--	--	--	(155,816)	--	--	--	(251,260)	--	(407,076)
- Interest on own capital	(Note 24.g)	--	--	--	--	--	--	--	--	--	(1,891,988)	--	(1,891,988)
<b>Balances at 12.31.2014</b>		54,000,000	8,100,000	10,773	2,805	5,468,217	21,157,294	(9,437,805)	(160,035)	(1,621,507)	--	3,093,452	80,613,194
<b>Changes in the period</b>		--	8,100,000	5	(1,719)	287,383	3,077,988	(2,948,276)	(82,376)	(63,235)	--	352,799	8,822,569
<b>Balances at 12.31.2013</b>		54,000,000	--	6,023	4,564	4,902,575	15,069,591	(2,965,189)	(166,860)	(1,324,407)	--	2,698,498	72,224,795
Instruments eligible to common equity tier 1	(Note 24.c)	--	8,100,000	--	--	--	--	--	--	--	--	--	8,100,000
Accumulated other comprehensive income of securities and derivative financial instruments, net of taxes	(Note 24.i)	--	--	--	--	--	--	(463,121)	6,825	--	--	--	(456,296)
Accumulated other comprehensive income - benefit plans	(Note 24.i)	--	--	--	--	--	--	(6,009,495)	--	--	--	--	(6,009,495)
Share-based payment transactions		--	--	4,750	--	--	--	--	--	3,036	--	--	7,786
Repurchase of shares program		--	--	--	--	--	--	--	--	(300,136)	--	--	(300,136)
Expired dividends and interest on own capital		--	--	--	--	--	--	--	--	--	11,960	--	11,960
Realization of revaluation reserve in subsidiary/associated companies	(Note 24.d)	--	--	--	(1,759)	--	--	--	--	--	1,091	--	(668)
Change in noncontrolling interest		--	--	--	--	--	--	--	--	--	--	394,954	394,954
Net income for the period		--	--	--	--	--	--	--	--	--	11,245,814	--	11,245,814
Interest on instruments eligible to common equity tier 1		--	--	--	--	--	--	--	--	--	(80,380)	--	(80,380)
Unrealized results	(Note 24.h)	--	--	--	--	--	(67,038)	--	--	--	67,038	--	--
Allocation - Reserves		--	--	--	--	565,642	6,538,168	--	--	--	(7,103,810)	--	--
- Dividends	(Note 24.g)	--	--	--	--	--	(383,427)	--	--	--	(467,677)	--	(851,104)
- Interest on own capital	(Note 24.g)	--	--	--	--	--	--	--	--	--	(3,674,036)	--	(3,674,036)
<b>Balances at 12.31.2014</b>		54,000,000	8,100,000	10,773	2,805	5,468,217	21,157,294	(9,437,805)	(160,035)	(1,621,507)	--	3,093,452	80,613,194
<b>Changes in the period</b>		--	8,100,000	4,750	(1,759)	565,642	6,087,703	(6,472,616)	6,825	(297,100)	--	394,954	8,388,399

See the accompanying notes to the financial statements.

**STATEMENT OF CASH FLOWS**

		2nd half 2014	2014	2013
<b>Cash flows from operating activities</b>				
<b>Income before income and social contribution</b>		<b>8,410,617</b>	<b>18,034,650</b>	<b>24,796,078</b>
<b>Adjustments to income (loss) before tax and social contribution</b>		<b>19,683,079</b>	<b>47,428,682</b>	<b>30,538,516</b>
Provision for credits, leasing and other credits	(Notes 10.f and 10.g)	9,982,811	19,149,452	16,060,517
Depreciation and amortization	(Note 22.d)	2,001,459	4,399,560	3,930,076
Revenues / (Expenses) from impairment	(Notes 15 and 16)	12,696	9,876	6,194
Equity in subsidiaries and associates	(Note 14.a)	(1,280,214)	(573,973)	(605,585)
(Gain) Loss on the disposal of assets	(Note 23)	(34,268)	(52,628)	(62,719)
(Gain) Loss on the disposal of investments	(Note 23)	(4,591)	(6,705)	(10,015,818)
Capital (gain) loss	(Note 23)	7,220	12,618	17,888
Foreign currency exchange results	(Note 14.a)	1,262,337	584,069	581,690
Provision (Reversal) for devaluation of other assets	(Note 23)	1,498	(2,151)	(15,896)
Amortization of goodwill	(Notes 14.c and 22.d)	126,156	241,790	322,055
Expenses with civil, labor and tax provisions	(Note 28.a)	1,129,811	2,241,996	2,945,790
Technical provisions for insurance, pension plans and capitalization	(Note 21.e)	15,702,843	29,794,004	22,947,811
Adjustment of actuarial assets/liabilities and surplus allocation funds	(Note 27)	(750,610)	(1,904,258)	(1,300,992)
Effect of changes in foreign exchange rates in cash and cash equivalents		(7,567,669)	(4,912,194)	(3,445,340)
Non-controlling interests		(827,249)	(1,475,195)	(840,369)
Other adjustments		(79,151)	(77,579)	13,214
<b>Income adjusted before income tax and social contribution</b>		<b>28,093,696</b>	<b>65,463,332</b>	<b>55,334,594</b>
<b>Equity variations</b>		<b>(46,721,393)</b>	<b>(79,809,765)</b>	<b>(52,730,941)</b>
(Increase) Decrease in short-term interbank investments		(18,995,982)	(81,526,159)	2,659,889
(Increase) Decrease in trading securities and derivative financial instruments		(14,396,188)	(18,350,908)	(9,659,963)
(Increase) Decrease in interbank and interdepartmental accounts		2,395,077	(54,259)	(742,158)
(Increase) Decrease in compulsory deposits with Banco Central do Brasil		23,347,043	27,494,257	(10,648,231)
(Increase) Decrease in loan operations		(42,279,790)	(76,838,268)	(105,936,978)
(Increase) Decrease in leasing transactions		29,884	223,102	536,133
(Increase) Decrease in other receivables net of deferred taxes		(8,054,229)	(2,747,217)	(22,605,761)
(Increase) Decrease in other assets		190,764	110,278	(146,059)
Income tax and social contribution paid		(1,569,373)	(4,356,283)	(9,129,271)
(Decrease) Increase in deposits		(11,521,034)	(22,651,239)	18,927,607
(Decrease) Increase in securities sold under repurchase agreements		16,946,169	66,580,997	13,677,706
(Decrease) Increase in funds from acceptance and issuance of securities		9,342,716	35,981,445	52,382,968
(Decrease) Increase in borrowings and onlendings		3,381,005	10,602,282	26,757,504
(Decrease) Increase in other liabilities		(5,561,270)	(14,283,305)	(8,851,491)
(Decrease) Increase in deferred income		23,815	5,512	47,164
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		<b>(18,627,697)</b>	<b>(14,346,433)</b>	<b>2,603,653</b>
<b>Cash flows from investing activities</b>				
(Increase) Decrease in securities available for sale		(1,811,672)	(3,710,016)	(7,679,908)
(Increase) Decrease in securities held to maturity		1,008,670	649,933	(1,875,763)
Dividends received from subsidiaries and associates		--	--	--
(Acquisition) Disposal of property, plant and equipment in use		(443,862)	(1,366,829)	(1,536,415)
(Acquisition) Disposal of investments		(203,047)	(141,242)	13,494,641
(Acquisition) Write-off of intangible assets/ deferred assets		(1,930,787)	(2,751,924)	(5,213,245)
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		<b>(3,380,698)</b>	<b>(7,320,078)</b>	<b>(2,810,690)</b>
<b>Cash flows from financing activities</b>				
Change in non-controlling interests		352,799	394,954	2,124,331
(Decrease) Increase in subordinated debts		2,513,290	6,602,425	10,372,136
(Decrease) Increase in equity and debt hybrid securities		3,498,384	8,224,186	5,813,253
(Acquisition) Disposal of treasury shares		(63,235)	(297,100)	(863,159)
Dividends paid		(372,233)	(965,026)	(3,379,273)
Interest on own capital paid		(1,891,988)	(3,674,036)	(3,313,923)
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		<b>4,037,017</b>	<b>10,285,403</b>	<b>10,753,365</b>
<b>Net variation of cash and cash equivalents</b>		<b>(17,971,378)</b>	<b>(11,381,108)</b>	<b>10,546,328</b>
At the beginning of the period		75,732,281	71,797,486	57,805,818
Effect of changes in foreign exchange rates in cash and cash equivalents		7,567,669	4,912,194	3,445,340
At the end of the period		65,328,572	65,328,572	71,797,486
<b>Increase (Decrease) in cash and cash equivalents</b>		<b>(17,971,378)</b>	<b>(11,381,108)</b>	<b>10,546,328</b>

See the accompanying notes to the financial statement.

**STATEMENT OF VALUE ADDED**

		2nd half/2014		2014		2013	
<b>Income</b>		<b>85,852,245</b>		<b>156,607,716</b>		<b>133,259,059</b>	
Income from financial intermediation		81,687,380		147,026,911		114,976,457	
Income from service and bank fees		13,160,512		25,069,956		23,300,514	
Allowance for loan losses		(9,982,811)		(19,149,452)		(16,060,517)	
Profit on disposal of investments/equity interest	(Note 23)	4,591		6,705		10,015,818	
Other income/expenses		982,573		3,653,596		1,026,787	
<b>Expenses From Financial Intermediation</b>		<b>(57,788,276)</b>		<b>(98,376,007)</b>		<b>(70,550,161)</b>	
<b>Inputs Purchased from Third Parties</b>		<b>(5,353,660)</b>		<b>(10,365,950)</b>		<b>(10,011,312)</b>	
Materials, water, electric power and gas	(Note 22.d)	(275,309)		(527,713)		(500,976)	
Expenses with outsourced services	(Note 22.d)	(893,041)		(1,841,642)		(1,932,967)	
Communications	(Note 22.d)	(790,749)		(1,559,881)		(1,462,321)	
Data processing	(Note 22.d)	(430,627)		(864,339)		(838,222)	
Transportation	(Note 22.d)	(660,136)		(1,298,176)		(1,198,368)	
Security services	(Note 22.d)	(563,944)		(1,010,762)		(845,012)	
Financial system services	(Note 22.d)	(401,719)		(788,211)		(897,001)	
Advertising and marketing	(Note 22.d)	(286,469)		(544,339)		(493,383)	
Other		(1,051,666)		(1,930,887)		(1,843,062)	
<b>Gross Added Value</b>		<b>22,710,309</b>		<b>47,865,759</b>		<b>52,697,586</b>	
Depreciation and amortization	(Note 22.d)	(2,127,615)		(4,641,350)		(4,252,131)	
<b>Value Added produced by Entity</b>		<b>20,582,694</b>		<b>43,224,409</b>		<b>48,445,455</b>	
<b>Value Added received through transfer</b>		<b>1,280,214</b>		<b>573,973</b>		<b>605,585</b>	
Equity in subsidiaries and associates		1,280,214		573,973		605,585	
<b>Added Value to Distribute</b>		<b>21,862,908</b>	<b>100.00%</b>	<b>43,798,382</b>	<b>100.00%</b>	<b>49,051,040</b>	<b>100.00%</b>
<b>Value Added Distributed</b>		<b>21,862,908</b>	<b>100.00%</b>	<b>43,798,382</b>	<b>100.00%</b>	<b>49,051,040</b>	<b>100.00%</b>
<b>Personnel</b>		<b>9,566,650</b>	<b>43.76%</b>	<b>18,495,532</b>	<b>42.23%</b>	<b>18,179,883</b>	<b>37.06%</b>
Salaries and fees		6,425,490		12,294,194		11,599,871	
Employee and directors profit sharing		827,406		1,622,845		2,204,278	
Benefits and training programs		1,378,708		2,662,350		2,434,115	
FGTS (Government Severance Indemnity Fund for Employees)		391,434		775,877		729,946	
Other charges		543,612		1,140,266		1,211,673	
<b>Taxes, Rates and Contributions</b>		<b>5,051,214</b>	<b>23.10%</b>	<b>11,280,812</b>	<b>25.76%</b>	<b>13,128,500</b>	<b>26.77%</b>
Federal		4,369,525		10,022,260		11,963,701	
State		411		802		887	
Municipal		681,278		1,257,750		1,163,912	
<b>Interest on Third Parties' Capital</b>		<b>678,155</b>	<b>3.10%</b>	<b>1,301,029</b>	<b>2.97%</b>	<b>1,144,351</b>	<b>2.33%</b>
Rent	(Note 22.d)	678,155		1,301,029		1,144,351	
<b>Interest on Own Capital</b>	(Note 24.g)	<b>6,566,889</b>	<b>30.04%</b>	<b>12,721,009</b>	<b>29.04%</b>	<b>16,598,306</b>	<b>33.84%</b>
Federal Government's interest on own capital		1,095,414		2,132,696		1,932,180	
Other shareholders' interest on own capital		796,574		1,541,340		1,381,743	
Federal Government dividends		235,687		494,144		1,755,109	
Dividends for other shareholders' dividends		171,389		356,960		1,255,116	
Interest on the instrument Qualifying to the Federal Government's Common Equity Tier 1 Capital		80,380		80,380		--	
Retained earnings		3,360,196		6,640,294		9,433,789	
Non-controlling interest in retained earnings		827,249		1,475,195		840,369	

See the accompanying notes to the financial statement.

## **1 – THE BANK AND ITS OPERATIONS**

Banco do Brasil S.A. (“Banco do Brasil” or the “Bank”) is a publicly traded company established under private law, with both public and private shareholders, and is subject to the requirements of Brazilian corporate legislation. It is headquartered in Setor Bancário Sul, Quadra 1, Lote 32, Bloco C, Edifício Sede III, Brasília, Distrito Federal, Brazil. Its purpose is to carry out all asset, liability and accessory banking operations, to provide banking services, to promote financial intermediation and to originate financial transactions in various forms, including foreign exchange transactions and supplementary activities, with an emphasis on insurance, private pension, capitalization, securities brokerage, administration of consortiums, credit/debit cards, investment funds and management portfolios, and to practice any of the activities permitted for institutions that are part of the National Financial System. It is also the main financial agent of the Brazilian Federal Government and is therefore required to carry out the functions attributed to it by law, specifically those of article 19 of Law 4,595/1964.

## **2 – COMPANY RESTRUCTURING**

### **a) Corporate reorganization in the area of insurance, private pension plans, capitalization and reinsurance**

#### **BB Seguridade Participações S.A.**

On February 20, 2013, through a special shareholders’ meeting, the Banco do Brasil decided to undertake a Public Offering of BB Seguridade. The minutes of the meeting were registered in the Junta Comercial do Distrito Federal (Commerce Registry of 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 offering was of shares issued by the BB Seguridade Participações S.A. and consisted of a secondary public offering of shares that were held in Brazil in the OTC market, in accordance with CVM Instruction 400/2003.

On April 25, 2013, 500 million Common Shares were offered for trading 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 shares), produced a gross gain in the statement of income of the Banco do Brasil of R\$ 8.374 billion from the disposal of 30% of the shares.

On May 20, 2013, the Public Offering of Shares was closed with the full exercise of the Green Shoe (75 million shares). Thereby, the Banco do Brasil achieved a gross gain from the operation of R\$ 9.820 billion, and now holds 66.25% of the common shares of BB Seguridade.

The funds raised were fully paid to Banco do Brasil, the selling shareholder. BB Seguridade received no funds from the offering.

#### **IRB - Brasil Resseguros S.A.**

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

Moreover, at that time, a Shareholders’ Agreement was signed between 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 in order to create a governance control group of IRB by regulating the relationship between the partners, as well as the company’s management structure and operations. Common shares were linked to the Shareholders’ Agreement, representing 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.

In addition to the execution of the Shareholders' Agreement, the restructuring process of IRB involved the following steps:

- conversion of IRB preferred shares into common shares (rate 1:1);
- creation of a golden share (preferred share with the veto right to certain decisions), held by the Federal Government; and
- capital increase of IRB by its current shareholders, with the issuance of new shares, and the commitment of the Federal Government not to exercise its preference rights.

On August 20, 2013, through a special shareholder's meeting, the increase of IRB capital, which was a condition precedent to the payment of the acquisition of common shares by BB Seguros, was approved.

On August 27, 2013, BB Seguros increased its stake to 20.5% of the IRB share capital through the purchase of shares from the Federal Government, as follows:

Number of shares	212,421 shares
Price per share (R\$)	2,577.00
Amount paid in the acquisition	547,409
Adjusted shareholder's equity on Aug 31, 2013	527,951
<b>Value of goodwill</b>	<b>19,458</b>

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.

#### **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 aiming to develop and publicise dental plans under the brand BB Dental through a new company named Brasildental Operadora de Planos Odontológicos S.A. (Brasildental). Under these agreements, these plans will be distributed and sold by BB Corretora, with exclusivity across all BB distribution channels in Brazil.

Brasildental was formed on March 12, 2014 with capital of R\$ 5,000 thousand, composed of 100 thousand common shares (ON) and 100 thousand preferred shares (PN) with the following shareholding structure:

- BB Seguros holds 49.99% of common shares and 100% of preferred shares, representing 74.99% of total capital, and
- 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, Banco Central do Brasil authorized the indirect holding of the Bank in Brasildental.

On May 12, 2014, the company was registered in the Conselho Regional de Odontologia (CRO). The Agência Nacional de Saúde Suplementar (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.

#### **Brasilprev Nosso Futuro Seguros e Previdência S.A.**

On November 30, 2013, Brasilprev Nosso Futuro Seguros Previdência S.A. (sucessor of Mapfre Nossa Caixa Vida e Previdência) was merged into Brasilprev Seguros e Previdência S.A. increasing its assets by R\$ 23,020 thousand. The equity value of Brasilprev was not increased as a result of the merger, since it was the single shareholder of

Brasilprev Nosso Futuro and the value of the net assets of the merged company was already included in its equity value.

### **Grupo Segurador BB Mapfre**

On November 01, 2014, Vida Seguradora S.A., a company that belongs to the holding company BB Mapfre SH1 Participações S.A., was merged into Mapfre Vida S.A. On the same date, Mapfre Affinity Seguradora S.A., a company that belongs to the holding company Mapfre BB SH2 Participações S.A., was merged into Mapfre Seguros Gerais S.A. Both mergers were carried out in all of their assets, which were deferred by Susep, through the letters 206 and 207/2014/SUSEP-SEGER, respectively.

The merged net assets were evaluated at the book value on the date of the transaction, September 30, 2014, in the amount of R\$ 160,471 thousand for Vida Seguradora S.A. and R\$ 448,618 for Mapfre Affinity Seguradora S.A.

As a natural result, Mapfre Vida S.A. and Mapfre Seguros Gerais S.A. became the successors, by universal title, of Vida Seguradora S.A. and Mapfre Affinity Seguradora S.A., respectively, in all its assets, rights and obligations, and assume its net assets.

The mergers promoted better synergy and simplification of the operating model, with consequent cost and regulatory capital optimization.

### **BB Capitalização S.A.**

On November 28, 2014, the directors of BB Seguros Participações S.A. approved the merger of BB Capitalização S.A. 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. Considering that the base date of the appraisal report and the date of the merger are the same, there were no equity variations after the merger.

The Bank found to be unnecessary to maintain the BB Capitalização S.A. in the process of business model review in the capitalization sector, and also there is no expectation that the company will develop operating activities.

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, the shares of BB Capitalização S.A. noncontrolling shareholders were not exchanged for shares of the acquiring company, so there were no changes in BB Seguros' capital.

## **b) Corporate Reorganization – branches, subsidiaries and associates abroad**

### **BB USA Holding Company Inc.**

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

The transaction was made based on the adjusted equity of USD 644 thousand (R\$ 1,293 thousand) of the holding company BB USA Holding Company Inc. dated on April 30, 2013.

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

### **Europe Block**

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

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

## **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 the country, aiming to increase Chinese investments in Brazil and also support the Brazilian multinationals in the Chinese market.

## **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 infeasibility study of the business.

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 the 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 Bank will carry out the payment of that share capital in the same place of the investment, through BB Grand Cayman, not occurring inflow of funds into Brazil.

## **c) 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 of R\$ 98,920 thousand were recognized at the book value at June 30, 2013, the date of the transaction, plus the equity variations between the base date of the appraisal report and the date of the merger.

The incorporation improves the corporate structure, leads to an increase in the efficiency of operations, simplifies management, facilitates accounting and financial procedures; minimizes administrative expenses, and thus leads to the optimization of its assets and results.

As a result, BV Participações no longer exists and Banco Votorantim became its successor, by universal title, of its rights and obligations.

The incorporation 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 shares were common shares and 262,199,310 shares were preferred shares, with no par value. These new shares were assigned to Votorantim Finanças and to the Bank, shareholders of BV Participações, in the proportion that each one held in the total capital of BV Participações.

## **d) Corporate Reorganization – Itapebi**

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

On December 20, 2013, the Sales Agreement relating to this equity interest in Itapebi was signed.

## **e) Partnership in the card segment**

### **Alelo**

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

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

### **Livelo**

The Bank and Banco Bradesco announced to the market that Companhia Brasileira de Soluções e Serviços (Alelo), through its wholly-owned subsidiary Livelo S.A., began negotiations to explore business opportunities from alliances in loyalty programs.

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

- act as an independent and open alliance loyalty program with the following partners: issuers of payment instruments; retailers; and other loyalty programs, amongst others;
- bring together a diverse group of relevant and strategic partners to enable the generation of loyalty points and the redemption of benefits; and
- 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 structuring process to start its activities and has already obtained authorization from authorities and regulators.

### **Stelo**

On April 16, 2014, the Bank and Bradesco, through its subsidiary Alelo announced the launch of Stelo S.A., a company in the electronic means of payment business which will manage, operate and explore the payment facilitators segments, focused on electronic commerce (e-commerce) and the 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.

On April 15, 2014, in order to operationalise this project, Alelo signed a Memorandum of Understanding with Cielo in relation to its future participation in the capital of Stelo, currently a wholly-owned subsidiary of Alelo.

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

## **3 – PRESENTATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in accordance with the accounting guidelines derived from Brazilian corporation law, the rules and instructions issued by the Conselho Monetário Nacional (CMN), Banco Central do Brasil (Bacen), the Conselho Nacional de Seguros Privados (CNSP), the Superintendência de Seguros Privados (Susep), and the Comissão de Valores Mobiliários (CVM), as applicable.

The preparation of financial statements in accordance with accounting practices adopted in Brazil, applicable to financial institutions, requires that Management use judgment in the determination and recording of accounting

estimates, when applicable. Significant assets and liabilities subject to these estimates and assumptions include: the residual value of fixed assets, the allowance for loan losses, deferred tax assets, provision for labor, civil and tax demands, valuation of financial instruments, assets and liabilities relating to post-employment benefits and other provisions. The final amounts of transactions involving these estimates are only known upon their settlement.

The consolidated financial statements include the operations of the Bank performed by their domestic agencies and abroad, also include the operations of financial and non-financial subsidiaries in the country and abroad, Jointly Controlled entities, Special Purpose Entities - Dollar Diversified Payment Rights Finance Company and Loans Finance Company Limited, and of the Investment Financial Funds (BVIA Fundo de Investimento em Participações, BV Financeira FIDC I, BV Financeira FIDC II and BV Financeira FIDC VI) which the Bank controls directly or indirectly, as well as investments in other companies, in accordance with Bacen requirements.

In the preparation of these consolidated financial statements, amounts resulting from transactions between consolidated companies, including the equity interest held by one in another, balances of balance sheet accounts, revenues, expenses and unrealized profits, net of tax effects, were eliminated. Non-controlling interest in net equity and in income were separately disclosed in the financial statements. The balances of balance sheet and income accounts of ownership interest in which control is shared with other shareholders were consolidated in proportion to the ownership held in the capital. Leasing transactions were considered based on the financial method, and the amounts were reclassified from the leased assets line to the leasing transactions line, after deduction of residual amounts received in advance.

The Comitê de Pronunciamentos Contábeis (CPC) is responsible for issuing accounting standards and interpretations, based on international accounting standards, approved by the CVM. Bacen adopted the following pronouncements of the CPC, applied by the Bank, as applicable: CPC 00 - Conceptual Framework, CPC 01 - Decrease in Recoverable Amount of Assets, CPC 03 - Statement of Cash Flows (DFC), CPC 05 - Related Party Disclosures, CPC 10 - Share-Based Payment, CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors, CPC 24 - Events After the Reporting Period and CPC 25 - Provisions, Contingent Liabilities and Contingent Assets.

Additionally, the Banco Central do Brasil issued CMN Resolution 3,533/2008, which became effective in January 2012, which established procedures for classification, accounting and disclosure of sale and transfer transactions related to financial assets. This Resolution establishes the criteria for the derecognition of financial assets as specified in the CPC 38 - Financial Instruments: Recognition and Measurement.

The Bank has also applied the following pronouncements which do not conflict with the Bacen rules, as established by article 22, paragraph 2 of Law 6,385/1976: CPC 09 - Value Added Statement, CPC 12 - Adjustment at Present Value, CPC 22 - Information by Segment, CPC 33 - Employee Benefits and CPC 41 - Income per Share.

Pronouncements CPC 07 - Government Grants and Assistance, CPC 17 - Construction Contracts, CPC 29 - Biological Assets and Agricultural Produce and CPC 35 - Separate Statements, which do not conflict with the Bacen rules, may be applied by the Bank as events or transactions covered by the aforementioned CPCs take place.

The application of other standards, which depend on Bacen's regulations, results primarily in immaterial adjustments or in changes in disclosure, except the following pronouncements, that may result in significant impacts on the financial statements:

CPC 04 - Intangible Assets and CPC 15 - Business Combinations - a) reclassification of intangible assets identified in the acquisition of the equity interest in Banco Votorantim, in 2009, as well as on acquisition of controlling interest of Banco Patagonia, in 2011, and of BB Americas, in 2012, from the investment account to the account of intangible assets, in the group of Non-Current Assets - Permanent; b) derecognition of goodwill amortization expenses from acquisitions; and c) recognition of amortization expenses of intangible assets with definite useful lives, identified in the acquisitions.

CPC 18 - Investments in Associates and Joint Ventures - a) recording at fair value of the equity interests received in the partnership of the formation of the joint ventures BB Mapfre SH1 and SH2, on June 30, 2011; b) write-off of the book value of the assets contributed by the Bank of Brazil including any goodwill; and, c) recognition of the result of the transaction in the new constituted companies by the proportion of the equity interest.

CPC 36 – Consolidated Financial Statements – consolidation of the interests in investments in associates and joint ventures using the equity method, in accordance with CPC 18, resulting in decrease in the total assets and liabilities of the Conglomerate.

CPC 38 - Financial Instruments: Recognition and Measurement - adjustment in the allowance for loan losses, due to the adoption of the incurred loss criteria instead of the expected loss criteria.

These financial statements were approved by the Executive Board of Directors on February 09, 2015.

### Equity interest included in the consolidated financial statements, segregated by business segments

		Activity	Dec 31, 2014	Dec 31, 2013
			% of Total Share	
<b>Banking Segment</b>				
Banco do Brasil AG	(1)	Banking	100.00%	100.00%
BB Leasing Company Ltd.	(1)	Leasing	100.00%	100.00%
BB Leasing S.A. - Arrendamento Mercantil	(1)	Leasing	100.00%	100.00%
BB Securities Asia Pte. Ltd.	(1)	Broker	100.00%	100.00%
BB Securities LLC.	(1)	Broker	100.00%	100.00%
BB Securities Ltd.	(1)	Broker	100.00%	100.00%
BB USA Holding Company, Inc.	(1)	Holding	100.00%	100.00%
Brasilian American Merchant Bank	(1)	Banking	100.00%	100.00%
BB Americas	(1)	Banking	100.00%	100.00%
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	Asset Management	99.62%	99.62%
Banco Patagonia S.A.	(1)	Banking	58.96%	58.96%
Banco Votorantim S.A.	(2)	Banking	50.00%	50.00%
<b>Investment Segment</b>				
BB Banco de Investimento S.A.	(1)	Investment Bank	100.00%	100.00%
Kepler Weber S.A.	(2)	Industry	17.46%	17.56%
Companhia Brasileira de Securitização - Cibrasec	(3) (4)	Credits Acquisition	12.12%	12.12%
Neoenergia S.A.	(2)	Energy	11.99%	11.99%
<b>Segment of Fund Management</b>				
BB Gestão de Recursos-Distribuidora de Títulos e Valores Mobiliários S.A.	(1)	Asset Management	100.00%	100.00%
<b>Segment of Insurance, Private Pension Fund and Capitalization</b>				
BB Seguridade Participações S.A.	(1)	Holding	66.25%	66.25%
BB Cor Participações S.A.	(1)	Holding	66.25%	66.25%
BB Corretora de Seguros e Administradora de Bens S.A.	(1)	Broker	66.25%	66.25%
BB Seguros Participações S.A.	(1)	Holding	66.25%	66.25%
BB Capitalização S.A (sucessor of Nossa Caixa Capitalização S.A.)	(5)	Capitalization	--	66.25%
BB Mapfre SH1 Participações S.A.	(2)	Holding	49.68%	49.68%
Brasildental S.A.	(2)	Service Rendering	49.68%	--
Companhia de Seguros Aliança do Brasil	(2)	Insurance Company	49.68%	49.68%
Mapfre Vida S.A.	(2)	Pension plan	49.68%	49.68%
Vida Seguradora S.A.	(5)	Insurance Company	--	49.68%
Brasilprev Seguros e Previdência S.A.	(2)	Insurance/Pension	49.68%	49.68%
Brasilcap Capitalização S.A.	(2)	Capitalization	44.16%	44.16%
Mapfre BB SH2 Participações S.A.	(2)	Holding	33.13%	33.13%
Aliança do Brasil Seguros S.A.	(2)	Insurance Company	33.13%	33.13%
Brasileículos Companhia de Seguros	(2)	Insurance Company	33.13%	33.13%
Mapfre Seguros Gerais S.A.	(2)	Insurance Company	33.13%	33.13%
Mapfre Affinity Seguradora S.A.	(5)	Insurance Company	--	33.13%
BB Mapfre Assistência S.A.	(2)	Service Rendering	33.13%	33.13%
Votorantim Corretora de Seguros S.A.	(2)	Broker	50.00%	50.00%
Seguradora Brasileira de Crédito à Exportação - SBCE	(3)	Insurance Company	12.09%	12.09%
IRB - Brasil Resseguros S.A.	(2)	Reinsurer	13.53%	13.58%
<b>Segment of Payment Methods</b>				
BB Administradora de Cartões de Crédito S.A.	(1)	Service Rendering	100.00%	100.00%
BB Elo Cartões Participações S.A.	(1)	Holding	100.00%	100.00%
Elo Participações S.A.	(2)	Holding	49.99%	49.99%
Companhia Brasileira de Soluções e Serviços CBSS - Alelo	(2)	Service Rendering	49.99%	49.99%
Elo Serviços S.A.	(2)	Service Rendering	33.33%	33.33%
Cielo S.A.	(2)	Service Rendering	28.75%	28.68%
Tecnologia Bancária S.A. - Tecban	(3)	Service Rendering	13.53%	13.53%
<b>Other Segments</b>				
Ativos S.A. Securitizadora de Créditos Financeiros	(1)	Credits Acquisition	100.00%	100.00%
Ativos S.A. Gestão de Cobrança e Recuperação de Crédito	(1)	Credits Acquisition	100.00%	100.00%
BB Administradora de Consórcios S.A.	(1)	Consortium	100.00%	100.00%
BB Tur Viagens e Turismo Ltda.	(1) (4)	Tourism	100.00%	100.00%
BB Money Transfers Inc.	(5)	Service Rendering	--	100.00%
BB Tecnologia e Serviços S.A.	(1)	IT	99.97%	99.97%

(1) Subsidiaries.

(2) Joint venture proportionately included in consolidation.

(3) Associates, proportionately included in consolidation, as Bacen's Regulation.

(4) The financial statements refer to November/2014.

(5) Discontinued companies during 2014.

### Information for comparability purposes

For comparability purposes in order to better show the nature of operations the following reclassifications were made in the Balance Sheet:

- Premium paid to customers for loyalty/performance from the grouping Other Assets – Prepaid expenses to Intangible – Intangible assets – R\$ 304,079 thousand.

### Balance Sheet

Dec 31, 2013	Original Report	Adjustments	Adjusted Balances
<b>CURRENT ASSETS</b>	<b>749,138,334</b>	<b>(304,079)</b>	<b>748,834,255</b>
Other Assets – Prepaid expenses	2,586,999	(304,079)	2,282,920
<b>NON-CURRENT ASSETS</b>	<b>554,776,789</b>	<b>304,079</b>	<b>555,080,868</b>
<b>PERMANENT ASSETS</b>	<b>22,674,437</b>	<b>304,079</b>	<b>22,978,516</b>
Intangible – Intangible assets	18,955,191	304,079	19,259,270

The following reclassifications were made in the Statement of Income:

- Income from Advance on Receivables VisaNet (ARV) of Cielo from the grouping Securities to Other Operating Income – R\$ 344,806 thousand;
- Expenses from Labor Claims of Banco Votorantim from the grouping Other Operating Expenses to Personnel Expenses – R\$ 49,933 thousand;
- Expenses from Allowance for Loan Losses - Proago from the grouping Allowance for Loan Losses to Compulsory Investments – R\$ 15,832 thousand.

### Statement of Income

Dec 31, 2013	Original Report	Adjustments	Adjusted Balances
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>	<b>115,337,095</b>	<b>(360,638)</b>	<b>114,976,457</b>
Securities	30,314,943	(344,806)	29,970,137
Compulsory investments	4,712,917	(15,832)	4,697,085
<b>EXPENSES FROM FINANCIAL INTERMEDIATION</b>	<b>(86,626,510)</b>	<b>15,832</b>	<b>(86,610,678)</b>
Allowance for loan losses	(16,076,349)	15,832	(16,060,517)
<b>INCOME FROM FINANCIAL INTERMEDIATION</b>	<b>28,710,585</b>	<b>(344,806)</b>	<b>28,365,779</b>
<b>OTHER OPERATING INCOME/EXPENSES</b>	<b>(14,090,646)</b>	<b>344,806</b>	<b>(13,745,840)</b>
Personnel expenses	(18,351,162)	(49,933)	(18,401,095)
Other operating income	7,817,849	344,806	8,162,655
Other operating expenses	(9,535,540)	49,933	(9,485,607)

## 4 – DESCRIPTION OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by Banco do Brasil are applied consistently in all periods presented in these financial statements and applied to all the entities of the Conglomerate.

### a) Statement of income

In accrual basis accounting, revenues and expenses are reported in the closing process of the period in which they are incurred, regardless of receipt or payment. The operations with floating rates are adjusted pro rata die, based on the variation of the indexes agreed, and operations with fixed rates are recorded at future redemption value, adjusted for the unearned income or prepaid expenses for future periods. The operations indexed to foreign currencies are converted at the reporting date using current rates.

**b) Present value measurement**

Financial assets and liabilities are presented at present value due to the application of the accrual basis in the recognition of their interest income and expenses.

Non-contractual liabilities are primarily represented by provisions for lawsuit and legal obligations, for which the disbursement date is uncertain and is not under the Bank's control. They are measured at present value because they are initially recognized at estimated disbursement value on the valuation date and are updated monthly.

**c) Cash and cash equivalents**

Cash and cash equivalents comprise available funds in local currency, foreign currency, investments in gold, investments in repurchase agreements – own resources, interbank deposits and investments in foreign currencies, with high liquidity and insignificant risk of change in fair value, with maturity at time of acquisition not exceeding 90 days.

**d) Short-term interbank investments**

Short-term interbank investments are recorded at their investment or acquisition amount, plus income accrued up to the balance sheet date and adjustments for allowance for losses.

**e) Securities**

The securities purchased for the Bank's portfolio are recorded at the actual amount paid, including brokerage charges and fees, and are classified based on management's intention, in one of three categories, according to Bacen Circular 3,068/2001:

Trading Securities: these are securities purchased to be actively and frequently traded. They are adjusted monthly to market value. The increases and decreases in value are recorded in income and expense accounts for the period;

Securities available for sale: these are securities that may be traded at any time, but are not acquired to be actively and frequently traded. They are adjusted monthly to market value and their increases and decreases in value are recorded, net of tax effects, in Accumulated Other Comprehensive Income in Shareholders' Equity; and

Securities held to maturity: these are securities that the Bank owns and has the financial capacity and intent to hold to maturity. These securities are not adjusted to market value. The Bank's financial capacity to hold to maturity is supported by a cash flow projection that does not consider the possibility of sale of these securities.

The mark-to-market methodology used for securities was established following consistent, verifiable criteria, which consider the average price of trading on the day of calculation or, if not available, the daily adjustment of future market transactions reported by Anbima, BM&FBovespa or the net expected realizable value obtained through pricing models, using future interest rate curves, foreign exchange rates, and price and currency indices, all consistent with prices adopted during the year.

Income accrued on the securities, irrespective of the category in which they are classified, is appropriated on a pro rata die basis on an accrual basis until the date of maturity or final sale, using the cumulative or straight-line method, based on the contractual remuneration and purchase price, and recorded directly in the statement of income for the period.

Impairment of securities classified as available for sale and held to maturity, if considered not to be temporary, are recorded directly in expense for the period and a new cost basis for the asset is determined.

Upon sale, the difference between the sale amount and the cost of purchase plus accrued income is considered as a result of the transaction and is recorded on the date of the transaction as a gain or loss on securities.

**f) Derivative financial instruments**

Derivative financial instruments are adjusted to market value at each monthly trial balance and balance sheet date. Increases or decreases in value are recorded in the appropriate income or expense accounts.

The mark-to-market methodology used for derivative financial instruments was established following consistent and verifiable criteria, which consider the average price of trading on the date of calculation or, if not available, pricing models that estimate the expected net realizable value, or the price of similar financial instrument, taking into account, at the minimum, the payment and maturity dates, credit risk and currency or index.

Derivative financial instruments used to offset, in whole or in part, the risks arising from exposure to variations in market value or in cash flows of financial asset or liability are considered hedge instruments and are classified according to their nature:

Market Risk Hedge: increases or decreases in value of the financial instruments, as well as of the hedged item, are recorded in income/expense accounts for the period; and

Cash Flow Hedge: the effective portion of the increases or decreases in value of the derivative financial instruments classified in this category are recorded, net of tax effects, in Accumulated Other Comprehensive Income in Shareholders' Equity. The effective amount is that in which the variation of the hedged item, directly related to the corresponding risk, is offset by the variation in the financial instrument used for the hedge, considering the accumulated effect of the transaction. Other variations in these instruments are recorded directly in the statement of income for the period.

**g) Loan and leasing operations, advances on foreign exchange contracts, other receivables with loan characteristics and allowance for loan losses**

Loans, leases, advances on foreign exchange contracts and other receivables with loan characteristics are classified according to Management's judgment with respect to the level of risk, taking into consideration market conditions, past experience and specific risks in relation to the operation, to borrowers and guarantors, observing the parameters established by CMN Resolution 2,682/1999, which requires periodic analyses of the portfolio and its classification into nine levels, ranging from AA (minimum risk) to H (maximum risk), as well as the classification of operations more than 15 days overdue as non-performing. For atypical transactions with a term of more than 36 months, there is a double counting on the days-past-due intervals defined for the nine levels of risk, as permitted by CMN Resolution 2,682/1999.

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

Operations classified at level H, which remain in this classification for 180 days, are written off against the existing allowance.

Renegotiated operations are maintained, at a minimum, at the same level at which they were rated on the date of renegotiation. The renegotiations of loans already written off against the allowance are rated as H level and any gains from renegotiation are recognized as income when effectively received.

Allowance for loan losses, considered sufficient by management, satisfies the minimum requirement established by the aforementioned CMN Resolution 2,682/1999 (Note 10.e).

## h) Taxes

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

Taxes	Rate
Income Tax (15% + additional 10%)	25%
Social Contribution on Net Income (CSLL) <sup>(1)</sup>	15%
Social Integration Program/Public servant fund program (PIS/Pasep) <sup>(2)</sup>	0.65%
Contribution to Social Security Financing – (Cofins) <sup>(2)</sup>	4%
Tax on services of any kind – (ISSQN)	Up to 5%

(1) Rate applied to financial companies and to non-financial companies in the areas of insurance, private pension plans and capitalization. For others non-financial companies, the CSLL rate is 9%.

(2) For non-financial companies that have opted for the non-cumulative regime of calculation, the PIS/PASEP rate is 1.65% and the Cofins rate is 7.6%.

Deferred tax assets (tax credits) and deferred tax liabilities are recorded by applying the current rates of taxes on their respective bases. For the recording, maintaining, and writing off of deferred tax assets, the Bank follows the established criteria by CMN Resolution 3,059/2002, amended by CMN Resolutions 3,355/2006 and 4,192/2013, and they are supported by a study of their realizability.

## i) Prepaid expenses

These expenses refer to the application of payments made in advance, for which the benefits or the services will occur in subsequent periods. Prepaid expenses are recorded at cost and amortized as incurred.

## j) Permanent assets

Investments: investments in subsidiaries and associates in which the Bank has significant influence or an ownership interest of 20% or more of the voting shares, and in other companies which are part of a group or are under common control are accounted for by the equity method based on the shareholders' equity of the subsidiary or associates.

Goodwill, the premium paid over the book value of the investment acquired due to expectations of future profitability, is based on a financial-economic assessment which substantiate the purchase price of the business and is amortized based on annual income projections as per the assessment. Goodwill is tested for impairment annually.

The statements of the branches and subsidiaries abroad are adapted to the prevailing accounting criteria in Brazil and translated into Brazilian Reais using current exchange rates, in conformity with Bacen Circulars 2,397/1993 and 2,571/1995, and their impacts are recorded in the statement of income for the period.

Other permanent investments are valued at acquisition cost, less allowance for impairment losses, as applicable.

Property and equipment: property and equipment are stated at cost less depreciation, calculated using the straight-line method at the following annual rates: buildings and improvements - 4%; vehicles - 20%; data processing systems - 20% and others - 10% (Note 15).

Deferred: deferred assets are recorded at cost of acquisition or formation, net of accrued amortization. They are composed mainly of restructuring costs, and the expenditures, up to September 30, 2008, with: third party properties, as a result of opening branches, which are amortized according to rates based on rental terms, limited to 10 years; and with the acquisition and development of information systems, which are amortized at 10% per annum (p.a.).

Intangible: intangible assets consist of rights over intangible assets used in the running of the Bank, including acquired goodwill.

An asset meets the criteria for identification as an intangible asset, when it is separable, i.e., it can be separated from the entity and sold, transferred or licensed, rented or exchanged, individually or jointly with a contract, related assets or liabilities, regardless of the intention for use by the entity; or results from contractual rights or other legal rights, regardless of whether these rights are transferable or separable from the entity or other rights and obligations.

Intangible assets with finite useful lives comprise: disbursements for the acquisition of rights to provide banking services (rights to managing payrolls), amortized over the terms of contracts; goodwill paid on the acquisition of merged company (Banco Nossa Caixa), amortized based on projections of annual results set in the economic-financial study; software, amortized on a straight-line basis at a rate of 10% per year from the date it is available for use. Intangible assets are adjusted by allowance for impairment losses, if applicable (Note 16). The amortization of intangible assets is recorded in the Other Administrative Expenses account.

#### **k) Impairment of non-financial assets**

At the end of each reporting period, 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 an indication that an asset may be impaired, the Bank estimates the recoverable amount of the asset. The recoverable amount of the asset is the higher of: i) its fair value less costs to sell it; and ii) its value in use.

The Bank tests, at least annually, the recoverable amount of intangible assets not yet available for use and goodwill on acquisition of investments, regardless whether there is an indication of impairment or not. This test can be applied any time during the year, provided it is performed at the same period every year.

If the recoverable amount of the asset is less than its carrying amount, the asset's carrying amount is reduced to its recoverable amount through a provision for impairment, which is recognized in the Statement of Income.

#### **Methodologies in assessing the recoverable amount of the main non-financial assets:**

##### Property and Equipment in Use:

Land and buildings - in determining the recoverable amount of land and buildings, technical assessments are carried out in accordance with the rules of the Brazilian Association of Technical Standards - ABNT.

Data processing systems - in determining the recoverability, the market value is considered, if it is available, or the recoverable value for use in the operations of the Bank. Otherwise the calculation considers the projection of cash flows arising from the use of each asset during its useful life, discounted to present value based on the rate of the Interbank Deposit Certificate - CDI.

Other assets - although they are subject to impairment testing, other assets have little value individually and, given the cost-effectiveness, the Bank does not assess the recoverable value of these items individually. However, the Bank conducts inventory each year, and lost or damaged goods are properly derecognized.

##### Investments and Goodwill on acquisition of investments

The methodology for calculating the recoverable amount of goodwill and investments for future profitability consists of measuring the expected result of the investment using discounted cash flow (DCF). To measure this result, the assumptions made are based on (i) operational projections, results and investment plans, (ii) macroeconomic scenarios developed by the Bank, and (iii) internal methodology for calculating the cost of capital based on the Capital Asset Pricing Model - CAPM.

##### Intangible

Rights to Managing Payrolls - The model for assessing the recoverable amount of the rights to managing payroll involves monitoring contracts performance, that are calculated from the contribution margins of customer relationship related to each contract in order to check if the projections that justified the acquisition of assets match the observed performance. For the contracts that do not achieve the expected performance levels, a provision for impairment loss is recognized.

Software - Software, substantially developed by the Bank in accordance with its needs, constantly receives investments for modernization and adaptation to new technologies and business requirements. Considering that there are no similar products on the market and considering the high cost to deploy metrics that allow calculation of

its value in use, the impairment test for software evaluates its usefulness to the company so that when software is retired, its value is derecognized.

Goodwill on acquisition of merged company - The methodology for calculating the recoverable amount of goodwill on the acquisition of Banco Nossa Caixa, merged into Banco do Brasil in November 2009, is to compare the value of the goodwill paid, less the accumulated amortization, with the present value of the results of the Bank estimated for the state of São Paulo, discounting the assets with finite useful lives. The projections are derived from the observed results and assumptions of profitability growth for the Bank and are discounted at the rate of cost of capital calculated using an internal methodology, based on Capital Asset Pricing Model – CAPM.

The losses recorded in the Statement of Income to adjust the recoverable value of these assets, if any, are stated in the respective notes.

### **l) Employee benefits**

Employee benefits related to short-term benefits for current employees are recognized on the accrual basis as the services are provided. Post-employment benefits, comprising supplementary retirement benefits and medical assistance for which the Bank is responsible, are assessed in accordance with criteria established by CVM Resolution 695/2012 (Note 27). The evaluations are performed semiannually.

In defined-contribution plans, the actuarial risk and the investment risk are borne by the plan participants. Accordingly, cost accounting is based on each period's contribution amount representing the Bank's obligation. Consequently, no actuarial calculation is required when measuring the obligation or expense, and there are neither actuarial gains nor losses.

In defined benefit plans, the actuarial risk and the investment risk value of plan assets fall either partially or fully on the sponsoring entity. Accordingly, cost accounting requires the measurement of plan obligations and expenses, with a possibility of actuarial gains and losses, leading to the register of a liability when the amount of the actuarial obligation exceeds the value of plan assets, or an asset when the amount of assets exceeds the value of plan obligations. In the latter instance, the asset should be recorded only when there is evidence that it can effectively reduce the contributions from the sponsor or will be refundable in the future.

The Bank recognizes the components of defined benefit cost in the period in which the actuarial valuation was performed, in accordance with CVM Resolution 695/2012, as follows:

- the current service cost and the net interest on the net defined benefit liability (asset) are recognized in profit or loss; and
- the rerevaluations of the net defined benefit liability (asset) are recognized in other comprehensive income, in the Bank's equity, net of tax effects.

Contributions to be paid by the Bank to medical assistance plans in some cases will continue after the employee's retirement. Therefore, the Banks obligations are evaluated by the present actuarial value of the contributions to be paid over the expected period in which the plan participants and beneficiaries will be covered by the plan. Such obligations are evaluated and recognized under the same criteria used for defined benefit plans.

The actuarial asset recognized in the balance sheet (Note 27) refers to the actuarial gains and it will be settled by the end of the plan. Along the life of the plan there may be partial realization of the actuarial assets, if the requirements of the Supplementary Law 109/2001 and Resolution CGPC 26/2008 are met.

### **m) Deposits and Securities Sold Under Repurchase Agreements**

Deposits and securities sold under repurchase agreements are recorded at the amount of the liabilities and include, when applicable, related charges up to the balance sheet date, on a daily pro rata die basis.

## n) Operations related to insurance, pension plan and capitalization activities

### Statement of Income

Insurance premiums and selling expenses (direct acquisition costs deferred and amortized) are recorded upon the issuance of policies or billings and are recognized in income/expenses, according to the elapsed coverage period. Revenues from premiums and the corresponding selling expenses, related to present risks without the issue of respective policies are recognized in the statement of income/expenses based on estimates.

Income from insurance premiums of unexpired risks is deferred over the validity period of the insurance policies, by means of the formation of a provision for unearned premiums, based on the contracted premiums.

The revenue from pension plans, life insurance plans with living benefits and capitalization plans are recognized in the statement of income when effectively received, as a contra-entry to the recognition of technical provisions, except the revenue to cover risks in cases of combined pension plans, which must be recognized over the duration of the risk, regardless of its receipt. The selling costs are deferred on the issuing of the contract or policy and allocated to income/expenses on a straight-line basis, over the average estimated period for their recovery, except the ones related to capitalization.

### Technical Provisions

Technical provisions are composed in accordance with the standards established by Conselho Nacional de Seguros Privados (CNSP), and the values are calculated based on actuarial methods and premises.

### Insurance

Provision for Unearned Premiums (PUP): formed by the insurance premium corresponding to the period of risk not yet elapsed. The measurement is individual by policy or endorsement and performed using the pro rata die method based on the start and end dates of the insured risk. The generating factor for this provision is the issuance of the policy/endorsement or the beginning of the risk, whichever occurs first.

Provision for Unsettled Claims (PULC): calculated by estimate of probable payments, gross of reinsurance and net of recovery of coinsurance, based on the notifications and notices of claims received up to the balance sheet date, and includes provisions for claims under litigation calculated according to the criteria defined and documented in an actuarial technical note. The accrued amounts are updated under the terms of the applicable legislation.

Provision for Claims Incurred but not Reported (IBNR): calculated in accordance with the expected amount of claims incurred in risks assumed in the portfolio and not yet reported.

### Pension plan

Mathematical Provision for Future Benefit Payments: represents the sum of the premiums and contributions transferred by the participants, net of the loading rate, plus the financial income earned from the investments of the resources. This provision refers to participants whose benefits have not yet started to be paid.

Mathematical Provision for benefits granted: refers to those already receiving the benefits.

### Capitalization

Mathematical Reserve for Capitalization: calculated on the face value of the notes, restated according to the index and the interest rate defined in the plan.

Provisions for Redemptions: recorded at the values of the matured notes (those with finalized and rescinded capitalization periods), updated for the period between the date of the right to redemption and effective settlement.

Provision for prize draw: calculated on the nominal value of the notes issued, based on actuarial methods approved by Susep. The write-off of the provision occurs as the risk lapses, i.e., the balance of the provision for prize draws represents the values of prize draws not yet realized.

Provision for payable prize draw: composed by prize drawn capitalization notes, inflation-adjusted for the period between the date of the draw and the effective settlement.

### **Liability adequacy test – LAT**

The Bank conducts the liability adequacy test, according to Circular Susep 457/2012, for the insurance, reinsurance and pension plan operations. This test is performed semiannually to check the adequacy of technical provisions, and uses current estimates of contracts' future cash flows.

The methodology takes into account the best estimation of all future cash flows, considering premises of cancellation, claims, longevity, annuitization, other expenses related to the operations, and business revenues.

Cash flows are discounted to present value, according to the Term Structure of the Interest Rates - ETTJ published by Susep, using the rate guaranteed in the contracts.

The test conducted by Brasilprev, on the base date December 31, 2014, presented insufficiency of R\$ 385,490 thousand, fully accrued in complementary reserve for coverage (PCC), whereas, on that date, the company opted not to use the option under paragraph 2 and paragraph 3 of the article 8 of the Susep Circular 457/2012.

The tests conducted in the other companies to this base date December 31, 2014 showed no insufficiency in contracts of insurance, reinsurance and private pension plan.

### **o) Provisions, Contingent assets and liabilities and legal obligations**

The recognition, measurement and disclosure of provisions, contingent assets and liabilities and legal obligations are made in accordance with the criteria defined by CPC 25 – Provisions, Contingent Assets and Contingent Liabilities, approved by CMN Resolution 3,823/2009 (Note 28).

Contingent assets are only recognized in the financial statements upon the existence of evidence assuring their realization, usually represented by the final judgment of the lawsuit and by the confirmation that it will be recovered by receipt or offsetting by another receivable, are recognized as assets.

Contingent liabilities are recognized in the 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:

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 or 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, up to R\$ 1 million.

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.

Contingent liabilities, individually measured, considered as possible losses are not recognized in the financial statements, they are disclosed in notes, while those classified as remote do not require provisioning or disclosure.

Legal obligations (fiscal and social security) are derived from tax obligations provided in the legislation, regardless of the probability of success of lawsuits in progress, and have their amounts recognized in full in the financial statements.

#### **p) Debt Instrument Issue Expense**

Expenses related to transactions involving the issuance of debt instruments are capitalized and presented as a reduction of the corresponding liability. The expenses are recognized in the income statement over the term of the transaction.

#### **q) Other Assets and Liabilities**

Other assets are stated at their realizable amounts, including, when applicable, related income and monetary and exchange variations on a pro rata die basis, and allowance for losses, when deemed appropriate. Other liabilities are stated at their known and measurable amounts, plus, when applicable, related charges and monetary and exchange variations on a pro rata die basis.

#### **r) Earnings per share**

Earnings per share is disclosed in accordance with CPC 41 – Earnings per Share, approved by Resolution CVM 636/2010. The Bank's basic and diluted earnings per share were calculated by dividing the net profit attributable to shareholders by the weighted average number of total common shares, excluding treasury shares (Note 24.f). The Bank has no outstanding options, bonus of subscription nor its equivalents which provide their holders the right to acquire shares. Thus, the basic and diluted earnings per share are equal.

### **5 – INFORMATION BY SEGMENT**

The information by segment was compiled based on the reports used by Management in the appraisal of the segment's performance, decision making regarding the allocation of funds for investment and other purposes, the regulatory environment and the similarities between goods and services.

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

Intersegment transactions are conducted under terms and rates consistent with those applied with third parties, when applicable. These transactions do not involve payment risks.

#### **a) Banking Segment**

Responsible for the most significant portion of Banco do Brasil 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 the country and abroad.

The operations of the banking segment include business with the retail, wholesale and government markets, carried out through the branch network and customer service teams, and business with micro-entrepreneurs and the with the low income population, undertaken through banking correspondents.

#### **b) Investments Segment**

Responsible for operations in the domestic capital markets, being active in the intermediation and distribution of debts in the primary and secondary markets, as well as being responsible for equity investments and the rendering of some financial services.

The income from financial intermediation of this segment is result of the revenues accrued on investments in securities less the interest expenses on funding from third parties. The principal equity investments are those in the associates and subsidiary companies. Financial service fee income is derived from economic/financial advisory services and the underwriting of fixed and variable income.

**c) Fund Management Segment**

Responsible for operations inherent to the purchase, sale and custody of securities, portfolio management, and management of investment funds and clubs. Revenues mainly derived from commissions and management fees charged to investors for services rendered.

**d) Insurance, Pension, and Capitalization Segment**

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

Income is derived mainly from 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 Segment**

This segment is responsible for the funding, transmission, processing and settlement of operations via electronic means.

Revenues are derived mainly from commissions and management fees charged to commercial and banking establishments for the services rendered, as well as income from rent, installation and maintenance of electronic terminals.

**f) Other segments**

Other segments comprise the operational support and consortium segments, which have been aggregated as they are not individually significant.

Their revenues are originated mainly from rendering services not covered in previous segments, such as: credit recovery; consortium administration; development, manufacture, commercialization, rent and integration of digital electronic systems and equipment, peripherals, programs, inputs and computing supplies; and intermediation of air tickets, lodging and organization of events.

**Breakdown by segment**

	2nd half/2014						Intersegment transactions	Total
	Banking	Investments	Fund management	Insurance, pension and capitalization	Payment methods	Other segments		
<b>Income</b>	<b>95,143,130</b>	<b>614,151</b>	<b>804,072</b>	<b>5,197,984</b>	<b>1,975,859</b>	<b>1,264,208</b>	<b>(1,133,223)</b>	<b>103,866,181</b>
Income from loans and leases	50,998,038	--	--	--	--	26,554	(144,841)	50,879,751
Income from operations with securities and derivative financial instruments	26,428,981	28,061	33,219	4,844	--	46,124	(171,911)	26,369,318
Income from exchange operations and Compulsory deposits	2,552,639	--	--	--	--	212	(212)	2,552,639
Financial results from insurance, pension and capitalization operations	--	--	--	1,598,265	--	--	58,411	1,656,676
Income from service fees	6,167,727	298,386	568,695	1,037,311	1,534,867	630,411	(545,656)	9,691,741
Income from fees, rates and commissions	3,272,660	17,978	178,133	--	--	--	--	3,468,771
Equity in the earnings/(loss) of subsidiaries and associates	1,271,146	(151)	--	(239)	4,459	4,999	--	1,280,214
Results from insurance, pension plan and capitalization operations	--	--	--	2,373,943	--	--	(5,861)	2,368,082
Other Income	4,451,939	269,877	24,025	183,860	436,533	555,908	(323,153)	5,598,989
<b>Expenses</b>	<b>(91,954,743)</b>	<b>(474,664)</b>	<b>(140,200)</b>	<b>(2,062,208)</b>	<b>(1,144,719)</b>	<b>(798,230)</b>	<b>1,119,200</b>	<b>(95,455,564)</b>
Expenses of market funding	(43,549,999)	(123,460)	--	--	--	(10,716)	282,103	(43,402,072)
Loans, assignments, onlending and leases	(13,308,998)	--	--	--	--	--	978	(13,308,020)
(Allowance)/Reversal for loan losses	(9,950,553)	(70,598)	1,703	--	--	36,637	--	(9,982,811)
Interest and inflation adjustment of technical reserves	--	--	--	(831,445)	--	--	--	(831,445)
Personnel expenses	(9,553,603)	(36,551)	(36,278)	(246,685)	(115,473)	(138,279)	3,731	(10,123,138)
Other administrative expenses	(6,363,815)	(41,323)	(17,045)	(392,228)	(214,346)	(128,420)	596,812	(6,560,365)
Depreciation	(530,983)	(1,639)	--	(10,155)	(10,626)	(3,451)	--	(556,854)
Amortization of deferred	(6,843)	--	--	(20,509)	(1,997)	(838)	--	(30,187)
Amortization of intangible	(1,401,198)	(328)	--	--	(12,706)	(186)	--	(1,414,418)
Amortization of goodwill	(45,580)	(48,197)	--	(17,183)	(15,196)	--	--	(126,156)
Operations of sale and transfer of financial assets	(44,297)	--	--	--	--	--	26,554	(17,743)
Revenues / (Expenses) from impairment	(11,066)	--	--	--	(1,630)	--	--	(12,696)
Other expenses	(7,187,807)	(152,568)	(88,580)	(544,003)	(772,745)	(552,977)	209,021	(9,089,659)
<b>Profit before tax and profit sharing</b>	<b>3,188,387</b>	<b>139,487</b>	<b>663,872</b>	<b>3,135,776</b>	<b>831,140</b>	<b>465,978</b>	<b>(14,023)</b>	<b>8,410,617</b>
Income tax and social contribution	751,904	(16,697)	(259,574)	(1,112,028)	(276,930)	(108,997)	6,000	(1,016,322)
Profit sharing	(791,391)	--	(814)	(30,234)	(1,529)	(3,438)	--	(827,406)
Non-controlling Interest	(165,855)	--	--	(661,386)	--	(8)	--	(827,249)
<b>Net Income</b>	<b>2,983,045</b>	<b>122,790</b>	<b>403,484</b>	<b>1,332,128</b>	<b>552,681</b>	<b>353,535</b>	<b>(8,023)</b>	<b>5,739,640</b>
<b>Balance Sheets</b>								
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
Investment in subsidiaries and associates	8,382,786	2,676,920	--	417,182	485,564	--	(10,203,922)	1,758,530
Liabilities	1,245,365,656	3,185,616	854,247	110,095,099	6,125,718	1,640,633	(10,394,652)	1,356,872,318

	2014						Intersegment Transactions	Total
	Banking	Investments	Fund management	Insurance, pension and capitalization	Payment methods	Other segments		
<b>Income</b>	<b>173,842,097</b>	<b>1,106,077</b>	<b>1,492,704</b>	<b>10,000,137</b>	<b>3,714,450</b>	<b>2,202,851</b>	<b>(2,205,501)</b>	<b>190,152,815</b>
Income from loans and leases	93,329,632	--	--	--	--	26,554	(328,545)	93,027,641
Income from operations with securities and derivative financial instruments	44,366,110	69,205	56,715	4,844	64	129,349	(316,077)	44,310,210
Income from exchange operations and Compulsory deposits	6,302,921	--	--	--	--	145	(781)	6,302,285
Financial results from insurance, pension and capitalization operations	--	--	--	3,278,480	--	--	108,295	3,386,775
Income from service fees	11,777,667	561,716	1,079,172	1,941,023	2,911,409	1,174,340	(1,011,647)	18,433,680
Income from fees, rates and commissions	6,284,286	33,593	318,397	--	--	--	--	6,636,276
Equity in the earnings/(loss) of subsidiaries and associates	565,202	(448)	--	(239)	4,459	4,999	--	573,973
Results from insurance, pension plan and capitalization operations	--	--	--	4,448,896	--	--	22,432	4,471,328
Other Income	11,216,279	442,011	38,420	327,133	798,518	867,464	(679,178)	13,010,647
<b>Expenses</b>	<b>(165,134,414)</b>	<b>(839,667)</b>	<b>(247,155)</b>	<b>(4,404,315)</b>	<b>(2,068,123)</b>	<b>(1,512,813)</b>	<b>2,088,322</b>	<b>(172,118,165)</b>
Expenses of market funding	(80,794,234)	(233,170)	--	--	--	(18,104)	526,927	(80,518,581)
Loans, assignments, onlending and leases	(15,834,158)	--	--	--	--	--	978	(15,833,180)
(Allowance)/Reversal for loan losses	(19,107,942)	(70,565)	1,704	--	233	27,118	--	(19,149,452)
Interest and inflation adjustment of technical reserves	--	--	--	(2,000,536)	--	--	--	(2,000,536)
Personnel expenses	(18,409,705)	(67,040)	(66,760)	(490,474)	(212,527)	(260,120)	6,942	(19,499,684)
Other administrative expenses	(12,229,757)	(77,248)	(29,032)	(771,335)	(370,140)	(238,001)	1,161,398	(12,554,115)
Depreciation	(1,017,334)	(2,927)	--	(20,160)	(20,430)	(6,895)	--	(1,067,746)
Amortization of deferred	(14,510)	--	--	(38,649)	(3,731)	(1,546)	--	(58,436)
Amortization of intangible	(3,247,295)	(668)	--	--	(25,033)	(382)	--	(3,273,378)
Amortization of goodwill	(93,468)	(96,394)	--	(31,687)	(20,241)	--	--	(241,790)
Operations of sale and transfer of financial assets	(50,264)	--	--	--	--	--	26,554	(23,710)
Revenues / (Expenses) from impairment	(9,039)	--	--	--	(837)	--	--	(9,876)
Other expenses	(14,326,707)	(291,655)	(153,067)	(1,051,474)	(1,415,417)	(1,014,883)	365,522	(17,887,681)
<b>Profit before tax and profit sharing</b>	<b>8,707,683</b>	<b>266,410</b>	<b>1,245,549</b>	<b>5,595,822</b>	<b>1,646,327</b>	<b>690,038</b>	<b>(117,179)</b>	<b>18,034,650</b>
Income tax and social contribution	(484,429)	(55,172)	(488,689)	(1,999,507)	(549,211)	(163,928)	50,140	(3,690,796)
Profit sharing	(1,564,636)	(6)	(1,806)	(48,199)	(3,293)	(4,905)	--	(1,622,845)
Non-controlling Interest	(306,705)	--	--	(1,168,475)	--	(15)	--	(1,475,195)
<b>Net Income</b>	<b>6,351,913</b>	<b>211,232</b>	<b>755,054</b>	<b>2,379,641</b>	<b>1,093,823</b>	<b>521,190</b>	<b>(67,039)</b>	<b>11,245,814</b>
<b>Balance Sheets</b>								
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
Investment in subsidiaries and associates	8,382,786	2,676,920	--	417,182	485,564	--	(10,203,922)	1,758,530
Liabilities	1,245,365,656	3,185,616	854,247	110,095,099	6,125,718	1,640,633	(10,394,652)	1,356,872,318

	2013						Intersegment transactions	Total
	Banking	Investments	Fund management	Insurance, pension and capitalization	Payment methods	Other segments		
<b>Income</b>	<b>148,519,413</b>	<b>1,574,325</b>	<b>1,705,539</b>	<b>6,927,213</b>	<b>3,218,512</b>	<b>1,783,842</b>	<b>(3,071,912)</b>	<b>160,641,100</b>
Income from loans and leases	77,011,876	--	--	--	--	--	(218,063)	76,793,813
Income from operations with securities and derivative financial instruments	31,144,798	248,521	60,096	126,978	392,248	76,625	(577,992)	31,126,468
Income from exchange operations and Compulsory deposits	5,318,815	--	--	--	63	62	(64)	5,303,044
Financial results from insurance, pension and capitalization operations	--	--	--	1,701,867	--	--	51,265	1,753,132
Income from service fees	10,777,150	538,074	972,220	1,586,930	2,669,463	1,032,014	(822,321)	16,753,530
Income from fees, rates and commissions	6,185,090	39,265	322,629	--	--	--	--	6,546,984
Equity in the earnings/(loss) of subsidiaries and associates	579,438	26,147	--	--	--	--	--	605,585
Results from insurance, pension plan and capitalization operations	--	--	--	3,220,199	--	--	10,155	3,230,354
Other Income <sup>(1)</sup>	17,502,246	722,318	350,594	291,239	156,738	675,141	(1,514,892)	18,528,190
<b>Expenses</b>	<b>(131,261,625)</b>	<b>(704,154)</b>	<b>(319,895)</b>	<b>(3,359,802)</b>	<b>(1,769,017)</b>	<b>(1,426,132)</b>	<b>2,980,262</b>	<b>(135,845,022)</b>
Expenses of market funding	(56,781,729)	(199,879)	--	--	(11,331)	(27,538)	394,632	(56,625,845)
Loans, assignments, onlending and leases	(12,778,380)	--	--	--	--	(48)	--	(12,778,428)
(Allowance)/Reversal for loan losses	(16,084,143)	(34)	9	--	(170)	7,989	--	(16,060,517)
Interest and inflation adjustment of technical reserves	--	--	--	(1,075,250)	--	--	--	(1,075,250)
Personnel expenses	(17,447,195)	(52,573)	(59,245)	(393,510)	(179,454)	(225,759)	6,574	(18,401,095)
Other administrative expenses	(11,827,484)	(75,061)	(25,676)	(749,893)	(243,538)	(243,863)	1,018,857	(12,146,658)
Depreciation	(863,768)	(2,935)	--	(22,253)	(17,054)	(6,212)	--	(912,222)
Amortization of deferred	(26,445)	--	--	(32,545)	(5,133)	(1,623)	--	(65,746)
Amortization of intangible	(2,941,044)	(10)	--	--	(10,790)	(264)	--	(2,952,108)
Amortization of goodwill	(100,511)	(89,950)	--	(131,103)	--	--	--	(322,055)
Operations of sale and transfer of financial assets	(70,638)	--	--	--	--	--	--	(70,638)
Revenues / (Expenses) from impairment	(3,508)	--	--	--	(2,686)	--	--	(6,194)
Other expenses	(12,336,780)	(283,712)	(234,983)	(955,248)	(1,298,861)	(928,814)	1,560,199	(14,428,266)
<b>Profit before tax and profit sharing</b>	<b>17,257,788</b>	<b>870,171</b>	<b>1,385,644</b>	<b>3,567,411</b>	<b>1,449,495</b>	<b>357,710</b>	<b>(91,650)</b>	<b>24,796,078</b>
Income tax and social contribution	(3,736,338)	(210,787)	(416,783)	(1,074,915)	(475,481)	(73,712)	(5,478)	(5,993,494)
Profit sharing	(2,151,017)	--	(1,876)	(42,129)	(2,323)	(6,933)	--	(2,204,278)
Non-controlling Interest	(192,276)	--	--	(648,084)	--	(9)	--	(840,369)
<b>Net Income</b>	<b>11,178,157</b>	<b>659,384</b>	<b>966,985</b>	<b>1,802,283</b>	<b>971,691</b>	<b>277,056</b>	<b>(97,128)</b>	<b>15,757,937</b>
<b>Balance Sheets</b>								
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
Investment in subsidiaries and associates	7,755,075	2,374,447	83	(272,326)	44,810	--	(8,264,914)	1,637,175
Liabilities	1,147,834,122	2,495,981	151,399	82,833,118	4,582,743	1,881,023	(8,088,058)	1,231,690,328

(1) Includes the gain on disposal of shares from BB Seguridade of R\$ 9,820,460 thousand.

## 6 – CASH AND CASH EQUIVALENTS

	Dec 31, 2014	Dec 31, 2013
<b>Cash and Cash Equivalents</b>	<b>13,786,585</b>	<b>11,834,158</b>
Local currency	10,144,869	10,005,556
Foreign currency	3,621,616	1,811,002
Investments in gold	20,100	17,600
<b>Interbank Investments <sup>(1)</sup></b>	<b>51,541,987</b>	<b>59,963,328</b>
Open market investments - sales pending settlement - held position	15,534,017	22,624,314
Interbank deposits	35,785,262	37,127,196
Foreign currency	222,708	211,818
<b>Total</b>	<b>65,328,572</b>	<b>71,797,486</b>

(1) Investments whose original maturity is less than or equal to 90 days and with insignificant risk of change in fair value.

## 7 – SHORT-TERM INTERBANK INVESTMENTS

### a) Breakdown

	Dec 31, 2014	Dec 31, 2013
<b>Open Market Investments</b>	<b>264,489,673</b>	<b>188,057,739</b>
<b>Reverse repos - Own Resources</b>	<b>15,538,967</b>	<b>22,612,836</b>
Treasury Financial Bills	--	830,385
National Treasury Bills	15,452,873	21,405,495
National Treasury Notes	698	125,907
Other Securities	85,396	251,049
<b>Reverse repos - Financed Position</b>	<b>248,941,840</b>	<b>165,291,264</b>
Treasury Financial Bills	33,002,160	88,929,186
National Treasury Bills	128,174,414	66,675,571
National Treasury Notes	87,520,298	9,553,241
Other Securities	244,968	133,266
<b>Reverse repos - Short Position</b>	<b>8,866</b>	<b>153,639</b>
Federal Government bonds - National Treasury	--	153,639
Other	8,866	--
<b>Interbank Deposits</b>	<b>39,746,931</b>	<b>43,074,047</b>
<b>Total</b>	<b>304,236,604</b>	<b>231,131,786</b>
Current assets	301,620,235	227,258,441
Non-current assets	2,616,369	3,873,345

### b) Income from Short-term Interbank Investments

	2nd half/2014	2014	2013
<b>Income from Open Market Investment</b>	<b>15,463,022</b>	<b>28,156,261</b>	<b>16,590,004</b>
Own resources	1,232,970	2,431,649	1,076,204
Financed position	14,223,740	25,707,707	15,486,034
Short position	6,312	16,905	27,766
<b>Income from Investments in Interbank Deposits</b>	<b>255,139</b>	<b>486,002</b>	<b>416,969</b>
<b>Total</b>	<b>15,718,161</b>	<b>28,642,263</b>	<b>17,006,973</b>

## 8 – SECURITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

### a) Securities

#### a.1) Breakdown of the portfolio by category, type of bonds and maturity

Maturity in Days	Dec 31, 2014									Dec 31, 2013		
	Market Value					Total			Total			
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark to Market	Cost value	Market value	Mark to Market	
<b>1 - Trading securities</b>	<b>1,777,662</b>	<b>36,133,024</b>	<b>7,615,513</b>	<b>7,281,247</b>	<b>49,131,533</b>	<b>103,037,462</b>	<b>101,938,979</b>	<b>(1,098,483)</b>	<b>85,832,337</b>	<b>84,520,132</b>	<b>(1,312,205)</b>	
<b>Federal Government Bonds</b>	<b>55,575</b>	<b>33,806,898</b>	<b>4,635,388</b>	<b>4,333,958</b>	<b>33,493,997</b>	<b>77,261,412</b>	<b>76,325,816</b>	<b>(935,596)</b>	<b>66,980,133</b>	<b>65,665,722</b>	<b>(1,314,411)</b>	
Treasury Financial Bills	--	--	1,195,955	1,893,075	4,005,778	7,074,241	7,094,808	20,567	13,010,675	13,026,056	15,381	
National Treasury Bills	--	31,743,881	1,441,196	2,356,470	19,587,110	55,914,411	55,128,657	(785,754)	34,899,452	33,991,186	(908,265)	
National Treasury Notes	--	626,101	911,462	--	8,961,550	10,709,043	10,499,113	(209,930)	16,947,018	16,439,969	(507,049)	
Agricultural debt securities	--	67	1,245	2,748	5,164	9,224	9,224	--	113,051	113,051	--	
Brazilian foreign debt securities	--	--	8,749	--	72,652	84,480	81,401	(3,079)	83,809	81,696	(2,113)	
Foreign Government bonds	55,575	303,692	1,076,781	81,665	763,180	2,234,141	2,280,893	46,752	505,191	563,234	58,043	
Other	--	1,133,157	--	--	98,563	1,235,872	1,231,720	(4,152)	1,420,937	1,450,530	29,593	
<b>Corporate Bonds</b>	<b>1,722,087</b>	<b>2,326,126</b>	<b>2,980,125</b>	<b>2,947,289</b>	<b>15,637,536</b>	<b>25,776,050</b>	<b>25,613,163</b>	<b>(162,887)</b>	<b>18,852,204</b>	<b>18,854,410</b>	<b>2,206</b>	
Debentures	--	376,184	382,639	630,342	5,950,512	7,452,173	7,339,677	(112,496)	5,575,675	5,536,135	(39,540)	
Promissory notes	--	--	150,305	9,786	--	160,090	160,091	1	140,500	141,319	819	
Shares in Investment funds	369,622	240,280	371,209	794	603,609	1,642,874	1,585,514	(57,360)	2,093,885	2,121,641	27,756	
Shares	1,346,417	--	--	5,717	--	1,337,614	1,352,134	14,520	1,459,735	1,473,798	14,063	
Rural Product Bills - Commodities	--	--	--	--	--	--	--	--	94,421	91,489	(2,932)	
Certificate of deposit	228	--	396,539	830,114	61,573	1,287,971	1,288,454	483	1,385,609	1,392,554	6,945	
Eurobonds	--	17,571	21,819	32,132	162,215	245,938	233,737	(12,201)	158,314	156,949	(1,365)	
Financial bills	--	1,689,365	1,657,614	1,438,380	7,625,085	12,407,532	12,410,444	2,912	279,227	279,357	130	
Other	5,820	2,726	--	24	1,234,542	1,241,858	1,243,112	1,254	7,664,838	7,661,168	(3,670)	

Maturity in Days	Dec 31, 2014								Dec 31, 2013		
	Market Value					Total			Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark to Market	Cost value	Market value	Mark to Market
<b>2 - Available for sale securities</b>	<b>1,208,650</b>	<b>2,724,757</b>	<b>14,959,915</b>	<b>3,668,953</b>	<b>81,805,054</b>	<b>105,818,164</b>	<b>104,367,329</b>	<b>(1,450,835)</b>	<b>101,905,327</b>	<b>101,112,326</b>	<b>(793,001)</b>
<b>Federal Government Bonds</b>	<b>81,469</b>	<b>1,485,673</b>	<b>8,484,098</b>	<b>1,998,721</b>	<b>40,115,316</b>	<b>52,645,692</b>	<b>52,165,277</b>	<b>(480,415)</b>	<b>52,114,457</b>	<b>51,332,563</b>	<b>(781,894)</b>
Treasury Financial Bills	--	--	4,169,521	1,126,837	22,381,248	27,609,922	27,677,606	67,684	24,751,356	24,758,350	6,994
National Treasury Bills	--	1,478,053	2,790,579	853,742	3,306,770	8,580,765	8,429,144	(151,621)	12,468,676	12,179,278	(289,398)
National Treasury Notes	--	2,097	604,154	--	4,470,313	5,508,297	5,076,564	(431,733)	5,440,116	4,905,198	(534,918)
Agricultural debt securities	--	5,523	30,614	18,142	59,543	114,606	113,822	(784)	19,366	19,230	(136)
Brazilian foreign debt securities	--	--	863,033	--	2,719,439	3,552,696	3,582,472	29,776	3,696,909	3,838,645	141,736
Foreign Government bonds	22,220	--	26,197	--	6,549,273	6,586,352	6,597,690	11,338	5,069,424	4,958,980	(110,444)
Other	59,249	--	--	--	628,730	693,054	687,979	(5,075)	668,610	672,882	4,272
<b>Corporate Bonds</b>	<b>1,127,181</b>	<b>1,239,084</b>	<b>6,475,817</b>	<b>1,670,232</b>	<b>41,689,738</b>	<b>53,172,472</b>	<b>52,202,052</b>	<b>(970,420)</b>	<b>49,790,870</b>	<b>49,779,763</b>	<b>(11,107)</b>
Debentures	--	111,300	2,625,108	906,538	34,453,138	38,376,718	38,096,084	(280,634)	36,058,042	36,378,402	320,360
Promissory notes	--	157,397	1,305,489	4,506	--	1,468,386	1,467,392	(994)	1,149,427	1,151,267	1,840
Credit Notes	--	--	--	--	47,558	53,169	47,558	(5,611)	60,455	61,219	764
Shares in Investment funds	564,538	--	48,155	104,516	3,493,970	4,681,476	4,211,179	(470,297)	3,288,252	3,008,105	(280,147)
Shares	560,396	--	--	--	--	606,448	560,396	(46,052)	648,007	613,180	(34,827)
Rural Product Bills - Commodities	--	120,240	927,989	372,390	130,056	1,564,540	1,550,675	(13,865)	1,094,295	1,092,464	(1,831)
Certificate of deposit	--	531,219	--	29,172	2,377	562,700	562,768	68	345,134	345,389	255
Eurobonds	--	95	--	--	240,110	264,263	240,205	(24,058)	--	2	2
Certificates of Agribusiness Credit Rights	--	--	--	14,620	--	14,414	14,620	206	28,775	29,510	735
Financial bills	--	97,688	1,512,114	157,290	151,094	1,925,850	1,918,186	(7,664)	3,583,928	3,594,489	10,561
Real Estate Receivables Certificates	--	--	2	--	486,489	495,439	486,491	(8,948)	--	--	--
Other	2,247	221,145	56,960	81,200	2,684,946	3,159,069	3,046,498	(112,571)	3,534,555	3,505,736	(28,819)
<b>3 - Held to maturity securities</b>	<b>--</b>	<b>895,038</b>	<b>932,554</b>	<b>345,327</b>	<b>15,674,248</b>	<b>14,135,683</b>	<b>17,847,167</b>	<b>3,711,484</b>	<b>14,785,616</b>	<b>15,673,931</b>	<b>888,315</b>
<b>Federal Government Bonds</b>	<b>--</b>	<b>819,391</b>	<b>915,044</b>	<b>341,889</b>	<b>15,349,831</b>	<b>13,543,540</b>	<b>17,426,155</b>	<b>3,882,615</b>	<b>14,161,634</b>	<b>15,180,394</b>	<b>1,018,760</b>
Treasury Financial Bills	--	--	--	--	--	--	--	--	167,629	167,465	(164)
National Treasury Bills	--	701,460	722,954	341,889	3,753,949	5,533,872	5,520,252	(13,620)	2,594,917	2,592,565	(2,352)
National Treasury Notes	--	117,931	192,090	--	11,595,882	8,009,668	11,905,903	3,896,235	11,329,750	12,351,594	1,021,844
Brazilian foreign debt securities	--	--	--	--	--	--	--	--	69,338	68,770	(568)
<b>Corporate Bonds</b>	<b>--</b>	<b>75,647</b>	<b>17,510</b>	<b>3,438</b>	<b>324,417</b>	<b>592,143</b>	<b>421,012</b>	<b>(171,131)</b>	<b>623,982</b>	<b>493,537</b>	<b>(130,445)</b>
Debentures	--	--	--	--	19,494	20,232	19,494	(738)	19,063	18,444	(619)
Shares in Investment funds	--	--	--	--	--	--	--	--	1,824	1,824	--
Certificate of deposit	--	--	16,460	--	143,986	160,446	160,446	--	290,681	290,681	--
Eurobonds	--	--	--	--	6,603	6,603	6,603	--	8,182	8,182	--
Real Estate Receivables Certificates	--	75,647	1,050	3,438	148,639	399,167	228,774	(170,393)	303,955	174,129	(129,826)
Other	--	--	--	--	5,695	5,695	5,695	--	277	277	--
<b>Total</b>	<b>2,986,312</b>	<b>39,752,819</b>	<b>23,507,982</b>	<b>11,295,527</b>	<b>146,610,835</b>	<b>222,991,309</b>	<b>224,153,475</b>	<b>1,162,166</b>	<b>202,523,280</b>	<b>201,306,389</b>	<b>(1,216,891)</b>

**a.2) Breakdown of the portfolio by financial statement classification and maturity date**

Maturity in Days	Dec 31, 2014									Dec 31, 2013		
	Market Value					Total				Total		
	Without maturity	0 to 30	31 to 180	181 to 360	More than 360	Cost value	Market value	Mark to Market	Cost value	Market value	Mark to Market	
<b>Total by portfolio</b>	<b>2,986,312</b>	<b>39,752,819</b>	<b>23,507,982</b>	<b>11,295,527</b>	<b>146,610,835</b>	<b>222,991,309</b>	<b>224,153,475</b>	<b>1,162,166</b>	<b>202,523,280</b>	<b>201,306,389</b>	<b>(1,216,891)</b>	
Own portfolio	2,986,312	39,229,982	19,644,234	10,300,375	117,127,856	188,688,724	189,288,759	600,035	121,596,303	121,122,080	(474,223)	
Subject to repurchase agreements	--	--	2,989,812	833,928	16,598,747	19,787,244	20,422,487	635,243	74,098,631	73,459,940	(638,691)	
Deposits with Banco Central do Brasil	--	--	--	--	--	--	--	--	28	15	(13)	
Pledged in guarantee	--	531,219	873,936	161,224	12,916,165	14,515,341	14,482,544	(32,797)	6,828,318	6,760,105	(68,213)	
Allowance for securities losses	--	(8,382)	--	--	(31,933)	--	(40,315)	(40,315)	--	(35,751)	(35,751)	

**a.3) Breakdown of the portfolio by category and maturity in years**

Maturity in years	Dec 31, 2014						Dec 31, 2013		
	Market Value					Total		Total	
	Without maturity	Due in up to one year	Due from 1 to 5 years	Due from 5 to 10 years	Due after 10 years	Cost value	Market value	Cost value	Market value
<b>Total by category</b>	<b>2,986,312</b>	<b>74,556,328</b>	<b>94,767,608</b>	<b>37,456,411</b>	<b>14,386,816</b>	<b>222,991,309</b>	<b>224,153,475</b>	<b>202,523,280</b>	<b>201,306,389</b>
1 - Trading securities	1,777,662	51,029,784	41,105,758	5,139,923	2,885,852	103,037,462	101,938,979	85,832,337	84,520,132
2 - Available for sale securities	1,208,650	21,353,625	46,518,930	31,048,586	4,237,538	105,818,164	104,367,329	101,905,327	101,112,326
3 - Held to maturity securities	--	2,172,919	7,142,920	1,267,902	7,263,426	14,135,683	17,847,167	14,785,616	15,673,931

**a.4) Summary of the portfolio by financial statement classification**

	Dec 31, 2014			Dec 31, 2013		
	Book value			Book value		
	Current	Non-current	Total	Current	Non-current	Total
<b>Total by portfolio</b>	<b>133,291,269</b>	<b>87,150,722</b>	<b>220,441,991</b>	<b>113,257,935</b>	<b>87,160,139</b>	<b>200,418,074</b>
Own portfolio	126,674,173	58,910,715	185,584,888	88,429,987	38,688,797	127,118,784
Subject to repurchase agreements	4,998,373	15,414,310	20,412,683	20,334,621	46,240,231	66,574,852
Deposits with Banco Central do Brasil	--	--	--	15	--	15
Pledged in guarantee	1,627,105	12,857,630	14,484,735	4,493,312	2,266,862	6,760,174
Allowance for securities losses	(8,382)	(31,933)	(40,315)	--	(35,751)	(35,751)

#### a.5) Summary of the portfolio by category

	Dec 31, 2014		Dec 31, 2013	
<b>Total by category</b>				
1 - Trading securities	101,938,979	46%	84,520,132	42%
2 - Available for sale securities	104,367,329	47%	101,112,326	51%
3 - Held to maturity securities	14,135,683	7%	14,785,616	7%
<b>Portfolio book value</b>	<b>220,441,991</b>	<b>100%</b>	<b>200,418,074</b>	<b>100%</b>
Mark to market - held to maturity	3,711,484		888,315	
<b>Portfolio market value</b>	<b>224,153,475</b>		<b>201,306,389</b>	

#### b) Income from operations with securities

	2nd half/2014	2014	2013
Short-term Interbank Investments (Note 7.b)	15,718,161	28,642,263	17,006,973
Fixed-income securities	6,759,821	12,319,819	9,976,463
Variable-income securities	2,866,369	3,047,966	2,986,701
<b>Total</b>	<b>25,344,351</b>	<b>44,010,048</b>	<b>29,970,137</b>

#### c) Reclassification of securities

On December 31, 2014, Banco Votorantim reclassified securities of National Treasury Bills, with market value of R\$ 915,960 thousand (on December 31, 2013, securities of National Treasury Bills, with market value of R\$ 1,900,798 thousand, and securities of National Treasury Notes, with market value of R\$ 198,958 thousand), from the category "Available for sale securities" to the category "Held to maturity securities". The reclassification did not impact earnings nor equity on the respective base dates.

#### d) Derivative financial instruments

The Bank uses derivative financial instruments to manage, at the consolidated level, its positions and to meet clients' needs, classifying its own positions as hedge (market risk and cash flow risk) and trading, both within limits approved by committees of the Bank. The hedge strategy of the equity positions is in line with macroeconomic analyses and is approved by the Executive Board of Directors.

In the options market, active or long positions have the Bank as holder, while passive or short positions have the Bank as writer.

The models used to manage risks with derivatives are reviewed periodically and the decisions made follow the best risk/return relationship, estimating possible losses based on the analysis of macroeconomic scenarios.

The Bank uses tools and systems to manage the derivatives. Trading in new derivatives, standardized or not, is subject to a prior risk analysis.

Risk analysis of the subsidiaries is undertaken on an individual basis and its risk management is done on a consolidated basis.

The Bank uses statistical methods and simulations to measure the risks of its positions, including derivatives, using models of values at risk sensibility and stress analysis.

#### Risks

The main risks inherent to derivative financial instruments, resulting from the business dealings of the bank and its subsidiaries are credit, market, liquidity and operational risks.

Credit risk is the exposure to loss in the event of default by a counterparty to a transaction. The credit exposure in futures contracts is minimized due to daily settlement in cash. The swap contracts, recorded

in Cetip are subject to credit risk if the counterparty is not able or willing to perform its contractual obligations, while the swap contracts registered in the BM&FBovespa are not subject to the same risk, given that the Bank operations have the stock exchange as guarantor.

Total credit exposure from swaps is R\$ 508,717 thousand on Dec 31, 2014 (R\$ 546,642 thousand on Dec 31, 2013).

Market risk is the possibility of losses caused by changes in interest rates, exchange rates, stock prices and commodity prices.

Market liquidity risk is the possibility of loss resulting from the inability to perform a transaction within a reasonable time and without significant loss of value due to the size of the transaction compared to the volume usually traded.

Operational risk denotes the probability of financial losses resulting from failures or inadequacy of people, processes and systems, or factors such as catastrophes or criminal activities.

**d.1) Breakdown of the Portfolio of Derivatives for Trading by Index**

By Index	Dec 31, 2014			Dec 31, 2013		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value
<b>Future Contracts</b>						
<b>Purchase commitments</b>	<b>14,885,592</b>	--	--	<b>12,602,133</b>	--	--
Interbank Deposits	4,989,390	--	--	2,713,399	--	--
Currencies	3,470,456	--	--	4,139,017	--	--
Bovespa Index	145,461	--	--	47,973	--	--
On-shore USD rates	6,274,197	--	--	5,692,290	--	--
Commodities	6,088	--	--	9,454	--	--
<b>Sales commitments</b>	<b>35,480,800</b>	--	--	<b>44,125,001</b>	--	--
Interbank Deposits	22,698,805	--	--	27,762,473	--	--
Currencies	1,621,697	--	--	1,218,356	--	--
T-Note	712,179	--	--			
On-shore USD rates	10,350,422	--	--	12,887,888	--	--
Libor	53,049	--	--	1,999,704	--	--
Commodities	44,648	--	--	21,533	--	--
SCC <sup>(1)</sup>	--	--	--	235,047	--	--
<b>Forward operations</b>						
<b>Asset position</b>	<b>10,175,507</b>	<b>464,014</b>	<b>596,864</b>	<b>7,187,094</b>	<b>204,343</b>	<b>278,869</b>
Term securities	22,497	22,497	22,497	--	--	--
Term currencies	10,096,696	436,203	557,870	7,178,359	203,403	276,778
Term commodities	56,314	5,314	16,497	8,735	940	2,091
<b>Liability position</b>	<b>5,353,431</b>	<b>(260,209)</b>	<b>(154,147)</b>	<b>5,192,973</b>	<b>(341,149)</b>	<b>(167,863)</b>
Term securities	22,497	(22,497)	(22,497)	--	--	--
Term currencies	5,312,664	(233,757)	(129,528)	5,177,288	(338,443)	(163,579)
Term commodities	18,270	(3,955)	(2,122)	15,685	(2,706)	(4,284)

(1) Foreign exchange swap with periodic adjustments.

By Index	Dec 31, 2014			Dec 31, 2013		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value
<b>Option Market</b>						
<b>Purchase Commitments - Long Position</b>	<b>2,308,815</b>	<b>88,886</b>	<b>116,342</b>	<b>2,108,665</b>	<b>43,218</b>	<b>53,157</b>
Foreign Currency	1,382,525	37,934	41,301	1,760,949	21,730	30,577
Flexible Currency Options	800,790	48,194	73,425	261,716	20,292	21,463
Shares	56,500	2,357	1,595	86,000	1,196	1,117
Other	69,000	401	21	--	--	--
<b>Sale Commitments - Long Position</b>	<b>22,274,647</b>	<b>61,354</b>	<b>15,962</b>	<b>2,870,736</b>	<b>13,486</b>	<b>8,573</b>
Foreign Currency	1,780,139	12,711	3,887	586,075	2,515	451
Interbank deposit	19,375,800	7,769	--	1,964,000	247	--
Flexible Currency Options	904,368	33,126	1,389	74,561	1,447	539
Shares	203,000	7,585	10,658	219,600	7,366	6,090
Other	11,340	163	28	26,500	1,911	1,493
<b>Purchase Commitments - Short Position</b>	<b>5,320,625</b>	<b>(195,238)</b>	<b>(654,765)</b>	<b>4,340,278</b>	<b>(189,800)</b>	<b>(416,572)</b>
Foreign Currency	1,946,705	(52,862)	(98,003)	1,436,456	(15,916)	(33,160)
Pre-fixed	1,547,218	(92)	(362,772)	2,344,824	(102,193)	(323,495)
Flexible Currency Options	1,573,202	(138,540)	(193,237)	542,298	(71,235)	(59,763)
Shares	253,500	(3,744)	(753)	16,700	(456)	(154)
<b>Sale Commitments - Short Position</b>	<b>22,805,890</b>	<b>(1,524,902)</b>	<b>(1,055,175)</b>	<b>5,767,504</b>	<b>(2,034,090)</b>	<b>(1,957,906)</b>
Foreign Currency	1,124,846	(10,468)	(1,583)	1,120,449	(7,385)	(2,110)
Pre-fixed	1,547,218	(1,492,456)	(1,042,289)	2,344,824	(2,015,367)	(1,947,447)
Interbank deposit	19,371,250	(5,747)	--	1,962,750	(102)	--
Flexible Currency Options	390,612	(8,165)	(4,843)	145,556	(4,940)	(3,418)
Shares	112,850	(3,314)	(4,167)	136,001	(4,147)	(2,728)
Commodities	246,694	(4,386)	(2,165)	57,924	(2,149)	(2,203)
Other	12,420	(366)	(128)	--	--	--

By Index	Dec 31, 2014			Dec 31, 2013		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value
<b>Swaps Contracts</b>						
<b>Asset position</b>	<b>17,515,377</b>	<b>1,206,385</b>	<b>1,322,672</b>	<b>37,296,513</b>	<b>867,304</b>	<b>1,036,163</b>
Interbank Deposits	6,812,672	26,554	111,906	3,099,199	70,401	115,476
Foreign Currency	7,553,136	935,268	943,065	10,079,132	551,663	653,261
Pre-fixed	736,473	52,704	88,329	22,441,253	95,822	102,722
IPCA	2,072,506	112,153	89,905	1,303,815	68,538	60,401
IGPM	226,500	39,207	38,866	256,575	52,692	60,929
Libor	91,200	40,354	49,573	--	--	--
Commodities	--	--	--	477	--	16
Other	22,890	145	1,028	116,062	28,188	43,358
<b>Liability position</b>	<b>15,739,272</b>	<b>(1,140,369)</b>	<b>(1,315,869)</b>	<b>15,273,355</b>	<b>(730,578)</b>	<b>(955,240)</b>
Interbank Deposits	1,072,754	(13,779)	(43,425)	2,608,350	(31,912)	(62,593)
Foreign Currency	11,899,496	(740,518)	(865,010)	8,178,170	(297,589)	(441,226)
Pre-fixed	837,901	(90,886)	(106,603)	1,752,844	(147,743)	(168,349)
TMS	--	--	--	530,736	1,540	(5,215)
TR	--	--	--	3,933	(1,083)	(1,215)
IGPM	131,000	(39,953)	(42,452)	166,000	(46,675)	(56,058)
IPCA	1,653,368	(242,787)	(246,043)	1,807,744	(195,531)	(205,856)
Libor	125,702	(12,277)	(11,980)	191,916	(8,828)	(12,277)
Commodities	5,037	--	(98)	--	--	--
Other	14,014	(169)	(258)	33,662	(2,757)	(2,451)
<b>Other derivatives <sup>(1)</sup></b>						
<b>Asset position</b>						
Foreign Currency	3,739,804	154,110	161,216	5,119,037	27,583	142,927
<b>Liability position</b>						
Foreign Currency	3,898,176	(245,932)	(257,966)	8,169,623	(88,689)	(193,925)

(1) Related, essentially, to Non Deliverable Forwards (NDF) which are traded in the over-the-counter (OTC) market and have as their object an exchange rate of a specific currency.

**d.2) Breakdown of the derivatives portfolio by maturity (notional value)**

Maturity in Days	0 to 30	31 to 180	181 to 360	More than 360	Dec 31, 2014	Dec 31, 2013
Futures	5,091,527	10,178,446	4,847,038	30,249,381	50,366,392	56,727,134
Forwards	6,839,614	4,997,177	2,428,099	1,264,048	15,528,938	12,380,067
Options	3,230,596	42,479,273	5,868,011	1,132,097	52,709,977	15,087,183
Swaps	4,163,221	7,660,884	5,817,514	15,613,030	33,254,649	31,143,833
Credit derivatives	2,214	2,214	64,193	263,407	332,028	458,764
Other	4,152,994	1,673,037	1,574,615	237,334	7,637,980	13,288,660

**d.3) Breakdown of the derivative portfolio by trading market and counterparty (notional value on December 31, 2014)**

	Futures	Forwards	Option market	Swaps	Credit derivatives	Other
BM&FBovespa	50,313,343	--	139,378	--	--	--
Over-the-counter						
Financial Institutions	53,049	84,734	1,779,064	24,014,010	332,028	5,561,959
Client	--	15,444,204	50,791,535	9,240,639	--	2,076,021

**d.4) Breakdown of the credit derivative portfolio (Credit Default Swap – CDS)**

	Dec 31, 2014			Dec 31, 2013		
	Notional value	Cost value	Market value	Notional value	Cost value	Market value
<b>Credit Default Swap - CDS</b>						
Asset Position - Received risk	112,891	--	(2,641)	206,934	--	(844)
Liability Position - Transferred Risk	219,137	--	1,992	251,830	--	1,093
<b>By Index</b>						
Asset Position - Pre-fixed	92,970	2,692	2,715	206,934	1,030	967
Liability Position - Pre-fixed	239,058	(2,977)	(3,364)	251,830	(338)	(2,904)

The portfolio of credit derivatives is composed exclusively of purchases and sales carried out by Banco Votorantim. Currently the portfolio is composed of customers whose risk is rated as investment grade and has as counterparties the main international market leaders for this product. When protection is sold there are credit limits for both the risk client and for the counterparty which are approved by the committees and forums of credit. The credit limit risk allocation is made to the client by the reference value (notional) of derivatives, considering the amounts deposited as collateral.

When protection is purchased, transactions are performed in the trading portfolio with sovereign risk client, principally Brazil sovereign risk. In this case, the potential future exposure is considered in order to determine the credit limit for the counterparty. The portfolio of credit derivatives did not generate impacts in the Risk Weighted Assets, relating to the exposure credit risk ( $RWA_{CPAD}$ ), for calculating the BIS Ratio as the positions held in Banco Votorantim were not included in the calculation as determined by the Banco Central do Brasil (Note 29,f).

#### d.5) Breakdown of margin given as guarantee for transactions with derivative financial instruments

	Dec 31, 2014	Dec 31, 2013
Treasury Financial Bills	1,612,176	935,737
National Treasury Notes	314,794	974,615
National Treasury Bills	818,029	372,270
Foreign Government bonds	--	11,712
Other	196,550	191,651
<b>Total</b>	<b>2,941,549</b>	<b>2,485,985</b>

#### d.6) Portfolio of derivatives designated as hedge accounting

	Dec 31, 2014	Dec 31, 2013
<b>Market Risk Hedge</b>		
<b>Hedging instruments</b>		
<b>Assets</b>	<b>4,305,233</b>	<b>4,075,360</b>
Futures	3,812,821	3,595,161
Swaps	492,412	480,199
<b>Liabilities</b>	<b>14,625,809</b>	<b>17,665,374</b>
Futures	12,321,527	17,665,374
Swap	2,304,282	--
<b>Hedged items</b>		
<b>Assets</b>	<b>14,410,885</b>	<b>16,926,492</b>
Loan operations	11,901,850	15,822,393
Securities	2,363,815	640,999
Lease Transactions	145,220	463,100
<b>Liabilities</b>	<b>4,191,103</b>	<b>3,719,542</b>
Other liabilities	4,191,103	3,719,542
<b>Cash Flow Hedge</b>		
<b>Hedging instruments</b>		
<b>Liabilities</b>	<b>359,018</b>	<b>300,422</b>
Borrowing - Bonds (Principal)	359,018	300,422
<b>Hedged items</b>		
<b>Assets</b>	<b>238,312</b>	<b>199,417</b>
Foreign Investments	238,312	199,417

The Bank, in order to hedge against possible fluctuations in the interest and exchange rates on its securities, contracted derivative operations to offset the exposure to the market value changes. The hedges were assessed as effective, in accordance with the Circular No. 3.082/2002 from the Banco Central do Brasil, which requires evidence of hedge effectiveness between 80% and 125%.

#### d.7) Income gains and losses with hedging instruments and hedged items

	2nd half/2014	Year/2014	Year/2013
Hedged items losses	(1,115,607)	(1,566,024)	(1,520,258)
Hedging instruments gains	1,092,714	1,526,529	1,504,081
<b>Net effect</b>	<b>(22,893)</b>	<b>(39,495)</b>	<b>(16,177)</b>
Hedge items gains	2,410,942	4,022,996	1,974,731
Hedging instruments losses	(2,389,111)	(3,987,706)	(1,987,549)
<b>Net effect</b>	<b>21,831</b>	<b>35,290</b>	<b>(12,818)</b>

#### d.8) Derivative financial instruments segregated by current and non-current

	Dec 31, 2014		Dec 31, 2013	
	Current	Non-current	Current	Non-current
<b>Assets</b>				
Forwards	534,265	62,599	229,958	48,911
Options	61,495	70,809	40,859	20,871
Swaps	568,597	739,770	272,096	764,067
Credit derivatives	141	2,574	895	72
Other derivatives	138,159	23,057	111,691	31,236
<b>Total</b>	<b>1,302,657</b>	<b>898,809</b>	<b>655,499</b>	<b>865,157</b>
<b>Liabilities</b>				
Forwards	(138,943)	(15,204)	(162,494)	(5,369)
Options	(1,552,025)	(157,915)	(2,333,728)	(40,750)
Swaps	(477,313)	(840,429)	(289,410)	(665,830)
Credit derivatives	(73)	(3,291)	(2,904)	--
Other derivatives	(251,675)	(6,291)	(188,855)	(5,070)
<b>Total</b>	<b>(2,420,029)</b>	<b>(1,023,130)</b>	<b>(2,977,391)</b>	<b>(717,019)</b>

#### e) Income from derivative financial instruments

	2nd half/2014	Year/2014	Year/2013
Swaps	268,600	78,587	502,090
Forwards	76,000	339,396	304,996
Options	(129,979)	(232,872)	(110,351)
Futures	833,977	181,329	517,372
Credit derivatives	112	(3,536)	2,810
Other derivatives	(23,743)	(62,742)	(60,586)
<b>Total</b>	<b>1,024,967</b>	<b>300,162</b>	<b>1,156,331</b>

## 9 – INTERBANK ACCOUNTS

### a) Restricted deposits

	Dec 31, 2014	Dec 31, 2013
<b>Compulsory Deposits with Banco Central do Brasil</b>	<b>63,251,839</b>	<b>90,746,096</b>
Additional reserve requirements on deposits	22,768,271	26,218,854
Savings deposit requirements	20,603,108	25,455,147
Demand deposit requirements	14,113,482	16,317,471
Time deposit requirements	5,761,416	13,414,844
Other	3,635	--
Resources for microfinance	1,927	311,010
Resources for rural credit <sup>(1)</sup>	--	9,028,770
<b>Housing Finance System</b>	<b>2,303,481</b>	<b>2,138,974</b>
Compensation of wage changes fund	2,489,081	2,324,579
Provision for losses	(193,120)	(193,863)
Other	7,520	8,258
<b>National Treasury - Rural Credit</b>	<b>129,510</b>	<b>57,370</b>
Rural credit - Proagro	260,361	167,310
Provision for losses	(130,851)	(109,940)
<b>Total</b>	<b>65,684,830</b>	<b>92,942,440</b>
Current assets	65,634,181	92,938,774
Non-current assets	50,649	3,666

(1) Refers to funds deposited with the Banco Central do Brasil, because they were not lent on to rural credits, according to Resolution CMN No. 3,745/2009. The special supply funds were provided by Banco Central do Brasil and recorded in borrowings and onlendings (Note 18.b).

### b) Income on compulsory deposits

	2nd half/2014	2014	2013
<b>Deposits linked to the Banco Central do Brasil</b>	<b>2,694,615</b>	<b>5,507,273</b>	<b>4,601,052</b>
Additional reserve requirements on deposits	1,321,606	2,592,755	2,109,400
Savings deposit requirements	901,464	1,771,202	1,387,296
Time deposit requirements	462,346	1,104,010	1,089,589
Resources for rural credit	9,199	39,306	14,767
<b>Income Credit Linked to Real State</b>	<b>81,434</b>	<b>150,844</b>	<b>163,845</b>
<b>Income Credit Linked to National Treasury - Rural Credit</b>	<b>16,559</b>	<b>31,131</b>	<b>24,415</b>
<b>Losses on restricted deposits devaluation</b>	<b>(10,973)</b>	<b>(20,602)</b>	<b>(92,227)</b>
<b>Total</b>	<b>2,781,635</b>	<b>5,668,646</b>	<b>4,697,085</b>

## 10 – LOAN OPERATIONS

### a) Portfolio by modality

	Dec 31, 2014	Dec 31, 2013
<b>Loan Operations</b>	<b>644,603,816</b>	<b>582,855,116</b>
Loans and discounted securities	245,748,854	236,308,748
Financing	189,218,205	171,619,948
Rural and agribusiness financing	170,401,721	150,139,533
Real estate financing	38,913,292	24,578,662
Financing of Infrastructure and development	493	613
Loan operations sold under assignment <sup>(1)</sup>	321,251	207,612
<b>Other receivables with loan characteristics</b>	<b>42,236,643</b>	<b>39,393,132</b>
Credit card operations <sup>(2)</sup>	20,257,650	17,800,194
Advances on exchange contracts <sup>(3)</sup>	12,906,242	11,683,692
Other receivables purchased under assignments <sup>(4)</sup>	8,212,988	9,241,406
Guarantees honored	539,570	442,422
Other	320,193	225,418
<b>Leasing transactions</b>	<b>1,070,830</b>	<b>1,358,257</b>
<b>Total Loan Portfolio</b>	<b>687,911,289</b>	<b>623,606,505</b>
<b>Allowance for loan losses</b>	<b>(27,311,720)</b>	<b>(23,661,823)</b>
(Allowance for loan losses - loan operations)	(26,104,655)	(22,651,975)
(Allowance for other losses - other receivables)	(1,160,331)	(942,516)
(Allowance for lease losses - leasing transactions)	(46,734)	(67,332)
<b>Total Loan Portfolio Net of Provisions</b>	<b>660,599,569</b>	<b>599,944,682</b>

(1) Loan operations assigned with retention of the risks and benefits of the financial assets.

(2) On December 31, 2013, credit card bills to receive from clients of Banco Votorantim were reclassified from "Other receivables without characteristics of credit", in the amount of R\$ 266,627 thousand, to harmonize the accounting practices with Banco do Brasil.

(3) Advances on exchange contracts are classified as a deduction to other liabilities.

(4) Loan operations acquired with retention of the risks and benefits by the assignor of financial assets.

### b) Loan operations and leasing transactions income

	2nd half/2014	2014	2013
<b>Loan operations income</b>	<b>49,957,870</b>	<b>91,080,146</b>	<b>74,418,316</b>
Loans and discounted securities	25,160,387	49,097,110	42,363,140
Financing	11,811,676	18,146,733	13,875,982
Rural and agribusiness financing	5,372,788	10,259,387	7,667,427
Recovery of loans previously written-off as loss <sup>(1)</sup>	1,967,736	3,763,119	3,430,237
Equalization of rates - Agricultural crop- Law 8,427/1992	2,970,858	5,454,108	3,990,782
Income from foreign currency financing	565,396	836,417	892,491
Income from real estate financing	1,498,179	2,636,847	1,440,305
Advances on exchange contracts	429,271	572,346	557,684
Guarantees honored	17,801	29,574	21,852
Other	163,778	284,505	178,416
<b>Leasing transactions income (Note 10.i)</b>	<b>666,404</b>	<b>1,346,097</b>	<b>1,768,243</b>
<b>Total</b>	<b>50,624,274</b>	<b>92,426,243</b>	<b>76,186,559</b>

(1) The amount of R\$ 95,266 thousand in the 2<sup>nd</sup> half/2014 (with impact on the income of R\$ 54,502 thousand), R\$ 122,746 thousand in the period of 2014 (with an impact on the income of R\$ 70,223 thousand) and R\$ 61,096 thousand in the period of 2013 (with an impact on the income of R\$ 34,953 thousand) was received from assignments without recourse of written-off credits to entities outside the financial system, in accordance with CMN Resolution 2,836/2001. The book value of these transactions were R\$ 197,771 thousand, R\$ 211,545 thousand and R\$ 109,355 thousand respectively.

### c) Breakdown of the loan portfolio by sector

In these financial statements, we present the loan portfolio by sectors of economic activity in a broadly manner, according to the main economic activity of the credit borrower, considering the adherence to the economic sector of the controlling group, when applicable, and in compliance with the best market practices.

	Dec 31, 2014	%	Dec 31, 2013	%
<b>Public sector <sup>(1)</sup></b>	<b>60,275,880</b>	<b>8.8%</b>	<b>49,213,460</b>	<b>7.9%</b>
Public administration	29,203,007	4.2%	19,243,566	3.1%
Oil sector	19,480,155	2.8%	18,455,043	3.0%
Electricity	10,231,265	1.5%	9,847,658	1.6%
Services	416,533	0.1%	284,309	0.0%
Other activities	944,920	0.1%	1,382,884	0.2%
<b>Private sector <sup>(2)</sup></b>	<b>627,635,409</b>	<b>91.2%</b>	<b>574,393,045</b>	<b>92.1%</b>
<b>Individuals</b>	<b>303,959,602</b>	<b>44.2%</b>	<b>269,167,839</b>	<b>43.2%</b>
<b>Companies</b>	<b>323,675,807</b>	<b>47.0%</b>	<b>305,225,206</b>	<b>48.9%</b>
Mining and metallurgy	36,853,990	5.4%	36,302,161	5.8%
Agribusiness of plant origin	34,506,174	5.0%	33,388,924	5.4%
Automotive sector	22,529,029	3.3%	21,958,119	3.5%
Services	23,120,702	3.4%	22,857,847	3.7%
Transportation	20,076,409	2.9%	17,216,362	2.8%
Fuel	19,820,970	2.9%	19,377,987	3.1%
Real estate agents	18,426,753	2.7%	13,679,510	2.2%
Retail commerce	17,115,910	2.5%	16,113,480	2.6%
Electricity	15,232,338	2.2%	8,715,117	1.4%
Agribusiness of animal origin	14,034,401	2.0%	12,985,749	2.1%
Specific activities of construction	12,693,680	1.8%	12,890,317	2.1%
Electronics	10,529,628	1.5%	10,778,265	1.7%
Textile and clothing	11,413,662	1.7%	11,728,827	1.9%
Agricultural inputs	9,697,249	1.4%	8,606,759	1.4%
Pulp and paper	9,568,838	1.4%	9,477,628	1.5%
Chemical	7,986,785	1.2%	8,285,801	1.3%
Wholesale and various industries	7,449,699	1.1%	7,117,910	1.1%
Woodworking and furniture market	6,754,916	1.0%	6,893,994	1.1%
Heavy construction	5,947,526	0.8%	5,530,739	0.8%
Telecommunications	5,574,951	0.8%	6,742,232	1.1%
Financial services	5,803,057	0.8%	3,632,439	0.5%
Other activities	8,539,140	1.2%	10,945,039	1.8%
<b>Total</b>	<b>687,911,289</b>	<b>100.0%</b>	<b>623,606,505</b>	<b>100.0%</b>

(1) The amount of R\$ 29,243,464 thousand, presented in the financial statements of 2013, was related only to transactions with the direct public administration. The values of these financial statements are related to transactions with the direct public administration and agencies of the indirect public administration, and also with the industrial, commercial and service companies and financial institutions that belong to or that are controlled by the Government, as well as their respective associates and subsidiaries.

(2) The amounts disclosed under "Individuals" include loans to the sectors of agribusiness, housing and other sectors of economic activity carried out with individuals. To the highlighted economic sectors, operations are exclusive to companies.

**d) Loan portfolio by risk level and maturity**

	AA	A	B	C	D	E	F	G	H	Dec 31, 2014	Dec 31, 2013
<b>Current operations</b>											
<b>Installments falling due</b>											
01 to 30	20,502,012	8,571,382	16,031,716	2,283,597	292,066	269,298	71,766	23,811	144,301	48,189,949	43,859,134
31 to 60	16,963,409	5,638,278	6,192,322	1,280,048	103,472	177,081	47,035	17,938	273,582	30,693,165	29,691,507
61 to 90	14,144,430	4,813,288	4,549,610	1,089,761	120,903	139,181	49,354	13,936	99,934	25,020,397	26,251,216
91 to 180	41,560,188	10,937,948	11,423,156	2,698,003	270,511	479,543	162,940	65,063	330,782	67,928,134	63,685,590
181 to 360	60,005,238	18,177,917	19,782,540	4,220,444	403,618	1,039,410	287,305	143,332	526,254	104,586,058	100,588,076
More than 360	242,247,602	54,363,819	65,320,283	12,373,904	1,395,594	5,214,476	1,288,348	659,078	3,966,818	386,829,922	339,124,689
<b>Installments overdue</b>											
Up to 14 days	156,250	1,820,007	307,728	96,979	31,244	43,304	10,617	19,661	27,948	2,513,738	688,039
Other <sup>(1)</sup>	355,522	--	--	--	--	--	--	--	--	355,522	611,023
<b>Subtotal</b>	<b>395,934,651</b>	<b>104,322,639</b>	<b>123,607,355</b>	<b>24,042,736</b>	<b>2,617,408</b>	<b>7,362,293</b>	<b>1,917,365</b>	<b>942,819</b>	<b>5,369,619</b>	<b>666,116,885</b>	<b>604,499,274</b>
<b>Operations past due</b>											
<b>Installments falling due</b>											
01 to 30	--	--	166,875	155,087	74,276	100,519	70,978	89,465	476,319	1,133,519	948,391
31 to 60	--	--	67,625	97,588	47,280	63,795	46,253	54,047	237,384	613,972	600,494
61 to 90	--	--	55,858	82,847	40,710	55,430	40,034	44,502	236,851	556,232	537,738
91 to 180	--	--	145,187	216,750	116,624	160,791	116,630	138,937	616,865	1,511,784	1,456,589
181 to 360	--	--	230,790	329,567	165,388	284,915	207,216	227,830	1,080,836	2,526,542	2,387,361
More than 360	--	--	468,675	745,628	406,263	1,076,388	775,349	689,669	3,026,674	7,188,646	6,142,851
<b>Installments overdue</b>											
01 to 14	--	--	13,384	43,964	30,135	30,501	20,029	19,851	105,367	263,231	238,656
15 to 30	--	--	341,803	121,765	57,184	87,698	38,148	231,327	171,600	1,049,525	629,950
31 to 60	--	--	7,218	287,303	99,039	141,359	74,864	75,155	335,502	1,020,440	1,182,843
61 to 90	--	--	11,952	5,871	197,878	143,420	99,079	81,417	378,102	917,719	725,636
91 to 180	--	--	--	2,612	6,310	210,313	293,465	191,915	751,173	1,455,788	1,303,101
181 to 360	--	--	--	1	1,921	11,515	10,887	535,088	1,620,500	2,179,912	1,611,792
More than 360	--	--	--	17,122	--	--	5,262	9,766	1,344,944	1,377,094	1,341,829
<b>Subtotal</b>	<b>--</b>	<b>--</b>	<b>1,509,367</b>	<b>2,106,105</b>	<b>1,243,008</b>	<b>2,366,644</b>	<b>1,798,194</b>	<b>2,388,969</b>	<b>10,382,117</b>	<b>21,794,404</b>	<b>19,107,231</b>
<b>Total</b>	<b>395,934,651</b>	<b>104,322,639</b>	<b>125,116,722</b>	<b>26,148,841</b>	<b>3,860,416</b>	<b>9,728,937</b>	<b>3,715,559</b>	<b>3,331,788</b>	<b>15,751,736</b>	<b>687,911,289</b>	<b>623,606,505</b>

(1) Operations with third party risk linked to government funds and programs, primarily Pronaf, Prodera, FAT, BNDES and FCO. They include R\$ 25,999 thousand of overdue installments which comply with rules defined in each program for reimbursement by the program managers and, therefore, do not represent a credit risk for the Bank.

### e) Allowance for loan losses by risk level

Level of risk	% Provision	Dec 31, 2014				Dec 31, 2013			
		Value of loans	Minimum required provision	Additional allowance <sup>(1)</sup>	Existing allowance	Value of loans	Minimum required provision	Additional allowance <sup>(1)</sup>	Existing allowance
		395,934,651	--	--	--	346,907,605	--	--	--
A	0.5	104,322,639	521,613	92,644	614,257	102,077,362	510,387	241,833	752,220
B	1	125,116,722	1,251,167	22,833	1,274,000	118,149,962	1,181,500	7,504	1,189,004
C	3	26,148,841	784,465	77,889	862,354	25,537,650	766,130	67,201	833,331
D	10	3,860,416	386,042	60,861	446,903	4,006,319	400,632	70,757	471,389
E	30	9,728,937	2,918,681	689,577	3,608,258	7,541,134	2,262,340	604,573	2,866,913
F	50	3,715,559	1,857,780	319,311	2,177,091	2,899,353	1,449,677	327,782	1,777,459
G	70	3,331,788	2,332,252	244,869	2,577,121	2,873,272	2,011,290	146,369	2,157,659
H	100	15,751,736	15,751,736	--	15,751,736	13,613,848	13,613,848	--	13,613,848
<b>Total</b>		<b>687,911,289</b>	<b>25,803,736</b>	<b>1,507,984</b>	<b>27,311,720</b>	<b>623,606,505</b>	<b>22,195,804</b>	<b>1,466,019</b>	<b>23,661,823</b>

(1) Refers to the additional provision over and above the minimum required by CMN Resolution 2,682/1999. This provision is established based on the experience of Management, by making projections for the loan portfolio, based on the history of default of operations and in accordance with good banking practice.

### f) Changes in allowance for loan losses

Includes loans, leases and other receivables with characteristics of credit.

	2nd half/2014	2014	2013
<b>Opening balance</b>	<b>24,796,813</b>	<b>23,661,823</b>	<b>21,210,060</b>
Provision/(reversal)	9,773,964	18,854,020	15,995,582
Minimum required allowance	9,880,390	18,812,055	15,685,345
Additional allowance	(106,426)	41,965	310,237
Exchange fluctuation - foreign allowances	68,129	(23,433)	(5,514)
Write-Off	(7,327,186)	(15,180,690)	(13,538,305)
<b>Closing balance</b>	<b>27,311,720</b>	<b>27,311,720</b>	<b>23,661,823</b>

### g) Changes in allowance for other loan losses

Includes provisions for other receivables without characteristics of credit.

	2nd half/2014	2014	2013
<b>Opening balance</b>	<b>946,979</b>	<b>855,361</b>	<b>821,736</b>
Provision/(reversal)	208,847	295,432	64,935
Exchange fluctuation - foreign allowances	3,267	(3,243)	(2,082)
Write-Off / Other adjustments	(15,714)	(4,171)	(29,228)
<b>Closing balance</b>	<b>1,143,379</b>	<b>1,143,379</b>	<b>855,361</b>

### h) Leasing portfolio by maturity

	Dec 31, 2014	Dec 31, 2013
Up to 1 year <sup>(1)</sup>	507,749	752,710
More than 1 year and up to 5 years	559,274	601,762
Over 5 years	3,807	3,785
<b>Total Present Value</b>	<b>1,070,830</b>	<b>1,358,257</b>

(1) Includes amounts related to overdue installments.

**i) Income from leasing transactions**

	2nd half/2014	2014	2013
<b>Lease revenue</b>	<b>666,404</b>	<b>1,346,097</b>	<b>1,768,243</b>
Leasing	666,404	1,346,097	1,768,243
<b>Lease expenses</b>	<b>(595,385)</b>	<b>(1,201,426)</b>	<b>(1,593,410)</b>
Leasing	(595,193)	(1,200,987)	(1,590,072)
Operating leases	(10)	(68)	(116)
Loss on disposal of leased assets	(182)	(371)	(3,222)
<b>Total</b>	<b>71,019</b>	<b>144,671</b>	<b>174,833</b>

**j) Concentration of loans**

	Dec 31, 2014	% of credit portfolio	Dec 31, 2013	% of credit portfolio
Largest debtor	20,038,724	2.9	19,646,829	3.2
10 largest debtors	70,014,552	10.2	66,914,403	10.7
20 largest debtors	99,797,944	14.5	91,941,723	14.7
50 largest debtors	139,116,007	20.2	124,444,208	20.0
100 largest debtors	166,767,185	24.2	148,324,784	23.8

**k) Renegotiated credits**

	2nd half/2014	2014	2013
<b>Credits renegotiated during the period <sup>(1)</sup></b>	<b>23,817,974</b>	<b>45,455,484</b>	<b>37,351,267</b>
Renegotiated when past due <sup>(2)</sup>	3,133,439	5,024,731	2,952,146
Renovated <sup>(3)</sup>	20,684,535	40,430,753	34,399,121
<b>Changes on credits renegotiated when past due</b>			
<b>Opening balance</b>	<b>8,658,508</b>	<b>8,192,010</b>	<b>7,265,675</b>
Contracts <sup>(2)</sup>	3,133,439	5,024,731	2,952,146
Interest (received) and appropriated	(632,191)	(1,113,084)	(324,506)
Write-Off	(928,064)	(1,871,965)	(1,701,305)
<b>Closing balance <sup>(4)</sup></b>	<b>10,231,692</b>	<b>10,231,692</b>	<b>8,192,010</b>
Allowance for loan losses of the portfolio renegotiated when past due		5,931,213	4,933,966
(%) Allowance for loan losses on the portfolio		58.0%	60.2%
90 days default of the portfolio renegotiated when past due		1,446,326	1,408,352
(%) Portfolio default		14.1%	17.2%

(1) Represents the balance of all installments (past due and future) of loans renegotiated during the period using the internet, automated teller machines (ATM) or branch network.

(2) Renegotiated credit under debt composition as a result of payment delay by the clients.

(3) Renegotiated current credits (i.e. not past due) in the form of the extension or renewal of the credit or the granting of new loans for partial or full settlement of previous contracts or any other type of agreement that changes the maturity or the payment terms, originally agreed.

(4) Includes the amount of R\$ 158,367 thousand in Banco do Brasil (R\$ 193,517 thousand as of December 31, 2013) related to renegotiated rural credits. The amount of R\$ 5,230,776 thousand (R\$ 5,394,415 thousand as of December 31, 2013), related to deferred credits from rural portfolio governed by specific legislation, is not included.

**l) Supplementary information**

	Dec 31, 2014	Dec 31, 2013
Undrawn credit lines	147,956,001	146,983,600
Guarantees provided <sup>(1)</sup>	12,981,696	17,373,241
Confirmed export credits	2,449,198	2,174,783
Contracted credit opened for import	874,343	538,429
Linked resources <sup>(2)</sup>	1,264,972	1,060,628
Linked credit operations <sup>(2)</sup>	145,084	982,995

(1) For these operations, the Bank maintains an allowance recorded in Other Liabilities - Sundry, (Note 20,e) totaling R\$ 182,805 thousand in Banco do Brasil (R\$ 139,787 thousand on December 31, 2013) and R\$ 193,877 thousand in BB-Consolidated (R\$ 145,678 thousand, on December 31, 2013) calculated in accordance with Resolution CMN 2,682/1999.

(2) On December 31, 2014, there are no operations in default and no judicial discussion in relation to linked active operations or on the funds raised to implement these operations.

**m) Loan Operations by line of credit from Fundo de Amparo ao Trabalhador (Fund for Workers' Assistance) - FAT**

	TADE <sup>(1)</sup>	Dec 31, 2014	Dec 31, 2013
<b>Loans and discounted securities</b>		<b>3,369,930</b>	<b>3,402,755</b>
Proger Urbano Investimento	18/2005	3,369,908	3,402,707
Proger Urbano Capital de Giro	15/2005	9	20
Proger Urbano Empreendedor Popular	01/2006	13	28
<b>Financing</b>		<b>690,573</b>	<b>707,323</b>
Proger Exportação	27/2005	12,052	5,169
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	--	113
FAT Fomentar Micro e Pequenas Empresas	11/2006	--	428
FAT Fomentar Médias e Grandes Empresas	12/2006	--	1,787
FAT Taxista	02/2009	258,634	195,550
FAT Turismo - Investimento	01/2012	163,091	97,950
FAT Turismo - Capital de Giro	02/2012	256,796	406,326
<b>Rural and agribusiness financing</b>		<b>291,653</b>	<b>780,592</b>
Proger Rural Custeio	02/2006	1,835	2,504
Proger Rural Investimento	13/2005	23,807	46,809
Pronaf Custeio	04/2005	3,626	8,162
Pronaf Investimento	05/2005	254,633	700,728
Giro Rural - Aquisição de Títulos	03/2005	7,747	22,385
Giro Rural - Fornecedores	14/2006	5	4
<b>Total</b>		<b>4,352,156</b>	<b>4,890,670</b>

(1) TADE – Allocation Term of Special Deposits.

**11 – OTHER RECEIVABLES**
**a) Specific credits**

	Dec 31, 2014	Dec 31, 2013
Extension of rural credits - National Treasury	1,549,300	1,390,451
Other	787	--
<b>Total</b>	<b>1,550,087</b>	<b>1,390,451</b>

**b) Sundry**

	Dec 31, 2014	Dec 31, 2013
Deferred tax asset - tax credit (Note 25.e)	29,500,564	27,461,707
Sundry debtors from escrow deposits - contingencies (Note 28.c)	23,256,148	18,496,440
Credit card operations (Note 10.a) <sup>(1)</sup>	20,257,650	17,800,194
Sundry debtors from escrow deposits - lawsuit (Note 28.d)	15,418,982	14,606,013
National Treasury - interest rate equalization - agricultural crop - Law 8427/1992	10,914,595	6,333,283
Income tax and social contribution to offset	10,435,285	13,225,990
Fund of allocation of surplus - Previ (Note 27.f)	8,274,132	7,966,278
Credit linked to acquired operations (Note 10.a) <sup>(2)</sup>	8,212,988	9,241,406
Actuarial assets (Note 27.e)	6,233,307	15,544,218
Receivables acquisition	3,991,029	4,200,708
Receivables - non-financial companies	3,940,801	4,016,626
Receivables - other	2,581,984	2,406,375
Receivables - National Treasury	2,265,746	1,373,702
Sundry debtors – domestic <sup>(1)</sup>	2,054,404	1,576,201
Receivables – ECT – Banco Postal <sup>(3)</sup>	1,985,128	--
Advances to cards transactions processing's companies	1,758,968	2,277,876
Rights for acquisition of royalties and government credits	1,226,441	1,116,919
Premiums on credits linked to operations acquired in assignment	1,143,583	1,671,864
Salary advances and other advances	305,609	315,353
Sundry debtors - foreign	245,015	269,082
Sundry debtors from escrow deposits - other	178,967	164,241
Sundry debtors for purchasing assets	51,896	62,009
Other	552,356	1,087,482
<b>Total</b>	<b>154,785,578</b>	<b>151,213,967</b>
Current assets	99,851,614	87,030,697
Non-current assets	54,933,964	64,183,270

(1) On December 31, 2013, in BB Consolidated, credit card bills to receive from clients of Banco Votorantim were reclassified from "Sundry debtors – domestic" to "Credit card operations", in the amount of R\$ 266.627 thousand.

(2) Refers to the portfolios of payroll loans and vehicle financing granted to individuals, acquired by the Bank through assignments with full recourse to the transferor, accounted for in accordance with CMN Resolution 3,533/2008.

(3) Receivables from the new partnership between Banco do Brasil and the Empresa Brasileira de Correios e Telégrafos – ECT, for the use of the Banco Postal network (Note 16.a).

## 12 – FOREIGN EXCHANGE PORTFOLIO

### a) Breakdown

	Dec 31, 2014	Dec 31, 2013
<b>Other Receivables</b>		
Exchange purchases pending settlement	16,424,851	14,766,729
Bills of exchange and time drafts in foreign currency	32,788	28,916
Receivables from sales of foreign exchange	15,318,188	15,585,514
(Advances received in National/foreign currency)	(13,568,454)	(13,015,143)
Foreign currency receivables	5,655	5,341
Income receivable on advances granted and on financed imports	154,871	153,787
<b>Total</b>	<b>18,367,899</b>	<b>17,525,144</b>
Current assets	18,362,653	17,524,195
Non-current assets	5,246	949
<b>Other Liabilities</b>		
Exchange sales pending settlement	19,294,332	18,553,333
(Financed imports)	(10,177)	(16,289)
Exchange purchase liabilities	14,841,470	14,052,666
(Advances on exchange contracts)	(12,481,583)	(11,153,787)
Foreign currency payables	58,891	55,937
Unearned income on advances granted	3,993	2,829
<b>Total</b>	<b>21,706,926</b>	<b>21,494,689</b>
Current liabilities	17,991,924	10,569,094
Non-current liabilities	3,715,002	10,925,595
<b>Net Foreign Exchange Portfolio</b>	<b>(3,339,027)</b>	<b>(3,969,545)</b>
<b>Memorandum Accounts</b>		
Credit opened for imports	1,162,424	775,933
Confirmed export credit	2,449,198	2,174,783

### b) Foreign exchange results

	2nd half/2014	2014	2013
Exchange income	6,350,031	11,401,729	11,270,412
Exchange expenses	(6,579,027)	(10,768,090)	(10,664,453)
<b>Foreign exchange result</b>	<b>(228,996)</b>	<b>633,639</b>	<b>605,959</b>

### 13 – OTHER ASSETS

	Dec 31, 2014	Dec 31, 2013
<b>Assets not for own use</b>	<b>528,207</b>	<b>459,678</b>
Real estate	194,825	117,133
Assets in special regime	152,890	160,810
Vehicles	146,687	162,824
Residential properties	7,907	6,604
Machinery and equipment	4,270	5,103
Other	21,628	7,204
<b>Materials in stock</b>	<b>90,066</b>	<b>93,892</b>
<b>Subtotal</b>	<b>618,273</b>	<b>553,570</b>
(Impairment) <sup>(1)</sup>	(147,365)	(165,221)
<b>Prepaid Expenses</b>	<b>3,607,507</b>	<b>3,441,486</b>
Insurance, reinsurance, pension and capitalization deferred expenses <sup>(2)</sup>	2,983,184	2,437,940
Commissions paid to car dealers - financing of vehicles	296,602	330,719
Personnel expenses - meal program	147,658	136,118
Overseas entities	52,390	35,305
Premiums for purchased payroll credits <sup>(3)</sup>	27,296	288,107
Rent	5,901	5,998
Promotions and public relations	1,598	--
Tax expenses	31	21
Expenses with loyalty program	--	89,081
Other	92,847	118,197
<b>Total</b>	<b>4,078,415</b>	<b>3,829,835</b>
Current assets	2,689,805	2,671,269
Non-current assets	1,388,610	1,158,566

(1) The Bank recognized in 2014 reversal of the allowance for impairment losses of assets not for own use of R\$ 16,963 thousand (reversal of R\$ 25,007 thousand in 2013) in the Banco do Brasil and the amount of R\$ 2,150 thousand (reversal in the amount of R\$ 15,892 thousand in 2013) in the BB Consolidated.

(2) Refers mainly to commissions paid to brokers and agents for the sale of products

(3) The amounts are amortized over the maturity of the installments of loans acquired from other financial institutions.

## 14 – INVESTMENTS

### a) Changes in Subsidiaries and Associates

	Book value	Changes - 2014			Book value	Equity income
	Dec 31, 2013	Dividends	Other Events	Equity income	Dec 31, 2014	2013
<b>Domestic</b>	<b>1,372,326</b>	<b>(114)</b>	<b>(175,392)</b>	<b>(15,764)</b>	<b>1,181,056</b>	<b>19,357</b>
Cadam S.A.	25,929	--	--	(728)	25,201	(2,070)
Cia. Hidromineral Piratuba	2,462	(36)	32	67	2,525	201
Cia. Catarinense de Assessoria e Serviços - CCA <sup>(1)</sup>	228	--	--	--	228	--
Estruturadora Brasileira de Projetos - EBP	8,747	(78)	--	(448)	8,221	4,089
Itapebi <sup>(2)</sup>	--	--	--	--	--	22,058
Other investments <sup>(3)</sup>	28,952	--	(5,664)	(14,655)	8,633	(4,921)
Goodwill/Bargain purchase on acquisition of investments	1,306,008	--	(169,760)	--	1,136,248	--
<b>Overseas</b>	<b>271,847</b>	<b>--</b>	<b>(277,112)</b>	<b>591,757</b>	<b>586,492</b>	<b>586,228</b>
Other equity abroad	--	--	(45)	45	--	1,470
Goodwill on acquisition of investments	271,847	--	314,645	--	586,492	--
Profit/(loss) with foreign exchange in the branches	--	--	(562,744)	562,744	--	545,532
Profit/(loss) with foreign exchange in the subsidiaries and associates	--	--	(21,325)	21,325	--	36,158
Increase/decrease in equity resulting from other changes	--	--	(7,643)	7,643	--	3,068
<b>Total investments in subsidiaries and associates</b>	<b>1,644,173</b>	<b>(114)</b>	<b>(452,504)</b>	<b>575,993</b>	<b>1,767,548</b>	<b>605,585</b>
Accumulated Impairment	(6,998)	--	--	(2,020)	(9,018)	--

(1) Company in process of liquidation and not valued by the equity method.

(2) The equity interest in Itapebi was sold to Neoenergia group (Note 2.d).

(3) Refers to investments in non-financial associates.

Balances at December 31, 2014	Capital stock	Adjusted Shareholders' Equity	Net income/ (loss) 2014	Number of shares (in thousands)		Ownership interest in the total capital %
				Common	Preferred	
<b>Domestic</b>						
Cadam S.A.	183,904	90,230	(18,106)	--	4,762	21.64
Cia. Hidromineral Piratuba	4,098	16,588	1,205	663	--	15.44
Cia. Catarinense de Assessoria e Serviços – CCA	780	474	--	260	520	48.13
Estruturadora Brasileira de Projetos – EBP	75,819	73,992	(4,067)	5,076	1,736	11.11

## b) Other Investments

	Dec 31, 2014	Dec 31, 2013
Tax incentive investments	94,585	98,533
Equity securities	146	146
Stocks and shares	76,366	62,210
Other Investments <sup>(1)</sup>	1,511,165	1,797,319
Other equity abroad	63,313	55,837
<b>Total</b>	<b>1,745,575</b>	<b>2,014,045</b>
(Accumulated impairment)	(84,474)	(115,032)

(1) Includes, in BB Consolidated, the amount of R\$ 1,067,909 thousand (R\$ 1,019,478 thousand as of December 31, 2013), relating to the investments of Neoenergia.

## c) Goodwill arising on acquisition of investments

Changes of Goodwill	2nd half/2014	2014	2013
<b>Opening balance</b>	<b>1,717,447</b>	<b>1,579,416</b>	<b>1,972,891</b>
Additions <sup>(1)</sup>	51,110	410,024	19,458
Reductions <sup>(2)</sup>	--	(45,683)	(56,313)
Amortizations <sup>(3)</sup>	(126,156)	(241,790)	(322,055)
Foreign exchange fluctuation <sup>(4)</sup>	81,900	22,334	(34,565)
<b>Closing balance</b>	<b>1,724,301</b>	<b>1,724,301</b>	<b>1,579,416</b>

(1) Adjustments arising from the alignment of the accounting practices of the investee to the practices of the investor.

(2) Transfer of the goodwill of Brasilprev Nosso Futuro Seguros e Previdência S.A. to the Intangible line (Note 16 a).

(3) Recorded in Other Administrative Expenses.

(4) Levied on the goodwill from BB Americas, Banco Patagonia and Merchant e-Solutions, Inc.

**d) Expected Goodwill Amortization**

	2015	2016	2017	2018	2019	After 2019	Total
<b>Banco do Brasil</b>	<b>93,301</b>	<b>95,095</b>	<b>94,670</b>	<b>34,548</b>	<b>35,230</b>	<b>32,670</b>	<b>385,514</b>
Banco Votorantim S.A.	57,978	60,466	61,133	--	--	--	179,577
Banco Patagonia	32,252	30,590	27,851	28,390	28,955	24,541	172,579
BB Americas	3,071	4,039	5,686	6,158	6,275	8,129	33,358
Tax effects <sup>(1)</sup>	(37,320)	(38,038)	(37,868)	(13,819)	(14,092)	(13,068)	(154,205)
<b>Net total</b>	<b>55,981</b>	<b>57,057</b>	<b>56,802</b>	<b>20,729</b>	<b>21,138</b>	<b>19,602</b>	<b>231,309</b>
<b>Other investments</b>							
<b>BB-BI</b>	<b>93,857</b>	<b>107,670</b>	<b>123,517</b>	<b>141,696</b>	<b>162,550</b>	<b>--</b>	<b>629,290</b>
Cielo S.A.	93,857	107,670	123,517	141,696	162,550	--	629,290
<b>Cielo S.A.</b>	<b>45,233</b>	<b>47,075</b>	<b>47,016</b>	<b>44,525</b>	<b>18,126</b>	<b>192,683</b>	<b>394,658</b>
Merchant e-Solutions, Inc.	44,032	45,694	45,416	42,927	16,428	186,059	380,556
Braspag Tecnologia em Pagamento Ltda.	730	854	1,031	984	1,042	3,734	8,375
Multisplay Comércio e Serviços Tecnológicos S.A.	222	256	283	311	336	1,638	3,046
Companhia Brasileira de Gestão de Serviços (Orizon)	249	271	286	303	320	1,252	2,681
<b>BB Mapfre SH1 Participações S.A.</b>	<b>10,068</b>	<b>18,781</b>	<b>22,254</b>	<b>24,050</b>	<b>25,314</b>	<b>--</b>	<b>100,467</b>
Vida Seguradora S.A.	10,068	18,781	22,254	24,050	25,314	--	100,467
<b>Elo Participações S.A.</b>	<b>19,439</b>	<b>22,876</b>	<b>23,591</b>	<b>24,330</b>	<b>--</b>	<b>--</b>	<b>90,236</b>
Companhia Brasileira de Soluções e Serviços - Alelo	19,439	22,876	23,591	24,330	--	--	90,236
<b>BB Seguros Participações S.A.</b>	<b>17,409</b>	<b>11,225</b>	<b>10,743</b>	<b>11,040</b>	<b>10,028</b>	<b>5,256</b>	<b>65,701</b>
Brasilcap Capitalização S.A.	13,659	9,154	8,593	8,780	7,659	--	47,845
IRB-Brasil Resseguros S.A.	3,750	2,071	2,150	2,260	2,369	5,256	17,856
<b>Mapfre BB SH2 Participações S.A.</b>	<b>17,657</b>	<b>19,429</b>	<b>21,349</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>58,435</b>
Brasilveiculos Companhia de Seguros	17,657	19,429	21,349	--	--	--	58,435
<b>Consolidated</b>	<b>296,964</b>	<b>322,151</b>	<b>343,140</b>	<b>280,189</b>	<b>251,248</b>	<b>230,609</b>	<b>1,724,301</b>
Tax effects <sup>(1)</sup>	(112,197)	(121,697)	(129,759)	(105,839)	(97,291)	(80,367)	(647,150)
<b>Net total</b>	<b>184,767</b>	<b>200,454</b>	<b>213,381</b>	<b>174,350</b>	<b>153,957</b>	<b>150,242</b>	<b>1,077,151</b>

(1) 25% of income tax and 15% of social contribution for financial companies and for non-financial companies of insurance, private pension plan and capitalization, and 25% of income tax and 9% of social contribution for other non-financial companies.

The expected amortization of goodwill arising on the acquisition of investments is based on the projections of results made at the time of the purchase, prepared by specialized firms or technical departments within the Bank, and considers the timing of the estimates and discount rates used in calculating the net present value of expected cash flows.

**e) Goodwill impairment test**

The recoverable amount of goodwill arising on acquisition of investments is determined by the value in use, which is the discounted value of the cash flow projections of the invested entity (cash-generating unit).

Assumptions used to project these cash flows are based on public information, budgets and / or business plans of the purchased entities. These assumptions consider current and past performance, as well as expected market and macroeconomic growth.

The cash flow of the entities below were actively projected for ten years and considered perpetual from the eleventh year with fixed growth rates. For the periods that exceed the terms of the budget or business plan, the growth estimates are in line with those adopted by the entities. The nominal discount rate is determined annually based on the CAPM (Capital Asset Pricing Model) adapted for the Brazilian market and referenced in Reais (R\$).

Entity (cash-generating unit)	Growth rate p.a. <sup>(1)</sup>	Discount rate p.a. <sup>(2)</sup>
Banco Votorantim	3.60%	12.22%
BB Americas	2.00%	9.44%
Vida Seguradora	3.00%	11.22%
Alelo	3.60%	12.21%
Brasilcap	3.60%	12.38%
IRB-Brasil Resseguros	3.60%	10.58%
Brasilveículos	3.00%	11.22%

(1) Nominal growth in perpetuity.

(2) Geometric average of ten years of projections, except BB Americas, that considered a geometric average of seven years of projections.

According to the sensitivity analysis performed, there is no indication that changes in the assumptions would cause the book value of the cash-generating units to exceed the recoverable amount.

The recoverable amount of the goodwill arising on the acquisition of Cielo and Banco Patagonia are determined by the net realizable value through sale, based on the share price of the companies on BM&FBovespa exchange and on Merval (stock market of Buenos Aires), respectively.

Entity (cash-generating unit)	Share price <sup>(1)</sup>
Banco Patagonia	R\$ 5.04 <sup>(2)</sup>
Cielo (CIEL3)	R\$ 40.00

(1) Closing price of the shares at September 30, 2014.

(2) Value equivalent to ARS 17.45, as ARS/BRL quoted at September 30, 2014

In 2014 and 2013, there was no impairment loss on goodwill arising on the acquisition of investments.

## 15 – PROPERTY AND EQUIPMENT

	Dec 31, 2013	2014			Dec 31, 2014			
	Book value	Changes	Depreciation	(Provision)/ Reversion for Impairment	Cost Value	Accumulated Depreciation	Accumulated Impairment	Book value
Buildings	3,217,429	859,474	(314,555)	(1,705)	6,178,623	(2,409,289)	(8,691)	3,760,643
Furniture and equipment in use	1,434,355	411,920	(240,758)	(92)	3,873,741	(2,267,192)	(1,124)	1,605,425
Data processing systems	1,135,391	608,749	(428,028)	960	4,126,516	(2,809,444)	--	1,317,072
Facilities	236,830	38,217	(39,486)	--	1,002,805	(767,244)	--	235,561
Land	647,449	(447,306)	--	--	200,143	--	--	200,143
Security systems	170,409	24,797	(26,024)	--	391,648	(222,466)	--	169,182
Constructions in progress	308,071	(154,499)	--	--	153,572	--	--	153,572
Communication systems	95,889	21,051	(16,235)	--	276,533	(175,828)	--	100,705
Transport systems	10,875	4,448	(2,660)	--	39,134	(26,471)	--	12,663
Furniture and equipment in stock	1,793	(22)	--	--	1,771	--	--	1,771
<b>Total</b>	<b>7,258,491</b>	<b>1,366,829</b>	<b>(1,067,746)</b>	<b>(837)</b>	<b>16,244,486</b>	<b>(8,677,934)</b>	<b>(9,815)</b>	<b>7,556,737</b>

## 16 – INTANGIBLE ASSETS

### a) Changes and breakdown

	Dec 31, 2013	2014				Dec 31, 2014			
	Book value	Acquisitions	Write-offs	Amortization	(Provision)/ Reversion for Impairment	Cost Value	Accumulated amortization	Accumulated Impairment	Book value
Rights to manage payroll <sup>(1)</sup>	4,535,492	4,342,232	(447,343)	(1,919,569)	--	10,382,328	(3,821,776)	(49,740)	6,510,812
Goodwill on acquisition of absorbed company <sup>(2)(3)</sup>	3,424,764	45,683	--	(707,956)	--	5,015,276	(2,252,785)	--	2,762,491
Softwares	1,505,299	370,751	(394)	(162,477)	(2,378)	2,815,829	(1,102,650)	(2,378)	1,710,801
Other intangible assets <sup>(4)</sup>	2,662,583	--	(1,907,418)	(483,376)	(6,661)	282,141	(5,801)	(11,212)	265,128
<b>Total</b>	<b>12,128,138</b>	<b>4,758,666</b>	<b>(2,355,155)</b>	<b>(3,273,378)</b>	<b>(9,039)</b>	<b>18,495,574</b>	<b>(7,183,012)</b>	<b>(63,330)</b>	<b>11,249,232</b>

(1) The values of acquisitions and write-offs include contracts renegotiated in the period, in which the new contract value is recorded and the past contract value is written-off without impact on Statement of Income.

(2) Refers mainly to the goodwill from the merger of Banco Nossa Caixa on November/2009.

(3) Includes the amount of R\$45,683 thousand of goodwill following the merger of Brasilprev Nosso Futuro Seguros e Previdência S.A. that was recorded in the "Investments" line (Note 14.c).

(4) On June 30, 2014, the cost of the right to use the Banco Postal network was converted into receivables from the new partnership between Banco do Brasil and the Empresa Brasileira de Correios e Telégrafos – ECT in the amount of R\$ 1,865,250 thousand.

### b) Estimate for Amortization

	2015	2016	2017	2018	After 2018	Total
Amounts to be amortized	3,113,302	3,121,649	2,692,334	1,443,123	878,824	11,249,232

### c) Impairment Test

The impairment test of goodwill on the acquisition of Banco Nossa Caixa, which was merged into Banco do Brasil, considers the value in use of Banco do Brasil's operations in the state of São Paulo (cash-generating unit). Cash flows are based on cash-generating unit results in 2014, the 2015 budget and internal projections of results from 2016, for five years.

The assumptions adopted for the calculation are based on Banco do Brasil's Corporate Strategy and macroeconomic scenario. They consider the current and past performance and expected growth in the market segment.

Cash flows were discounted by the Bank's cost of own capital. The nominal discount rate is measured annually based on the CAPM (Capital Asset Pricing Model) adapted for the Brazilian market and referenced in Reais (R\$). The impairment test of the goodwill from the merger of Brasilprev Nosso Futuro Seguros e Previdência S.A. follows the same methodology of the goodwill on acquisition of investments listed in Note 14.e.

Entity (Cash-generating unit)	Growth rate p.a	Discount rate p.a.
Banco do Brasil - state of São Paulo - Goodwill Banco Nossa Caixa <sup>(1)</sup>	9.5%	12.3%
Brasilprev Nosso Futuro Seguros e Previdência S.A. <sup>(1)(2)</sup>	3.0%	13.9%

(1) Geometric average of five years of projections.

(2) Nominal growth in perpetuity.

According to the sensitivity analysis performed, there is no indication that changes in the assumptions would cause the book value of the cash-generating unit to exceed its recoverable amount.

In 2014 and 2013, there was no impairment loss on goodwill on merged companies.

**17 – DEPOSITS AND SECURITIES SOLD UNDER REPURCHASE AGREEMENTS**
**a) Deposits**

	Dec 31, 2014	Dec 31, 2013
<b>Demand Deposits</b>	<b>74,210,189</b>	<b>75,818,389</b>
Individuals	33,942,740	32,614,732
Companies	28,437,427	29,595,017
Restricted	5,970,418	7,072,664
Government	2,226,009	2,790,445
Related companies	982,662	732,097
Financial system institutions	832,896	527,120
Foreign currency	706,951	1,355,823
Special from Federal Treasury	403,878	559,571
Domiciled abroad	202,201	130,537
Other	505,007	440,383
<b>Saving Deposits</b>	<b>148,698,890</b>	<b>140,728,107</b>
Individuals	140,036,529	132,510,762
Companies	8,407,859	7,951,473
Related companies	240,767	250,253
Financial system institutions	13,735	15,619
<b>Interbank Deposits</b>	<b>30,968,746</b>	<b>27,155,259</b>
<b>Time Deposits</b>	<b>214,483,944</b>	<b>247,311,253</b>
Judicial	115,010,129	101,768,835
National currency	70,136,390	115,179,497
Foreign currency	23,736,951	24,243,332
Fundo de Amparo ao Trabalhador - FAT (Note 17.e)	4,478,914	5,208,690
Funproger (Note 17.f)	233,939	201,236
Other	887,621	709,663
<b>Total</b>	<b>468,361,769</b>	<b>491,013,008</b>
Current liabilities	401,177,785	395,192,185
Non-current liabilities	67,183,984	95,820,823

**b) Segregation of deposits by repayment date**

	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years	Dec 31, 2014	Dec 31, 2013
Time deposits <sup>(1)</sup>	120,431,058	20,211,289	12,471,962	25,510,321	35,853,007	6,307	214,483,944	247,311,253
Saving deposits	148,698,890	--	--	--	--	--	148,698,890	140,728,107
Demand deposits	74,210,189	--	--	--	--	--	74,210,189	75,818,389
Interbank deposits	1,635,636	10,000,534	13,518,227	4,630,916	719,546	463,887	30,968,746	27,155,259
<b>Total</b>	<b>344,975,773</b>	<b>30,211,823</b>	<b>25,990,189</b>	<b>30,141,237</b>	<b>36,572,553</b>	<b>470,194</b>	<b>468,361,769</b>	<b>491,013,008</b>

(1) Includes the amount R\$ 70,102,638 thousand (R\$ 113,214,820 thousand as of December 31, 2013), relating to time deposits with early repurchase clause (liquidity commitment), classified based on the contractual maturity dates.

**c) Securities sold under repurchase agreements**

	Dec 31, 2014	Dec 31, 2013
<b>Own Portfolio</b>	<b>64,365,574</b>	<b>74,724,092</b>
Corporate bonds	56,847,255	41,630,853
Treasury Financial Bills	4,053,439	15,966,088
National Treasury Bills	1,736,675	12,974,134
National Treasury Notes	1,405,033	1,172,757
Securities abroad	285,865	2,973,368
Other	37,307	6,892
<b>Third-Party Portfolio</b>	<b>241,674,469</b>	<b>164,589,620</b>
National Treasury Bills	121,222,071	64,583,676
National Treasury Notes	86,303,943	9,483,748
Treasury Financial Bills	32,999,180	88,984,254
Securities abroad	1,149,275	1,537,942
<b>Free movement portfolio</b>	<b>5,532</b>	<b>150,866</b>
<b>Total</b>	<b>306,045,575</b>	<b>239,464,578</b>
Current liabilities	292,361,623	228,235,770
Non-current liabilities	13,683,952	11,228,808

**d) Expenses with deposits and with securities sold under repurchase agreements**

	2nd half/2014	2014	2013
<b>Deposits</b>	<b>(16,266,276)</b>	<b>(31,817,482)</b>	<b>(27,281,304)</b>
Time deposits	(5,568,558)	(11,364,701)	(11,327,518)
Saving deposits	(5,164,518)	(9,928,837)	(7,676,350)
Judicial deposits	(5,159,804)	(9,722,656)	(7,703,382)
Interbank deposits	(373,396)	(801,288)	(574,054)
<b>Securities sold under repurchase agreements</b>	<b>(17,020,318)</b>	<b>(31,043,794)</b>	<b>(19,032,055)</b>
Third-party portfolio	(14,139,547)	(25,435,002)	(15,282,183)
Own portfolio	(2,866,724)	(5,571,123)	(3,739,213)
Free movement portfolio	(14,047)	(37,669)	(10,659)
<b>Funds from acceptance and issuance of securities<sup>(1)</sup></b>	<b>(8,545,726)</b>	<b>(14,774,139)</b>	<b>(7,854,576)</b>
Agribusiness letters of credit	(5,065,559)	(8,962,770)	(3,817,446)
Financial bills	(1,796,270)	(3,296,364)	(2,182,274)
Securities issues abroad	(1,261,096)	(1,809,908)	(1,763,375)
Letters of credit – Real estate	(422,801)	(705,097)	(91,481)
<b>Subordinated debt abroad<sup>(2)</sup></b>	<b>(242,260)</b>	<b>(458,582)</b>	<b>(445,704)</b>
<b>Equity and debt hybrid securities<sup>(3)</sup></b>	<b>(928,789)</b>	<b>(1,628,687)</b>	<b>(1,374,029)</b>
<b>Other</b>	<b>(398,703)</b>	<b>(795,897)</b>	<b>(638,177)</b>
<b>Total</b>	<b>(43,402,072)</b>	<b>(80,518,581)</b>	<b>(56,625,845)</b>

(1) Funds from acceptance and issuance of securities are disclosed in Note 19.

(2) Subordinated debt abroad are disclosed in Note 20.c.

(3) Equity and debt hybrid securities are disclosed in Note 20.d.

**e) Fundo de Amparo ao Trabalhador (Fund for worker's assistance) - FAT**

Program	Resolution/ TADE <sup>(1)</sup>	Repayment of FAT Funds			Dec 31, 2014			Dec 31, 2013		
		Type <sup>(2)</sup>	Initial date	Final date	Available TMS <sup>(3)</sup>	Applied TJLP <sup>(4)</sup>	Total	Available TMS <sup>(3)</sup>	Applied TJLP <sup>(4)</sup>	Total
<b>Proger Rural and Pronaf</b>					<b>120,175</b>	<b>289,782</b>	<b>409,957</b>	<b>224,913</b>	<b>719,632</b>	<b>944,545</b>
Pronaf Custeio	04/2005	RA	11/2005	--	481	2,362	2,843	--	4,060	4,060
Pronaf Investimento	05/2005	RA	11/2005	--	110,778	270,733	381,511	202,257	668,763	871,020
Giro Rural - Aquisição de Títulos	03/2005	SD	01/2008	01/2015	4,476	--	4,476	2,316	11,914	14,230
Giro Rural Fornecedores	14/2006	RA	08/2006	--	--	--	--	11,813	7	11,820
Rural Custeio	02/2006	RA	11/2005	--	258	1,152	1,410	341	1,859	2,200
Rural Investimento	13/2005	RA	11/2005	--	4,182	15,535	19,717	8,186	33,029	41,215
<b>Proger Urbano</b>					<b>52,129</b>	<b>3,190,908</b>	<b>3,243,037</b>	<b>148,006</b>	<b>3,223,491</b>	<b>3,371,497</b>
Urbano Investimento	18/2005	RA	11/2005	--	52,126	3,190,902	3,243,028	147,996	3,223,478	3,371,474
Urbano Capital de Giro	15/2005	RA	11/2005	--	3	6	9	10	13	23
<b>Other</b>					<b>142,537</b>	<b>683,383</b>	<b>825,920</b>	<b>187,860</b>	<b>704,788</b>	<b>892,648</b>
Exports	27/2005	RA	11/2005	--	408	11,947	12,355	423	5,123	5,546
FAT Giro Setorial Micro e Pequenas Empresas	08/2006	RA	09/2007	--	--	--	--	474	--	474
FAT Fomentar Micro e Pequenas Empresas	11/2006	RA	08/2006	--	--	--	--	903	425	1,328
FAT Fomentar Médias e Grandes Empresas	12/2006	RA	07/2006	--	--	--	--	4,641	1,668	6,309
FAT Taxista	02/2009	RA	09/2009	--	65,397	257,715	323,112	72,164	195,143	267,307
FAT Turismo Investimento	01/2012	RA	08/2012	--	9,228	162,119	171,347	99,311	97,737	197,048
FAT Turismo Capital de Giro	02/2012	RA	08/2012	--	67,504	251,602	319,106	9,944	404,692	414,636
<b>Total</b>					<b>314,841</b>	<b>4,164,073</b>	<b>4,478,914</b>	<b>560,779</b>	<b>4,647,911</b>	<b>5,208,690</b>

(1) TADE - Allocation Term of Special Deposits.

(2) RA - Automatic Return (monthly, 2% of the balance) and SD - Available Balance.

(3) Funds remunerated by the Taxa Média Selic (average Selic Rate - TMS).

(4) Funds remunerated by Taxa de Juros de Longo Prazo (long-term interest rate - TJLP).

FAT is a special accounting and financial fund, established by Law 7,998/1990, associated with the Ministério do Trabalho e Emprego (Ministry of Labor and Employment) and managed by the Executive Council of the Fundo de Amparo ao Trabalhador (Fund for Workers' Assistance) - Codefat. Codefat is a collective, tripartite, equal level organization, composed of representatives of workers, employers and government.

The main actions to promote employment using FAT funds are structured around the Programs for the Generating Employment and Earnings (Proger), resources for which are allocated through special deposits, established by Law 8,352/1991, in official federal financial institutions. These programs include, among others, the urban Proger program (Investment and Working Capital) and the rural Proger program and the National Program for Strengthening Family Farming - Pronaf, in addition to the special lines such as FAT Integrar – Rural e Urbano, FAT Giro Setorial – Micro e Pequenas Empresas (micro and small-sized companies), FAT Giro Setorial – Médias e Grandes Empresas (medium and large-sized companies), FAT Giro Setorial Veículos – Micro e Pequenas Empresas (micro and small-sized companies), FAT Giro Setorial Veículos – Médias e Grandes Empresas (medium and large-sized companies), FAT Fomentar – Micro e Pequenas Empresas (micro and small-sized companies), FAT Fomentar – Médias e Grandes Empresas (medium and large-sized companies), FAT Giro Agropecuário, FAT Inclusão Digital (digital inclusion), FAT Taxista (taxi), FAT Turismo Investimento and FAT Turismo Capital de Giro.

The FAT special deposits allocated to Banco do Brasil incur interest on a daily pro rata die basis using the Average Selic Rate (TMS) when not lent out. As they are disbursed as loans, the interest rate is swapped to the Long-term Interest Rate (TJLP) until the maturity of the loans. The earnings on the Bank's funds are paid to FAT on a monthly basis, as established in Codefat Resolutions 439/2005 and 489/2006.

### f) Guarantee Fund for Generation of Employment and Earnings (Funproger)

The Guarantee Fund for Generation of Employment and Earnings (Funproger) is a special accounting fund established on November 23, 1999 by Law 9,872/1999, amended by Law 10,360/2001 and by Law 11,110/2005 and regulated by Codefat Resolution 409/2004, and its amendments. It is managed by Banco do Brasil under the supervision of Codefat/MTE and the balance at December 31, 2014 is R\$ 233,939 thousand (R\$ 201,236 thousand as of December 31, 2013).

The objective of Funproger is to provide guarantees to entrepreneurs who would otherwise not have the necessary guarantees to contract financing by Proger Urbano and Programa Nacional de Microcrédito Produtivo Orientado, through the payment of a commission. The net assets of Funproger are accumulated through funds arising from the difference between the Average Selic Rate (TMS) and the Long-Term Interest Rate (TJLP) in respect of the remuneration of the special deposit balances available in FAT. Other sources of funds are the earnings from its operations and the income on its excess cash resources paid by Banco do Brasil, the fund manager.

## 18 - BORROWINGS AND ONLENDINGS

### a) Borrowings

	up to 90 days	from 91 to 360 days	from 1 to 3 years	from 3 to 5 years	Dec 31, 2014	Dec 31, 2013
<b>Domestic</b>						
Borrowing from non-financial companies	--	--	1,751,978	--	1,751,978	295,302
Other borrowings	--	1,909	--	--	1,909	3,814
<b>Overseas</b>						
Borrowings from bankers abroad	5,196,887	11,826,132	3,106,181	1,670,128	21,799,328	16,154,776
Linked to public sector borrowings <sup>(1)</sup>	--	162,009	--	--	162,009	428,631
Imports	40,694	43,609	70,090	--	154,393	128,561
Exports	77,345	49,475	--	--	126,820	304,125
<b>Total</b>	<b>5,314,926</b>	<b>12,083,134</b>	<b>4,928,249</b>	<b>1,670,128</b>	<b>23,996,437</b>	<b>17,315,209</b>
Current liabilities					17,398,060	15,480,736
Non-current liabilities					6,598,377	1,834,473

(1) Maturity date in April 2015 at the rate of 6.92% p.a.

**b) Onlendings**
**Domestic – Official institutions**

Programs	Finance charges	Dec 31, 2014	Dec 31, 2013
		<b>339,898</b>	<b>536,733</b>
Pronaf	TMS (if available) Fixed 0.50% p.a. to 4.00% p.a. (if applied)	158,098	332,048
Cacau (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		56,642	64,723
<b>BNDES</b>		<b>44,281,798</b>	<b>43,967,974</b>
Banco do Brasil	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. FX Variation + 0.50% p.a. to 6.83% p.a.	43,250,644	42,685,432
Banco Votorantim	Fixed 0.70% p.a. to 7.00% p.a. TJLP + 0.50% p.a. to 4.50% p.a. IPCA + 7.02% p.a. to 9.91% p.a. Selic + 1.30% p.a. to 2.50% p.a. FX Variation + 1.30% p.a. to 3.00% p.a.	1,031,154	1,282,542
<b>Caixa Econômica Federal</b>		<b>12,359,686</b>	<b>4,219,810</b>
<b>Finame</b>		<b>33,204,750</b>	<b>28,477,344</b>
Banco do Brasil	Fixed 0.00% p.a. to 8.50% p.a. TJLP + 0.50% p.a. to 5.50% p.a. FX Variation + 0.90% p.a. to 3.00% p.a.	32,398,036	27,528,447
Banco Votorantim	Fixed 0.30% p.a. to 8.30% p.a. TJLP + 0.50% p.a. to 5.50% p.a.	806,714	948,897
<b>Other official institutions</b>		<b>863,889</b>	<b>9,903,122</b>
Special supply - Rural savings (Note 9.b)	TR	--	8,696,735
Special supply - Deposits (Note 9.b)	--	--	332,035
Funcafé	TMS (if available) Fixed 5.50% p.a. or 6.75% p.a. (if applied)	863,861	874,324
Other		28	28
<b>Total</b>		<b>91,050,021</b>	<b>87,104,983</b>
Current liabilities		34,415,072	32,268,744
Non-current liabilities		56,634,949	54,836,239

**Overseas**

	Dec 31, 2014	Dec 31, 2013
Funds obtained under the terms of Resolution CMN 3,844/2010	--	23,984
Special fund for support to small and medium manufacturing companies	477	477
<b>Total</b>	<b>477</b>	<b>24,461</b>
Current liabilities	95	24,079
Non-current liabilities	382	382

**c) Expense of borrowings and onlendings**

	2nd half/2014	2014	2013
<b>Borrowings expenses</b>	<b>(4,157,331)</b>	<b>(4,284,032)</b>	<b>(4,014,169)</b>
<b>Onlendings expenses</b>	<b>(5,456,713)</b>	<b>(7,212,571)</b>	<b>(4,572,466)</b>
BNDES	(1,419,923)	(2,718,768)	(2,598,762)
Foreign <sup>(1)</sup>	(3,345,161)	(3,345,161)	(1,113,731)
Finame	(321,167)	(617,803)	(652,292)
National Treasury	(3,651)	(43,017)	(85,993)
Caixa Econômica Federal	(292,447)	(341,014)	(38,387)
Other	(74,364)	(146,808)	(83,301)
<b>Expenses for obligations with bankers abroad</b>	<b>(2,220,065)</b>	<b>(2,220,065)</b>	<b>(1,834,100)</b>
<b>Expenses for financial and development funds liabilities</b>	<b>(878,526)</b>	<b>(915,086)</b>	<b>(764,283)</b>
<b>Total</b>	<b>(12,712,635)</b>	<b>(14,631,754)</b>	<b>(11,185,018)</b>

(1) In the 1<sup>st</sup> half/2014, these expenses were reclassified to "Negative foreign exchange readjustment/Reclassification of liabilities balances" (Note 22.e), due to the record of the variation of foreign exchange rate on the liability transactions with foreign exchange rate adjustment clause.

## 19 – FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES

Funding		Issued Value	Remuneration p.a.	Issue Date	Maturity	Dec 31, 2014	Dec 31, 2013
<b>Banco do Brasil</b>						<b>146,294,452</b>	<b>109,989,732</b>
<b>Global Medium - Term Notes Program</b>						<b>11,376,533</b>	<b>10,113,652</b>
	R\$	350,000	9.75%	07/2007	07/2017	345,183	342,150
	USD	100,000	Libor 6m+2.55%	07/2009	07/2014	--	237,271
	USD	950,000	4.50%	01/2010	01/2015	2,572,930	2,268,011
	USD	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
<b>"Senior Notes"</b>						<b>6,452,265</b>	<b>5,682,804</b>
	USD	500,000	3.88%	11/2011	01/2017	1,346,214	1,185,458
	USD	1,925,000	3.88%	10/2012	10/2022	5,106,051	4,497,346
<b>Structured Notes</b>	<b>USD</b>	<b>50,230</b>	<b>0.9 to 3.55%</b>		<b>06/2021</b>	<b>143,540</b>	<b>302,680</b>
<b>Certificates of Deposits <sup>(1)</sup></b>						<b>9,291,680</b>	<b>10,325,498</b>
Short term			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
<b>Certificates of structured operations</b>					<b>02/2015</b>	<b>2,384</b>	<b>--</b>
<b>Letters of credit - Real estate</b>						<b>14,155,946</b>	<b>3,390,290</b>
<b>Letters of credit agribusiness</b>						<b>102,325,298</b>	<b>77,887,575</b>
Short term <sup>(2)</sup>						21,576,941	12,932,745
Long term <sup>(3)</sup>					12/2019	80,748,357	64,954,830
<b>Financial letters</b>						<b>2,546,806</b>	<b>2,287,233</b>
Short term <sup>(2)</sup>						2,506,321	--
Long term			104.00% to 106.50% DI		01/2017	40,485	2,287,233
<b>Banco Patagonia <sup>(4)</sup></b>						<b>395,309</b>	<b>641,635</b>
Short term	ARS					308,060	387,824
Long term	ARS				03/2016	87,249	253,811
<b>Special Purpose Entities Abroad <sup>(5)</sup></b>						<b>968,025</b>	<b>475,461</b>
Securitization of future flow of payment orders from abroad							
	USD	250,000	Libor 3m+0.55%	03/2008	03/2014	--	58,571
	USD	150,000	5.25%	04/2008	06/2018	223,591	253,526
	USD	200,000	Libor 3m+1.20%	09/2008	09/2015	79,402	163,364
Structured Notes	USD	250,000	Libor 6m + 2.5%	12/2014	04/2021	665,032	--
<b>Banco Votorantim</b>						<b>11,456,946</b>	<b>12,018,845</b>
<b>Global Medium - Term Notes Program</b>						<b>3,290,931</b>	<b>3,381,188</b>
Short term <sup>(2)</sup>						658,980	750,245
Long term <sup>(6)</sup>					07/2020	2,631,951	2,630,943
<b>Credit Linked Notes</b>						<b>16,672</b>	<b>54,965</b>
Short term <sup>(2)</sup>						--	24,980
Long term <sup>(6)</sup>					12/2016	16,672	29,985

		Issued Value	Remuneration p.a.	Issue Date	Maturity	Dec 31, 2014	Dec 31, 2013
<b>Debentures</b>						<b>59</b>	<b>752,209</b>
Floating rate	R\$		100.00% to 111.00% DI	06/2006	07/2027	59	752,209
Certificates of structured operations	R\$		11.25%	06/2014	06/2015	16,140	--
<b>Letters of credit - Real estate</b>			<b>85.00% to 100.00% DI</b>	<b>01/2014</b>	<b>10/2017</b>	<b>200,433</b>	<b>93,918</b>
<b>Letters of credit agribusiness</b>						<b>1,426,963</b>	<b>1,266,062</b>
Fixed rate	R\$		10.20% to 11.81%	02/2014	12/2016	1,782	--
Floating rate	R\$		85.00 to 98.50% DI	12/2007	03/2020	1,425,087	1,265,250
Floating rate	R\$		3.65% + IPCA	07/2014	07/2015	94	--
Fixed rate	R\$		9.22% to 9.60%	06/2013	08/2014	--	812
<b>Financial letters</b>						<b>6,505,748</b>	<b>6,470,503</b>
Fixed rate	R\$		8.27% to 14.06%	07/2011	02/2024	397,352	343,092
Floating rate	R\$		3.67% to 5.90% + IGPM	06/2013	06/2016	6,417	1,133
Floating rate	R\$		100.00 to 118.00% do DI	06/2011	04/2019	5,880,620	5,843,861
Floating rate	R\$		3.11% to 7.42% + IPCA	01/2012	09/2021	202,004	207,080
Floating rate	R\$		109.30% Selic	04/2012	04/2015	19,355	75,337
<b>Non-Financial Corporations</b>						<b>1,547</b>	<b>20,202</b>
<b>Cibrasec</b>							
Real Estate Receivables Certificates <sup>(7)</sup>	R\$		10.30%			1,547	2,451
<b>Kepler Weber S.A.</b>							
Debentures	R\$		TJLP + 3.80%	09/2007	10/2020 <sup>(8)</sup>	--	10,180
<b>Ativos S.A. Securitizadora de Créditos Financeiros</b>							
Debentures	R\$		CDI + 1.50%	03/2010	03/2014	--	7,571
<b>Eliminated Amount on Consolidation <sup>(9)</sup></b>						<b>(81,742)</b>	<b>(92,783)</b>
<b>Total</b>						<b>159,034,537</b>	<b>123,053,092</b>
Current liabilities						51,246,818	25,167,346
Non-current liabilities						107,787,719	97,885,746

(1) Securities issued abroad in USD, EUR, GBP, RMB, AUD, CHF and SGD.

(2) Securities issued in foreign and national currency with maturities up to 360 days.

(3) Operations with maturity between 361 and 1,891 days.

(4) Securities issued with rates from 21.00% p.a. to 28.00% p.a. and from Badlar+297 pts. to Badlar+450 pts.

(5) The Special Purpose Entities (SPE) - "Dollar Diversified Payment Rights Finance Company" and "Loans Finance Company Ltd" were organized under the laws of the Cayman Islands for the following purposes: (a) the issuance and sale of securities in the international market; (b) use of resources obtained by issuing securities to pay for the purchase from the BB of the rights to payment orders issued by banking correspondents located in the U.S. and by the agency of BB New York in U.S. dollars, for any agency for Brazil ("Rights on Consignment"); and (c) making payments of principal and interest on securities and other payments defined in the contracts of issuance of these securities. The SPE declare that have no relevant asset or liability other than the rights and duties originating from the contracts for issue of securities. The Bank is not a shareholder, the owner, or a beneficiary of any of the results of operations of the SPE. The liabilities arising from the issued securities are paid by the SPE using the funds accumulated in its account.

(6) Operations with maturity greater than 360 days, and the certificates issued in foreign and national currency.

(7) Reference Rate - TR, General Market Price Index - IGP-M, IPCA and average maturity of 134 months.

(8) Operation paid in advance.

(9) Refers to securities issued by BB-Consolidated, which are in possession of overseas subsidiaries.

## 20 – OTHER LIABILITIES

### a) Taxes and social security

	Dec, 31 2014	Dec, 31 2013
Legal liabilities (Note 28.d)	13,142,356	12,602,564
Taxes and contributions on net income payable	2,261,519	5,429,259
Provision for tax litigation (Note 28.a)	1,997,160	2,016,385
Taxes and contributions payable	1,836,002	1,605,069
Deferred tax liabilities (Note 25.d)	1,627,873	6,241,771
Provision for taxes and contributions on net income	1,596,292	701,527
Other	322,589	280,370
<b>Total</b>	<b>22,783,791</b>	<b>28,876,945</b>
Current liabilities	20,370,981	22,222,882
Non-current liabilities	2,412,810	6,654,063

### b) Financial and Development Funds

	Dec, 31 2014	Dec, 31 2013
Marinha Mercante	5,813,891	4,351,838
Pasep <sup>(1)</sup>	2,259,845	2,063,491
Development Fund of the Northeast - FDNE	1,534,405	387,000
Funds from the State Government of São Paulo	725,304	729,816
Development Fund of the Midwest - FDCO	254,640	--
Programa Especial de Crédito para a Reforma Agrária – Procerá	--	21,995
Consolidação da Agricultura Familiar – CAF	--	25,241
Combate à Pobreza Rural – Nossa Primeira Terra – CPR/NPT	--	14,883
Terras e Reforma Agrária – BB Banco da Terra	9,494	12,939
Fundo Nacional de Aviação Civil - FNAC	51,632	--
Other	191,187	54,219
<b>Total</b>	<b>10,840,398</b>	<b>7,661,422</b>
Current liabilities	6,629,365	5,219,026
Non-current liabilities	4,211,033	2,442,396

(1) The Bank is administrator of the Public Servant Heritage Formation Program (Pasep), guaranteeing a minimum return equal to the Long-Term Interest Rate - TJLP.

**c) Subordinated debts**

Funding		Issued Value	Remuneration p.a.	Issue Date	Maturity	Dec, 31 2014	Dec, 31 2013
<b>Banco do Brasil</b>							
<b>FCO – Resources from Fundo Constitucional do Centro-Oeste</b>						<b>20,467,309</b>	<b>18,529,802</b>
Funds applied <sup>(1)</sup>						19,898,074	17,925,347
Resources available <sup>(2)</sup>						563,304	591,651
Charges to capitalize						5,931	12,804
<b>Subordinated CDB Issued in the Country</b>						<b>4,110,613</b>	<b>5,137,043</b>
		900,000	113.80% from CDI	03/2009	09/2014	--	1,468,869
		1,335,000	115.00% from CDI	03/2009	03/2015	2,461,107	2,187,159
		1,000,000	105.00% from CDI	11/2009	11/2015	1,649,506	1,481,015
<b>Subordinated Debt Abroad</b>						<b>7,861,671</b>	<b>7,644,863</b>
	USD	300,000	8.50%	09/2004	09/2014	--	710,925
	USD	660,000	5.38%	10/2010	01/2021	1,787,935	1,584,030
	USD	1,500,000	5.88%	05/2011	01/2022	4,045,769	3,563,218
	USD	750,000	5.88%	06/2012	01/2023	2,027,967	1,786,690
<b>Subordinated Letters of Credit</b>						<b>22,101,905</b>	<b>16,057,992</b>
		1,000,000	108.50% from CDI	03/2010	03/2016	1,618,598	1,448,056
		1,006,500	111.00% from CDI	03/2011	03/2017	1,478,868	1,319,658
		335,100	111.00% from CDI	04/2011	04/2017	489,988	437,238
		13,500	111.00% from CDI	05/2011	05/2017	19,536	17,433
		700,000	111.00% from CDI	09/2011	10/2017	962,833	859,178
		512,500	111.50% from CDI	05/2012	05/2018	657,343	586,275
		215,000	112.00% from CDI	05/2012	05/2019	275,968	246,006
		115,000	112.50% from 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% from 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% from 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% from 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% from CDI	07/2012	02/2018	127,122	113,379
		10,200	111.50% from 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% from 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% from CDI	07/2012	07/2018	28,221	25,170
		1,000,000	Pré 10.51%	09/2012	07/2018	1,251,347	1,133,034
		4,680,900	111.00% from CDI	01/2013	01/2019	5,694,568	5,681,470
		266,400	111.00% from CDI	02/2013	02/2019 <sup>(3)</sup>	--	288,124
		1,000,000	114.00% from CDI	03/2014	03/2021	1,095,127	--
		265,091	115.00% from CDI	04/2014	04/2021	288,116	--
		71,674	113.00% from CDI	05/2014	05/2021	77,577	--
		400,000	IPCA+8.08%	05/2014	05/2022	431,255	--
		52,000	112.00% from CDI	05/2014	05/2020	55,967	--
		3,037	114.00% from CDI	05/2014	04/2020	3,288	--
		78,386	114.00% from CDI	05/2014	05/2020	84,532	--
		64,000	114.00% from CDI	05/2014	05/2021	68,792	--
		703,341	115.00% from CDI	05/2014	05/2021	758,757	--
		30,100	112.00% from CDI	06/2014	06/2020	32,215	--
		50,000	114.00% from CDI	06/2014	06/2021	53,429	--
		119,700	115.00% from CDI	06/2014	06/2021	128,514	--

Funding		Issued Value	Remuneration p.a.	Issue Date	Maturity	Dec, 31 2014	Dec, 31 2013
		12,000	113.00% from CDI	08/2014	08/2021	12,606	--
		15,600	112.00% from CDI	08/2014	08/2020	16,350	--
		261,500	114.00% from CDI	08/2014	08/2020	274,042	--
		14,700	115.00% from CDI	08/2014	08/2021	15,402	--
		30,000	113.00% from CDI	09/2014	09/2021	31,104	--
		100,000	114.00% from CDI	09/2014	09/2020	103,249	--
		1,500,000	115.00% from CDI	09/2014	09/2021	1,548,444	--
		37,880	115.00% from CDI	10/2014	10/2021	38,992	--
<b>Total Subordinated Debt from Banco do Brasil</b>						<b>54,541,498</b>	<b>47,369,700</b>
<b>Banco Votorantim</b>							
<b>Subordinated CDB Issued in the Country</b>						<b>--</b>	<b>1,071,487</b>
		260,000	CDI+1.67%	08/2009	08/2014	--	415,180
		7,500	IPCA+7.86%	08/2009	08/2014	--	13,376
		5,250	IPCA+7.92%	08/2009	08/2014	--	9,390
		2,500	IPCA+7.95%	08/2009	08/2014	--	4,475
		19,500	IPCA+8.00%	08/2009	08/2014	--	34,991
		250,000	CDI+1.64%	12/2009	12/2014	--	385,618
		135,000	CDI+1.67%	12/2009	12/2014	--	208,457
<b>Subordinated Notes</b>	<b>USD</b>	<b>1,527,315</b>	<b>Pré 7.38%</b>	<b>01/2010</b>	<b>01/2020</b>	<b>1,690,932</b>	<b>1,481,180</b>
<b>Subordinated Letters of Credit</b>						<b>1,428,838</b>	<b>1,126,440</b>
		94,950	CDI+1.28%	11/2010	11/2016	95,924	95,793
		30,000	CDI+1.57%	12/2010	12/2016	30,032	30,026
		324,900	CDI+1.91%	05/2011	05/2017	329,995	329,258
		35,550	IGPM+7.42%	05/2011	05/2017	51,473	46,246
		1,400	IPCA+7.63%	05/2011	05/2017	2,248	1,959
		4,650	IPCA+7.71%	05/2011	05/2017	7,493	6,524
		7,500	IPCA+7.81%	05/2011	05/2017	12,086	10,515
		45,000	IPCA+7.82%	07/2011	07/2016	71,328	62,032
		15,000	IGPM+7.57%	07/2011	07/2017	21,390	19,181
		6,922	IPCA+7.86%	07/2011	07/2019	10,936	9,509
		25,000	IPCA+7.77%	08/2011	08/2016	39,312	34,400
		1,250	115.00% from CDI	08/2011	08/2017	1,778	1,580
		10,050	IGPM+7.57%	08/2011	08/2017	14,335	12,864
		20,000	IPCA+7.76%	08/2011	08/2017 <sup>(3)</sup>	--	27,249
		11,000	IPCA+7.72%	08/2011	08/2017	17,211	15,056
		25,000	IPCA+7.79%	08/2011	08/2017	39,245	34,315
		33,000	117.00% from CDI	09/2011	09/2017	34,068	33,893
		15,000	IGPM+6.62%	09/2011	09/2017	20,473	18,523
		250,000	119.00% from CDI	10/2011	10/2017	257,109	255,850
		18,000	IGPM+6.6%	10/2011	10/2017	24,377	22,076
		1,194	IPCA+7.00%	11/2013	11/2016 <sup>(3)</sup>	--	1,214
		17,908	IPCA+7.10%	11/2013	11/2016 <sup>(3)</sup>	--	18,208
		5,976	IPCA+7.20%	11/2013	11/2016 <sup>(3)</sup>	--	6,046
		5,969	IPCA+7.25%	11/2013	11/2020 <sup>(3)</sup>	--	6,052
		27,500	IPCA+7.94%	11/2013	11/2023	32,300	28,071
		25,000	CDI+1.72%	01/2014	01/2020	28,171	--
		22,050	118.00% from CDI	03/2014	03/2020	24,299	--
		10,000	118.00% from CDI	03/2014	03/2021	11,012	--
		25,000	CDI+2.16%	03/2014	03/2021	27,669	--
		400	116.00% from CDI	04/2014	04/2020	438	--
		5,100	118.00% from CDI	04/2014	04/2021	5,561	--
		1,500	IPCA+8.01%	04/2014	04/2020	1,657	--
		3,000	118.00% from CDI	05/2014	05/2020	3,250	--
		3,000	118.00% from CDI	05/2014	05/2021	3,248	--
		14,400	119.00% from CDI	05/2014	05/2021	15,507	--
		3,496	IPCA+8.02%	05/2014	05/2020	3,800	--
		4,800	IPCA+8.13%	05/2014	05/2021	5,167	--
		1,500	IPCA+8.63%	05/2014	05/2024	1,630	--
		2,500	IPCA+8.14%	05/2014	05/2024	2,710	--

Funding	Issued Value	Remuneration p.a.	Issue Date	Maturity	Dec, 31 2014	Dec, 31 2013
	5,500	118.00% from CDI	06/2014	06/2020	5,917	--
	750	119.00% from CDI	06/2014	05/2021	808	--
	1,500	117.00% from CDI	06/2014	06/2020	1,612	--
	150	118.00% from CDI	06/2014	06/2021	160	--
	200	IPCA+7.98%	06/2014	06/2021	215	--
	5,500	IPCA+8.14%	06/2014	06/2024	5,910	--
	3,750	119.00% from CDI	06/2014	06/2021	4,035	--
	780	117.00% from CDI	07/2014	07/2020	823	--
	450	118.00% from CDI	07/2014	07/2021	477	--
	252	117.00% from CDI	09/2014	08/2020	262	--
	258	117.00% from CDI	09/2014	09/2020	268	--
	18,300	118.00% from CDI	09/2014	09/2021	19,069	--
	250	IPCA+7.32%	09/2014	08/2020	260	--
	150	IPCA+7.48%	09/2014	09/2020	156	--
	150	IPCA+7.61%	09/2014	08/2020	156	--
	74,700	118.00% from CDI	10/2014	10/2021	77,065	--
	30,000	IPCA+7.52%	10/2014	10/2020	30,808	--
	1,272	IPCA+6.84%	11/2014	11/2016	1,294	--
	19,087	IPCA+6.94%	11/2014	11/2016	19,412	--
	6,362	IPCA+7.09%	11/2014	11/2020	6,451	--
	6,362	IPCA+7.02%	12/2014	11/2016	6,448	--
<b>Total Subordinated Debt from Banco Votorantim</b>					<b>3,119,770</b>	<b>3,679,107</b>
Eliminated Amount on Consolidation					(10,527)	(491)
<b>Total Subordinated Debt Consolidated</b> <sup>(4)(5)</sup>					<b>57,650,741</b>	<b>51,048,316</b>
Current liabilities					4,110,613	3,251,281
Non-current liabilities					53,540,128	47,797,035

- (1) Remunerated at the rates on the loans funded with these amounts less the del credere of the financial institution, according to article 9 of Law No.7.827/1989.
- (2) Remunerated based on extra-market rate announced by the Banco Central do Brasil (Bacen), according to article 9 of Law No. 7.827/1989.
- (3) Operations paid in advance.
- (4) R\$ 37,065,165 thousand (R\$ 32,747,645 thousand as of December 31, 2013) of the total balance is considered tier II of the Referential Equity (RE). As determined by Bacen, subordinated debts issued by Banco Votorantim do not contribute to the Bank's RE (Note 29.f).
- (5) Includes the amount of R\$ 5,334,900 thousand, relating to subordinated debt recorded in the line Debt Instruments Eligible as Capital.

#### d) Equity and debt hybrid securities

Funding	Issued Value	Remuneration p.a.	Issue Date	Dec, 31 2014	Dec, 31 2013
<b>Perpetual Bonds</b>					
USD	1,500,000	8.50%	10/2009	4,037,923	3,558,392
USD	1,750,000	9.25%	01 and 03/2012	4,835,886	4,277,041
USD	2,000,000	6.25%	01/2013	5,355,519	4,720,277
R\$	8,100,000 <sup>(1)</sup>	5.50%	09/2012	149,587	8,324,729
USD	2,500,000	9.00%	06/2014	6,627,916	--
<b>Total Banco do Brasil</b>				<b>21,006,831</b>	<b>20,880,439</b>
Eliminated amount on consolidation				(8,321)	(6,116)
<b>Total BB-Consolidated</b>				<b>20,998,510</b>	<b>20,874,323</b>
Current liabilities				368,814	320,248
Non-current liabilities				20,629,696	20,554,075

- (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 in the referential equity of Tier I capital (Additional Tier I Capital), and were subject to the established by article 28 of the CMN Resolution No. 4,192/2013, hence were recognized in this grouping. On August 28, 2014, under the law 12,793/2013, an amendment was signed to the agreement with the objective of making this instrument qualifying to common equity Tier 1 capital. On September 22, 2014, Bacen considered the instrument qualifying to common equity Tier 1 capital, in accordance with Resolution CMN No. 4,192/2013. Thereby, for disclosure of financial statements, the instrument was reclassified to Shareholder's Equity (Note 24.c), and the balance of interest payable remained in this grouping.

R\$ 18,502,534 thousand of the Perpetual Bonds is included in the Referential Equity (R\$ 18,445,734 thousand as of December 31, 2013). Of this amount, R\$ 16,132,770 thousand are recorded in debt instruments eligible as capital (Note 29.f).

The bonds of USD 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, semi-annual interest payment date, as long as it has been previously authorized by Banco Central do Brasil (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 traded rate on 10 year North American Treasury bonds. Thereafter, every 10 years, the interest on the bonds will be adjusted by taking into account the traded rate of the 10 year North American Treasury bonds.

The bonds issued in January 2012 and March 2012 (reopening), of USD 1,000,000 thousand and USD 750,000 thousand respectively, and the bonds issued in January 2013 of USD 2,000,000 thousand, had their terms and conditions modified on September 27, 2013, in order to adjust them to the rules of Bacen through Resolution No. 4,192 of March 1, 2013, which regulates the implementation of Basel III in Brazil. The changes were effective from October 1, 2013, when the instruments were submitted to Bacen to obtain authorization to be included in the Supplementary Capital (Tier I) of the Bank. The authorization was granted on October 30, 2013.

The bonds issued in June 2014 of USD 2,500,000 thousand, have the option of redemption at the discretion of the Bank from June 18, 2024 or on each subsequent, semi-annual interest payment date, as long as it has been previously authorized by the Banco Central do Brasil. If the Bank does not exercise the option to redeem in June 2024, the interest on the bonds will be adjusted to 6.362% plus the traded rate on 10 year North American Treasury bonds.

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 bonds issued in 2014, the rate of bond interest is adjusted on that date and every 10 years according to the 10 year North American Treasury bonds at the time plus the initial credit spread. The bonds have the following options of redemption, subject to prior authorization of 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 bonds issued in 2014, and on each subsequent, semi-annual interest payment date, at the base redemption price;
- (ii) 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 April 2023, for the bonds issued in 2012, before April 2024 for the bonds issued in 2013, and before April 2024 for the bonds issued in 2014, as a result of a tax event, at the base redemption price;
- (iii) 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 April 2023, for the bonds issued in 2012, and in April 2024 for the bonds issued in 2013, on the occurrence of a regulatory event, at the higher value between the base redemption price 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 determine that the Bank suspends the semi-annual payments of interest and/or accessories on those securities issued (which will not be due or accrued) if:

- (i) the Bank does not comply or the payment of such charges does not allow the bank to comply with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level 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 equity to common shareholders for the period of calculation of such interest and / or accessories.

The bonds issued in January and March 2012, in January 2013 and in June 2014 determine that the Bank suspend the semi-annual payments of interest and/or accessories on those securities issued (which will not be due or accrued) if:

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

- (ii) the Bank does not comply or the payment of such charges does not allow the Bank to comply with the levels of capital adequacy, operating limits, or its financial indicators are under the minimum level 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.

According to Basel III rules, the bonds issued in January 2012, March 2012, in January 2013 and in June 2014 have mechanisms of loss absorption. Moreover, if the item (i) occurs, the payment of dividends by Bank to its shareholders will be limited to the minimum required determined by applicable law until the semi-annual interest payments and / or accessories on those titles have been resumed in full. Finally, these bonds will expire permanently and at the minimum value corresponding to the balance recorded in the Tier I capital of the Bank if:

- (i) the main capital of the Bank is less than 5.125% of the amount of risk-weighted assets (RWA);
- (ii) the decision to make a capital injection from the public sector or an equivalent capital contribution to the Bank is taken, in order to maintain the bank's viability;
- (iii) the Bacen, on a discretionary assessment regulated by the CMN, sets out, in writing, the expiration of the bonds to enable the continuity of the Bank.

#### e) Sundry

	Dec, 31 2014	Dec, 31 2013
Credit/debit card operations	19,548,519	17,409,035
Actuarial liabilities (Note 27.e)	7,769,579	8,134,976
Sundry creditors – domestic	7,740,859	6,177,422
Provisions for pending payments	7,544,606	6,744,857
Provisions for civil claims (Note 28.a)	5,772,357	4,811,852
Provision for labor claims (Note 28.a)	2,735,089	3,425,747
Funds linked to loan operations	1,264,972	1,060,628
Liabilities for rendering payment services	1,120,747	692,256
Sundry creditors – abroad	1,092,004	870,196
Creditors of resources to be released	1,003,725	1,323,398
Liabilities for premiums granted to customer for loyalty	973,651	534,975
Liabilities for official agreements	733,450	711,949
Liabilities for shares in investment funds	634,174	1,006,711
Liabilities for assets acquisition	506,966	530,579
Liabilities for operations linked to assignments	345,409	264,918
Provision for losses with the Fundo de Compensação de Variação Salarial – FCVS	246,586	230,556
Provisions for guarantees provided	193,877	145,678
Guarantees on credit assignments	1,107	1,411
Other	122,940	127,453
<b>Total</b>	<b>59,350,617</b>	<b>54,204,597</b>
Current liabilities	49,910,566	44,478,562
Non-current liabilities	9,440,051	9,726,035

## 21 - OPERATIONS OF INSURANCE, PENSION PLAN AND CAPITALIZATION

### a) Operation credits

	Dec 31, 2014	Dec 31, 2013
Direct insurance premiums to receive	3,397,512	2,232,640
Credits from insurance transactions with reinsurers	1,239,800	1,120,978
Credits from insurance business with insurers	365,105	392,069
Credits from capitalization	7,692	11,252
Credits from pension plans	76	16
<b>Total</b>	<b>5,010,185</b>	<b>3,756,955</b>
Current assets	4,104,489	3,739,624
Non-current assets	905,696	17,331

### b) Technical provisions

	Dec 31, 2014	Dec 31, 2013
<b>Insurance</b>	<b>10,442,325</b>	<b>8,722,993</b>
Provision for unearned premiums	5,933,486	4,788,037
Provision for unsettled claims	3,405,527	2,856,839
Provision for claims incurred but not reported	759,609	644,026
Supplementary provision coverage	269,306	226,438
Other provisions	74,397	207,653
<b>Pension plan</b>	<b>83,969,011</b>	<b>62,689,440</b>
Mathematical provision for future benefits	81,648,799	60,270,487
Mathematical provision for vested benefits	1,207,718	1,032,773
Provision for financial surplus	453,322	442,926
Provision for claims incurred but not reported	14,350	14,621
Other provisions	644,822	928,633
<b>Capitalization</b>	<b>7,808,676</b>	<b>6,316,911</b>
Mathematical provision for capitalization	7,419,815	6,005,339
Provision for prize draws and redemptions	388,861	256,566
Other provisions	--	55,006
<b>Total</b>	<b>102,220,012</b>	<b>77,729,344</b>
Current liabilities	24,494,597	19,733,882
Non-current liabilities	77,725,415	57,995,462

### c) Technical provisions by product

	Dec 31, 2014	Dec 31, 2013
<b>Insurance</b>	<b>10,442,325</b>	<b>8,722,993</b>
Life	5,041,816	3,685,813
Property/casualty	2,663,406	2,744,006
Auto	2,318,491	1,859,889
Dpvat	418,612	433,285
<b>Pension plan</b>	<b>83,969,011</b>	<b>62,689,440</b>
Living benefits life insurance - VGBL	60,362,072	41,363,459
Free benefit generating plan - PGBL	17,451,080	15,252,001
Traditional plans	6,155,859	6,073,980
<b>Capitalization</b>	<b>7,808,676</b>	<b>6,316,911</b>
<b>Total</b>	<b>102,220,012</b>	<b>77,729,344</b>

**d) Guarantee of technical provisions**

	Dec 31, 2014				Dec 31, 2013			
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total
Shares in Investment Funds (VGBL and PGBL)	--	77,362,267	--	77,362,267	--	56,201,307	--	56,201,307
Shares in Investment Funds (except VGBL and PGBL)	4,501,338	4,831,352	4,201,507	13,534,197	4,291,376	4,678,669	2,786,984	11,757,029
Federal Government securities	2,925,739	2,586,063	2,295,753	7,807,555	1,867,399	2,338,568	2,804,407	7,010,374
Corporate bonds	1,406,515	200,694	1,675,544	3,282,753	1,319,635	194,925	863,378	2,377,938
Credit rights	2,571,754	--	--	2,571,754	1,761,615	--	60,350	1,821,965
Real estate	25,203	--	--	25,203	14,916	--	--	14,916
Deposits held at IRB and deposits in court	327	--	--	327	8,619	--	--	8,619
<b>Total</b>	<b>11,430,876</b>	<b>84,980,376</b>	<b>8,172,804</b>	<b>104,584,056</b>	<b>9,263,560</b>	<b>63,413,469</b>	<b>6,515,119</b>	<b>79,192,148</b>

**e) Financial and operational results**

	2nd half/2014				2014				2013			
	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total	Insurance	Pension plan	Capitalization	Total
<b>Financial results</b>	<b>250,196</b>	<b>1,022,962</b>	<b>383,518</b>	<b>1,656,676</b>	<b>521,355</b>	<b>2,135,348</b>	<b>730,072</b>	<b>3,386,775</b>	<b>374,192</b>	<b>987,190</b>	<b>391,750</b>	<b>1,753,132</b>
Financial income	715,137	3,455,250	403,796	4,574,183	1,221,962	7,080,345	757,050	9,059,357	569,282	3,212,623	423,221	4,205,126
Financial expenses	(464,941)	(2,432,288)	(20,278)	(2,917,507)	(700,607)	(4,944,997)	(26,978)	(5,672,582)	(195,090)	(2,225,433)	(31,471)	(2,451,994)
<b>Interest and inflation adjustment of technical reserves</b>	<b>(31,402)</b>	<b>(560,787)</b>	<b>(239,256)</b>	<b>(831,445)</b>	<b>(48,732)</b>	<b>(1,509,448)</b>	<b>(442,356)</b>	<b>(2,000,536)</b>	<b>(30,578)</b>	<b>(743,224)</b>	<b>(301,448)</b>	<b>(1,075,250)</b>
<b>Operational results</b>	<b>2,042,310</b>	<b>144,527</b>	<b>181,245</b>	<b>2,368,082</b>	<b>3,883,557</b>	<b>269,357</b>	<b>318,414</b>	<b>4,471,328</b>	<b>2,842,350</b>	<b>140,215</b>	<b>247,789</b>	<b>3,230,354</b>
Retained premiums and contributions (Note 21.f)	5,587,028	12,537,207	2,276,103	20,400,338	10,108,440	23,419,096	4,448,398	37,975,934	7,873,283	17,381,161	4,170,185	29,424,629
Change in technical provisions	(682,264)	(12,307,398)	(1,881,736)	(14,871,398)	(1,076,841)	(23,008,755)	(3,707,872)	(27,793,468)	(1,158,027)	(17,172,363)	(3,542,171)	(21,872,561)
Retained claims	(2,340,847)	(21,148)	--	(2,361,995)	(4,169,066)	(25,995)	--	(4,195,061)	(2,979,245)	(12,809)	--	(2,992,054)
Selling expenses	(521,607)	(54,858)	(141,509)	(717,974)	(978,976)	(97,537)	(272,430)	(1,348,943)	(893,661)	(26,312)	(217,036)	(1,137,009)
Expenses with prize draws and redemptions of financial bonds	--	--	(71,613)	(71,613)	--	--	(149,682)	(149,682)	--	--	(163,189)	(163,189)
Expenses with benefits and redemptions of pension plans	--	(9,276)	--	(9,276)	--	(17,452)	--	(17,452)	--	(29,462)	--	(29,462)
<b>Total</b>	<b>2,261,104</b>	<b>606,702</b>	<b>325,507</b>	<b>3,193,313</b>	<b>4,356,180</b>	<b>895,257</b>	<b>606,130</b>	<b>5,857,567</b>	<b>3,185,964</b>	<b>384,181</b>	<b>338,091</b>	<b>3,908,236</b>

**f) Retained premiums of insurance, pension plan contributions and capitalization certificates**

	2nd half/2014	2014	2013
<b>Insurance</b>	<b>5,587,028</b>	<b>10,108,440</b>	<b>7,873,283</b>
Premiums issued	5,903,790	11,131,734	8,917,044
Coinsurance premiums ceded	(98,591)	(203,999)	(129,711)
Reimbursed premiums	(13,060)	(21,764)	(25,245)
Reinsurance premiums ceded, consortiums and funds	(205,111)	(797,531)	(888,805)
<b>Pension plan</b>	<b>12,537,207</b>	<b>23,419,096</b>	<b>17,381,161</b>
Premiums issued	11,258,003	21,199,704	15,255,635
Supplementary pension contributions (includes VGBL)	1,279,204	2,219,392	2,125,526
<b>Capitalization</b>	<b>2,276,103</b>	<b>4,448,398</b>	<b>4,170,185</b>
Commercialization of capitalization certificates	2,276,103	4,448,398	4,170,185
<b>Total</b>	<b>20,400,338</b>	<b>37,975,934</b>	<b>29,424,629</b>

**22 – OTHER OPERATING INCOME/EXPENSES**
**a) Service Fee Income**

	2nd half/2014	2014	2013
Card income	2,911,568	5,521,924	4,872,563
Fund management	2,065,312	3,846,008	3,422,617
Billing	772,891	1,486,877	1,411,187
Insurance, pension and capitalization	742,339	1,426,635	1,198,844
Collection	488,238	944,384	891,346
Loans and guarantees provided	430,798	893,854	1,071,428
Interbank	385,185	748,990	726,082
Capital market income	253,443	481,367	524,004
Fiduciary services	209,461	397,464	333,365
National Treasury and official funds management	189,724	354,693	277,221
Consortium management fees	191,223	336,437	269,467
Account fee	163,712	315,025	323,457
From non-financial associates/subsidiaries	111,172	228,777	221,162
Provided to related companies	39,080	72,603	86,464
Other services	737,595	1,378,642	1,124,323
<b>Total</b>	<b>9,691,741</b>	<b>18,433,680</b>	<b>16,753,530</b>

**b) Bank Fee Income**

	2nd half/2014	2014	2013
Service packages	1,670,943	3,223,494	3,345,420
Loans and customer registration	777,318	1,474,937	1,386,154
Card income	479,653	938,793	875,954
Funds transfer	164,654	300,306	243,626
Investment funds management	160,570	286,828	290,484
Deposit account	107,270	206,352	207,111
Fiduciary services	25,491	47,594	49,394
Other	82,872	157,972	148,841
<b>Total</b>	<b>3,468,771</b>	<b>6,636,276</b>	<b>6,546,984</b>

**c) Personnel Expenses**

	2nd half/2014	2014	2013
Salaries	(4,894,913)	(9,454,352)	(8,748,550)
Social charges	(1,762,087)	(3,358,169)	(3,106,981)
Benefits	(1,308,500)	(2,525,559)	(2,316,959)
Personnel administrative provisions	(1,199,563)	(2,503,137)	(2,360,394)
Labor lawsuits	(618,935)	(1,055,164)	(1,350,198)
Pension plans	(244,834)	(436,795)	(386,642)
Directors' and advisors' fees	(48,095)	(91,765)	(72,778)
Training	(46,211)	(74,743)	(58,593)
<b>Total</b>	<b>(10,123,138)</b>	<b>(19,499,684)</b>	<b>(18,401,095)</b>

**d) Other Administrative Expenses**

	2nd half/2014	2014	2013
Amortization	(1,570,761)	(3,573,604)	(3,339,909)
Expenses with outsourced services	(893,041)	(1,841,642)	(1,932,967)
Communications	(790,749)	(1,559,881)	(1,462,321)
Rent	(678,155)	(1,301,029)	(1,144,351)
Transport	(660,136)	(1,298,176)	(1,198,368)
Depreciation	(556,854)	(1,067,746)	(912,222)
Security services	(563,944)	(1,010,762)	(845,012)
Data processing	(430,627)	(864,339)	(838,222)
Specialized technical services	(449,060)	(802,481)	(810,901)
Financial system services	(401,719)	(788,211)	(897,001)
Maintenance and upkeep	(374,168)	(705,854)	(637,787)
Advertising and marketing	(286,469)	(544,339)	(493,383)
Water, electricity and gas	(195,008)	(381,385)	(356,058)
Promotion and public relations	(155,008)	(268,807)	(260,981)
Domestic travel	(73,429)	(153,743)	(133,393)
Materials	(80,301)	(146,328)	(144,918)
Other	(528,551)	(887,138)	(990,995)
<b>Total</b>	<b>(8,687,980)</b>	<b>(17,195,465)</b>	<b>(16,398,789)</b>

**e) Other Operating Income**

	2nd half/2014	2014	2013
Update of deposits in guarantee	1,023,712	1,945,816	1,314,003
Negative foreign exchange readjustment/Reclassification of liabilities balances	98,718	1,839,393	209,747
Previ - Defined benefit plan income (Note 27.d)	456,661	1,348,061	598,311
Cards transactions	712,961	1,232,582	683,558
Reversal of provisions - labor, civil and tax claims	442,579	1,002,452	805,626
Surplus allocation update - Previ Plan 1 (Note 27.f)	391,651	889,490	948,269
Recovery of charges and expenses	419,355	790,487	726,668
Income on receivables	432,873	732,271	474,519
From non-financial associates/subsidiaries	345,807	594,403	544,565
Royalties and special participation	45,614	166,746	38,815
Dividends received	5,017	7,559	22,822
Other <sup>(1)</sup>	1,008,754	2,044,966	1,795,752
<b>Total</b>	<b>5,383,702</b>	<b>12,594,226</b>	<b>8,162,655</b>

(1) Includes in 2013, the amount of R\$ 209.421 thousand related to the net effect for joining the program of installments and cash payment of tax debt - Refis (Notes 25.b and 28.d).

## f) Other Operating Expenses

	2nd half/2014	2014	2013
Credit/debit card transactions	(1,476,368)	(2,732,840)	(2,484,702)
Civil and tax claims	(931,214)	(1,930,478)	(1,888,460)
Negative foreign exchange readjustment/ Reclassification of assets balances	(47,059)	(1,381,416)	(43,485)
From non-financial associates/subsidiaries	(534,935)	(1,019,337)	(925,255)
Actuarial liabilities update	(470,147)	(1,014,580)	(974,320)
Discounts granted on renegotiations	(331,460)	(703,479)	(467,431)
Compensation for transactions of Banco Postal	(567,319)	(661,870)	--
Update of deposits in guarantee <sup>(1)</sup>	(408,453)	(538,835)	(250,126)
Business partners <sup>(2)</sup>	(127,961)	(270,271)	(372,374)
ATM Network	(104,386)	(237,675)	(263,198)
Failures/frauds and other losses	(138,224)	(228,943)	(255,268)
Business relationship bonus	(87,742)	(196,136)	(210,741)
Life insurance premium - consumer credit	(93,930)	(158,612)	(129,374)
INSS - Social Security	(15,931)	(31,158)	(27,614)
Fees for the use of Sisbacen - Banco Central do Brasil System	(13,825)	(26,925)	(23,335)
Proagro Expenses	(12,471)	(25,020)	(18,915)
Previ - actuarial adjustment	(6,704)	(11,648)	(19,032)
Update of interest on own capital/dividends	(3,943)	(9,357)	(40,507)
Other	(930,916)	(1,516,283)	(1,091,470)
<b>Total</b>	<b>(6,302,988)</b>	<b>(12,694,863)</b>	<b>(9,485,607)</b>

(1) Refers to the adjustment of the provision for deposit in court regarding the lawsuit (Income Tax and Social Contribution Tax on Net Income) as note 28.d.

(2) Refers mainly to commission for loans originated by partners and commercial agreements with retailers.

## 23 – NON-OPERATING INCOME

	2nd half/2014	2014	2013
<b>Non-operating income</b>	<b>215,287</b>	<b>416,421</b>	<b>10,365,535</b>
Profit on disposal of assets	81,284	111,193	104,844
Reversal of provision for devaluation of other assets	22,454	39,982	49,644
Rental income	15,902	28,928	17,447
Capital gains	12,802	23,638	17,930
Profit on disposal of investments / equity interest <sup>(1)</sup>	4,591	6,705	10,015,818
Interest and inflation adjustment of debtors from disposal of property	2,975	6,581	9,616
Other non-operating income	75,279	199,394	150,236
<b>Expenses</b>	<b>(148,369)</b>	<b>(215,759)</b>	<b>(189,396)</b>
Loss on disposal of assets	(47,016)	(58,565)	(42,125)
Devaluation of other assets	(23,952)	(37,831)	(33,748)
Capital losses	(20,022)	(36,256)	(35,818)
Other non-operating expenses	(57,379)	(83,107)	(77,705)
<b>Total</b>	<b>66,918</b>	<b>200,662</b>	<b>10,176,139</b>

(1) Includes at 2013, the gain on disposal of shares from BB Seguridade of R\$ 9,820,460 thousand.

## 24 – SHAREHOLDERS' EQUITY

### a) Book value and market value per common share

	Dec 31, 2014	Dec 31, 2013
Shareholders' equity - Banco do Brasil	77,920,212	69,859,729
Book value per share (R\$)	27.86	24.87
Market value per share (R\$)	23.77	24.40
Shareholders' equity - Consolidated <sup>(1)</sup>	80,613,194	72,224,795

(1) Conciled with the equity of Banco do Brasil (Note 24.h).

Book value per share is calculated based on the equity of Banco do Brasil.

### b) Capital

The capital, entirely subscribed and paid-in, in the amount of R\$ 54,000,000 thousand (R\$ 54,000,000 thousand as of December 31, 2013) of Banco do Brasil is divided into 2,865,417,020 book-entry common shares without 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 capital up to the limit of R\$ 110,000,000 thousand by issuing common shares, for which shareholders should be granted preference in the subscription in proportion to the number of shares held.

### c) Instruments Qualifying to Common Equity Tier 1 Capital

On September 26, 2012, the Bank signed a Loan Agreement with the Federal Government, as capital and debit hybrid instruments 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 (Note 29.f).

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 in the contract, compensation became fully variable and the interest will be due on periods matching with the fiscal year of the Bank, starting in January 1 and ending in 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 issuing institution or by 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 considered the instrument qualifying to the common equity Tier I capital in the form of CMN Resolution 4,192/2013 from August 28, 2014. So the instrument mentioned was reclassified to the Shareholders' Equity, for purposes of disclosure in the financial statements.

#### d) Revaluation reserves

The revaluation reserves, totaling R\$ 2,805 thousand (R\$ 4,564 thousand as of December 31, 2013), refer to revaluations of assets made by the associates/subsidiaries.

In 2014, there was a reserve realization of R\$ 1,759 thousand (R\$ 81 thousand in 2013), due to depreciation, transferred to Retained Earnings (Accumulated Losses), net of taxes. In accordance with CMN Resolution 3,565/2008, the remaining amount will be maintained until the date of its effective realization.

#### e) Capital and profit reserves

	Dec 31, 2014	Dec 31, 2013
Capital Reserves	10,773	6,023
Profit Reserves <sup>(1)</sup>	26,625,511	19,972,166
Legal reserve	5,468,217	4,902,575
Statutory reserves <sup>(1)</sup>	21,157,294	15,069,591
Operating margin	16,946,706	10,802,484
Equalization of dividends	4,210,588	4,267,107

(1) In the Individual Financial Statements of the Bank, on December 31, 2014, the amounts of profit reserves and statutory reserves are R\$ 27,025,981 thousand and R\$ 21,557,764 thousand, respectively, due to unrealized results from subsidiary company, in the amount R\$ 400,470 thousand (Note 24.h).

The legal reserve is intended to ensure the integrity of the capital and can only be used to offset losses or increase capital. The Legal reserve is increased by 5% of the net profit for the period, before any other allocation, as long as it does not exceed 20% of capital.

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

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

#### f) Earnings per share

	2nd half/2014	2014	2013
Net income attributable to shareholders	5,747,662	11,312,852	15,810,371
Weighted average number of shares (basic and diluted)	2,797,135,631	2,800,275,232	2,834,080,029
Earnings per share (basic and diluted) (R\$)	2.05	4.04	5.58

**g) Interest on own capital/Dividends**

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

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

(1) Amounts subject to the rate of 15% Withholding Tax.

In accordance with Laws 9,249/1995 and 9,430/1996 and the Bank's Bylaws, Management decided on the payment of Interest on own capital to its shareholders plus additional dividends, equivalent to 40% of the net income.

The interest on own capital is calculated based on adjusted net equity value and is limited on a *pro rata die* basis to the variation of long-term interest rate, as long as there is profit (before the deduction of interest on own capital) or reserves for retained earnings and profit reserves of at least twice its value.

To comply with the Income Tax legislation, the amount of interest on own capital was recorded as "Financial expenses" and, for purposes of disclosure in these financial statements, reclassified to "Retained earnings". The total interest on own capital in 2014, provided an expense reduction on tax charges totaling R\$ 1,469,614 thousand (R\$ 1,325,569 thousand in 2013).

## h) Reconciliation of Net Income and Shareholders' Equity

	Net Income			Shareholders' Equity	
	2nd half/2014	2014	2013	Dec 31, 2014	Dec 31, 2013
<b>Banco do Brasil</b>	<b>5,747,662</b>	<b>11,312,852</b>	<b>15,810,371</b>	<b>77,920,212</b>	<b>69,859,729</b>
Unrealized gains <sup>(1)</sup>	(8,022)	(67,038)	(52,434)	(400,470)	(333,432)
Noncontrolling Interests	--	--	--	3,093,452	2,698,498
<b>BB Consolidated</b>	<b>5,739,640</b>	<b>11,245,814</b>	<b>15,757,937</b>	<b>80,613,194</b>	<b>72,224,795</b>

(1) In 2014 and 2013, there was elimination of unrealized results arising from the assignment of credits from the Bank to Ativos S.A.

## i) Accumulated Other Comprehensive Income

	2nd half/2014				2nd half/2013			
	Opening balance	Net change	Tax effects	Closing balance	Opening balance	Net change	Tax effects	Closing balance
<b>Securities available for sale</b>								
Banco do Brasil	(349,097)	(470,142)	61,525	(757,714)	(148,004)	(117,092)	(29,497)	(294,593)
Subsidiary abroad	31,018	(815)	(85)	30,118	77,953	(54,151)	852	24,654
Associates and subsidiaries	(110,267)	(136,201)	54,599	(191,869)	(103,826)	(148,013)	58,763	(193,076)
<b>Cash Flow Hedge</b>								
Associates and subsidiaries	1,590	190	(64)	1,716	1,533	44	(15)	1,562
<b>Actuarial Gains/(Losses) on Pension Plans</b>	(6,240,432)	(4,267,706)	1,828,047	(8,680,091)	(7,540,938)	8,448,752	(3,578,410)	(2,670,596)
<b>Total</b>	<b>(6,667,188)</b>	<b>(4,874,674)</b>	<b>1,944,022</b>	<b>(9,597,840)</b>	<b>(7,713,282)</b>	<b>8,129,540</b>	<b>(3,548,307)</b>	<b>(3,132,049)</b>

	2014				2013			
	Opening balance	Net change	Tax effects	Closing balance	Opening balance	Net change	Tax effects	Closing balance
<b>Securities available for sale</b>								
Banco do Brasil	(294,593)	(726,159)	263,038	(757,714)	1,031,280	(1,476,292)	150,419	(294,593)
Subsidiary abroad	24,654	4,483	981	30,118	95,442	(70,434)	(354)	24,654
Associates and subsidiaries	(193,076)	1,771	(564)	(191,869)	292,204	(815,214)	329,934	(193,076)
<b>Cash Flow Hedge</b>								
Associates and subsidiaries	1,562	233	(79)	1,716	1,428	203	(69)	1,562
<b>Actuarial Gains/(Losses) on Pension Plans</b>	(2,670,596)	(10,539,014)	4,529,519	(8,680,091)	(4,570,548)	3,209,932	(1,309,980)	(2,670,596)
<b>Total</b>	<b>(3,132,049)</b>	<b>(11,258,686)</b>	<b>(4,792,895)</b>	<b>(9,597,840)</b>	<b>(3,150,194)</b>	<b>848,195</b>	<b>(830,050)</b>	<b>(3,132,049)</b>

## j) Noncontrolling Interests

	Shareholders' Equity	
	Dec 31, 2014	Dec 31, 2013
Banco Patagonia S.A.	855,224	677,455
Besc Distribuidora de Títulos e Valores Mobiliários S.A.	28	27
BB Tecnologia e Serviços S.A.	57	45
BB Seguridade S.A.	2,238,143	2,020,971
<b>Noncontrolling Interests</b>	<b>3,093,452</b>	<b>2,698,498</b>

### k) Shareholdings (Number of shares)

Number of shares issued by the Bank to shareholders which, directly or indirectly, hold more than 5% of the shares:

Shareholders	Dec 31, 2014		Dez 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 <sup>(1)</sup>	--	--	5,522,648	0.2
Treasury shares <sup>(2)</sup>	68,881,576	2.4	56,702,328	2.0
Other Shareholders	840,142,448	29.3	833,721,140	29.1
<b>Total</b>	<b>2,865,417,020</b>	<b>100.0</b>	<b>2,865,417,020</b>	<b>100.0</b>
Resident Shareholders	2,279,461,556	79.6	2,326,961,469	81.2
Non Resident Shareholders	585,955,464	20.4	538,455,551	18.8

(1) Related to the Controller, 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).

Number of shares issued by the Bank, held by the Board of Directors, the Executive Board and the Audit Committee:

	Common shares (ON) <sup>(1)</sup>	
	Dec 31, 2014	Dez 31, 2013
Board of Directors (except for Bank's CEO, listed in the Bank's Executive Committee)	10,007	7
Executive Committee	112,867	99,908
Fiscal Council	1,176	--
Audit Committee	75	75

(1) The shareholding interest of the Board of Directors, Executive Committee, Fiscal Council and Audit Committee represents approximately 0.004% of the Bank's capital stock

### l) Movement of shares outstanding/Free Float

	Dez 31, 2014		Dez 31, 2013	
	Total	%	Total	%
Free float at the period date	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 - Shares Investments	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 <sup>(1)</sup>	109,093		12,914	
Free Float at the period end date <sup>(2)</sup>	840,019,565	29.3	833,621,216	29.1
Outstanding shares	2,865,417,020	100.0	2,865,417,020	100.0

(1) Refers mainly to changes coming from Technical and Advisory Bodies.

(2) According to the Law No. 6,404/1976 and the regulation of BM&FBovespa's New Market. The shares held by the Board of Directors and Executive committee are not included.

### m) Treasury shares

On July 13, 2012, the Board of Directors approved the repurchase program of up to 50 million shares within 180 days from that date, with the objective of acquiring shares to be held in treasury for subsequent sale or withdrawal without further capital reduction, aiming to generate value for shareholders. This program was in effect until January 8, 2013, and 20,200,000 shares were acquired for an amount of R\$ 461,246 thousand. Minimum, average and maximum cost per share are R\$ 18.28, R\$ 22.83 e R\$ 26.78 respectively.

On June 13, 2013, the Board of Directors approved the repurchase program of up to 50 million shares, under the same conditions as the previous program, however, valid for up to 365 days from that date. This program finished on June 6, 2014, and 43,126,700 shares were acquired for R\$ 1,014,504 thousand. The minimum, average and maximum cost per share were R\$ 18.84, R\$ 23.52 and R\$ 28.67, respectively. From the acquisitions relating to this program, 353,588 shares were used for variable compensation programs.

On June 06, 2014, the Board of Directors approved the repurchase program of up to 50 million shares, under the same conditions as the previous program. Up until December 31, 2014, 5,461,900 shares had been acquired for R\$ 142,769 thousand. The minimum, average and maximum cost per share were R\$ 24.80, R\$ 26.14 and R\$ 29.27, respectively.

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 result from repurchase programs, 471,290 shares result from acquisition for share-based payment and 32 were shares left over from mergers.

## n) Share-Based Payment

### 2011 Program

In February 2012, 130,146 shares were purchased at an average cost per share of R\$ 27.61 and placed in treasury. On March 8, 2012, 130,131 shares were transferred to the members of the Executive Committee and blocked for trading. The first and second annual installment were released for trading 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 executives of financial institutions 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, over a minimum period of three years, defined according to the risks and activities overseen by the executive.

The Bank and BB DTVM purchased 232,093 shares for payment of variable remuneration, at an average cost of R\$ 26.78 per share. The Bank purchased 212,301 shares, all 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, if all transfer restrictions are met, as scheduled below.

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
<b>Total</b>	<b>159,193</b>	

In compliance with the variable remuneration policy defined for the Executive Board of BB DTVM, 19,792 shares were purchased by BB DTVM, of which 10,282 shares have been transferred to the members of Executive Committee (3,170 shares in 2014). The other 9,510 shares are deferred for future payment, in annual installments starting in 2015, if all transfer restrictions are met.

### 2013 Program

The Bank allocated 353,588 treasury shares with an average cost of R\$ 23.31 per share to the variable remuneration program, of which 70,812 shares have already been transferred and the others are deferred for future transfer as appropriate considering the risks and the activities managed by the executives. The schedule below summarizes the future transfers to 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
<b>Total</b>	<b>282,776</b>	

In compliance with the variable remuneration policy defined for the Executive Board of BB DTVM, 24,546 shares were acquired by BB DTVM at an average cost of R\$ 23.83. Of these, 4,918 shares were transferred and the remaining shares were deferred for future transfer, in four annual installments, starting in 2015 if all transfer restrictions are met.

## 25 – TAXES

### a) Breakdown of income tax (IR) and social contribution expenses (CSLL)

	2nd half/2014	2014	2013
<b>Current values</b>	<b>(2,154,683)</b>	<b>(5,643,787)</b>	<b>(7,771,011)</b>
Domestic income tax and social contribution <sup>(1)</sup>	(1,962,036)	(5,199,340)	(7,335,116)
Foreign income tax	(192,647)	(444,447)	(435,895)
<b>Deferred values</b>	<b>1,138,361</b>	<b>1,952,991</b>	<b>1,777,517</b>
<b>Deferred tax liabilities</b>	<b>(312,971)</b>	<b>(837,916)</b>	<b>(90,610)</b>
Leasing transactions – portfolio adjustment and accelerated depreciation	17,217	59,260	160,307
Mark to Market (MTM)	(56,957)	113,437	169,056
Actuarial gains	(190,213)	(634,216)	(228,196)
Interest and inflation adjustment of fiscal judicial deposits	(163,381)	(310,066)	(236,128)
Foreign profits	153,336	--	--
Transactions carried out on the futures market	(44,444)	10,726	(62,972)
Recovered term credits	(28,529)	(77,057)	107,323
<b>Deferred tax assets</b>	<b>1,451,332</b>	<b>2,790,907</b>	<b>1,868,127</b>
Temporary differences	1,416,687	2,828,691	1,721,894
Tax losses/CSLL negative bases	180	(500)	687
Mark to Market (MTM)	34,465	(37,284)	161,984
Transactions carried out on the futures market	--	--	(16,438)
<b>Total</b>	<b>(1,016,322)</b>	<b>(3,690,796)</b>	<b>(5,993,494)</b>

(1) On December 2013, it includes the tax effects for joining the program of installments and cash payment of tax debt - Refis - Law 12,865/2013 (Note 25.b).

### b) Reconciliation of income tax and social contribution charges

	2nd half/2014	2014	2013
<b>Profit before taxation and profit sharing</b>	<b>8,410,617</b>	<b>18,034,650</b>	<b>24,796,078</b>
Total charges of IR (25%) and CSLL (15%)	(3,364,247)	(7,213,860)	(9,918,431)
Charges upon Interest on own capital	756,795	1,469,614	1,325,569
Equity in subsidiaries and associates	512,894	230,398	242,234
Employee profit sharing	325,544	637,527	871,288
Refis tax effects (Note 28.d)	--	--	377,622
Other amounts	752,692	1,185,525	1,108,224
<b>Income Tax and Social Contribution</b>	<b>(1,016,322)</b>	<b>(3,690,796)</b>	<b>(5,993,494)</b>

**c) Tax Expenses**

	2nd half/2014	2014	2013
Cofins	(1,686,063)	(3,192,754)	(3,078,065)
ISSQN	(441,109)	(840,854)	(807,533)
PIS/Pasep	(282,972)	(535,253)	(512,983)
Other	(240,854)	(418,074)	(360,876)
<b>Total</b>	<b>(2,650,998)</b>	<b>(4,986,935)</b>	<b>(4,759,457)</b>

**d) Deferred tax liabilities**

	Dec 31, 2014	Dec 31, 2013
Arising from positive adjustments of benefits plans <sup>(1)</sup>	273,173	4,669,398
Arising from interest and inflation adjustment of fiscal judicial deposits	452,830	415,027
Arising from mark-to-market	317,567	435,566
Arising from recovered term credits	183,809	106,752
Overseas entities	80,324	11,761
Arising from leasing portfolio adjustment	141,805	358,779
Arising from futures market transactions	58,616	70,668
Other	119,749	173,820
<b>Total deferred tax liabilities</b>	<b>1,627,873</b>	<b>6,241,771</b>
Income tax	902,872	3,384,314
Social contribution	551,960	1,968,915
Cofins	148,853	764,338
PIS/Pasep	24,188	124,204

(1) The realization of deferred tax liabilities on actuarial gains is dependent on the realization of the values of actuarial asset (Note 27).

**e) Deferred tax assets (Tax Credit)**

	Dec 31, 2013	2014		Dec 31, 2014
	Balance	Constitution	Write-off	Balance
Temporary differences	25,336,978	10,501,181	(8,441,108)	27,397,051
Allowance for loan losses	14,934,449	7,885,260	(5,644,379)	17,175,330
Provisions	7,420,265	1,769,958	(1,862,065)	7,328,158
Negative adjustments of benefits plans	450,895	--	(284,941)	165,954
Mark to Market (MTM)	927,710	658,421	(548,296)	1,037,835
Other provisions	1,603,659	187,542	(101,427)	1,689,774
CSLL written to 18% (MP 2,158/2001)	1,458,907	--	(182,337)	1,276,570
Tax losses/ negative bases	117,603	257,395	(1)	374,997
Excess depreciation	548,219	--	(96,273)	451,946
<b>Total deferred tax assets</b>	<b>27,461,707</b>	<b>10,758,576</b>	<b>(8,719,719)</b>	<b>29,500,564</b>
Income tax	16,453,646	6,715,887	(5,317,866)	17,851,667
Social contribution	10,929,068	3,983,382	(3,351,138)	11,561,312
Cofins	67,951	51,017	(43,626)	75,342
PIS/Pasep	11,042	8,290	(7,089)	12,243

**f) Deferred tax assets (Tax Credit - Not Recorded)**

	Dec 31, 2014	Dec 31, 2013
Overseas tax credits	863,209	536,821
Temporary differences	81,773	87,485
<b>Total tax credits</b>	<b>944,982</b>	<b>624,306</b>
Income tax	590,609	390,201
Social contribution	354,373	234,105

**Realization expectative**

The expectation of realization of the deferred tax assets (tax credits) is based on technical study, prepared in December 31, 2014, and the present value is determined based on the average rate of funding of Banco do Brasil.

	Future value	Present value
In 2015	7,874,257	7,223,105
In 2016	6,984,604	6,181,343
In 2017	6,582,135	5,663,969
In 2018	6,414,264	5,327,414
In 2019	905,554	638,158
In 2020	235,799	126,983
In 2021	135,317	67,663
In 2022	68,777	33,356
In 2023	65,837	28,604
In 2024	63,285	24,660
In 2025	170,735	--
<b>Total tax credits December 31, 2014</b>	<b>29,500,564</b>	<b>25,315,255</b>

In 2014 it was possible to observe the realization of tax credits at Banco do Brasil, in the amount of R\$ 7,993,660 thousand corresponding to 123.78% of the projection of use for the period of 2014 contained in the technical study prepared on December 31, 2013.

The realization of the nominal value of tax credits registered, considering the recovery of those written-off during the lawsuits (Note 28.d), based on a technical study conducted by Banco do Brasil on December 31, 2014, is projected for 4.5 years in the following proportions:

	Tax losses/CSLL recoverable <sup>(1)</sup>	Diferences intertemporal <sup>(2)</sup>
In 2015	39%	26%
In 2016	29%	24%
In 2017	23%	24%
In 2018	1%	24%
In 2019	2%	2%
From 2020	6%	--

(1) Projected consumption linked to the capacity to generate IR and CSLL taxable amounts in subsequent periods.

(2) The consumption capacity results from the movements of provisions (expectation of reversals, write-offs and uses).

## 26 – RELATED PARTY TRANSACTIONS

The costs of salaries and other benefits granted to key management personnel of the Banco do Brasil Group (Executive Board, Audit Committee, Board of Directors and Fiscal Council):

	2nd half/2014	2014	2013
<b>Short-term benefits</b>	<b>27,006</b>	<b>53,030</b>	<b>54,425</b>
<b>Fees and social charges</b>	<b>20,630</b>	<b>41,039</b>	<b>36,097</b>
Executive Board	18,827	37,669	32,964
Audit Committee	1,461	2,677	2,520
Board of Directors	164	348	259
Fiscal Council	178	345	354
Profit sharing	5,354	10,236	16,729
Other	1,022	1,755	1,599
Benefits for employment termination	--	--	2,968
Share-based payment benefits <sup>(1)</sup>	3	3,372	--
<b>Total</b>	<b>27,009</b>	<b>56,402</b>	<b>57,393</b>

(1) Refers to the cost of the shares from the programs of share-based payments of 2012 and 2013. In 2013 there was unlocking of the shares of the 2011 program, but the cost of these shares was incurred by the Bank in the 1<sup>st</sup> half/2012 (Note 24.n).

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 24.n).

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, which participates in the Pension Plan for Employees of Banco do Brasil (Previ).

The Bank does not grant loans to the key management personnel, pursuant to the prohibition to all financial institutions established by Banco Central do Brasil.

The balances of transactions between the consolidated companies of the Bank are eliminated in the consolidated financial statements. In relation to transactions with the Tesouro Nacional (Nacional Treasury) and other subsidiaries, that are related parties because the Nacional Treasury has control, joint control or significant influence, the Bank opted for partial exemption granted by CMN Resolution 3,750/2009. 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 (except for key management personnel), sale and repurchase transactions and acquisition of loan portfolios. There are also services rendered and guarantee agreed.

These transactions are conducted under terms and rates consistent with those practiced with third parties when applicable. These transactions do not involve payment risks.

The funds invested in government securities and in federal funds and programs from onlendings of the Official Institutions are listed in Notes 8 and 18, 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 onlending and other transactions with other sponsored entities are disclosed in Note 27.

### Acquisition of Portfolio of Loans Transferred by Banco Votorantim

	2014	2013
Assignment with substantial retention of risks and rewards (with co-obligation)	10,368,449	13,177,301
Unrealized result, net of tax effects (balance)	48,415	136,373

### Summary of related party transactions

	Dec 31, 2014						Total
	Controller <sup>(1)</sup>	Subsidiaries <sup>(2)</sup>	Jointly controlled <sup>(3)</sup>	Associates <sup>(4)</sup>	Key Management personnel <sup>(5)</sup>	Other related parties <sup>(6)</sup>	
<b>Assets</b>							
Interbank deposits	--	64,763,332	530,948	--	--	--	65,294,280
Securities	--	45,379,081	129,205	--	--	--	45,508,286
Loan operations	--	136,470	715,424	85,546	--	25,481,303	26,418,743
Receivables from related companies	--	50,480	14,022	--	--	--	64,502
Other assets <sup>(7)</sup>	14,729,641	47,090	16,998,797	--	--	--	31,775,528
<b>Liabilities</b>							
Demand deposits	434,785	14,362	218,328	121	104	1,769,191	2,436,891
Saving deposits	--	--	--	--	1,704	207,993	209,697
Remunerated time deposits	--	10,079,244	3,909,158	--	1,672	16,252,664	30,242,738
Securities sold under repurchase agreements	--	6,783,048	3,735,579	--	--	2,842,272	13,360,899
Borrowings and onlendings	284,612	48,350,388	--	--	--	88,870,865	137,505,865
Other liabilities	310,139	46,160,229	7,519	18,528	--	184,523	46,680,938
Guarantees and Other Co-obligations <sup>(8)</sup>	--	3,058,388	6,800,000	--	--	--	9,858,388
<b>2nd half/2014</b>							
Income from interest and rendering of services	2,970,858	4,337,945	1,266,918	635	--	1,149,083	9,725,439
Expenses from raising funds	(608)	(4,543,931)	(207,947)	(18,242)	(108)	(3,061,226)	(7,832,062)
<b>2014</b>							
Income from interest and rendering of services	5,468,940	7,390,129	2,447,498	1,307	--	2,071,969	17,379,843
Expenses from raising funds	(38,976)	(6,823,500)	(257,621)	(29,867)	(356)	(4,841,793)	(11,992,113)

(1) National Treasury and agencies under direct administration of the Federal Government.

(2) Companies are listed in Note 3 identified by item (1).

(3) Companies are listed in Note 3 identified by item (2).

(4) Companies are listed in Note 3 identified by item (3).

(5) 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: Petrobrás, 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 and Previ.

(7) The transactions with the Controller refer to Extension of rural credits - National Treasury transactions (Note 11.a), interest rate equalization - agricultural crop and receivables - National Treasury (Note 11.b).

(8) Includes Contract of Opening of a Revolving Interbank Credit Line with Banco Votorantim.

## Summary of related party transactions

	Dec 31, 2013						
	Controller <sup>(1)</sup>	Subsidiaries <sup>(2)</sup>	Jointly controlled <sup>(3)</sup>	Associates <sup>(4)</sup>	Key Management personnel <sup>(5)</sup>	Other related parties <sup>(6)</sup>	Total
<b>Assets</b>							
Interbank deposits	--	42,181,597	--	--	--	7,086	42,188,683
Securities	--	21,421,483	166,656	--	--	--	21,588,139
Loan operations	--	5,762	430,590	95,429	--	22,272,921	22,804,702
Receivables from related companies	--	50,869	22,192	--	--	--	73,061
Other assets <sup>(7)</sup>	9,097,436	52,040	11,951,997	551	--	--	21,102,024
<b>Liabilities</b>							
Demand deposits	568,307	21,244	175,606	102	1,279	779,146	1,545,684
Saving deposits	--	--	--	--	1,664	219,786	221,450
Remunerated time deposits	--	4,935,800	343,567	709	1,893	16,146,546	21,428,515
Securities sold under repurchase agreements	--	5,894,871	1,358,646	--	--	110,076	7,363,593
Borrowings and onlendings	473,365	31,889,552	--	--	--	84,334,852	116,697,769
Other liabilities <sup>(8)</sup>	8,555,950	22,265,207	145,509	12,753	--	--	30,979,419
Guarantees and Other Coobligations <sup>(9)</sup>	--	1,344,595	6,800,000	--	--	--	8,144,595
<b>2nd half/2013</b>							
Income from interest and rendering of services	2,187,581	2,687,919	750,234	4,150	--	336,993	5,966,877
Expenses from raising funds	(49,789)	(2,775,459)	(12,594)	(5,346)	(172)	(2,842,764)	(5,686,124)
<b>2013</b>							
Income from interest and rendering of services	4,029,379	4,652,116	1,334,400	5,002	--	412,978	10,433,875
Expenses from raising funds	(81,854)	(4,790,708)	(65,455)	(6,405)	(337)	(4,707,438)	(9,652,197)

(1) National Treasury and agencies under the direct administration of the Federal Government.

(2) Companies are listed in Note 3 identified by item (1).

(3) Companies are listed in Note 3 identified by item (2).

(4) Companies are listed in Note 3 identified by item (3).

(5) 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: Petrobrás, 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 and Previ.

(7) The transactions with the Controller refer to Extension of rural credits - National Treasury transactions (Note 11.a), interest rate equalization - agricultural crop and receivables - National Treasury (Note 11.b).

(8) Includes the Contract Hybrid Capital and Debt Instruments – Perpetual Bonds with the Federal Government, reclassified on August 28, 2014 to Shareholders' Equity (Note 24.c).

(9) Includes Contract of Opening of a Revolving Interbank Credit Line with Banco Votorantim.

## 27 – 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		
	Active	Retired/Users	Total	Active	Retired/Users	Total
<b>Retirement and Pension Plans</b>	<b>115,096</b>	<b>104,823</b>	<b>219,919</b>	<b>115,509</b>	<b>104,071</b>	<b>219,580</b>
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
<b>Health Care Plans</b>	<b>116,337</b>	<b>95,533</b>	<b>211,870</b>	<b>116,806</b>	<b>95,065</b>	<b>211,871</b>
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

	2nd half/2014	2014	2013
<b>Retirement and Pension Plans</b>	<b>679,173</b>	<b>1,320,226</b>	<b>1,835,959</b>
Plano de Benefícios 1 - Previ <sup>(1)</sup>	279,993	581,636	1,137,810
Plano Previ Futuro	237,485	427,359	361,039
Plano Informal	95,908	185,402	192,370
Other plans	65,787	125,829	144,740
<b>Health Care Plans</b>	<b>544,500</b>	<b>1,013,570</b>	<b>970,181</b>
Cassi	482,151	896,175	895,454
Other plans	62,349	117,395	74,727
<b>Total</b>	<b>1,223,673</b>	<b>2,333,796</b>	<b>2,806,140</b>

(1) Refers to the contributions relating to participants subject to Agreement 97 and Plano 1, whereby these contributions occur by the realization of Fundo Paridade (Note 27.f.1), and Fundo de Contribuição and Fundo de Utilização respectively (Note 27.f.2). Agreement 97 aims to regulate the funding required to constitute a portion equivalent to 53.7% of guaranteed amount relating to the supplementary pension due to the participants who joined the Bank up to April 14, 1967 and who have retired or will retire after the aforementioned date, except for those participants who are part of the Plano Informal.

The Bank's contributions to benefit plans, during the first half/2015, are estimated in R\$ 743,064 thousand.

Values recognized in income

	2nd half/2014	2014	2013
<b>Retirement and Pension Plans</b>	<b>75,673</b>	<b>633,799</b>	<b>(35,459)</b>
Plano de Benefícios 1 - Previ	456,661	1,348,061	598,311
Plano Previ Futuro	(237,485)	(427,359)	(361,039)
Plano Informal	(69,214)	(146,705)	(142,999)
Other plans	(74,289)	(140,198)	(129,732)
<b>Health Care Plans</b>	<b>(663,706)</b>	<b>(1,379,055)</b>	<b>(1,323,661)</b>
Cassi	(603,331)	(1,260,715)	(1,213,209)
Other plans	(60,375)	(118,340)	(110,452)
<b>Total</b>	<b>(588,033)</b>	<b>(745,256)</b>	<b>(1,359,120)</b>

**a) Retirement and pension plans**
Previ Futuro (Previ)

Participants in this plan are the Bank's employees hired 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 the 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) have been suspended since January 2007. According to the Memorandum of Understanding signed between the Bank, Previ and entities representing the beneficiaries, the Rules of the Plan 1 were adjusted to suspend 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 returned to occur since January 2014.

Plano Informal (Previ)

Banco do Brasil is exclusively and fully responsible for this plan whose contractual obligations include: (a) retirement pensions to founder participants and pension payments to beneficiaries of participants deceased prior to April 14, 1967; (b) payment of retirement supplements to the other participants employed by Banco do Brasil who retired prior 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 (c) increase in the amount of retirement benefits and of pensions beyond those provided in the benefit plan of Previ, resulting from judicial decisions and from administrative decisions due to restructuring of the career 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, upon which this group 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 27.f)

Prevmás (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 cost of the plan is the responsibility of the sponsor, participants and retirees/users.

#### Grupo B' (Economus)

The participants of this plan are the employees from Banco Nossa Caixa admitted between January 22, 1974 and May 13, 1974 and their beneficiaries. This plan is closed to new members. The level of benefit which will be granted when all the conditions set out in regulation are met, is known only a priori.

#### 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 the main objective of which 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 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 owner and his/her preferred dependants, deducted from the owner's payroll and 10% as co-participation in the price of each medical visit / low-cost exam made by the owner and his/her dependants (preferred and non-preferred).

#### Plano Unificado de Saúde - PLUS II (Economus)

For 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 owner and his/her preferred dependants, deducted from the owner's payroll and 10% as co-participation in the price of each medical visit / low-cost exam made by the owner and his/her preferred dependants and children of age. The plan does not provide for non-preferred dependents.

#### Plano de Assistência Médica Complementar - PAMC (Economus)

The participants of this plan are the employees from Banco Nossa Caixa stationed in the State of São Paulo. The plan owners are those employees retired due to disability in Groups "B" and "C", and their dependents, who participate in costs in as much as they use it, and according to the progressive salary table.

#### Plano de 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, Fusc and SIM itself). Monthly contributions from active beneficiaries amount to 3.44% of the gross remuneration, including the 13th salary, monthly contributions from inactive beneficiaries amount to 8.86%, and those from the sponsors amount to 5.42%. The beneficiaries also contribute 0.75% per dependent. The plan also provides for joint participation in ambulatory care procedures.

#### **c) Risk factors**

The Bank may be required to make extraordinary contributions to Previ, Economus, Fusc and Prevbep, which might have a negative effect on operating income.

The criteria used to determine the Bank's obligation to the set of sponsored entities and plans (Previ, Economus, Fusc 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 balance sheet dates of December 31, 2014 and December 31, 2014.

**d.1) Changes in present value of defined benefit actuarial obligations**

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associados - Cassi		Other plans	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Opening balance</b>	<b>(113,522,849)</b>	<b>(128,413,440)</b>	<b>(1,004,111)</b>	<b>(1,091,017)</b>	<b>(6,333,578)</b>	<b>(7,717,855)</b>	<b>(5,971,976)</b>	<b>(6,949,678)</b>
Interest cost	(14,412,148)	(11,946,190)	(121,305)	(99,016)	(755,247)	(718,314)	(750,257)	(634,651)
Current service cost	(502,741)	(565,900)	--	--	(116,703)	(136,080)	(38,970)	(41,725)
Past service cost	--	--	(25,402)	(43,983)	--	--	--	--
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
<b>Closing balance</b>	<b>(122,884,677)</b>	<b>(113,522,849)</b>	<b>(920,380)</b>	<b>(1,004,111)</b>	<b>(5,830,331)</b>	<b>(6,333,578)</b>	<b>(6,428,867)</b>	<b>(5,971,976)</b>
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**

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associados - Cassi		Other plans <sup>(1)</sup>	
	2014	2013	2014	2013	2014	2013	2014	2013
<b>Opening balance</b>	<b>144,420,740</b>	<b>152,029,136</b>	--	--	--	--	<b>5,033,968</b>	<b>4,921,429</b>
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)
<b>Closing balance</b>	<b>135,145,646</b>	<b>144,420,740</b>	--	--	--	--	<b>5,115,870</b>	<b>5,033,968</b>

(1) Refers to the following plans: Regulamento Geral (Economus), Prevmis (Economus), Regulamento Complementar 1 (Economus), Multifuturo 1 (Fusesc), Plano I (Fusesc) and Plano BEP (Prevbep).

**d.3) Amounts recognized in the balance sheet**

	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)
<b>4) Net actuarial (liability)/asset <sup>(1)</sup></b>	<b>6,130,485</b>	<b>15,448,946</b>	<b>(920,380)</b>	<b>(1,004,111)</b>	<b>(5,830,331)</b>	<b>(6,333,578)</b>	<b>(916,046)</b>	<b>(702,015)</b>

(1) Refers to the portion of the surplus/(deficit) due from the sponsor. The actuarial assets recorded in Other Receivables (Note 11.b) will be realized before the end of the plan where 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**

	Duration <sup>(1)</sup>	Expected benefit payments <sup>(2)</sup>				
		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
Prevmias (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 not discounted to present value.

**d.5) Breakdown of the amounts recognized in statement of income relating to defined benefit plans**

	Plano 1 - Previ			Plano Informal - Previ			Plano de Associados - Cassi			Other plans		
	2nd half/2014	2014	2013	2nd half/2014	2014	2013	2nd half/2014	2014	2013	2nd half/2014	2014	2013
Current service cost	(128,416)	(251,370)	(282,950)	--	--	--	(47,639)	(116,704)	(136,080)	(9,482)	(19,522)	(17,696)
Interest cost	(3,575,439)	(7,206,074)	(5,973,094)	(58,637)	(121,304)	(99,016)	(343,253)	(755,247)	(718,314)	(197,496)	(267,520)	(106,479)
Expected yield on plan assets	4,160,516	8,805,505	6,854,355	--	--	--	--	--	--	148,801	173,729	--
Amortization of net actuarial gains/(losses)	--	--	--	--	--	--	--	--	--	--	--	--
Unrecognized past service cost	--	--	--	(10,577)	(25,401)	(43,983)	--	--	--	--	--	--
Expense with active employees	--	--	--	--	--	--	(212,439)	(388,764)	(358,815)	(80,131)	(149,403)	(135,779)
Other adjustments/reversals	--	--	--	--	--	--	--	--	--	3,644	4,178	19,770
<b>(Expense)/income recognized in the Statement of Income</b>	<b>456,661</b>	<b>1,348,061</b>	<b>598,311</b>	<b>(69,214)</b>	<b>(146,705)</b>	<b>(142,999)</b>	<b>(603,331)</b>	<b>(1,260,715)</b>	<b>(1,213,209)</b>	<b>(134,664)</b>	<b>(258,538)</b>	<b>(240,184)</b>

**d.6) Composition of the plan assets**

	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
Floating income <sup>(1)</sup>	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
<b>Total</b>	<b>135,145,646</b>	<b>144,420,740</b>	<b>5,115,870</b>	<b>5,033,968</b>
<b>Amounts listed in fair value of plan assets</b>				
In the Bank's own financial instruments	10,940,267	10,356,950	25,537	--
In properties or other assets used by the Bank	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 priced in active markets.

**d.7) Main actuarial assumptions adopted in each period**

	Plano 1 - Previ		Plano Informal - Previ		Plano de Associados - Cassi		Other plans <sup>(1)</sup>	
	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	

In order to determine the values for the defined benefit plans, the Bank uses methods and assumptions different from those submitted by the entities sponsored.

CPC 33 (R1) prescribes the accounting, as well as the effects that occurred or that will occur in the entities that sponsor employee benefits plans. However, the sponsored entities themselves must comply with the rules issued by the Ministério da Previdência Social, through the Conselho de Gestão da Previdência Complementar (CGPC) and the Superintendência Nacional de Previdência Complementar (Previc). The most significant differences are in the definition of the assumptions used in Plano 1 – Previ.

#### d.8) Differences in assumptions of the Plano 1 – Previ

	Bank	Previ
Real discount rate (p.a.)	6.31%	5.0%
Actuarial life table	AT-2000	Soft AT-2000 (reduced by 10%)
Evaluation of assets - Exclusive funds	Market value or discounted cash flow	Discounted cash flow
Capitalization method	Projected credit unit	Aggregate Method

#### d.9) Reconciliation of amounts calculated in Plan 1 - Previ/Bank

	Plan assets		Actuarial liabilities		Effect in surplus	
	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
<b>Value determined - Previ</b>	<b>134,450,819</b>	<b>138,817,850</b>	<b>(122,073,122)</b>	<b>(114,220,748)</b>	<b>12,377,697</b>	<b>24,597,102</b>
Incorporation of values from agreement 97	13,687,582	13,663,084	(13,687,582)	(13,663,084)	--	--
Incorporation of values from Grupo Especial	1,071,445	1,056,555	(1,071,445)	(1,056,555)	--	--
Adjustment in the value of plan assets <sup>(1)</sup>	(14,064,200)	(9,116,749)	--	--	(14,064,200)	(9,116,749)
Adjustment in the liabilities - discount rate/ capitalization method	--	--	13,947,472	15,417,538	13,947,472	15,417,538
<b>Value determined - Bank</b>	<b>135,145,646</b>	<b>144,420,740</b>	<b>(122,884,677)</b>	<b>(113,522,849)</b>	<b>12,260,969</b>	<b>30,897,891</b>

(1) Refers mainly to adjustments made by the Bank in determining the fair value of the investments in Litel, Neoenergia and in securities held to maturity.

#### d.10) 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, and updates in the discount rate were made.

Dec 31, 2014		Life 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**

	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)
Prevmals (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	--	--
<b>Total</b>	<b>6,233,307</b>	<b>15,544,218</b>	<b>(7,769,579)</b>	<b>(8,134,976)</b>

**f) Allocations of the Surplus - Plano 1**

	2nd half 2014	2014	2013
<b>Fundo Paridade</b>			
<b>Opening balance</b>	<b>116,566</b>	<b>172,124</b>	<b>740,643</b>
Restatement	5,635	15,181	78,060
Contributions to Plano 1 - Agreement 97	--	(60,552)	(603,066)
Early contribution to amortize - Grupo Especial <sup>(1)</sup>	(3,312)	(7,864)	(43,513)
<b>Closing balance</b>	<b>118,889</b>	<b>118,889</b>	<b>172,124</b>
<b>Fundo de Destinação</b>			
<b>Opening balance</b>	--	--	<b>2,373,525</b>
Restatement	--	--	148,012
Amounts transferred to Plano 1	--	--	(223,687)
Transfers to Fundo de Utilização	--	--	(1,769,790)
Values reverted to Plano 1	--	--	(528,060)
<b>Closing balance</b>	--	--	--
<b>Fundo de Contribuição</b>			
<b>Opening balance</b>	--	--	<b>726,637</b>
Restatement	--	--	55,745
Contributions to Plano 1	--	--	(491,231)
Values reverted to Plano 1	--	--	(291,151)
<b>Closing balance</b>	--	--	--
<b>Fundo de Utilização</b>			
<b>Opening balance</b>	<b>8,045,908</b>	<b>7,794,154</b>	<b>5,357,912</b>
Amounts transferred from Fundo de Destinação	--	--	1,769,790
Contributions to Plano 1	(276,681)	(513,220)	--
Restatement	386,016	874,309	666,452
<b>Closing balance</b>	<b>8,155,243</b>	<b>8,155,243</b>	<b>7,794,154</b>
<b>Total funds allocated surplus</b>	<b>8,274,132</b>	<b>8,274,132</b>	<b>7,966,278</b>

(1) Refers to the payment of 100% of the mathematical reserves for guarantees of additional supplemental retirement for the 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 1/3 (one third) from participants. As from December 16, 2000, in order to adjust to the requirements of Constitutional Amendment N° 20, both the Bank and the participants started 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 covered by using the Plan's surplus at the time. As a result of this agreement, the Bank was also entitled to recognize the historical amount of R\$ 2,227,254 thousand, which was recorded in Fundos de Destinação Superávit - Previ. This Asset is updated on a monthly basis based on the actuarial goal (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 before 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, the aim of which was to allocate and use a share of the Plan's surplus, as determined by Supplementary Law 109/2001 and CGPC Resolution n° 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 "Fundos de Destinação - Previ", the amount of R\$ 7,519,058 thousand against the write-off of the same amount from "Other receivables - Actuarial assets", adjusted by the actuarial target (INPC + 5% p.a.).

### Fundo de Contribuição

The fund is composed of resources transferred from the Fundo de Destinação to support the interruption of contribution payments for a period of three years, as established in the Memorandum of Understanding. The amount related to the Bank's contributions is transferred to Previ, on a monthly basis. The Fundo de Contribuição is updated by the 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, triggering a requirement for 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 transferred 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.).

## **28 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES, LEGAL LIABILITIES - TAXES AND SOCIAL SECURITY**

### Contingent Assets

Contingent assets are not recognized in the financial statements, according to CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution 3,823/09.

### Labor Lawsuits

The Bank is a party to labor lawsuits mainly filed by former employees or trade unions of the banking industry. The allowance for probable losses represents various claims, such as: compensation, overtime, distortion of the working day, additional function and representation amongst others.

### Tax Lawsuits

The Bank, in spite of its conservative profile is subject to tax inquiries (inspections conducted by the tax authorities), which may eventually lead to tax assessments, such as: the composition of the calculation of the taxable profit for income tax/social contribution (deductibility) and discussion regarding the incidence of taxes, when certain economic facts occur. Most assessments are related to ISSQN, income tax, social contribution, PIS/COFINS, IOF and Employer Social Security Contributions. As a guarantee for some of them, the Bank has pledged cash, bonds, real estate or made judicial deposits when necessary.

The main tax lawsuits involving the companies of Banco do Brasil, whose amounts are calculated in proportion to the shares held by the Bank are highlighted below:

Cofins: judicial discussions of the group of security companies over the constitutionality of Law 9,718/1998, which introduced taxation by Cofins considering all incomes (premiums, financial and other non-operating income) in this tax calculation basis. Between May 1999 and May 2009, the companies made judicial deposits related to Cofins maintaining a provision in the same amount, which are being adjusted according to the Selic rate. With the revocation of the paragraph 1 of the Article 3 of Law 9,718/1998 by Law 11,941/2009, from June 2009, the companies began to pay Cofins considering only incomes from premiums on the basis of calculation of this tax, reversing the provision of Cofins made on financial and non-operating income. Due to the vagueness of the current case law on the enlargement of Cofins calculation base to include the financial and non-operating income, as well as due to the existence of Opinion PGFN/CAT 2,773/2007, companies began to classify probability of loss of merits as "possible". The merits of the tax on income from premiums, the probability of loss is "probable" and is properly accrued, totaling R\$ 743,809 thousand. Currently the records are pending of Special and extraordinary Appeals judgment.

Cielo discusses in court the suspension of the enforceability of Cofins according to Law 10,833/2003, which introduced the system of calculation of the non-cumulative method of the 7.6% rate, depositing the amounts calculated monthly in court. Since then, the difference between the tax payable calculated at the rate established by the cumulative scheme and not cumulative is accrued, totaling R\$ 306,883 thousand. The judicial process is suspended in the Federal Regional Court of the 3rd Region/SP, in order to recognize the general repercussion of the matter by the Supreme Court in case of extraordinary appeals, pending judgment.

CSLL: Brasilprev judicially challenges the constitutionality of Law 11,727/2008 on the increase in the rate of Social Contribution on Net Income of 9% to 15% applicable to financial institutions and similar companies starting from May 2008. Since January 2009, the company has been deposited in court the amount of the tax discussed, that is the difference of 6% rate while maintaining equivalent provision of R\$ 241,606 thousand.

### 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-JEC, whose value is limited to forty times the minimum wage.

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 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 the analysis of each demand, based on the current decision of the Superior Court of Justice (STJ). Regarding disputes relating to economic plans, the Federal Supreme Court (STF) suspended the prosecution of all cases in the discovery phase, until the Court issues a definitive pronouncement on the right under litigation.

**a) Provisions for Labor, Tax and Civil Claims - Probable**

In compliance with the CMN Resolution 3,823/2009, the Bank makes allowance for labor, civil and tax lawsuits that have risk of probable losses.

The estimates of outcome and financial effect are determined by the nature of the actions, the judgment of the management of the entity through the opinion of legal counsel, complemented by complexity and similar transactions expertise.

Changes in the provisions for civil, tax and labor claims classified as probable

	2nd half/2014	2014	2013
<b>Labor lawsuits</b>			
<b>Opening balance</b>	<b>2,959,588</b>	<b>3,425,747</b>	<b>2,945,490</b>
Addition	381,849	1,081,151	1,286,242
Reversal of the provision	(191,525)	(1,166,595)	(339,599)
Paid out	(590,825)	(967,857)	(850,354)
Inflation correction	175,301	361,942	301,892
Amounts merged/added	701	701	82,076
<b>Closing balance</b>	<b>2,735,089</b>	<b>2,735,089</b>	<b>3,425,747</b>
<b>Tax lawsuits</b>			
<b>Opening balance</b>	<b>2,159,845</b>	<b>2,016,385</b>	<b>2,020,124</b>
Addition	167,572	374,637	407,518
Reversal of the provision	(410,058)	(524,446)	(49,726)
Paid out	(23,289)	(29,645)	(510,801)
Inflation correction	43,920	101,059	84,963
Amounts merged/added	59,170	59,170	64,307
<b>Closing balance</b>	<b>1,997,160</b>	<b>1,997,160</b>	<b>2,016,385</b>
<b>Civil lawsuits</b>			
<b>Opening balance</b>	<b>5,377,416</b>	<b>4,811,852</b>	<b>4,208,172</b>
Addition	1,176,236	3,593,374	4,014,597
Reversal of the provision	(282,499)	(1,770,030)	(2,989,420)
Paid out	(568,050)	(1,053,981)	(650,820)
Inflation correction	69,015	190,904	229,323
Amounts merged/added	238	238	--
<b>Closing balance</b>	<b>5,772,357</b>	<b>5,772,357</b>	<b>4,811,852</b>
<b>Total Labor, Tax and Civil</b>	<b>10,504,606</b>	<b>10,504,606</b>	<b>10,253,984</b>

**Expected outflows of economic benefits**

	Labor	Tax	Civil
Up to 5 years	2,669,433	467,467	4,722,285
More than 5 years and up to 10 years	65,572	1,426,227	1,025,938
Over 10 years	84	103,466	24,134
<b>Total</b>	<b>2,735,089</b>	<b>1,997,160</b>	<b>5,772,357</b>

The scenario of uncertainty of the duration of proceedings, and the possibility of changes in the case law of the courts, make values and the expected outflows of economic benefits uncertain.

**b) Contingent Liabilities – Possible loss**

The lawsuits, tax and civil risks classified "possible loss" do not require provisions as per CPC 25 – Provisions, Contingent Liabilities and Contingent Assets, approved by CMN Resolution 3,823/09.

**The balances of contingent liabilities classified as possible loss**

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.

	Dec 31, 2014	Dec 31, 2013
Labor lawsuits	901,466	823,379
Tax lawsuits <sup>(1)</sup>	11,955,386	8,860,255
Civil lawsuits	4,056,447	4,445,562
<b>Total</b>	<b>16,913,299</b>	<b>14,129,196</b>

(1) The main contingencies originate from (i) assessment for the payment of INSS contributions on: salary bonus paid under the collective agreements in the period from 1995 to 2006, in the amount of R\$ 2,462,448 thousand; public transport benefits and the use of private car by employees of Banco do Brasil, in the amount of R\$ 220,474 thousand; and employee profit share payments corresponding to the period from April 2001 to October 2003, in the amount of R\$ 67,636 thousand and (ii) notices of tax assessment made by the Treasuries of the Municipalities, claiming ISSQN totaling R\$ 1,392,894 thousand.

**c) Deposits in Guarantee**
Deposits given in guarantee to contingencies

	Dec 31, 2014	Dec 31, 2013
Labor lawsuits	4,103,332	3,324,680
Tax lawsuits	8,319,104	7,570,252
Civil lawsuits	10,833,712	7,601,508
<b>Total</b>	<b>23,256,148</b>	<b>18,496,440</b>

**d) Legal Obligations**

The Bank has a record in Other Liabilities - Tax and Social Security the amount of R\$ 13,142,356 thousand (R\$ 12,602,884 thousand as of December 31, 2013) relating to the following action:

**Judicial Proceeding: Income and Social Contribution Taxes**

On February, 1998, the Bank filed for a writ of mandamus No. 1999.34.00.002278-3, distributed to the 16th Federal Court of Federal District claiming full compensation of accumulated losses for income tax purposes and negative basis for the calculation of Social Contribution on Net Income (CSLL). Since then, the Bank has been fully offsetting the tax loss and the negative basis of social contribution against income tax and social contribution, and has made judicial deposits for the full amount due (70% of the amount offset). These deposits prompted the 16th Vara da Justiça Federal do Distrito Federal (Federal Court of Distrito Federal) to issue an order recognizing the suspension of chargeability of these taxes until final judgment of the Bank's claim, based on article 151, item II, of the Código Tributário Nacional (CTN). The case was dismissed in the first instance and an appeal brought by the Bank was denied by the TRF of the 1st Region. The decision was challenged by extraordinary appeal filed by the Bank on

October 1, 2002. Today, the appeal is pending in the Federal Court of the 1st Region awaiting the judgment by the Supreme Court of another extraordinary feature (RE No. 591,340), which was recognized by the Supreme Court as setting a relevant judicial precedent.

The offsetting of tax loss carry forward and recoverable CSLL has resulted in the write-off of deferred tax credits, observing the limitation of 30%.

Deferred taxes including corporate income tax (IRPJ) and social contribution on net income (CSLL) on the interest / inflation restatements of judicial deposits are being offset with the tax credits resulting from the provision related to that judicial deposit, in conformity with paragraph 2, item II, article 1 of CMN Resolution 3,059/2002, with no impact on income.

Based on the hypothesis of a successful outcome to this lawsuit, as of September 2005 and January 2009, the Bank would have consumed the entire stock of tax loss carry forward and recoverable social contribution, respectively. Therefore, since October 2005 and February 2009, the amounts of IRPJ and CSLL, respectively, are being paid in full. Moreover, there would be a reclassification of resources from the account used to record judicial deposits to that of cash and cash equivalents. Tax credits for the escrow deposits (principal) would be written off against the allowance of IRPJ and CSLL and would be reversed against income, the provision for tax risks related to the restatement of the deposits amounts to R\$ 6,569,726 thousand.

If the Bank were unsuccessful in its lawsuit (situation in which the amounts deposited judicially would be converted into income in favor of the Fazenda Nacional (Federal Tax Authority)), the portions of IRPJ tax credits on tax losses and CSLL to offset would be reclassified to the representative asset account "IRPJ recoverable" and "CSLL recoverable", respectively, that could be used since the accrual period starting October 2005 and February 2009, observing the limitation of 30%. The taxes recoverable, which would result from the adjustments to prior year Statements of Economic-Fiscal Information of Businesses, corresponds to R\$ 5,369,980 thousand as of December 31, 2014 and updating by the Selic Rate results in a further recoverable amount of R\$ 1,957,192 thousand. This sum adjusts the provision for tax risks with respect to the updating of court deposits so that it will be sufficient to fully cancel the risk of a loss.

#### The amounts related to this matter

	Dec 31, 2014	Dec 31, 2013
<b>Judicial Deposits</b>	<b>15,418,982</b>	<b>14,606,013</b>
Amount realized (70%)	7,817,011	7,817,011
Inflation correction	7,601,971	6,789,002
<b>Legal Obligations - provision for lawsuit</b>	<b>13,141,399</b>	<b>12,602,564</b>
Tax losses of IRPJ	3,002,033	3,002,033
CSLL negative bases/ CSLL recoverable	3,569,640	3,569,640
Provision for restatement of judicial deposit	6,569,726	6,030,891

The Banco Votorantim has Legal Obligations related to PIS/Pasep and Cofins of R\$ 957 thousand on December 31, 2014 (R\$ 320 thousand on December 31, 2013).

#### **The program of installments or payment of Federal taxes – Laws 11,941/2009 and 12,865/2013**

In November 2013, Banco do Brasil and its subsidiaries adhered to the tax liability installment and cash payment program, with amnesty for the settlement of tax liability managed by the Brazilian Federal Revenue Service (RFB) and the Office of the General Counsel to the National Treasury (PGFN), set forth by Law 12,865/2013, related to the contribution for Social Integration Program (PIS) and Formation of the Patrimony of the Public Server (PASEP) and the Contribution for Social Security Financing (Cofins), referred to in Chapter I of Law 9,718/1998, due by financial institutions and insurance companies. Banco do Brasil also exercised the prerogative provided in Article 17 of Law 12,865/2013, which determined a new term to adhere to the program in Law 11,941/2009 up to December 31, 2013.

The main lawsuits included in these programs refer to the following issues: (i) we request the calculation and payment of PIS/PASEP and Cofins, based on the effective revenue, according to Article 2 of Supplementary Law 70/1991, in order to avoid the unconstitutional expansion of tax base intended by paragraph 1 of Article 3 of Law 9,718/1998; (ii) CSLL - Deductibility on IRPJ tax base, which requested to calculate and pay income tax calculated,

excluding CSLL in the bases, under Article 1, of Law 9,316/1996, since this contribution represents an effective, necessary and mandatory expense to the Company and (iii) IRRF - Withholding income tax on allowances paid in collective bargaining alluding to the period 1996/1997.

Total net amount resulting from the adhesion to the program was recorder in "Other operating income" (Note 22.e). Banco do Brasil did not use income tax or social contribution losses to settle interest on tax liabilities included in the program set forth by Law 12,865/2013.

## **29 - RISK AND CAPITAL MANAGEMENT**

### **b) Risk Management Process**

Banco do Brasil considers the management of risks and of capital one of the key vectors for the decision-making process.

In Banco do Brasil, collegiate risk management is performed separately from the business units. Risk management policies are approved by the Bank's Board of Directors. The Global Risk Committee (CRG), which is a discussion group composed by the President and by the Vice-Presidents, is responsible for implementing and monitoring these policies. The guidelines issued by the CRG are conducted at specific sub-committees (Credit, Market and Liquidity and Operational), which are groups formed by Directors.

To find out more about the risk management process at Banco do Brasil, access the website [bb.com.br/ri](http://bb.com.br/ri).

### **c) Credit Risk**

Credit Risk is associated with the possibility of loss resulting from uncertainty regarding the receipt of amounts agreed upon with borrowers, counterparties to contracts or issuers of securities.

In order to comply with the best practices of credit risk management and to increase efficiency in the economic capital management, Banco do Brasil uses risk and return metrics as a mechanism of disseminating its risk management culture at the Institution, throughout all phases of the loan process.

### **d) Liquidity Risk**

Liquidity risk takes two forms: market liquidity risk and cash flow liquidity risk (funding). The first is the possibility of loss resulting from the inability to perform a transaction within a reasonable 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 assets and liabilities.

### **e) Operational Risk**

Operational risk reflects the possibility of loss resulting from faults, deficiencies, or the inadequacy of internal processes, personnel and systems, or external events. This concept includes legal risks.

### **f) Market Risk**

Market Risk reflects the possibility of loss that can be caused by changes in interest and foreign exchange rates and of prices of shares and commodities.

## Financial Instruments - Fair Value

Financial instruments recorded in balance sheet accounts, compared to fair value:

	Dec 31, 2014		Dec 31, 2013		Unrealized gain/loss, net of tax effects			
	Book value	Fair value	Book value	Fair value	On income		On shareholders' equity	
					Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2013
<b>Assets</b>								
Short-term Interbank Investments	304,236,604	304,197,645	231,131,786	231,075,033	(38,959)	(56,753)	(38,959)	(56,753)
Securities	220,441,991	224,153,475	200,418,074	201,306,389	2,260,649	95,314	3,711,484	888,315
Adjustment of securities available for sale (Note 8.a)	--	--	--	--	(1,450,835)	(793,001)	--	--
Adjustment of securities held to maturity (Note 8.a)	--	--	--	--	3,711,484	888,315	3,711,484	888,315
Derivative financial instruments	2,201,466	2,201,466	1,520,656	1,520,656	--	--	--	--
Loan operations	618,499,161	612,894,768	560,203,141	558,842,258	(5,604,393)	(1,360,883)	(5,604,393)	(1,360,883)
<b>Liabilities</b>								
Interbank deposits	30,968,746	30,908,215	27,155,259	27,232,091	60,531	(76,832)	60,531	(76,832)
Time deposits	214,483,944	214,533,535	247,311,253	247,321,974	(49,591)	(10,721)	(49,591)	(10,721)
Liabilities related to repurchase agreement	306,045,575	304,818,732	239,464,578	238,883,272	1,226,843	581,306	1,226,843	581,306
Borrowings and onlendings	115,046,935	115,033,365	104,444,653	104,454,456	13,570	(9,803)	13,570	(9,803)
Derivative financial instruments	3,443,159	3,443,159	3,694,410	3,694,410	--	--	--	--
Other Liabilities	299,178,072	297,212,179	264,725,731	263,724,477	1,965,893	1,001,254	1,965,893	1,001,254
<b>Unrealized gain/(loss), net of tax effects</b>					<b>(165,457)</b>	<b>162,882</b>	<b>1,285,378</b>	<b>955,883</b>

## Determination of Fair Value of Financial Instruments

Short-term interbank investments: The fair value was obtained by discounting future cash flows, using interest rates traded by the market in similar operations on the balance sheet date.

Securities: Securities are accounted for by market value, as allowed for in Bacen Circular No. 3,068/2001, except for securities held to maturity. The fair value of the securities, including those held to maturity, were obtained from rates practised in the market.

Loan operations: The fair value of fixed rate operations has been estimated through the future cash flow discount method, considering the interest rates utilized by the Bank when originating similar operations at the balance sheet date. For operations that are remunerated by floating rates, the fair value was equivalent to the book value itself.

Interbank deposits: The fair value has been calculated by the discount of the future cash flows using rates currently applicable in the market for fixed rate deposits. In case of floating operations the maturities of which are less than 30 days, the book value was deemed equivalent to the fair value.

Time deposits: The same criteria adopted for interbank deposits was utilized in the determination of the fair value.

Liabilities related to repurchase agreement: For operations at fixed rates, the fair value was determined calculating the discount of the estimated cash flows adopting a discount rate equivalent to the rates applied in contracting similar operations on the balance sheet date. For floating operations, book values have been deemed equivalent to market value.

Borrowing and onlendings: Such operations are exclusive to the Bank with no similar operations in the market. Given their specific characteristics, the exclusive rates for each fund, the inexistence of an active market or similar traded instruments, the fair values of such operations were considered equivalent to the book value.

**Other liabilities:** Fair values have been determined by the discounted cash flow method, which takes into account interest rates offered in the market for obligations with similar maturities, risks and terms.

**Derivatives:** According to Bacen Circular No. 3,082/2002, derivatives are recorded at market value. The market value of derivatives was estimated in accordance with internal pricing models, with the use of the rates disclosed for transactions with similar terms and indices on the last business day of the period.

**Other financial instruments:** Included or not in the balance sheet, fair value was approximately equivalent to the corresponding book value.

### Source of information regarding assets and liabilities measured at fair value in the balance sheet

According to the source of information in the measurement at fair value, the assessment techniques used by the Bank are classified as follows:

**Level 1** – Prices used are quoted 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** – Other available information, excepted that from Level 1, is used, in which the prices are quoted in non-active markets or for similar assets and liabilities, or other available information is used 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 Bank 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.

### Assets and liabilities measured at fair value in the balance sheet

	Balance at Dec 31, 2014	Level 1	Level 2	Level 3
<b>Assets</b>	<b>208,507,774</b>	<b>129,548,096</b>	<b>78,430,915</b>	<b>528,763</b>
Trading securities, measured by market value	101,938,979	76,639,926	25,299,053	--
Derivative financial instruments	2,201,466	--	2,201,466	--
Available-for-sale securities, measured by market value	104,367,329	52,908,170	50,930,396	528,763
<b>Liabilities</b>	<b>7,634,262</b>	<b>--</b>	<b>7,634,262</b>	<b>--</b>
Hedge funding	4,191,103	--	4,191,103	--
Derivative financial instruments	3,443,159	--	3,443,159	--

	Balance at Dec 31, 2013	Level 1	Level 2	Level 3
<b>Assets</b>	<b>187,153,114</b>	<b>108,646,325</b>	<b>77,926,704</b>	<b>580,085</b>
Trading securities, measured by market value	84,520,132	56,882,741	27,637,391	--
Derivative financial instruments	1,520,656	--	1,520,656	--
Available-for-sale securities, measured by market value	101,112,326	51,763,584	48,768,657	580,085
<b>Liabilities</b>	<b>7,413,952</b>	<b>--</b>	<b>7,413,952</b>	<b>--</b>
Hedge funding	3,719,542	--	3,719,542	--
Derivative financial instruments	3,694,410	--	3,694,410	--

**Changes on financial assets and liabilities measured at fair value in the balance sheet, classified as Level 3**

	Balance at Dec 31, 2014				
	Opening balance	Acquisitions	Disposal/maturity	Income	Closing balance
<b>Assets</b>					
Available-for-sale securities, measured by market value	580,085	1,613,544	(1,906,832)	241,966	528,763

	Balance at Dec 31, 2013				
	Opening balance	Acquisitions	Disposal/maturity	Income	Closing balance
<b>Assets</b>					
Derivative financial instruments	938	244	(952)	(230)	--
Available-for-sale securities, measured by market value	800,437	332,985	(530,668)	(22,669)	580,085
<b>Liabilities</b>					
Derivative financial instruments	52	--	(6)	(46)	--

**Sensitivity analysis (CVM Instruction No. 475/2008)**

Banco do Brasil manages its risks in a dynamic process, identifying, assessing, monitoring, and controlling market risk exposure arising on its positions. In this context, the Bank takes into account the risk limits defined by the Strategic Committees and possible scenarios, to act in a timely manner to reverse any adverse results.

In accordance with CMN Resolution No. 3,464/2007 and with Bacen Circular No. 3,354/2007, to manage more efficiently its transactions exposed to market risks, Banco do Brasil separates its transactions, including derivative financial instruments, as follows:

1) Trading Book: consisting of own positions held for trading or as a hedge for its trading portfolio, for which there is an intention of trading prior to their contractual expiry, subject to normal market conditions and that do not have a non-trading clause.

2) Banking Book: consisting of transactions not classified in the Trading Book whose feature is held to maturity.

The sensitivity analysis for all the operations with assets and liabilities of the Balance Sheet, in compliance with CVM Instruction No. 475/2008 does not adequately reflect the market risk management process or the accounting practices adopted by the Bank.

In order to determine the sensitivity of the Bank's capital to the impacts of market volatility (except Banco Votorantim capital), simulations were performed with three likely scenarios, two of which assume adverse movements for the Bank. The scenarios used are set out below:

Scenario I: Likely situation, which reflects the perception of the Bank's senior management, the scenario most likely to occur for a 3-month horizon, considering macroeconomic factors and market information (BM&FBovespa, Anbima, etc.). Assumptions: exchange rate real/dollar of R\$ 2.66 and increase the Selic rate in 12.75% per annum based on market conditions observed at December 31, 2014.

Scenario II: Possible situation. Assumptions adopted: parallel shock of 25.00% in the risk variables, based on market conditions observed on December 31, 2014 considering the worst losses by risk factor and, therefore, ignoring the dynamics of correlation between macroeconomic factors.

Scenario III: Possible situation. Assumptions adopted: parallel shock of 50.00% in the risk variables, based on market conditions observed on December 31, 2014 considering the worst losses by risk factor and thus ignoring the dynamics of correlation between macroeconomic factors.

The tables below summarize the results for the Trading Portfolio (Trading), excluding Banco Votorantim's positions, composed of public and private securities, derivative financial instruments and funds obtained through repurchase agreements:

Risk Factor	Concept	Scenario I			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	4,632	Increase	(1,648)
TMS and CDI indices	Risk of variation of interest rate indices	Decrease	2	Decrease	14
IPCA index	Risk of variation of inflation index	Increase	(782)	Increase	(439)
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(2,910)	Increase	1,417

Risk Factor	Concept	Scenario II			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(15,752)	Increase	(9,821)
TMS and CDI indices	Risk of variation of interest rate indices	Increase	(4)	Increase	(10)
IPCA index	Risk of variation of inflation index	Increase	(1,141)	Increase	(1,275)
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(59,552)	Decrease	(47,685)

Risk Factor	Concept	Scenario III			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Decrease	(34,081)	Increase	(19,070)
TMS and CDI indices	Risk of variation of interest rate indices	Increase	(8)	Increase	(20)
IPCA index	Risk of variation of inflation index	Increase	(2,221)	Increase	(2,471)
Exchange rates variation	Risk of variation of foreign exchange rates	Decrease	(119,103)	Decrease	(95,369)

For transactions classified in the Banking Book, appreciations or depreciations resulting from changes in interest rates practiced in the market do not imply in a significant financial or accounting impact on the Bank's income as a result of the portfolio composition which is principally: loan operations (consumer credit, agribusiness, working capital, etc.); retail funding (demand, time, and savings deposits), and securities, which are recorded in the books using the contracted interest rates. In addition, it should be pointed out that these portfolios, except the securities available for sale, have as their principal characteristic the intention to hold the respective operations to maturity and, hence they are not subject to the effects of fluctuating interest rates, or the fact that such transactions are naturally related to other instruments (natural hedge), hence minimizing the impacts of a stress scenario.

The tables below show a summary of the Trading Portfolio (Trading) and Non Trading (Banking) for the financial and non-financial entities controlled by the bank, excluding Banco Votorantim:

Risk Factor	Concept	Scenario I			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(5,007,316)	Increase	(1,804,295)
TR	Risk of variation of interest rate indices	Increase	3,354,120	Increase	1,389,424
TBF		Increase	2,537	Decrease	(3,530)
TJLP		Increase	(9,270)	Increase	(955)
TMS and CDI		Decrease	(6,569)	Decrease	(69,107)
IGP-M	Risk of variation of inflation indices	Increase	(33,626)	Increase	(62,716)
IGP-DI		Increase	(183)	Increase	(125)
INPC		Increase	(107,864)	Increase	(60,044)
IPCA		Increase	(534,840)	Increase	(307,121)
Foreign Currency rates	Risk of variation of foreign currency indices	Increase	786,498	Increase	528,880
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(22,884)	Increase	9,830

Risk Factor	Concept	Scenario II			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(14,071,513)	Increase	(10,705,250)
TR	Risk of variation of interest rate indices	Decrease	(9,794,504)	Decrease	(7,581,031)
TBF		Decrease	(3,633)	Decrease	(1,099)
TJLP		Increase	(48,095)	Increase	(11,881)
TMS and CDI		Decrease	(9,879)	Decrease	(53,034)
IGP-M	Risk of variation of inflation indices	Increase	(45,740)	Increase	(187,327)
IGP-DI		Increase	(229)	Increase	(245)
INPC		Increase	(152,208)	Increase	(165,878)
IPCA		Increase	(798,715)	Increase	(906,550)
Foreign Currency rates	Risk of variation of foreign currency indices	Decrease	(851,179)	Decrease	(651,673)
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(468,260)	Decrease	(330,849)

Risk Factor	Concept	Scenario III			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(26.323.491)	Increase	(20,156,817)
TR	Risk of variation of interest rate indices	Decrease	(20.343.843)	Decrease	(15,642,186)
TBF		Decrease	(7.300)	Decrease	(2,202)
TJLP		Increase	(94.286)	Increase	(24,484)
TMS and CDI		Decrease	(19.744)	Decrease	(106,112)
IGP-M	Risk of variation of inflation indices	Increase	(101.133)	Increase	(357,047)
IGP-DI		Increase	(457)	Increase	(489)
INPC		Increase	(298.611)	Increase	(325,466)
IPCA		Increase	(1.502.484)	Increase	(1,628,208)
Foreign Currency rates	Risk of variation of foreign currency indices	Decrease	(1.753.830)	Decrease	(1,333,978)
Exchange rate	Risk of variation of foreign exchange rates	Decrease	(936.521)	Decrease	(661,698)

The scenarios used for preparing the framework for sensitivity analysis must use situations of deterioration of at least 25% and 50% of the variable risks, on an individualized basis, as determined by CVM Instruction No. 475/2008. Thus, the combined analysis of the results does not reflect real expectations, for example, simultaneous shocks of increase in the prefixed interest rate and reduction of the TR rate are not consistent from the macroeconomic perspective.

The derivative transactions classified in the Banking Book, do not represent a relevant market risk to Banco do Brasil, as these positions are usually originated with the following objectives:

- Swapping the index of funding and lending transactions performed to meet customer needs;
- Hedging market risk, the purpose and effectiveness of which are described in Note 8.d. Also in this transaction, the interest and exchange rate variations have no effects on the Bank's income.

On December 31, 2014, the Banco do Brasil did not enter into any transaction classified as an exotic derivative, as described in CVM Instruction No. 475/2008 - Attachment II.

### Interest in Banco Votorantim

Simulations were also made with three possible scenarios, two of which assume adverse movements, as follows:

**Scenario I:** Likely situation, which reflects the perception of the Banco Votorantim' senior management in the scenario most likely to occur. Assumptions adopted: shock of 1.0% in the exchange rate real/dollar, from December 31, 2014, and parallel shock of 0.10% in the interest rate prefixed curve.

**Scenario II:** Assumptions adopted: parallel shock of 25% in the risk variables, based on market conditions observed on December 31, 2014 and considering the worst losses by risk factor and, therefore, ignoring the dynamics of correlation between macroeconomic factors.

**Scenario III:** Assumptions adopted: parallel shock of 50% in the risk variables, based on market conditions observed on December 31, 2014 and considering the worst losses by risk factor and therefore ignoring the dynamics of correlation between macroeconomic factors.

The tables below present the results from the exposure of the Bank, via its equity interest, to the trading portfolio of Banco Votorantim:

Risk Factor	Concept	Scenario I			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(32)	Increase	(521)
Foreign currency rates	Risk of variation of foreign currency rates	Increase	(816)	Increase	(922)
Foreign exchange fluctuation	Risk of variation of foreign exchange rates	Increase	(586)	Increase	(1,746)
Price Indices	Risk of variation of inflation indices	Increase	(742)	Increase	21
Other	Risk of variation of other rates	Increase	(61)	Increase	(25)

Risk Factor	Concept	Scenario II			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(95)	Increase	(13,119)
Foreign currency rates	Risk of variation of foreign currency rates	Increase	(2,604)	Increase	(3,066)
Foreign exchange fluctuation	Risk of variation of foreign exchange rates	Increase	(20,368)	Increase	(67,859)
Price Indices	Risk of variation of inflation indices	Increase	(8,496)	Decrease	(237)
Other	Risk of variation of other rates	Decrease	(4,452)	Increase	(4,712)

Risk Factor	Concept	Scenario III			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	--	Increase	(25,049)
Foreign currency rates	Risk of variation of foreign currency rates	Increase	(4,974)	Increase	(5,934)
Foreign exchange fluctuation	Risk of variation of foreign exchange rates	Increase	(45,082)	Increase	(137,777)
Price Indices	Risk of variation of inflation indices	Increase	(16,501)	Decrease	(488)
Other	Risk of variation of other rates	Decrease	(17,854)	Increase	--

The tables below present the results from the exposure of the Bank, via its equity interest, to the trading and non-trading book of Banco Votorantim:

Risk Factor	Concept	Scenario I			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(11,266)	Increase	(14,223)
Foreign currency rates	Risk of variation of foreign currency rates	Increase	(4,334)	Increase	(2,764)
Foreign exchange fluctuation	Risk of variation of foreign exchange rates	Increase	1,172	Increase	(3,761)
TJLP	Risk of variation of TJLP	Increase	959	Increase	332
TR/TBF	Risk of variation of TR/TBF	Increase	64	Increase	132
Price Indices	Risk of variation of inflation indices	Increase	(580)	Increase	(169)
Other	Risk of variation of other rates	Increase	(61)	--	--

Risk Factor	Concept	Scenario II			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(359,616)	Increase	(361,639)
Foreign currency rates	Risk of variation of foreign currency rates	Increase	(13,422)	Increase	(7,833)
Foreign exchange fluctuation	Risk of variation of foreign exchange rates	Decrease	(71,897)	Increase	(101,702)
TJLP	Risk of variation of TJLP	Decrease	(15,907)	Decrease	(3,494)
TR/TBF	Risk of variation of TR/TBF	Decrease	(136)	Decrease	(186)
Price Indices	Risk of variation of inflation indices	Increase	(6,569)	Increase	(1,406)
Other	Risk of variation of other rates	Decrease	(4,452)	--	--

Risk Factor	Concept	Scenario III			
		Dec 31, 2014		Dec 31, 2013	
		Variation of rates	Income/(expense)	Variation of rates	Income/(expense)
Prefixed rate	Risk of variation of prefixed interest rates	Increase	(708,413)	Increase	(696,413)
Foreign currency rates	Risk of variation of foreign currency rates	Increase	(26,349)	Increase	(15,389)
Foreign exchange fluctuation	Risk of variation of foreign exchange rates	Decrease	(114,607)	Increase	(185,898)
TJLP	Risk of variation of TJLP	Decrease	(33,191)	Decrease	(6,979)
TR/TBF	Risk of variation of TR/TBF	Decrease	(270)	Decrease	(372)
Price Indices	Risk of variation of inflation indices	Increase	(12,663)	Increase	(2,788)
Other	Risk of variation of other rates	Decrease	(17,854)	--	--

### g) Capital Management

On June 30, 2011, aligned with Pillar II of Basel, the Brazilian regulator, Banco Central do Brasil (Bacen), issued the Conselho Monetário Nacional (CMN) Resolution No. 3,988, which established the requirement for financial institutions to implement a capital management framework. Applying CMN Resolution, Banco do Brasil defined as part of its structure Accounting, Risk Management, Controlling and Finance Units. Furthermore, in line with the CMN Resolution, the Board of Directors appointed the Controller as responsible for Capital Management within Banco Central do Brasil.

Banco do Brasil has approaches that enable the identification and evaluation of significant risks incurred, including those not covered by the Minimum Referential Equity Required (MRER) related to the Pillar I risks. Its policies and strategies, as well as the capital plan, enable the maintenance of capital at a consistent level given the risks faced by the institution. Stress tests are performed on a monthly basis and their impacts are assessed from a capital perspective. Capital adequacy management reports are distributed to corporate units and to strategic committees, which provide support to the decision making process of the Senior Management of the Bank.

The CMN Resolution No. 3,988/2011 also established the need for an Internal Capital Adequacy Assessment Process (ICAAP), which was implemented by Banco do Brasil starting June 30, 2013. The responsibility for coordinating ICAAP was assigned to the Bank's Risk Management Unit. Meanwhile, the Internal Controls Unit, an independent area segregated from the capital management structure, is responsible for the validation of ICAAP. Finally, Internal Audit holds the institutional responsibility for annually evaluating the process of capital management.

To learn more about the capital management at Banco do Brasil, visit the website [bb.com.br/ri](http://bb.com.br/ri).

#### Capital Adequacy Ratio

The Capital Adequacy Ratio was determined according to the criteria established by CMN Resolutions No. 4,192/2013 and No. 4,193/2013, 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, considering the exposure to Banco Votorantim under the Equity Method (MEP) as determined by Bacen.

On October 1, 2013, Brazil adopted a set of legislation that implemented the recommendations of the Basel Committee on Banking Supervision regarding the capital structure of financial institutions, known as Basel III. The new rules adopted addressed 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 Common Equity Tier I Capital – CET1 (net of Regulatory Adjustments) and Additional Tier I Capital (AT1);

II - new methodology for calculating the capital required to be maintained, adopting minimum requirements for Referential Equity, Tier I and Common Equity Tier I Capital (CET1), and the introduction of the Additional CET1.

The following regulatory adjustments started to be made as deductions from the Referential Equity from January 2014:

- goodwill;
- intangible assets constituted after October 1, 2013;
- actuarial assets related to defined benefit pension funds net of deferred tax liabilities;
- non-controlling interests;
- investments, directly or indirectly, above than 10% of the capital of unconsolidated entities similar to financial institutions, and insurance companies, reinsurance companies, capitalization companies and open pension entities;
- tax credits resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization;
- tax credits resulting from tax loss of excess depreciation;
- tax credits 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 institutions authorized to operate by Banco Central do Brasil (Bacen) which have been fully deducted since October 2013.

On August 28, 2014, the Hybrid Instrument in the amount of R\$ 8,100,000 thousand which composed the Additional Tier 1 Capital was authorized by Banco Central do Brasil 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, and, from January 2015, the informations should be also elaborated based on the Prudential Conglomerate, according to CMN Resolution No. 4,192/2013.

	Dec 31, 2014	Dec 31, 2013
<b>RE - Referential Equity</b>	<b>126,588,485</b>	<b>118,234,351</b>
<b>Tier I</b>	<b>89,538,218</b>	<b>85,500,897</b>
<b>Common Equity Tier 1 Capital (CET1)</b>	<b>71,035,684</b>	<b>67,055,163</b>
Shareholders' Equity	70,675,464	70,537,211
Instrument Qualifying as CET1 (Note 24.c)	8,100,000	--
Regulatory adjustments	(7,739,780)	(3,482,048)
<b>Additional Tier 1 Capital (AT1)</b>	<b>18,502,534</b>	<b>18,445,734</b>
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. 4,192/2013 <sup>(1)</sup>	2,369,764	9,955,984
<b>Tier II</b>	<b>37,050,267</b>	<b>32,733,454</b>
Subordinated Debt Qualifying as Capital	37,065,165	32,747,645
Subordinated Debt authorized in accordance with CMN Resolution No. 4,192/2013 - Financial Bills	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 <sup>(2)</sup>	20,467,309	18,529,802
Funds obtained abroad <sup>(3)</sup>	4,800,822	5,400,925
Funds obtained from the CD <sup>(3)</sup>	1,292,346	1,453,889
Funds raised in Financial Bills <sup>(3)</sup>	6,544,915	7,363,029
Deduction from Tier II	(14,898)	(14,191)
Funding instruments issued by financial institution	(14,898)	(14,191)
<b>Risk Weighted Assets (RWA)</b>	<b>785,973,522</b>	<b>813,623,083</b>
Credit Risk (RWA <sub>CPAD</sub> )	734,716,021	761,431,384
Market Risk (RWA <sub>MPAD</sub> )	11,545,497	15,239,976
Operational Risk (RWA <sub>OPAD</sub> )	39,712,004	36,951,723
<b>Minimum Referential Equity Requirements <sup>(4)</sup></b>	<b>86,457,087</b>	<b>89,498,539</b>
<b>Margin on the Minimum Referential Equity Required</b>	<b>40,131,398</b>	<b>28,735,812</b>
<b>Tier I Ratio (Tier I / RWA)</b>	<b>11.39%</b>	<b>10.51%</b>
Common Equity Tier 1 Capital Ratio (CET1 / RWA)	9.04%	8.24%
<b>Capital Adequacy Ratio (RE / RWA)</b>	<b>16.11%</b>	<b>14.53%</b>

(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 values 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.

**Regulatory Adjustments deducted from CET1:**

	Dec 31, 2014	Dec 31, 2013
	Financial	Financial
Funding instruments issued by financial institutions <sup>(1) (2)</sup>	(3,714,071)	(3,433,968)
Actuarial assets related to defined benefit pension funds net of deferred tax liabilities <sup>(3) (4)</sup>	(1,192,027)	--
Intangible assets constituted after October 2013 <sup>(3)</sup>	(1,066,295)	--
Goodwill <sup>(3) (5)</sup>	(715,281)	--
Significant investments and tax credits resulting from temporary differences that rely on the generation of future taxable profits or revenues for their realization (amount exceeding the 15% threshold) <sup>(3)</sup>	(556,174)	--
Tax credits resulting from tax losses and negative base for social contribution on net income <sup>(3)</sup>	(255,318)	--
Non-controlling interests <sup>(3)</sup>	(171,050)	--
Tax credits resulting from tax loss of excess depreciation <sup>(3)</sup>	(37,922)	--
Deferred assets <sup>(2)</sup>	(31,642)	(48,080)
<b>Total</b>	<b>(7,739,780)</b>	<b>(3,482,048)</b>

(1) Refers to the investment in Banco Votorantim.

(2) Regulatory Adjustments that are being fully computed since October, 2013, in accordance with CMN Resolution No. 4,192/2013.

(3) Regulatory Adjustments subject to phase-in, according to the CMN Resolution No. 4,192/2013.

(4) See notes 27.e – Benefits for Employees and 25.d - Taxes.

(5) The base value for calculating the goodwill is composed of: R\$ 861,037 thousand in the investment line and R\$ 2,715,371 thousand in the intangible assets line (Notes 14 - Investments and 16 - Intangible Assets). The value in Intangible assets refers to the goodwill paid for the acquisition of Banco Nossa Caixa, merged in November/2009.

**h) Fixed asset ratio**

The Fixed Asset Ratio, calculated in compliance with CMN Resolution No. 2,669/1999, is 22.18% of the Referential Equity (RE) required for the Consolidated Financial Report (23.47% on December 31, 2013), in accordance to CMN Resolution No. 4,192/2013.

**30 – STATEMENT OF COMPREHENSIVE INCOME**

	2nd half/2014	2014	2013
<b>Net income presented in the Statement of Income</b>	<b>5,739,640</b>	<b>11,245,814</b>	<b>15,757,937</b>
<b>Other comprehensive income</b>			
<b>Accumulated other comprehensive income from securities and derivative financial instruments (Note 24.i)</b>	<b>(4,874,674)</b>	<b>(11,258,686)</b>	<b>848,195</b>
Banco do Brasil	(4,737,848)	(11,265,173)	1,733,640
Subsidiaries abroad	(815)	4,483	(70,434)
Associates and subsidiaries	(136,011)	2,004	(815,011)
<b>Income and social contribution taxes related to unrealized (gains) / losses (Note 24.i)</b>	<b>1,944,022</b>	<b>4,792,895</b>	<b>(830,050)</b>
<b>Other comprehensive income, net of income and social contribution taxes</b>	<b>(2,930,652)</b>	<b>(6,465,791)</b>	<b>18,145</b>
<b>Comprehensive income</b>	<b>2,808,988</b>	<b>4,780,023</b>	<b>15,776,082</b>
<b>Comprehensive income - Non-controlling interests</b>	<b>827,249</b>	<b>1,475,195</b>	<b>840,369</b>

### 31 – OTHER INFORMATION

#### a) Distribution of Dividends and Interest on Own Capital

During a meeting held on February 12, 2014, the Board of Directors approved the setting of the payout rate equivalent to the minimum of 40% of net income, for the year 2014, fulfilling the policy for payment of dividends yield and/or interest on own capital on a quarterly basis, pursuant to art. 45 of the Bank's By-Laws.

#### b) Banco Postal

Since January 01, 2012, the Bank has had access to the Correios (Brazilian Postal and Telegraph Corporation) network, with about 6.3 thousand service points located in 95% of Brazilian municipalities. Through this investment, the Bank realized its strategic plan of increasing its service points to attend all the Brazilian municipalities.

On November 22, 2013, the Bank signed a Memorandum of Understanding with Correios, in order to analyze the feasibility of establishing strategic partnerships relating to the Banco Postal (Postal Bank).

On February 27, 2014, continuing this analysis of Banco Postal (Postal Bank), the Bank and Correios signed an "Agreement of the general terms and conditions of association" (Agreement). On March 05, 2014 the agreement was submitted to the Conselho Administrativo de Defesa Econômica (CADE).

On May 06, 2014, CADE published, in the Diário Oficial da União (Oficial Gazette), the minutes of the 42th Ordinary Session of the Judgment, with the final decision that approved the transaction, without any restrictions.

The agreement will expand the portfolio of products and services offered by the post office network.

The partnership may be operationalized through the formation of holding company and a financial institution, whose main objective will be to develop the current business model of the companies, to bring it closer to international models for postal banks.

The constitution of this society is subject to approval by regulatory, supervisory and regulatory agencies, under the applicable law.

#### c) Investment Funds Management

Funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.:

	Numbers of Funds/Portfolios (in units)		Balance	
	2014	2013	2014	2013
<b>Managed funds</b>	<b>600</b>	<b>565</b>	<b>554,723,895</b>	<b>493,746,010</b>
Investment Funds	592	557	542,399,347	475,026,980
Managed Portfolios	8	8	12,324,548	18,719,030

**d) Details in relation to overseas branches, subsidiaries and associates**

	2014	2013
<b>Assets</b>		
BB Group	58,695,680	42,311,768
Third parties	109,798,520	104,993,920
<b>Total Assets</b>	<b>168,494,200</b>	<b>147,305,688</b>
<b>Liabilities</b>		
BB Group	19,296,951	17,073,866
Third parties	139,149,520	122,013,798
<b>Shareholders' Equity</b>	<b>10,047,729</b>	<b>8,218,024</b>
Attributable to parent company	9,192,505	7,540,569
Non-controlling Interests	855,224	677,455
<b>TOTAL LIABILITIES</b>	<b>168,494,200</b>	<b>147,305,688</b>

	2nd half/2014	2014	2013
<b>Net Income (loss)</b>	666,055	1,434,309	1,394,930
Attributable to parent company	500,199	1,127,603	1,202,654
Non-controlling interest	165,856	306,706	192,276

**e) Consortium funds**

	2014	2013
Monthly forecast of Purchase Pool Members receivable funds	187,700	160,351
Obligations of the Groups due to contributions	7,974,156	7,357,910
Purchase Pool Members - assets to be delivered	7,184,003	6,718,088
(In units)		
Quantity of groups managed	551	513
Quantity of active purchase pool members	565,051	437,591
Quantity of assets deliverable to members (drawn or winning offer)	51,769	36,788

	2nd half/2014	2014	2013
Quantity of assets (in units) delivered in the period	43,916	80,807	71,048

**f) Assignment of Employees to Outside Agencies**

Federal government assignments are regulated by Law 10,470/2002 and Decree No. 4,050/2001.

	2nd half/2014		2014		2013	
	Employees Ceded <sup>(1)</sup>	Cost in the Period	Employees Ceded <sup>(1)</sup>	Cost in the Period	Employees Ceded <sup>(1)</sup>	Cost in the Period
<b>With costs for the Bank</b>						
Federal Government	--	--	--	--	--	91
Labor unions	223	17,642	223	33,859	225	30,683
Other organizations/entities	2	387	2	746	2	685
Subsidiary and associated companies	2	620	2	1,176	2	1,076
<b>Without cost to the Bank</b>						
Federal, state and municipal governments	299	--	299	--	285	--
External organizations (Cassi, FBB, Previ, Economus, Fusesc e PrevBep)	605	--	605	--	591	--
Employee entities	87	--	87	--	87	--
Subsidiary and associated companies	505	--	505	--	394	--
<b>Total</b>	<b>1,723</b>	<b>18,649</b>	<b>1,723</b>	<b>35,781</b>	<b>1,586</b>	<b>32,535</b>

(1) Balance on the last day of the period.

### g) Remuneration of Employees and Managers

Monthly wages paid to employees and Directors of the Banco do Brasil (In Reais):

	2014	2013
Lowest salary	2,227.26	2,043.36
Highest salary	37,265.70	34,346.27
Average salary	6,363.72	5,794.56
Management		
President	62,388.59	58,773.99
Vice-President	55,842.38	52,607.05
Director	47,327.56	44,585.55
Council members		
Fiscal Council	5,395.63	5,083.02
Board of Directors	5,395.63	5,083.02
Audit Committee - Member	42,594.80	40,127.00

### h) Insurance Policy of Assets

Despite the reduced level of risk to which its assets are subject, the Bank contracts insurance cover for its assets in amounts considered to be sufficient to cover any losses

#### Insurance contracted by the Bank in force on December 31, 2014

Covered Risks	Amounts Covered	Value of the Premium
Property insurance for the relevant fixed assets	1,153,809	6,798
Life insurance and collective personal accident for the Executive Board <sup>(1)</sup>	885	121
Other	18,707	497

(1) Refers to individual coverage for members of the Executive Board.

### i) Fundo Nacional de Aviação Civil (FNAC)

Through Law No. 12,833, dated June 20, 2013, the federal government mandated that the FNAC resources for modernization, construction, expansion and renovation of public aerodromes be managed by the Bank, directly or through its subsidiaries, as was established in the act of Civil Aviation Secretariat of the Presidency of the Republic.

The Decree 8,024 from June 04, 2013, which regulates the operation of FNAC, establishes that the resources of this Fund will be transferred to the Bank according to the timetable for investments of resources approved by the Civil Aviation Secretariat of the Presidency of the Republic and set out in the contract. According to the Decree, the remuneration that will be received by the Bank, from the rendering of services, will be set by a joint decision of the Finance Minister and the Minister of the Civil Aviation Secretariat of the Presidency of the Republic.

As a manager of the resources of FNAC, the Bank will hold a bidding process, and it can contract, in its own name or on the account of third parties, works and engineering services or any other specialized technical services.

On April 03, 2014, the 1st public notice for hiring an engineering company for the execution of works for implantation of a passenger terminal and utilities center at the airport of Barreiras (BA) was published in the Diário Oficial da União (Official Gazette).

### j) Law 12,973 (Provisional Measure No. 627/2013 converted into law)

The provisional measure 627/2013 was converted into the Law 12,973 on May 13, 2014 and amends the federal tax law on corporate income tax (IRPJ), social contribution on net income (CSLL), Social Integration Program/Public Servant Fund Program (PIS/Pasep) and Contribution to Social Security Financing – (Cofins) and it aims to:

- repeal the transitional tax system (RTT);
- alter the rules about tax on foreign profits; and

- regulate the tax aspects relating to the accounting criteria and procedures established by the laws 11,638/2007 and 11,941/2009, which aimed to align the Brazilian accounting standards with the international standards.

For a more comprehensive analysis of the impacts, the Bank will wait for the regulation of Receita Federal do Brasil, in accordance with the Law 12,973/2014. Nevertheless, according to preliminary studies and under the current text of the aforementioned Law and its normative instructions, significant impacts on the financial statements are not expected. The Bank opted for the application of the provisions relating to the taxation of foreign profits as set out in article 96 of Law 12,973 / 2014. The adoption of other provisions will be implemented from the 2015 fiscal year.

#### **k) Premium Bonds' Sales**

In order to allow the sale of capitalization note (prize bonds) in the branches of Banco do Brasil S.A. (BB) formerly owned by Banco Nossa Caixa (BNC), BB Corretora de Seguros e Administradora de Bens S.A. (BB Corretora), BB, Icatu Capitalização S.A. (Icatu Cap) and Brasilcap Capitalização S.A. (Brasilcap) signed a "Instrumento Particular de Cessão de Direitos e Obrigações e Outras Avenças" (Agreement), which formalizes:

- The transfer from Icatu Cap to Brasilcap of its rights and liabilities provided as a partner in the "Acordo Operacional para Comercialização de Títulos de Capitalização" (Operational Agreement for Selling Capitalization Notes) signed on December 13, 2007 by Icatu Cap and BNC;
- The transfer of the rights to sell capitalization notes in BB's branches formerly owned by BNC, from BB to BB Corretora allowing BB Corretora to start selling Brasilcap's capitalization products in those branches; and
- The obligation of Brasilcap to pay to Icatu Cap an amount of R\$ 61,663,685.84 (sixty-one million, six hundred sixty-three thousand, six hundred eighty-five reais and eighty-four cents), which will be updated by the CDI rate from February, 13, 2014 until the settlement date. The payment will be settled through four annual installments according to the net income generated by the former BNC's branches.

Following a period of negotiation between BB Seguros Participações S.A. (BB Seguros), a wholly owned subsidiary of BB Seguridade, and Cia. de Seguros Aliança da Bahia (Aliança da Bahia) in relation to the acquisition of its stake in Brasilcap Capitalização S.A. (Brasilcap), it was decided:

- to maintain its current stake of 66.66% in the capital of Brasilcap, ending the negotiations with Aliança da Bahia; and
- not to proceed with the establishment a new partnership with Grupo Icatu, as described in the Material Fact dated January 6th, 2010, which was being considered to develop and distribute capitalization products in the Brazilian market. As a result, Brasilcap's corporate structure remains unchanged and so does the way BB Seguros operates in the capitalization note market.

#### **l) Tecnologia Bancária S.A. – Tecban**

On July 17, 2014, the Bank signed a new shareholders' agreement in relation to the company Tecnologia Bancária S.A. (Tecban), jointly with Bradesco, Caixa, Citibank, HSBC, Itaú Unibanco and Santander ("Parties").

This new shareholders' agreement states that, within four years of its entry into force, a defined portion of the ATMs of the parties, which are located outside the bank branches or in places where access is not restricted or controlled, should be replaced by ATMs of the Banco24Horas network, which are, and will be, managed by Tecban.

Thus, in accordance with the global trend of best practices in the financial industry, the parties, which are the main retail banks in the country, will consolidate their networks of public access ATMs in the Banco24Horas network, resulting in efficiency increase and higher quality and coverage of service to customers.

The deal is subject to approval by the respective regulators, supervisors and inspectors, according to applicable law.

#### **m) Partnership in the card segment - BB Elo Cartões and Cielo**

On November 19, 2014, the Bank announced to the market that BB Elo Cartões Participações S.A., its wholly-owned subsidiary, and Cielo S.A. signed on this date the Association Agreement to form a new strategic partnership in the electronic payment industry.

Under the terms of the Agreement, BB Elo Cartões and Cielo are going to form a new company that will have the right to exploit the activities of management of post-paid accounts transactions and management of the functionality of purchasing via debit of its payment arrangements. In addition, the new deal aims, among its objectives, to perform associations with other partners in order to leverage opportunities related to the electronic payment niche market, seeking to obtain synergy gains and optimizing the structuring of new businesses in the segment.

The total capital of the Company shall be divided in the proportion of 30.00% for BB Elo Cartões and 70.00% for Cielo. However, taking into account the indirect holding of the Bank in Cielo, through BB Banco de Investimento S.A., the total indirect holding of the Bank in the Company will be distributed as follows:

Holding of the Bank - %	Common shares (ON)	Preferred shares (PN)	Total
Total Capital	42.27	100.00	50.05

The equity interest of BB Elo Cartões and Cielo in the Company was authorized by Bacen on December 30, 2014.

The creation of the Company, arising from the Partnership, was regarded as permitted under the the Conselho Administrativo de Defesa Econômica (CADE), after expiry of the period laid down in article 65 of Law 12,529/2011, went on without any appeals or avocation of the case by the Administrative Court.

The new company was evaluated in R\$ 11.6 billion. The financial impact of this transaction in BB's net income will be around R\$ 3.2 billion

The effectiveness of the business is subject to compliance with contractual conditions precedent.

**n) Law 13,097 (Provisional Measure No. 656/2014 converted into law)**

The provisional measure 656/2014 was converted into the Law 13,097 on January 20, 2015 and amended the values of the limits of loss deductibility in receipt of defaulting credits from October 8, 2014 (date of publication of the provisional measure). For defaulting transactions up to December 07, 2014, the previous limits prevail.

**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 accounting practices adopted in Brazil applicable to institutions authorized to operate by the Brazilian Central Bank)



**KPMG Auditores Independentes**  
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70070-120 - Brasília, DF - Brasil  
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## Report of Independent Auditors for Financial Statements

To  
The Board of Directors, Shareholders and Management  
Banco do Brasil S.A.  
Brasília - DF

We have audited the accompanying, individual and consolidated financial statements of Banco do Brasil S.A. ("Bank"), which comprise the balance sheet as of December 31, 2014 and the related statements of income, changes in stockholders' equity and cash flows for the year and semester then ended, as well as the summary of significant accounting policies and other notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these individual and consolidated financial statements in accordance with accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil (BACEN), and for designing, implementing and maintaining internal control relevant to the preparation of 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 financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 controls relevant to the Bank's preparation and fair presentation of the financial statements of Bank 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 internal control of Bank. 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 financial statements.

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

### **Opinion on the financial statements individual and consolidated**

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the financial position of Banco do Brasil S.A. at December 31, 2014, the financial performance of its operations and its cash flows for the year and semester then ended, in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil.



**Statement of value added**

We have also audited the individual and consolidated statement of value added (DVA), elaborated under the responsibility of the management of Bank, for the year and semester ended December 31, 2014, submission of which publicly-held companies are required to make according to Brazilian corporate law. This statement was subjected to the same audit procedures described above and, in our opinion, is presented fairly in all material respects in relation to the financial statements taken as a whole.

Brasília, February 10, 2015.

KPMG Auditores Independentes  
CRC SP-014428/O-6 F-DF  
*Original report in Portuguese signed by*  
Carlos Massao Takauthi  
Accountant  
CRC 1SP206103/O-4

## SUMMARY OF THE AUDIT COMMITTEE REPORT

### Introduction

The Audit Committee of Banco do Brasil is a statutory advisory body of the Board of Directors, and has the following main responsibilities: to review the set of financial statements prior to its release and to evaluate the effectiveness of the internal control systems and of the internal audit department and independent auditors.

The Committee's activities cover the Banco do Brasil and the following subsidiaries: *BB DTVM Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A.*, *BB Banco de Investimento S.A.*, *BB Leasing S.A. – Arrendamento Mercantil*; *BB Administradora de Cartões de Crédito S.A.*, *BB Administradora de Consórcios S.A.* and *Besc Distribuidora de Títulos e Valores Mobiliários S.A.*

Officers of Banco do Brasil and its subsidiaries are responsible for preparing and assuring the integrity of the financial statements, managing risks, maintaining an effective internal control system and for ensuring compliance with applicable legal and regulatory requirements.

Internal Audit is responsible for periodic works, focusing on the main risks to which the Conglomerate is exposed, evaluating, with independence, the actions of management of these risks and the adequacy of internal controls and governance, through the verification of its quality, sufficiency, compliance and effectiveness.

*KPMG Auditores Independentes* is responsible for auditing the financial statements of the *Banco do Brasil* and of the subsidiaries covered by the Audit Committee, in addition to other companies that integrate Banco do Brasil Conglomerate. The independent auditors also evaluate, in the context of the audit services on the financial statements, the quality and adequacy of the internal control system and compliance with the legal and regulatory requirements.

Internal regulations of the Audit Committee and a channel of communication for receiving information about violation of internal regulations, codes, legal and regulatory devices applicable to the institution are available at the website [www.bb.com.br/ir](http://www.bb.com.br/ir).

### Main Activities

In compliance with its work plan, the Audit Committee meets regularly with the Board of Directors, representatives of the Board of Officers, executives of the main business areas such as internal controls, risk management, accounting, security, legal, governance, credit, finance, besides internal works.

At these meetings, the attention was focused on subjects related to the internal control system, accounting issues, provisions, risk and capital management processes, ombudsman, government funds and programs, branches abroad, technological solutions, connected entities, and recommendations issued by the internal audit, independent auditors and by external inspection bodies. Where suggestions for improvement were observed, recommendations were made.

The Committee maintained a dialogue with the internal audit and independent audit teams, verifying the accomplishment of their planning, learning the results of their main works performed and examining their conclusions and recommendations.

The Committee revised the management reports, financial statements and notes to the financial statements and discussed with the independent auditor their reports.

**Conclusions**

Based on the activities developed in the period and considering the duties and limitations inherent to the scope of its activities, the Audit Committee concluded that:

- a. The internal control systems are appropriate to the size and complexity of the Conglomerate's business and are subject to permanent attention from the management;
- b. Internal Audit performs its functions with independence, objectivity, quality and effectiveness;
- c. Independent audit is effective and there was no identification of occurrences that could compromise its independence;
- d. The financial statements of the year, ended on Dec 31, 2014 were prepared in compliance with legal requirements and with accounting practices adopted in Brazil, applicable to the institutions authorized to operate by the Brazilian Central Bank, and reflect, in all material respects, the financial situation on that date.

Brasília-DF, February 10, 2015.

Egidio Otmar Ames

Coordinator

Antônio Carlos Correia

Elvio Lima Gaspar

Henrique Jäger

## DECLARATION OF THE BOARD OF DIRECTORS

The Board of Directors of the Banco do Brasil S.A. declares that, in a meeting performed at this date, approved the Report and the summary of the Audit Committee Report and, in compliance with the item V of Art. 142 of Law 6,404, from December 15, 1976, became aware and recommended the approval of the Director's accounts and of the Management's Report related to the fiscal year ended 2014.

February 10, 2015.

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Tarcísio José Massote de Godoy

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Adriana Queiroz de Carvalho

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Alexandre Corrêa Abreu

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Bernardo Gouthier Macedo

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Elvio Lima Gaspar

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Henrique Jäger

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Rafael Vieira de Matos

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Sergio Eduardo Arbulu Mendonça

## FISCAL COUNCIL REPORT

**THE FISCAL COUNCIL OF BANCO DO BRASIL S.A.**, according to its legal and statutory duties, have reviewed the management report and the financial statements, including the proposal concerning to result distribution related to the fiscal year ended December 31, 2014, which were approved by the Board of Directors at this date.

Based on the exams performed, on information provided throughout the year and on the unqualified Independent Auditor's Report issued by KPMG Auditores Independentes, at this date, the Fiscal Council understand that the aforementioned documents are eligible to be submitted to the appreciation and approval of the Annual Meeting of Stockholder's.

Brasília (DF), February 10, 2015.

Aldo César Martins Braido  
Member

Augusto Carneiro de Oliveira Filho  
Member

Carlos Roberto de Albuquerque Sá  
Member

Marcos Machado Guimarães  
Member

Paulo José dos Reis Souza  
President

## **DECLARATION OF THE EXECUTIVE BOARD MEMBERS ABOUT THE FINANCIAL STATEMENTS**

According to the Art. 25 of CVM Instruction no. 480 of December 07, 2009, we declare that the Financial Statements of the Banco do Brasil related to the fiscal year ended December 31, 2014 were reviewed and, based on subsequent discussions, we agree that such statement fairly reflects, in all material facts, the financial position for the periods presented.

Brasília (DF), February 10, 2015.

Alexandre Côrrea Abreu  
President

Antonio Mauricio Maurano  
Vice-president of Whosale Business

Geraldo Afonso Dezena da Silva  
Vice-president of Technology

Paulo Roberto Lopes Ricci  
Vice-president of Retail, Distribution and  
Operations

Walter Malieni Junior  
Vice-president of Internal Controls and Risk  
Management

Antônio Valmir Campelo Bezerra  
Vice-president of Government

Osmar Fernandes Dias  
Vice-president of Agribusiness and Small and  
Micro Companies

Robson Rocha  
Vice-president of Human Resources and  
Sustainable Development

## **DECLARATION OF THE EXECUTIVE MEMBERS ABOUT THE REPORT OF INDEPENDENT AUDITORS**

According to Art. 25 of CVM Instruction no. 480 of December 07, 2009, we affirm based on our knowledge, on auditor's plan and on discussions about the audit results, that we agree, with no dissent, to the opinions expressed in the Report of Independent Auditors for Financial Statements of February 10, 2015.

Brasília (DF), February 10, 2015.

Alexandre Córrea Abreu  
President

Antonio Mauricio Maurano  
Vice-president of Whosale Business

Geraldo Afonso Dezena da Silva  
Vice-president of Technology

Paulo Roberto Lopes Ricci  
Vice-president of Retail, Distribution and  
Operations

Walter Malieni Junior  
Vice-president of Internal Controls and Risk  
Management

Antônio Valmir Campelo Bezerra  
Vice-president of Government

Osmar Fernandes Dias  
Vice-president of Agribusiness and Small and  
Micro Companies

Robson Rocha  
Vice-president of Human Resources and  
Sustainable Development

**MEMBERS OF THE MANAGEMENT****PRESIDENT**

Alexandre Corrêa Abreu

**VICE-PRESIDENTS**

Antonio Mauricio Maurano  
Antônio Valmir Campelo Bezerra  
Geraldo Afonso Dezena da Silva  
Osmar Fernandes Dias  
Paulo Roberto Lopes Ricci  
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  
Gueitiro Matsuo Genso  
Hamilton Rodrigues da Silva  
Ives César Fülber  
Janio Carlos Endo Macedo  
José Carlos Reis da Silva  
José Mauricio Pereira Coelho  
Luís Aniceto Silva Cavicchioli  
Luiz Henrique Guimarães de Freitas  
Marcelo Augusto Dutra Labuto  
Marco Antonio Ascoli Mastroeni  
Marcos Ricardo Lot  
Nilson Martiniano Moreira  
Raul Francisco Moreira  
Sandro José Franco  
Sandro Kohler Marcondes  
Sergio Peres

**BOARD OF DIRECTORS**

Adriana Queiroz de Carvalho  
Alexandre Corrêa Abreu  
Bernardo Gouthier Macedo  
Elvio Lima Gaspar  
Henrique Jäger  
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  
Egídio Otmar Ames  
Elvio Lima Gaspar  
Henrique Jäger

**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

