Banco Daycoval S.A.

(incorporated in the Federative Republic of Brazil with limited liability)
(acting through its principal office in the Federative Republic of Brazil or acting through its Cayman Islands Branch)

U.S.$2,000,000,000
Euro Medium-Term Note Programme

Under the Euro Medium-Term Note Programme described in these Listing Particulars (the "Programme"), Banco Daycoval S.A. (either acting through its principal office in the Federative Republic of Brazil or acting through its Cayman Islands Branch), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Euro Medium-Term Notes (the "Notes"). The aggregate nominal amount of Notes outstanding will not at any time exceed U.S.$2,000,000,000 (or the equivalent in other currencies). Payments in respect of the Notes may be subject to Brazilian foreign exchange controls and restrictions, as described in "Terms and Conditions of the Notes—Payments and Talons—Currency Constraint".

Application has been made to the Irish Stock Exchange for the approval of these Listing Particulars and for Notes issued under the Programme for the period of 12 months from the date of these Listing Particulars to be admitted to the official list of the Irish Stock Exchange and to trading on its Global Exchange Market (the "Irish Stock Exchange (Global Exchange Market)"). References in these Listing Particulars to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to the official list of the Irish Stock Exchange and to trading on the Irish Stock Exchange (Global Exchange Market).

However, Notes may be issued under the Programme which will not be listed on the Irish Stock Exchange (Global Exchange Market) or any other stock exchange, and the Final Terms applicable to a series will specify whether or not the Notes of such series will be listed on the Irish Stock Exchange (Global Exchange Market) or any stock exchange. With respect to any Notes which are intended to be listed on the Irish Stock Exchange (Global Exchange Market) or any other stock exchange, there can be no assurance that a listing will be achieved prior to the issue date of such Notes or otherwise.

The Notes may be offered for sale (i) in the United States to qualified institutional buyers ("QIBs") (as defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act")) pursuant to Rule 144A or (ii) outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("Regulation S") and in accordance with applicable laws. See "Selling Restrictions". Notes offered for sale pursuant to Rule 144A are referred to as restricted Notes, and Notes offered for sale in reliance on Regulation S are referred to as unrestricted Notes.

Tranches (as defined herein) of Notes issued under the Programme may be rated or unrated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Prospective investors should have regard to the factors described under the section headed "Risk Factors" in these Listing Particulars.

These Listing Particulars are valid for twelve months from the date hereof.

Banco Daycoval S.A.
(acting through its Cayman Islands Branch)
As Arranger and Dealer

The date of these Listing Particulars is March 12, 2014.

INVESTMENT IN THE NOTES IS SUBJECT TO A NUMBER OF CONSIDERATIONS WHICH SHOULD BE CAREFULLY CONSIDERED BY ANY POTENTIAL PURCHASER OF NOTES. SEE "RISK FACTORS".

THE NOTES MAY HAVE LIMITED PAYMENT OBLIGATIONS. IF NOTES OF A SERIES ARE SPECIFIED TO BE CURRENCY CONSTRAINT NOTES, IN THE EVENT OF THE IMPOSITION OF EXCHANGE CONTROLS PROHIBITING THE CONVERSION INTO, OR REMISSION FROM BRAZIL, OF THE CURRENCY IN WHICH PAYMENT IS MADE IN RESPECT OF SUCH NOTES, HOLDERS OF SUCH NOTES MAY ELECT TO EXCHANGE SUCH NOTES FOR NOTES IN RESPECT OF WHICH PAYMENTS ARE PAYABLE IN THE LAWFUL CURRENCY OF BRAZIL FOR THE TIME BEING. IF A HOLDER DOES NOT ELECT TO MAKE SUCH EXCHANGE, SUCH HOLDER SHALL HAVE NO RIGHT, WHILE SUCH EXCHANGE CONTROLS REMAIN IMPOSED, EITHER TO ACCELERATE PAYMENT OF SUCH NOTES BY CALLING A DEFAULT OR TO SUE FOR THE UNPAID SUM. SEE "TERMS AND CONDITIONS OF THE NOTES—PAYMENTS AND TALONS—CURRENCY CONSTRAINT".

In these Listing Particulars, unless the context otherwise requires, (i) references to "we", "our", "us", the "Company", "Banco Daycoval", "Daycoval" or to the "Bank" mean Banco Daycoval S.A., a corporation (*sociedade anônima*) organised under the laws of Brazil, and its consolidated subsidiaries, (ii) references to "Cayman Islands Branch" mean Banco Daycoval S.A., acting through its Cayman Islands Branch, and (iii) with respect to any Note, references to the "Issuer" mean Banco Daycoval S.A., acting through its principal office in the Federative Republic of Brazil or acting through its Cayman Islands Branch, as indicated in the applicable Final Terms.

These Listing Particulars comprise base listing particulars for the purposes of the Irish Stock Exchange Guidelines and for the purpose of giving information with regard to the Issuer and the Notes which, according to the nature of the Issuer and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer.

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

These Listing Particulars have been and the relevant Final Terms will be prepared by us solely for use in connection with the proposed offering of the Notes described in these Listing Particulars and in the relevant Final Terms. These Listing Particulars do not and the relevant Final Terms will not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. We and each of the Dealers for each series reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes offered by the relevant Final Terms. Distribution of these Listing Particulars and the relevant Final Terms to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of these Listing Particulars and the relevant Final Terms, agrees to the foregoing and to make no photocopies of these Listing Particulars and the relevant Final Terms or any documents referred to in these Listing Particulars and the relevant Final Terms.

These Listing Particulars should be read and construed together with any amendments or supplements hereto and with any other documents incorporated by reference herein and, in relation to any series of Notes, should be read and construed together with the relevant Final Terms. Each time we offer or sell Notes under the Programme, we will provide Final Terms that will contain certain specific information about the terms of that offering. If there is any inconsistency between the information in these Listing Particulars and any Final Terms, you should rely on the information in those Final Terms.

These Listing Particulars and the relevant Final Terms are intended solely for the purposes of soliciting expressions of interest in the Notes from qualified investors and, if applicable, the listing of the Notes on the Irish Stock Exchange (Global Exchange Market) and does not purport to summarise all of the terms, conditions and other provisions contained in the agency agreement relating to the Notes and other transaction documents. The information provided is not all-inclusive and may not contain all the information you would desire. The market information in these Listing Particulars has been obtained by us or derived from publicly available sources deemed by us to be reliable. The third-party market information in these Listing Particulars has been accurately reproduced and, as far as we are aware and are able to ascertain from the market information published by those publicly available sources, no facts have been omitted which would render the market information reproduced herein inaccurate or misleading.

None of the Arranger or the Dealers (in each case, other than us in our capacity as Issuer) for any series will make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in these Listing Particulars and the relevant Final Terms. Nothing contained in these Listing Particulars and the relevant Final Terms is, or shall be relied upon as, a promise or representation by the Arranger or any such Dealer for any series as to the past or future. Notwithstanding any investigation that the Arranger or any such Dealer of any particular series may have conducted with respect to the information contained herein, the Arranger or such Dealer assumes no liability for the accuracy or completeness of any information contained in these Listing Particulars or any Final Terms.

We confirm that, after having made all reasonable inquiries, these Listing Particulars contain and the relevant Final Terms will contain all information with regard to us and the Notes that is material to the offering and sale of the Notes, that the information contained in these Listing Particulars are and the relevant Final Terms will be true and accurate in all material respects and not misleading and that there are and there will be no omissions of any other facts from these Listing Particulars and the relevant Final Terms which, by their absence herefrom or therefrom, make these Listing Particulars and the relevant Final Terms misleading. We accept responsibility for the information contained in these Listing Particulars and any Final Terms regarding us and the Notes.

These Listing Particulars contain and the relevant Final Terms will contain summaries intended to be accurate with respect to certain terms of certain documents, but reference is and will be made to the actual documents, all of which will be made available to you, the Fiscal Agent or the relevant agents for each series for complete information with respect thereto, and all such summaries are and will be qualified in their entirety by such reference.

You should rely only on the information contained in these Listing Particulars and the relevant Final Terms. None of the Dealers for any series will have, nor have we authorised anyone to provide you with, different information. The information contained in these Listing Particulars is, and the relevant Final Terms will be, accurate only as of the date of these Listing Particulars or the date of the Final Terms, regardless of the time of delivery of these Listing Particulars, the relevant Final Terms or of any sale of the Notes. Neither the delivery of these Listing Particulars and the relevant Final Terms nor any sale made hereunder or thereunder shall under any circumstances imply that there has been no change in our affairs and in the affairs of each of our subsidiaries or that the information set forth herein is correct as of any date subsequent to the date hereof or thereof.

By receipt of these Listing Particulars and the relevant Final Terms, you hereby acknowledge that (i) you have been afforded an opportunity to request from us and to review, and have received, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained herein and in the relevant Final Terms, (ii) you have had the opportunity to review all of the documents described herein and in the relevant Final Terms, (iii) you have not relied on any of the Arranger, the Dealers or any person affiliated with them in connection with any investigation of the accuracy of such information or your investment decision, and (iv) no person has been authorised to give any information or to make any representation concerning us or the Notes (other than as contained herein, in the relevant Final Terms and information given by our duly authorised officers and employees, in connection with your

examination of our business and the terms of each of the offerings under the Programme) and, if given or made, you should not rely upon any such other information or representation as having been authorised by us or the Dealers for each series.

Each person receiving these Listing Particulars acknowledges that: (i) these Listing Particulars do not contain all the information that would be included in a prospectus for this offering were this offering to be registered under the Securities Act; (ii) the unaudited and audited consolidated financial statements included in these Listing Particulars have been prepared in accordance with Brazilian GAAP (as defined herein); and (iii) Brazilian GAAP differs in certain significant respects from U.S. GAAP (as defined herein) and from IFRS (as defined herein).

NOTICE FOR NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (THE "RSA") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

In connection with the issue of any tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of Notes and 60 days after the date of the allotment of the relevant tranche of Notes.

In making an investment decision, you must rely on your own examination of our business and the terms of each of the offerings under the Programme, including the merits and risks involved. The Notes have not been approved or recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of these Listing Particulars or the relevant Final Terms. Any representation to the contrary is a criminal offense.

These Listing Particulars do not and the relevant Final Terms will not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

Neither we, the Dealers for any series, nor any of our or their respective affiliates or representatives, are making any representation to you regarding the legality of any investment by you under applicable legal investment or similar laws. You should consult with your own advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THESE LISTING PARTICULARS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY PROSPECTIVE PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON PROSPECTIVE PURCHASERS UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE PURCHASERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act), except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person (as defined in the Internal Revenue Code of 1986, as amended (the "Code")), except in certain transactions permitted by U.S. tax regulations. These Listing Particulars have been, and the relevant Final Terms will have been, prepared by us solely for use in connection with the offer and sale of the Notes outside the United States to non-U.S. persons pursuant to Regulation S, the offer and sale of the Notes within the United States pursuant to Rule 144A under the Securities Act and, if applicable, the listing of the Notes on the Irish Stock Exchange (Global Exchange Market). Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of the restriction on offers, sales, resales and transfers of the Notes and distribution of these Listing Particulars and the relevant Final Terms, see "Subscription and Sale".

The Notes have not been, and will not be, registered with the CVM. Any public offering or distribution, as defined under Brazilian laws and regulations, of the Notes in Brazil is not legal without prior registration under Law No. 6,385 of December 7, 1976, as amended, and Instruction No. 400, issued by CVM on December 29, 2003, as amended. Documents relating to the offering of the Notes, as well as information contained therein, may not be supplied to the public in Brazil (as the offering of the Notes is not a public offering of securities in Brazil), nor be used in connection with any offer for subscription or sale of the Notes to the public in Brazil. The Arranger has agreed, and each of the Dealers will agree, not to offer or sell the Notes in Brazil, except in circumstances which do not constitute a public offering or distribution of securities under applicable Brazilian laws and regulations.

In these Listing Particulars, unless otherwise specified or the context otherwise requires, references to "U.S. dollars" and "U.S.$" are to United States dollars and to "*reais*", "*real*" and "R$" are to Brazilian *reais*, the Brazilian currency unit and to "euro", "EUR" and "€" are to the lawful currency of the states participating in the third stage of economic and monetary union, pursuant to the treaty establishing the European Community, as amended from time to time.

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SUPPLEMENTAL LISTING PARTICULARS

The Issuer has undertaken, in connection with the listing of the Notes on the Irish Stock Exchange (Global Exchange Market), that if at any time while any Notes are listed on the Irish Stock Exchange (Global Exchange Market) there is a significant change affecting any matter contained in these Listing Particulars or a significant new matter arises the inclusion of information in respect of which would have been so required if it had arisen when the Listing Particulars were prepared, the Issuer will prepare and make available an amendment or supplement to these Listing Particulars or publish replacement Listing Particulars for use in connection with any subsequent issue of Notes to be listed on the Irish Stock Exchange (Global Exchange Market). The Issuer will on an annual basis prepare further Listing Particulars setting out the changes in the operations and financial condition of the Issuer and will prepare further Listing Particulars or supplement to these Listing Particulars if the terms and conditions set out in these Listing Particulars are amended for all Notes issued or to be issued pursuant to the Programme.

Any Final Terms issued in respect of Notes listed on a stock exchange will be available free of charge from the office of the Listing Agent or Paying Agent with a specified office in the city of such stock exchange.

FORWARD-LOOKING STATEMENTS

These Listing Particulars contain estimates and forward-looking statements within the meaning of the Securities Act and the Securities Exchange Act of 1934, as amended, subject to risks and uncertainties, principally in the sections entitled "Summary", "Risk Factors", "Management's Discussion and Analysis of Financial Conditions and Results of Operations", "Business of Banco Daycoval S.A." and "The Brazilian Financial System and Banking Regulation". Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends that affect or may affect our business, financial condition, results of operations, liquidity, strategy, and prospects. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to risks, uncertainties and assumptions and are made in light of information currently available to us.

Our estimates and forward-looking statements may be affected by the following factors, among others:

- general economic, political and business conditions in Brazil and abroad;
- risks relating to the market and credit industry environment in Brazil and abroad;
- our ability to implement our business strategies successfully;
- our capitalisation level;
- the market value of Brazilian government securities;
- an increase in loan defaults by our clients, as well as an increase in our allowance for loan losses;
- credit, market and operational risks and any other risks related to our financing activities;
- competition in the Brazilian banking market;
- changes in the availability and cost of our funding;
- prevailing inflation rates;
- appreciation or depreciation of the *real* and fluctuations in interest rates;
- changes in Brazilian laws, regulations, taxation and governmental policies that relate to our activities;
- administrative and judicial proceedings involving us; and
- the other risk factors discussed under the caption "Risk Factors".

Statements that depend on or are related to events or future or uncertain conditions or that include the words "believe", "anticipate", "continue", "expect", "estimate", "intend", "may", "assume" and other variations, as well as similar words, are intended to identify forward-looking statements. Forward-looking statements include information concerning our potential or assumed future results of operations, business strategies, funding plans, competitive position, industry environment, potential growth opportunities and the effects of future regulation and of competition. Forward-looking statements and estimates speak only at the date they are made and neither we, the underwriters nor the agents undertake the obligation to update or revise any forward-looking statements after we distribute these Listing Particulars to reflect new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in these Listing Particulars may not occur or be

accurate, and our future financial condition, results of operations, liquidity and performance may differ materially from those set out for a number of reasons.

Any such forward-looking statements and estimates are not guarantees of future performance and involve risks and uncertainties. Given such limitations, you should not rely on these forward-looking statements to make a decision to invest in an issue of Notes.

PRESENTATION OF FINANCIAL INFORMATION

Financial Statements and Information

We maintain our books and records in *reais*. We prepare our consolidated financial statements in accordance with accounting principles adopted in Brazil applicable to entities authorised to operate by the Brazilian central bank (*Banco Central do Brasil*) (the "Central Bank") ("Brazilian GAAP") which are based on the accounting criteria set forth by Law No. 6,404 of December 15, 1976, as amended (the "Brazilian Corporation Law"), the changes introduced by Law No. 11,638 of December 28, 2007 ("Law No. 11,638") and Law No. 11,941 of May 27, 2009 ("Law No. 11,941") for the recording of transactions, together with, when applicable, the standards and instructions of the Brazilian national monetary council (*Conselho Monetário Nacional*) ("CMN"), the Central Bank, and the Standard Chart of Accounts for Financial Institutions (*Plano Contábil das Instituições do Sistema Financeiro Nacional*) (the "COSIF"), the Brazilian securities exchange commission (*Comissão de Valores Mobiliários*) (the "CVM"), the Private Insurance Authority (*Superintendência de Seguros Privados*) (the "SUSEP") and the Brazilian Accounting Pronouncements Committee (*Comitê de Pronunciamentos Contábeis*) (the "CPC"), if applicable.

On December 28, 2007, the Brazilian government enacted Law No. 11,638 which became effective on January 1, 2008 and which, together with Law No. 11,941, amended the Brazilian Corporation Law and introduced the process of conversion of accounting practices adopted in Brazil into International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB"). In accordance with CMN Resolution No. 3,786 of September 24, 2009, financial institutions are required to prepare their financial statements in accordance with IFRS beginning with the year ending December 31, 2010. On March 29, 2011, we made available our first-time adoption consolidated financial statements as of and for the year ending December 31, 2010 prepared in accordance with IFRS on our website and the website of the CVM.

As part of the process of convergence with IFRS, the CPC issued several pronouncements related to the international convergence which have been approved by the CVM, some of which have not yet been ratified by the Central Bank. Accordingly, in preparing its financial statements, the Bank adopted the following pronouncements already ratified by the Central Bank:

- CPC 01 - Impairment of assets (CMN Resolution No. 3,566 of May 29, 2008);
- CPC 03 - Statements of cash flows (CMN Resolution No. 3,604 of August 29, 2008);
- CPC 05 – Related party disclosures (CMN Resolution No. 3,750 of June 30, 2009);
- CPC 10 (R1) – Share-based payment (CMN Resolution No. 3,989 of June 30, 2011);
- CPC 23 - Accounting practices, changes in estimates and correction of errors (CMN Resolution No. 4,007 of August 25, 2011);
- CPC 24 - Events after the reporting period (CMN Resolution No. 3,973 of May 26, 2011);
- CPC 25 - Provisions, contingent liabilities and contingent assets (CMN Resolution No. 3,823 of December 6, 2009); and
- Basic Conceptual Pronouncement (R1) – Conceptual Framework for the Preparation and Presentation of Financial Statements (CMN Resolution No. 4,144 of September 27, 2012).

These Listing Particulars include our consolidated balance sheets and consolidated income statements as of and for the years ended December 31, 2013, 2012 and 2011, which are derived from our

consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011, prepared in accordance with Brazilian GAAP and audited by Deloitte Touche Tohmatsu Auditores Independentes ("Deloitte") in accordance with Brazilian and international audit standards.

Brazilian GAAP varies significantly from accounting principles generally accepted in the United States ("U.S. GAAP") and from IFRS. Accordingly, the financial statements contained herein differ from those that would be prepared based on U.S. GAAP or IFRS. We have made no attempt to identify or quantify the impact of the differences between U.S. GAAP and Brazilian GAAP or IFRS and Brazilian GAAP. No reconciliation to U.S. GAAP or IFRS of any of the financial statements presented in this Listing Particulars has been prepared for purposes of these Listing Particulars. There can be no assurance that such a reconciliation would not identify material quantitative differences between our financial statements as prepared in accordance with Brazilian GAAP and such financial statements as prepared on the basis of U.S. GAAP or IFRS.

Our Cayman Islands Branch produces audited financial statements on an annual basis as required by Cayman Islands law and has published financial statements as of and for the years ended December 31, 2013, 2012 and 2011. Such financial statements are not included in these Listing Particulars. The financial statements of our Cayman Islands Branch have been included in our consolidated financial statements since June 30, 2008.

The financial information related to Daycoval Veículos Fundo de Investimento em Direitos Creditórios ("Daycoval Veículos FIDC") was consolidated into our financial statements as of and for the years ended Decenber 31, 2012 and 2011. As part of this consolidation, we recorded the balance of our receivables portfolio previously transferred to Daycoval Veículos FIDC as "lending operations" and excluded the amounts represented by our subordinated quotas in Daycoval Veículos FIDC from our balance sheet. We also recognised such receivables portfolio, net of the amounts represented by Daycoval Veículos FIDC's subordinated quotas, as "borrowings and onlendings—domestic borrowings". In our income statements, we recorded any income from Daycoval Veículos FIDC, as well as any increase in the market value of our subordinated quotas (which are recognised in our individual financial statements as income under "securities transactions"), as "lending operations". Any amounts due to senior quotaholders of Daycoval Veículos FIDC were recorded as costs under "funding operations". Daycoval Veículos FIDC was wound up on December 13, 2013 and is not consolidated into our financial statements as of and for the year ended December 31, 2013. For further information on Daycoval Veículos FIDC, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Funding—Borrowings and Onlendings".

The financial information related to Daycoval Classic Fundo de Investimento Multimercado Privado ("Daycoval Classic") was also consolidated into our financial statements as of and for the year ended December 31, 2011. As part of this consolidation, the proportion of the securities portfolio of Daycoval Classic that corresponded to our portion of fund shares was incorporated into our securities portfolio and our investment in fund shares was eliminated for such year. Income from Daycoval Classic shares was recorded on our financial statements as "securities transactions" for such year. For the years ended December 31, 2013 and 2012, financial information related to Daycoval Classic was not consolidated into our financial statements, since the fund was open to other investors, and not only to us and our consolidated subsidiaries as was the case previously, and also due to the complete redemption of fund shares by the Bank during the period mentioned.

In the preparation of our consolidated financial statements, intercompany balances and transactions with our direct and indirect subsidiaries and with Daycoval Veículos FIDC and Daycoval Classic have been eliminated. We also adjust the financial statements of our indirect foreign subsidiary to Brazilian GAAP and translate any amounts indicated therein into *reais*.

Market information

The information contained in these Listing Particulars relating to Brazil, the Brazilian economy and the market where we operate is based on information published by the Central Bank and by other public entities and by independent sources, including the Brazilian Financial and Capital Markets Association (*Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais*) (the "ANBIMA"), the Brazilian Federation of Banks (*Federação Brasileira de Bancos*) (the "FEBRABAN"), the Brazilian Geography and Statistics Institute (*Instituto Brasileiro de Geografía e Estatística*) (the "IBGE") and the Getúlio Vargas Foundation (*Fundação Getúlio Vargas*) (the "FGV"), among others. Such information has been accurately reproduced and, as far as we are aware and able to ascertain from information published by such third parties, no facts have been omitted which would render such reproduced information inaccurate or misleading. Although we do not have any reason to believe any of this information is inaccurate in any material respect, we have not independently verified any such information.

References

Solely for the convenience of the reader, we have translated certain amounts contained in "Summary Financial Information" and "Selected Financial Information" and elsewhere in these Listing Particulars from *reais* into U.S. dollars. The rate used to translate such amounts was R$2.34 to U.S.$1.00 (subject to rounding adjustments), which was the selling exchange rate in effect as of December 31, 2013 as reported by the Central Bank. The U.S. dollar equivalent information presented in these Listing Particulars is provided solely for your convenience and should not be construed as implying that the amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. The *real*/U.S. dollar exchange rate may fluctuate widely and the exchange rate described in this paragraph may not be indicative of future exchange rates. See "Foreign Exchange Rates and Exchange Controls" for information regarding *real*/U.S. dollar exchange rates.

Rounding

Certain percentages and other amounts included in these Listing Particulars have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them.

ENFORCEMENT OF JUDGMENTS

We are a corporation organised under the laws of Brazil. Most of our directors and executive officers and certain advisors named herein reside in Brazil or elsewhere outside the United States, and all or a significant portion of the assets of such persons may be, and substantially all of our assets are, located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or other jurisdictions outside Brazil upon such persons or to enforce against them or against us any judgments obtained in such courts, including judgments predicated upon the civil liability provisions of the U.S. federal securities laws or predicated upon the laws of such other jurisdictions outside Brazil. In the Terms and Conditions of the Notes, we will agree that the courts of England shall have jurisdiction to hear and determine any suit, action or proceeding, and to settle any disputes, which may arise out of or in connection with the Notes and, for such purposes, irrevocably submit to the jurisdiction of such courts. See "Terms and Conditions of the Notes".

We have been advised by Campos Mello Advogados, our Brazilian counsel, that judgments of U.S., English and other non-Brazilian courts for civil liabilities predicated upon the securities laws of such countries, including the securities laws of the United States, subject to certain requirements described below, may be enforced in Brazil. Pursuant to Resolution No. 9 of May 4, 2005, enacted by the Brazilian Superior Court of Justice (*Superior Tribunal de Justiça*, or the "STJ"), a judgment against either us or any other person described above obtained outside Brazil would be enforceable in Brazil against us or any such person without reconsideration of the merits, upon confirmation of that judgment by the STJ. That confirmation, generally, will occur if the foreign judgment:

- is for payment of a sum certain;
- fulfills all formalities required for its enforceability under the laws of the country where the foreign judgment is granted;
- is issued by a competent court after proper service of due process is made;
- is not subject to appeal and has exhausted the local remedies;
- is authenticated by a Brazilian consular office in the country where the foreign judgment is issued and is accompanied by a translation into Portuguese of a Brazilian-registered sworn translator; and
- is not contrary to Brazilian national sovereignty, public order or public morality (as set forth in Brazilian law).

Notwithstanding the foregoing, no assurance can be given that confirmation will be obtained, that the process described above can be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the securities laws of countries other than Brazil with respect to the Notes. We understand that original actions predicated on the securities laws of countries other than Brazil may be brought in Brazilian courts and that, subject to Brazilian public order, public morality and national sovereignty, Brazilian courts may enforce civil liabilities in such actions against us, our directors, certain of our officers and the advisors named herein. Pursuant to Article 835 of the Brazilian Code of Civil Procedures, a plaintiff (whether Brazilian or non-Brazilian) who resides outside or leaves Brazil during the course of litigation in Brazil must provide a bond to guarantee court costs and legal fees if the plaintiff owns no real property in Brazil that may ensure such payment. This bond must have a value sufficient to satisfy the payment of court fees and defendant's attorneys' fees, as determined by the Brazilian judge based on the amount under dispute. This requirement does not apply to enforcement of foreign judgments which have been duly confirmed by the STJ, nor to the cases of collection of claims based on instruments (which does not include the Notes) that may be enforced in Brazil without the review of their merits (*titulos executivos*

extrajudiciais) and counterclaims (*reconvenções*) under Article 836 of such code. Any judgment obtained against us in Brazil would be expressed in an amount in *reais* equivalent on the date of remittance from Brazil to the U.S. dollar amount due and unpaid under the Notes.

SUMMARY

Overview

We are one of the leading banks specialising in providing loans to companies in Brazil. The majority of our loans in this segment are provided to small- and medium-sized companies with annual gross revenues of between R$8.0 million and R$300.0 million. We also have a significant presence in the retail segment. Since the late 1980s, we have offered a wide range of credit products to companies secured by collateral. As of September 30, 2013, we were the 16th largest Brazilian private bank in terms of shareholders' equity and the 21st largest Brazilian private bank in terms of volume of assets, according to the Central Bank. As of December 31, 2013, we had assets of R$14,949.9 million, shareholders' equity of R$2,440.3 million and a loan portfolio of R$8,867.6 million, 52.5% of which consisted of loans made to companies.

For the year ended December 31, 2013, our return on average shareholders' equity was approximately 10.0%, compared to 17.5% and 16.4% for the years ended December 31, 2012 and 2011, respectively. For the year ended December 31, 2013, our return on average assets was approximately 1.7%, compared to 2.7% and 2.9% for the years ended December 31, 2012 and 2011, respectively.

We operate through 36 branches located in 29 cities across 19 Brazilian states and the Federal District (Brasília). We had approximately 5,069 active corporate clients as of December 31, 2013 and our portfolio of company loans and trade finance loans at such date was R$4,653.1 million. We believe that a significant potential client base of Brazilian small- and medium-sized companies exists, which will allow us to continue to expand our activities in this segment.

In 2004, we started operations in the individual lending market by offering payroll deduction loans under the DayCred brand. As of December 31, 2013, our portfolio of such loans was R$3,442.5 million, which we originated through a wide distribution network consisting of around 1,012 banking correspondents. We also began to offer vehicle financing in 2006. As of December 31, 2013, our portfolio of auto loans was R$704.6 million, which we originated through a wide distribution network consisting of approximately 95 banking correspondents. Our portfolio of loans to individuals also includes other products, such as the financing of purchases by consumers of goods and services through retailers or service-providers participating in our direct consumer credits programme ("direct consumer credits") which, as of December 31, 2013, amounted to R$67.4 million. As of December 31, 2013 our aggregate portfolio of loans to individuals represented 47.5% of our total loan portfolio.

We seek to diversify our sources of funding to avoid mismatches between the respective interest rates and maturities of our funding and the loans that we grant, and to obtain liquidity to allow us to take advantage of growth opportunities. Our time deposits are our primary source of funding and amounted to R$3,073.7 million as of December 31, 2013, representing 29.9% of our total funding. For further discussion of our time deposits, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Funding—Time deposits". Our sources of funding also include debt issued in the international capital markets, with coupons varying from 6.25% to 6.50% per annum. The aggregate outstanding balance of such debt was R$1,400.8 million as of December 31, 2013, representing 13.6% of our total funding. Our funding denominated in U.S. dollars represented 28.0% of our total funding as of December 31, 2013, and includes the balance of borrowings and onlendings denominated in U.S. dollars in addition to debt issued in the international capital markets.

The following tables highlight certain of our financial information as of the dates and for the periods indicated:

	As of December 31,			
	2013	2012	2011	2013
	(R$ millions, except percentages)			(U.S.$ millions, except percentages)[1]
Total assets	14,949.9	12,939.2	12,104.7	6,381.7
Shareholders' equity	2,440.3	2,203.5	1,952.4	1,041.7
Loan portfolio	8,867.6	7,524.2	7,724.8	3,785.4
Deposits	3,708.3	4,101.8	4,542.0	1,583.0
Funds from acceptance and issuance of securities	4,774.6	3,275.9	1,492.6	2,038.2
Basel index[2]	17.5%	17.4%	16.5%	17.5%
Cash, interbank investments and securities and derivatives	3,533.6	3,622.5	2,875.7	1,508.4
Allowance for loan losses as a percentage of total loan portfolio	5.3%	5.2%	2.7%	5.3%

	For the years ended December 31,			
	2013	2012	2011	2013
	(R$ millions, except percentages)			(U.S.$ millions, except percentages)[1]
Net income	233.8	357.5	305.1	99.9
Return on average shareholders' equity[3]	10.0%	17.5%	16.4%	10.0%
Return on average assets[4]	1.7%	2.7%	2.9%	1.7%
Efficiency index[5]	36.4%	30.6%	32.2%	36.4%

Notes:

(1) Translated into U.S.$ solely for the convenience of the reader. The rate used to translate such amounts was R$2.34 to U.S.$1.00 (subject to rounding adjustments), which was the selling exchange rate in effect as of December 31, 2013, as reported by the Central Bank. The U.S. dollar equivalent information presented in these Listing Particulars is provided solely for the convenience of investors and should not be construed as implying that the amounts in *real* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) Basel index corresponds to 11% of our reference shareholders' equity divided by the minimum amount of capital we are required to maintain pursuant to the regulations of the Central Bank.

(3) Return on average shareholders' equity is calculated by dividing (a) net income by (b) average shareholders' equity that represents the sum of the shareholders' equity as of the end of each month in the fiscal year divided by 12. Return on average shareholders' equity is not a measure calculated in accordance with Brazilian GAAP or IFRS.

(4) Return on average assets is calculated by dividing (a) net income by (b) average total assets that represents the sum of total assets as of the end of each month in the fiscal year divided by 12. Return on average assets is not a measure calculated in accordance with Brazilian GAAP or IFRS.

(5) Efficiency index is calculated by dividing (a) the sum of (i) personnel expenses and (ii) other administrative expenses, excluding depreciation and amortisation by (b) the sum of income from services provided and gross profit from financial intermediation (adjusted by the "Foreign exchange variation" effects originally recognised in "Other operating income" in the amounts of R$39.5 million for the year ended December 31, 2012 and R$120.7 million for the year ended December 31, 2011), excluding the effects of the allowance for loan losses and, for the year ended December 31, 2013, including the income from purchase of credit rights, recognised in "Other operating income" in the amount of R$147.5 million. Efficiency index is not calculated using a standard methodology and may not be comparable to the definition of efficiency index or similarly titled measures used by other companies.

Efficiency index is not a measure calculated in accordance with Brazilian GAAP or IFRS. We believe that the efficiency index provides a better understanding of our operational performance.

Our Strengths

We believe that our position as one of the leading medium-sized Brazilian banks is a result of the following strengths:

Significant and Solid Corporate Lending Operations

We have operated in the Brazilian corporate lending segment since 1989. We have developed solid and close relationships with our clients by offering high-quality services and a broad range of credit products that are tailor-made to their particular needs. We believe that our network of branches and other distribution channels, together with our team of specialised sales managers, allow us to efficiently respond to our clients' needs, including by rapidly approving loans without compromising our conservative risk policies.

Conservative and Solid Financial Position

Our activities are based on the maintenance of a solid financial position and the adoption of conservative credit and investment policies. We seek to maintain our liquidity by investing at least 30.0% of our deposits in cash and cash equivalents. To minimise liquidity risks, we also seek to avoid mismatches between our credit portfolio and our sources of funds by diversifying and extending the maturity of our funding. As of December 31, 2013, our funding was composed of (i) time deposits, demand deposits, interbank deposits and other deposits, (ii) borrowings and onlendings, and (iii) funds from acceptance and issuance of securities, which represented 36.0% and 17.5%, 46.5% of our total funding, respectively. Our Basel index as of December 31, 2013 was 17.5%, which was significantly higher than the 11.0% rate required by the Central Bank and higher than the average Basel index of the banks listed on the São Paulo Stock Exchange (the "BM&FBOVESPA"). Our financial strength is confirmed by our credit ratings, which are among the best of same-sized Brazilian banks operating in the same segments as us: "AA(bra)" from Fitch, "Aa1.br" from Moody's and "brAA" from Standard & Poor's for long-term debt (national scale) and "BBB-" from Fitch, "Baa3" from Moody's and "BB+" from Standard & Poor's for long-term debt (global scale).

Quality of Loan Portfolio

We believe that the quality of our loan portfolio and the low level of loan defaults that we have experienced are principally a result of our ability to select clients with an acceptable risk profile and to closely monitor the collateral that they grant us with respect to the loans that we provide them. As of December 31, 2013, the percentage of our loan portfolio represented by AA to C credits, according to the risk classification system established by the Central Bank, was 93.2%, compared to 92.9% and 96.7%, as of December 31, 2012 and 2011, respectively. In addition, our allowance for loan losses represented 5.3% of our total loan portfolio as of December 31, 2013, compared to 5.2% and 2.7% as of December 31, 2012 and 2011, respectively. In order to mitigate the risks that could result from a concentrated client base, our credit policy establishes limits on the percentages that each industry or client may represent in our total loan portfolio. As of December 31, 2013, our ten largest clients represented 7.9% of our total loan portfolio, compared to 9.9% and 13.8% as of December 31, 2012 and 2011, respectively.

In addition, the nature of the segments in which we operate contributes to the quality of our loan portfolio. Most of our loans to companies are guaranteed by what we believe to be high-quality collateral. In addition, we believe that our payroll deduction loans have a reduced risk profile compared to other credit products since the instalments on such loans are directly deducted from the payroll of the public or private sector employees or the pension paid to beneficiaries and retirees of the Social Security Agency (*Instituto*

Nacional da Seguridade Social) ("INSS"), as the case may be, who are the borrowers under such loans. We also have strict internal credit analysis rules in relation to the auto loans that we grant.

Growth Potential with Low Marginal Costs

We believe that the segments in which we operate are among those with the greatest potential for growth in the Brazilian credit industry. We believe that we have the capacity to grow our operations with low marginal costs due to the combination of the following factors:

- we have a state-of-the-art technology platform with differentiated proprietary systems to evaluate and monitor loans and the capacity to support a significant increase in our client base;
- we have expertise in the development of efficient distribution channels for our products, which we believe will allow us to further expand the market share of our products and the range of products that we offer at reduced marginal costs, allowing us to compete with larger banks; and
- our headquarters, situated on Avenida Paulista, one of the main financial centres in the city of São Paulo and in Latin America, will allow us to accommodate future personnel increases without additional investments in real estate.

Agility and Efficiency in Developing New Products

We believe that our solid and flexible operating structure, together with the expertise of our management team, have allowed us to develop new products and to quickly explore market opportunities at low costs and in compliance with our stringent return and risk exposure criteria. For example, in 2004 we identified the substantial growth potential of the individual lending segment and started to offer payroll deduction loans. We rapidly implemented an efficient operating structure for offering such loans which, as of December 31, 2013, consisted of approximately 769,000 agreements entered into with public sector entities and a distribution network consisting of around 1,012 banking correspondents. Since 2010, in accordance with our strategy of diversifying products, we have opened 70 foreign exchange bureaus in Brazil through which we work with partners such as travel agencies, brokers and other financial institutions to offer customers a range of options for a fast and secure service when buying or selling foreign currency. In addition, we have recently expanded our portfolio of direct consumer credits. We believe both products present growth potential in Brazil.

Experienced Management Committed to High Standards of Corporate Governance

Our senior executives have substantial experience in the Brazilian financial markets and are fully committed to our interests and goals. Our chairman and each of our other senior executives have more than 45 years and 20 years, respectively, of experience in the Brazilian banking industry and extensive knowledge of our business. We believe that our management is capable of identifying potential growth opportunities that arise in the market and establishing competitive strategies that increase our profitability while reducing our costs and the risks in our portfolio. Our administrative structure is based on the strict definition of activities for each of our areas of operation, which enhances our efficient decision-making process. We seek to stimulate and retain our employees by offering attractive compensation plans which have contributed to our low employee turnover. We have also implemented high standards of corporate governance, such as the creation of a board of directors that includes two independent directors with experience in the financial markets.

Our Strategy

We seek to continue to grow on a sustainable and consistent basis and to create value for our shareholders through the following strategies:

Continue to Focus on Corporate Lending Segment

Our main strategy will be to continue to focus on corporate lending operations in Brazil. We believe that there are numerous potential clients in the regions in which we operate, and we intend to take advantage of the growth opportunities of this segment by:

- increasing our selected customer base while continuing to apply our credit and collateral quality criteria;
- growing and diversifying our distribution structure through the increase of our sales team and the opening of new branches in attractive locations, including the state of São Paulo and the states of the mid-west and northeast of Brazil; and
- retaining clients by offering a broad product portfolio that better serves their needs and differs us from our competitors, as well as through the development of new products, longer-term loans and foreign trade financing, including through our Cayman Islands Branch.

Continue to Take Advantage of Opportunities in the Individual Lending Segment

We intend to improve our market share in the individual lending segment by taking advantage of our experience in the lending market and our existing operating structure, as well as by offering new products that we deem attractive, by:

- increasing the volume of our payroll deduction loans through (i) the execution of new agreements with public entities, primarily federal agencies and smaller municipalities, (ii) the use of exclusive and innovative information technology tools to reach to new clients, and (iii) the strengthening of our relationships with banking correspondents through "loyalty" programs such as incentive and training initiatives;
- continuing to offer vehicle financing products through national coverage and a focus on higher value-added products such as financing small and heavy vehicles; and
- using our existing distribution channels to develop and offer new products, such as direct consumer credits, in order to realise economies of scale and reduce our marginal costs.

In addition, we may also include the following in our product mix to extend its retail offering:

- consumer finance – receivables-based credit for retailers secured by post-dated checks;
- credit cards – corporate cards in association with Mastercard; and
- payroll mortgage – long repayment period and conditional sale via trust deed as loan security.

Diversify our Sources of Funding

On January 21, 2008, we were authorised by the Central Bank to open our Cayman Islands Branch, with U.S.$3.0 million in separate capital. The purpose of our Cayman Islands Branch is to give us access to additional funding sources that will support our efforts to lengthen the average duration of our funding instruments and cut funding costs. Operationally, our Cayman Islands Branch focuses on growing our trade

finance portfolio, enabling us to build a broader customer base, create new products and continue to diversify our international business.

Since December 31, 2006, we have made four issues of Eurobonds under our U.S.$2,000,000,000 Euro Medium-Term Note Programme, totalling U.S.$825 million in principal amount. In addition, during the first quarter of 2009, we concluded an agreement with Cartesian Capital Group, Wolfensohn Capital Partners, International Finance Corporation and our controlling shareholders (the "Pioneer Investors") pursuant to which the Pioneer Investors subscribed R$410.0 million of our bank deposit certificates (*Certificados de Depósitos Bancários*) (the "Pioneer CDBs") in a private placement. Upon subscribing the Pioneer CDBs, the Pioneer Investors acquired warrants convertible into ordinary shares and preferred shares of the Bank in whole or in part on a quarterly basis commencing March 31, 2011 at a fixed price of R$7.75 per share. As of December 31, 2013, the Pioneer Investors had converted warrants into 18,451,613 ordinary shares (representing approximately 11.5% of our ordinary shares and 7.3% of our total capital stock as of such date) and 47,318,675 preferred shares (representing approximately 51.8% of our preferred shares and 18.8% of our total capital stock as of such date). The remaining warrants may be converted into up to a maximum of 3,003,905 preferred shares and there are no outstanding warrants that may be converted into ordinary shares.

In addition, on October 11, 2011, we registered our financial bills (*letras financeiras*) issuance programme with the CVM. We have made three issues of financial bills under the programme, in the aggregate principal amount of R$720 million, R$249.9 million of which matured on November 15, 2013, R$350.1 million of which shall mature on July 29, 2015, and R$120.0 million of which shall mature on May 29, 2016.

Maintain our Solid Financial Base

We strive to maintain the high quality of our assets by applying our conservative credit and risk management policies, which we believe have been critical for maintaining relatively low default levels of our clients in recent years. In addition, we believe that our high liquidity level has also allowed us take advantage of growth opportunities. We will continue to seek to maintain adequate liquidity levels that are compatible with market standards and that provide us with long-term financial stability.

History

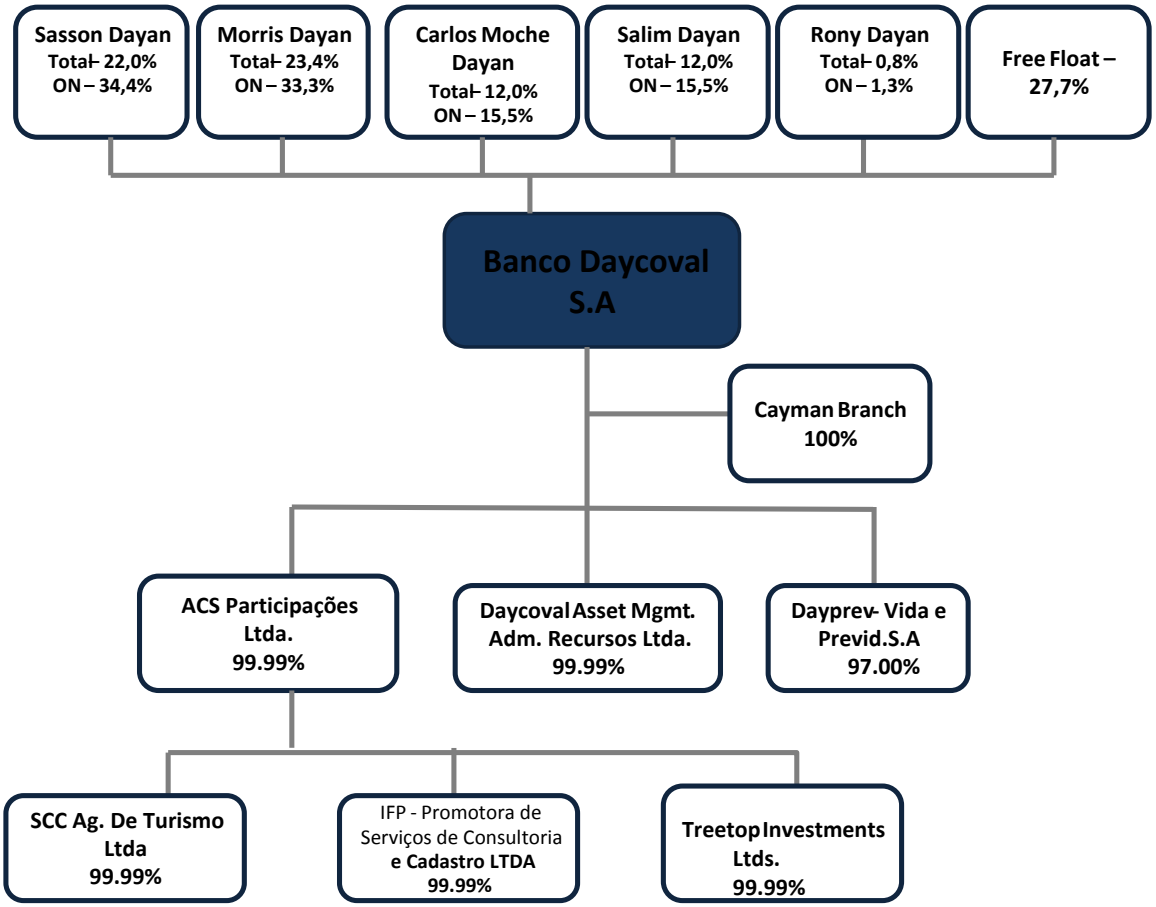
We were originally incorporated on August 5, 1968 as Daycoval Distribuidora de Títulos e Valores Mobiliários Ltda. In 1989, our name was changed to Banco Daycoval S.A. after we were authorised to operate as a multiple-service bank by the Central Bank. Since then, we have offered financing to companies. In 1994, we were authorised by the Central Bank to operate commercial portfolios and in 1995, to conduct foreign exchange transactions to support our corporate lending operations.

In March 2007, we created Dayprev Vida e Previdência S.A. ("Dayprev") to operate in the insurance business.

Also in March 2007, we and our shareholders completed a corporate restructuring that resulted in the creation of Daycoval Holding Financeira S.A., which held the majority of our capital stock and was controlled by the Dayan family. On June 29, 2007, we completed an initial public offering (the "IPO") and raised approximately R$1.0 billion in capital. Daycoval Holding Financeira S.A. subsequently sold all of its shares of our capital stock to members of the Dayan family.

Structure of Banco Daycoval S.A.

The following chart indicates our corporate structure as of December 31, 2013:



Our executive offices are located at Avenida Paulista, 1793, in the City of São Paulo, in the State of São Paulo, CEP 01311-200, Brazil. Our investor relations telephone number is +55 (11) 3138-1024. We are registered with the State of São Paulo Commercial Registry under NIRE (*Número de Identificação de Registro de Empresas*) 35300524110.

The Cayman Islands Branch

The Cayman Islands Branch is registered as a foreign company under Part IX of the Companies Law (as amended) of the Cayman Islands. On May 12, 2008 the Cayman Islands Branch was granted a Category "B" banking licence by the Cayman Islands Monetary Authority to operate in the Cayman Islands under the Banks and Trust Companies Law (as amended) of the Cayman Islands, which allows the Cayman Islands Branch to conduct all types of banking business in any part of the world, but does not allow the Cayman Islands Branch to take deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions in respect of, inter alia, exempted or ordinary resident companies and other licensees.

The registered office of the Cayman Islands Branch is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands and the telephone number is +1 345 914 3248.

OVERVIEW OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this document.

Issuer:	Banco Daycoval S.A., acting through its principal office in Brazil or its Cayman Islands Branch, as specified in the applicable Final Terms.
Description:	Euro Medium-Term Note Programme
Size:	Up to U.S.$2,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate nominal amount of Notes outstanding at any one time.
Arranger:	Banco Daycoval S.A., acting through its Cayman Islands Branch.
Dealer:	Banco Daycoval S.A., acting through its Cayman Islands Branch. The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in these Listing Particulars to "Permanent Dealers" are to Banco Daycoval S.A. (acting through its Cayman Branch.) as Dealer and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to "Dealers" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent:	The Bank of New York Mellon
Registrar	The Bank of New York Mellon
Paying Agents and Transfer Agents	The Bank of New York Mellon and The Bank of New York Mellon, London Branch
Principal Paying Agent:	The Bank of New York Mellon Trust (Japan), Ltd.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the final terms document to these

	Listing Particulars (the "Final Terms").
Currency Constraint:	Bearer Notes may have limited payment obligations. If specified in the relevant Final Terms that a Currency Constraint provision applies, in the event of the imposition of exchange controls prohibiting the conversion into, or remission from Brazil of, the currency in which payment is made in respect of a Series of Notes, holders of such Notes may elect to exchange such Notes for Notes in respect of which payments are payable in the lawful currency of Brazil for the time being. If a holder does not elect to make such exchange, such holder shall have no right, while such exchange controls remain imposed, either to accelerate payment of such Notes by calling a default or to sue for the unpaid sum. See "Terms and Conditions of the Notes—Payments and Talons—Currency Constraint". In the event of the occurrence of a Relevant Currency Constraint in Brazil and the election by a Noteholder not to exchange Notes but to continue to receive amounts due under the Notes in the Specified Currency in which payments are due, interest will accrue on any unpaid principal amounts of the Notes of such Noteholder at the interest rate on such Notes from the date payment was due until the date of payment, subject to limitations in the event that payments are held by financial institutions to comply with certain requirements of the Brazilian federal government (the "Federal Government") or the Central Bank. Interest will not accrue on overdue payments of interest or additional amounts, if any. See "Terms and Conditions of the Notes—Foreign Currency Constraint".
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Form of Notes:	Each Tranche of Notes to be issued in bearer form will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date, (ii) the Notes are treated as issued in registered form for U.S. federal income tax purposes or (iii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "—Selling Restrictions" below), otherwise such Tranche will be represented by a permanent Global Note. Each Tranche of Notes in registered form sold in an "offshore transaction" within the meaning of Regulation S will initially be represented by an Unrestricted Global Certificate (as defined in the Agency Agreement). Each Tranche of Notes in registered form sold in the United States to QIBs within the meaning of Rule 144A will initially be represented by a Restricted Global Certificate (as defined in the Agency Agreement). In respect of a Series of Notes where the applicable Final Terms specify that a

	Currency Constraint provision is applicable, such Series of Notes shall include a second permanent Global Note which will represent the Exchanged Notes (as defined herein) for which interests in the original permanent Global Note of such Series of Notes may be exchanged in accordance with the Conditions.
Clearing Systems:	Clearstream, Luxembourg, Euroclear and/or The Depositary Trust Company ("DTC") and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes:	On or before the issue date for each Tranche, the Global Note or Global Certificate representing Notes may (or, in the case of Notes listed on the Irish Stock Exchange Ltd (Global Exchange Market), shall) be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or DTC, as the case may be. Global Notes or Global Certificates relating to Notes that are not listed on the Irish Stock Exchange (Global Exchange Market) may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Each Tranche of Notes in registered form that is to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer and the relevant Dealer(s).
Denomination:	Each Series of Notes will be in such denominations as may be specified in the relevant Final Terms, save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC), the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 will have a minimum denomination of £100,000 (or its equivalent in other currencies); and (iii) in the case of any Notes to be sold in the United States to QIBs, the minimum specified denomination shall be U.S.$100,000.

Fixed Rate Notes:	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Final Terms.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Final Terms) as adjusted for any applicable margin. Interest periods will be specified in the relevant Final Terms.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes:	Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Final Terms.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Final Terms.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.
Redemption:	The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 must have a minimum aggregate redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments:	The Final Terms issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on

	which, and the amounts in which, such Notes may be redeemed.
Other Notes:	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, reverse dual currency Notes, optional dual currency Notes, partly paid Notes and any other type of Note that the Issuer, and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Final Terms and Supplemental Listing Particulars.
Optional Redemption:	The Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status and Ranking of Notes:	The Notes will constitute unsecured and unsubordinated obligations of the Issuer and will at all times rank pari passu and without any preference among themselves. See "Terms and Conditions of the Notes—Status".
Negative Pledge:	So long as any Notes, Receipts or Coupons remain outstanding (as defined in the Agency Agreement) the Issuer will not create any lien, pledge or other charge upon any of its present or future property, rights and assets as security for any notes or bonds denominated in a currency other than the lawful currency of Brazil which are either listed on a stock exchange or capable of being so listed unless the Notes are secured rateably by such lien, pledge or charge. See "Terms and Conditions of the Notes—Negative Pledge".
Cross-Default:	It shall be an Event of Default (as defined under "Terms and Conditions of the Notes—Events of Default") if: (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries (as defined in the Agency Agreement) for or in respect of monies borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any monies borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above have occurred equals or exceeds U.S.$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by

	any leading bank on the day on which this paragraph operates). See "Terms and Conditions of the Notes—Events of Default".
Early Redemption:	Except as provided in "Optional Redemption" above, Notes will be redeemable: (i) at the option of the Issuer prior to maturity if the Issuer has or will become obliged to pay additional amounts (i) in excess of the additional amounts the Issuer would be obliged to pay if payments were subject to withholding or deduction at a rate of 15% as a result of any change in, or amendment to, the laws or regulations of Brazil or any political subdivision or any authority thereof or therein having power to tax, or (ii) as a result of any change in, or amendment to, the laws or regulation of the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or, in either case, any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date for the relevant Notes, and (ii) at the option of the Noteholders prior to maturity if the Issuer ceases to be directly or indirectly owned and controlled by the Members of the Dayan Family (as defined in the Agency Agreement) as to at least 51% of both its voting and total share capital. See "Terms and Conditions of the Notes—Redemption, Purchase and Options".
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Brazil or the Cayman Islands subject to customary exceptions (including the IPMA Standard EU Exceptions), all as described in "Terms and Conditions of the Notes—Taxation".
Governing Law:	English law.
Listing:	Irish Stock Exchange (Global Exchange Market) or as otherwise specified in the relevant Final Terms. As specified in the relevant Final Terms, a Series of Notes may be unlisted.
Ratings:	Tranches of Notes issued under the Programme may be rated or unrated. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Selling Restrictions:	United States, European Economic Area (in respect of Notes having a denomination of less than €100,000 (or its equivalent in any other currency as at the date of issue of the Notes)), United Kingdom,

	Brazil, Ireland and the Cayman Islands. See "Subscription and Sale". The Notes will be treated as Category 2 for the purposes of Regulation S under the United States Securities Act of 1933, as amended. Each Tranche of Notes issued in bearer form will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) or such successor regulations intended to be issued under Section 4701 of the Code, in accordance with U.S. Internal Revenue Service ("IRS") Notice 2012-20 (the "D Rules") unless (i) the relevant Final Terms state that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) or any successor regulations under Section 4701 of the Code (the "C Rules") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") or Section 4701 of the Code, which circumstances will be referred to in the relevant Final Terms as a transaction to which neither TEFRA nor Section 4701 of the Code is applicable.
Transfer Restrictions:	There are restrictions on the transfer of Notes sold pursuant to Regulation S under the Securities Act prior to the expiration of the relevant distribution compliance period and on the transfer of Registered Notes sold pursuant to Rule 144A under the Securities Act. See "Transfer Restrictions".
ERISA Considerations	Except as otherwise provided in the relevant Final Terms, Notes may be acquired by an "employee benefit plan" (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to Title I of ERISA, a "plan" as defined in and that is subject to Section 4975 of the Code, any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, "plan assets" by reason of such employee benefit plan's or plan's investment in the entity, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to Section 406 of ERISA or Section 4975 of the Code, provided that such purchase and holding of Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, a violation of any such substantially similar U.S. federal, state or local law, or non-U.S. law). Each purchaser and/or holder of Notes and each transferee thereof will be deemed to have made certain representations as to its status under ERISA and the Code. Potential purchasers should read the sections entitled "Certain United States ERISA Considerations"

and “Transfer Restrictions”.

SUMMARY FINANCIAL INFORMATION

The tables below contain a summary of our financial information as of and for the years ended December 31, 2013, 2012 and 2011 and are based on and should be read in conjunction with our audited consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 and accompanying notes included in these Listing Particulars, as well as with sections "Presentation of Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operation".

For your convenience, the following tables also contain U.S. dollar translations of the amounts in *reais*, translated using the rate of R$2.34 to U.S.$1.00, which was the exchange rate in effect as of December 31, 2013 as reported by the Central Bank.

Income Statement Data

	For the years ended December 31,			
	2013	2012	2011	2013
		(R$ millions)		(U.S.$ millions)
Income from financial intermediation	**2,344.6**	**2,257.5**	**1,923.9**	**1,000.8**
Lending operations	1,743.0	1,576.3	1,427.7	744.0
Securities transactions	319.9	396.8	371.6	136.5
Derivatives	126.4	142.1	21.9	54.0
Foreign exchange transactions	155.3	142.3	102.7	66.3
Expenses on financial intermediation	**(1,561.6)**	**(1,396.9)**	**(1,299.5)**	**(666.6)**
Funding operations	(867.8)	(835.7)	(868.3)	(370.4)
Borrowings and onlendings	(182.3)	(173.5)	(259.3)	(77.8)
Financial assets sale or transfer	(33.0)	(20.0)	–	(14.1)
Allowance for loan losses	(478.5)	(367.7)	(171.9)	(204.3)
Gross profit from financial intermediation	**783.0**	**860.6**	**624.4**	**334.2**
Other operating income (expenses)	**(420.6)**	**(282.2)**	**(156.6)**	**(179.5)**
Income from services provided	93.9	77.9	62.0	40.1
Results of insurance operations	2.8	3.0	3.1	1.2
Personnel expenses	(185.6)	(165.8)	(134.1)	(79.2)
Other administrative expenses	(376.1)	(265.4)	(183.5)	(160.6)
Tax expenses	(83.7)	(79.7)	(55.5)	(35.7)
Other operating income	216.9	220.6	244.3	92.6
Other operating expenses	(88.8)	(72.8)	(92.9)	(37.9)
Income from operations	**362.4**	**578.4**	**467.8**	**154.7**
Non-operating expenses	**(4.4)**	**(12.3)**	**(7.2)**	**(1.9)**
Income before income taxes	**358.0**	**566.1**	**460.6**	**152.8**
Income tax and social contribution	**(85.8)**	**(164.6)**	**(122.1)**	**(36.6)**
Provision for income tax	(131.4)	(148.3)	(89.9)	(56.1)
Provision for social contribution	(80.4)	(89.7)	(54.3)	(34.3)
Deferred tax assets	126.0	73.4	22.1	53.8
Profit sharing	**(38.4)**	**(44.0)**	**(33.4)**	**(16.4)**
Net income	**233.8**	**357.5**	**305.1**	**99.8**

	As of December 31,			
	2013	2012	2011	2013
Assets		(R$ millions)		(U.S.$ millions)
Current assets	**9,001.5**	**8,917.4**	**8,475.1**	**3,842.6**
Cash	91.4	69.3	26.8	39.0
Interbank investments	2,021.3	2,510.9	2,086.8	862.9
Money market investments	1,896.0	2,233.0	1,955.0	809.4
Interbank deposits	116.0	198.8	123.1	49.5
Foreign currency investments	9.3	79.1	8.6	4.0
Securities and derivatives	301.1	639.1	152.4	128.5
Own portfolio	257.7	477.4	123.3	110.0
Linked to repurchase commitments	9.0	–	–	3.8
Derivatives	4.1	41.5	6.9	1.8
Linked to Central Bank	–	67.7	–	–
Linked to guarantees	1.2	26.7	–	0.5
Asset backed technical reserves	29.1	25.8	22.2	12.4
Interbank accounts	207.2	140.4	124.7	88.4
Restricted deposits—Central Bank	125.4	88.0	107.9	53.5
Correspondents	81.8	52.4	16.7	34.9
Lending operations	4,477.8	4,125.5	4,776.5	1,911.5
Lending operations—public sector	22.4	2.5	14.6	9.6
Lending operations—private sector	4,820.1	4,424.0	4,907.2	2,057.6
(Allowance for loan losses)	(364.7)	(301.0)	(145.3)	(155.7)
Other receivables	1,750.8	1,299.9	1,227.3	747.4
Foreign exchange portfolio	365.0	322.5	435.8	155.9
Income receivable	10.4	9.8	10.4	4.4
Insurance premiums pending receipt	0.6	0.6	0.5	0.3
Trading account	1.2	0.5	0.2	0.5
Other	1,385.7	971.5	783.5	591.5
(Allowance for other loan losses)	(12.1)	(5.0)	(3.2)	(5.2)
Other assets	151.9	132.3	80.7	64.9
Repossessed assets	48.4	44.3	25.9	20.7
(Allowance for repossessed assets losses)	(4.4)	(5.8)	(3.8)	(1.9)
Prepaid expenses	107.9	93.8	58.6	46.1
Noncurrent long-term assets	**5,918.2**	**4,010.7**	**3,618.1**	**2,526.3**
Interbank investments	–	30.1	20.7	–
Securities and derivatives	1,119.9	373.1	589.1	478.0
Own portfolio	849.8	211.7	404.5	362.8
Linked to repurchase commitments	63.0	–	95.4	26.9
Derivatives	170.4	84.6	45.1	72.7
Linked to guarantees	36.6	76.7	44.0	15.6
Asset backed technical reserves	0.1	0.1	0.1	–
Lending operations	3,566.5	2,688.5	2,365.3	1,522.5
Lending operations—public sector	46.5	1.7	10.8	19.9
Lending operations—private sector	3,624.3	2,774.6	2,414.9	1,547.1

	As of December 31,			
	2013	2012	2011	2013
(Allowance for loan losses)	(104.3)	(87.8)	(60.5)	(44.5)
Other receivables	1,063.8	811.2	568.4	454.1
Other assets	168.0	107.8	74.6	71.7
Prepaid expenses	168.0	107.8	74.6	71.7
Permanent assets	**30.2**	**11.1**	**11.6**	**12.9**
Investments	0.8	0.8	0.6	0.3
Property, plant and equipment	29.4	10.3	11.0	12.6
Properties	9.6	9.6	10.9	4.1
Other	36.2	15.2	13.0	15.5
(Accumulated depreciation)	(16.4)	(14.5)	(13.0)	(7.0)
Total Assets	**14,949.9**	**12,939.2**	**12,104.7**	**6,381.8**

	As of December 31,			
	2013	2012	2011	2013
Liabilities and shareholders' equity		**(R$ millions)**		**(U.S.$ millions)**
Current liabilities	**6,542.8**	**5,941.7**	**6,012.9**	**2,793.0**
Deposits	2,666.1	3,025.0	2,894.8	1,138.1
Demand deposits	389.4	255.3	305.5	166.2
Interbank deposits	125.5	412.7	495.5	53.6
Time deposits	2,147.3	2,355.3	2,092.0	916.6
Foreign currency deposits	3.9	1.7	1.8	1.7
Money market funding	779.6	781.2	1,269.5	332.8
Own portfolio	71.6	–	94.0	30.6
Third parties	708.0	781.2	1,175.5	302.2
Funds from acceptance and issuance of securities	1,836.1	658.6	121.2	783.7
Mortgage loan notes	182.6	53.2	–	77.9
Agribusiness letters of credit	237.6	211.2	89.8	101.4
Financial bills	1,379.6	362.9	3.6	588.9
Securities issued abroad	36.3	31.3	27.8	15.5
Interbank accounts	0.9	0.8	0.6	0.4
Interbranch accounts	22.2	7.0	17.8	9.5
Borrowings	705.2	837.9	1,209.4	301.0
Foreign borrowings	705.2	837.9	1,209.4	301.0
Domestic onlendings	117.3	114.0	114.5	50.1
BNDES operations	41.0	44.5	56.5	17.5
FINAME operations	76.3	69.5	58.0	32.6
Derivatives	3.3	2.2	29.8	1.4
Technical reserves - insurance	29.1	25.8	22.2	12.4
Other payables	383.0	489.2	333.2	163.6
Collected taxes and other	4.0	4.3	5.9	1.7
Foreign exchange portfolio	9.3	9.9	50.3	4.0
Social and statutory	45.2	44.2	49.7	19.3
Tax and social security	226.9	255.3	159.4	96.9

	As of December 31,			
	2013	2012	2011	2013
Liabilities and shareholders' equity		(R$ millions)		(U.S.$ millions)
Trading account	1.4	0.5	0.3	0.6
Other	96.2	175.0	67.7	41.1
Noncurrent long-term liabilities	**5,952.4**	**4,783.9**	**4,124.6**	**2,540.9**
Deposits	1,042.2	1,076.8	1,647.2	444.9
Interbank deposits	115.8	103.3	8.4	49.4
Time deposits	926.4	973.5	1,638.9	395.5
Funds from acceptance and issuance of securities	2,938.5	2,617.3	1,371.3	1,254.4
Mortgage loan notes	41.1	1.2	–	17.5
Agribusiness letters of credit	9.4	9.8	0.5	4.0
Financial bills	1,523.5	1,429.5	330.6	650.4
Securities issued abroad	1,364.5	1,176.8	1,040.2	582.5
Borrowings and onlendings	770.5	59.9	301.8	328.9
Domestic borrowings	–	–	89.1	–
Foreign borrowings	770.5	59.9	212.7	328.9
Domestic onlendings	201.3	189.5	201.0	86.0
BNDES operations	55.9	39.0	33.3	23.9
FINAME operations	145.4	150.5	167.7	62.1
Derivatives	0.8	0.4	13.1	0.3
Other payables	999.1	840.0	590.2	426.4
Tax and social security	975.8	784.0	582.0	416.5
Other	23.3	56.0	8.2	9.9
Deferred income	13.7	9.4	14.2	5.8
Non-controlling interest	**0.7**	0.7	0.6	**0.3**
Shareholders' equity	**2,440.3**	**2,203.5**	**1,952.4**	**1,041.8**
Capital	1,868.9	1,425.7	1,359.1	797.8
Brazilian residents	1,797.7	1,359.1	1,359.1	767.4
Capital Increase	71.2	66.6	–	30.4
Capital reserves	0.9	1.6	–	0.4
Revaluation reserves	1.1	1.2	1.3	0.5
Profit reserves	594.0	771.5	599.6	253.6
Adjustment to fair value—securities and derivatives	(17.1)	4.8	(1.8)	(7.3)
Shares held in treasury	(7.5)	(1.3)	(5.8)	(3.2)
Total liabilities and shareholders' equity	**14,949.9**	**12,939.2**	**12,104.7**	**6,381.8**

RISK FACTORS

As a general matter, investing in the securities of Brazilian issuers, such as Banco Daycoval, involves a higher degree of risk than investing in securities issued by United States companies or financial institutions or companies or financial institutions in certain other countries with highly developed capital markets. In addition, prospective purchasers of the Notes should consider carefully certain factors regarding Banco Daycoval and the Notes. Accordingly, prospective purchasers of the Notes offered hereby should consider carefully, in light of their financial circumstances and investment objectives, all of the information in these Listing Particulars and, in particular, the risk factors set forth below.

Prospective investors should further note that the risk factors described below are not the only risks Banco Daycoval faces. Rather, these are the risks Banco Daycoval currently considers material. There may be additional risks that Banco Daycoval currently considers immaterial or of which it is currently unaware, and any of these risks could have similar effects to those set forth below.

Risks Relating to Brazil

The Brazilian Government has exercised, and continues to exercise, significant influence over the Brazilian economy. This influence as well as Brazilian political and economic conditions could adversely affect us.

The Brazilian economy has been marked by frequent and sometimes significant interventions by the Brazilian Government on monetary, credit, tax and other policies. The Brazilian Government's actions to control inflation and implement other policies have in the past involved, among other measures, control over wages and prices, devaluation of the currency, controls on foreign capital and certain limits on imported merchandise and services. We cannot predict the effects of any measures or policies that the Brazilian Government might adopt in the future. We could be adversely affected by changes in public policy at the federal, state and municipal level relative to interest rates and exchange controls, as well as other factors, such as:

- banking regulations;
- variation in exchange rates;
- exchange control policies;
- inflation;
- interest rates;
- liquidity in the domestic financial and stock markets and in the credit markets;
- tax policy and regulation; and
- measures of a political, social and economic nature that occur or that might affect Brazil.

Uncertainty over whether the Brazilian government will implement changes in policy or regulations affecting these or other factors in the future may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and in the securities issued abroad by Brazilian issuers. We cannot predict whether Brazilian governmental actions will result in adverse consequences to the Brazilian economy, our business, results of operations or financial condition or prospects, or impact our ability to satisfy payment obligations under the Notes.

Deterioration in economic and market conditions in other countries, especially emerging market countries, may adversely affect the Brazilian economy and our business.

The market for securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions in other Latin American and emerging countries and in the United States and Europe. Although economic conditions are different in each country, investors' reactions to developments in one country may affect the capital markets in other countries.

These conditions have included the crisis experienced in the global financial markets, which had its roots in the subprime mortgage crisis in the United States in 2008, and the ongoing debt crisis affecting certain countries in the European Union since 2009. Crises in other countries, especially in emerging markets, may decrease investments in securities issued by Brazilian companies, including securities issued by us. This could affect the market price of our securities and make our access to capital markets and financings on acceptable terms in the future difficult or impossible.

Conditions in the Brazilian economy may limit the ability of our clients to repay their loan obligations.

The Brazilian economy has been subject to a number of disruptions and conditions that have materially adversely affected the availability of credit to Brazilian companies. Disruptions in the Brazilian economy may adversely affect our ability to grow our loan portfolio and the ability of certain of our clients to timely repay their obligations to us or may otherwise adversely affect our financial condition or results of operations. For example, in 2012, as a result of the slowdown in the Brazilian economy, we experienced an increase in default rates and increased our loan loss provisions during the year accordingly.

Inflation, and the Brazilian Government's measures to combat inflation, may contribute to economic uncertainty in Brazil, adversely affecting us.

In the past, Brazil has experienced high rates of inflation. Certain actions taken by the Brazilian Government to combat inflation have had negative effects on the Brazilian economy. Annual inflation rates were 5.5% in 2013, 8.1% in 2012 and 5.0% in 2011 and 11.3% in 2010, as measured by the General Price Index - Internal Availability (*Índice Geral de Preços - Disponibilidade Interna).* The Brazilian Government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting the availability of credit and reducing economic growth. Inflation, along with government measures to combat inflation and public speculation about possible future government measures, has had significant negative effects on the Brazilian economy, and contributed to increase economic uncertainty in Brazil and heightened volatility in the Brazilian securities market, which may have an adverse effect on us.

If Brazil experiences substantial inflation in the future, our results of operations may be adversely affected, negatively impacting our ability to comply with our obligations. Inflationary pressures could also reduce our ability to access foreign financial markets and lead to further government intervention in the economy, including the introduction of policies that adversely affect the performance of the Brazilian economy as a whole, and consequently, our own operations.

Exchange rate instability may adversely affect us.

As a result of several pressures, the Brazilian currency has been devalued periodically in relation to the U.S. dollar and other foreign currencies during the last four decades. Throughout this period, the Brazilian Government has implemented various economic plans and utilised a number of exchange rate policies, including sudden devaluations, periodic mini-devaluations during which the frequency of adjustments has ranged from daily to monthly, floating exchange rate systems, exchange controls and dual exchange rate markets. More recently, the effects of the floating exchange rate regime have led to significant exchange volatility in relation to the dollar and other currencies. From time to time, there have been significant fluctuations in the exchange rate between the Brazilian currency and the U.S. dollar and other currencies. The

real depreciated against the U.S. dollar by 9.3% in 2000, 18.7% in 2001, 52.3% in 2002, 18.8% in 2004, 32.2% in 2008, 12.6% in 2011, 8.5% in 2012 and 14.6% in 2013. The *real* appreciated against the U.S. dollar by 19.4% in 2003, 15.9% in 2005, 5.9% in 2006, 17.0% in 2007, 25.6% in 2009 and 4.0% in 2010. On December 31, 2013, the exchange rate between the *real* and the U.S. dollar was R$2.34 to U.S.$1.00, and we cannot be certain whether the *real* will not fluctuate substantially against the U.S. dollar in the future.

As of December 31, 2013, approximately 27.0% of our total funding was denominated in or linked to the U.S. dollar. A depreciation of the *real* against the U.S. dollar would increase the amounts in *reais* that we are required to pay under our U.S. dollar obligations. In addition, this depreciation could also increase loan defaults by our clients since they would be required to pay higher amounts in *reais* to service their debt obligations with us denominated in or linked to the U.S. dollar.

We enter into derivatives transactions to manage our exposure to exchange rate risk. Such derivatives transactions are designed to protect us against increases in exchange rates or against decreases in such rates, but not both. For example, if we have entered into derivatives transactions to protect against decreases in the value of the *real* and the *real* instead increases in value, we may incur financial losses. Such losses could adversely affect our future net income.

Depreciations of the *real* relative to the U.S. dollar could create inflationary pressures in Brazil, which may negatively affect us. Also, depreciations of the *real* restrict our ability to access foreign financial markets and may cause government intervention in the market. This intervention could lead to restrictive policies. In addition, a strong appreciation of the *real* relative to the U.S. dollar could adversely affect Brazil's external payments and may hinder the increase in exports. Any of these situations could have an adverse effect on us.

Brazil's economy remains vulnerable to external factors, which could have an adverse effect on Brazil's economic growth and on our business and results of operations.

The globalisation of the capital markets has increased the vulnerabilities of participating countries to each others' adverse events. Brazil could be negatively affected by negative financial and economic developments in other countries. The global financial crisis that occurred in mid-2008 led to reduced liquidity, crashes in credit markets and economic recessions in developed countries, which in turn negatively affected emerging markets. Financial losses and cash deficiencies, bankruptcies of financial and non-financial institutions and a decrease in confidence in economic agents increased risk aversion and led to more cautious lending. Financial institutions, such as us, that are located in emerging markets were susceptible to these events, which negatively affected supply for loans and terms and conditions for borrowers, such as available interest rates and maturities.

The continuation of the economic crisis in Europe, particularly in Greece, Spain, Italy and Portugal, intensified concerns regarding the sustainability of those countries and caused significant volatility in the global financial markets and reduced foreign investor confidence globally, as did the earthquake in Japan and the downgrade of the U.S. long-term sovereign credit rating by Standard & Poor's Rating Services ("Standard & Poor's") in 2011. Repercussions from these events or the occurrence of similar events in the future could negatively affect our ability and the ability of other Brazilian financial institutions to obtain financing in the global capital markets, as well as weaken the recovery and growth of the Brazilian and/or foreign economies and cause volatility in the Brazilian capital markets.

Adverse external factors, such as those triggered or aggravated by the global financial crisis, can deteriorate Brazil's economic condition and the ability of customers in the banking system to make payments, which could adversely affect our results of operations and hinder the implementation of our strategies. See "—Deterioration in economic and market conditions in other countries, especially emerging market countries, may adversely affect the Brazilian economy and our business" for more information on risks arising from foreign markets.

Risks Relating to the Bank and the Brazilian Banking Industry

Interest rate changes by the Central Bank could adversely affect us.

The Central Bank's Committee for Monetary Policy (*Comitê de Política Monetária*) (the "COPOM") periodically establishes the special overnight clearance and custodial rate (*Sistema Especial de Liquidação e Custódia*) (the "SELIC rate"), which is the base interest rate for the Brazilian Financial System (*Sistema Financeiro Nacional*) and an important policy instrument for the achievement of inflation targets. The COPOM has frequently adjusted the target SELIC rate in response to economic uncertainties and to achieve the goals of the Brazilian Government's economic policies. The target SELIC rate has fluctuated historically, reaching approximately 45% per annum in March 1999 and falling to 15.25% per annum in January 2001. As of December 31, 2013, 2012 and 2011, the target SELIC rate was 10.00%, 11.11% and 10.75%, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting Our Financial Condition and Results of Operations—Brazilian Macroeconomic Conditions".

On February 26, 2014, the target SELIC rate was set at 10.75%, where it remains as of the date of these Listing Particulars.

Increases in the SELIC rate could adversely affect us by reducing demand for credit, increasing our cost of funding and increasing the risk of default by our clients. Decreases in the SELIC rate could also adversely affect us by decreasing the interest income we earn on our interest-earning assets and lowering our margins. We enter into derivatives transactions to manage our exposure to interest rate risk, however, such derivatives transactions are designed to protect us against increases in interest rates or against decreases in such rates, but not both. For example, if we have entered into derivatives transactions to protect against decreases in interest rates and interest rates increase, we may incur financial losses. Such losses could adversely affect our future net income.

The Brazilian Government regulates the operations of Brazilian banks, and changes in existing laws and regulations or the imposition of new laws and regulations may adversely affect us.

Brazilian banks, including us, are subject to extensive and continuous regulatory review by the Central Bank. We cannot predict when the Brazilian Government, through the CMN or the Central Bank, will modify or create new regulations applicable to all or part of our operations, including regulations that impose:

- minimum capital requirements;
- compulsory deposit requirements;
- lending limits and other credit restrictions;
- foreign currency risk limits; and
- accounting and statistical requirements.

The regulatory structure governing Brazilian financial institutions is continuously evolving. Existing laws and regulations could be amended, the manner in which laws and regulations are enforced or interpreted could change, and new laws or regulations could be adopted. Any of these changes could adversely affect us.

In particular, the Brazilian Government has historically enacted regulations affecting banks in an effort to implement economic policies. These regulations are intended to control the availability of credit and reduce or increase consumption in Brazil (including by increasing compulsory deposit requirements and reducing the amount of resources available for financings and investments). There can be no assurance that the Central Bank will not increase or impose new reserve or compulsory deposit requirements. These changes may

adversely affect us because our returns on compulsory deposits are lower than those we obtain on our other investments.

Minimum capital adequacy requirements imposed on the banking system following the implementation of the Basel II Accord and Basel III Accord may negatively affect our results of operations and financial condition.

In June 2004, the Basel Committee on Banking Regulations and Supervisory Practices approved a new framework for risk-based capital adequacy, commonly referred to as the "Basel II Accord". The Basel II Accord sets out the details for adopting more risk-sensitive minimum capital requirements for financial institutions. As part of its implementation of the Basel II Accord, the Central Bank has proposed new capital adequacy regulations, which among other provisions contain changes to the risk weighting for different categories of loans.

The implementation timetable of the Basel II Accord in Brazil was made official by the Central Bank on December 9, 2004 through Communication No. 12,746, amended later on September 27, 2007 by Communication No. 16,137. The timetable provided for different steps, initiated with the use of a standardised approach with respect to capital requirements, as determined by the Central Bank, and finalised with the use of advanced models.

Furthermore, pursuant to CMN Resolution No. 3,490 of August 29, 2007 (which was repealed as of October 1, 2013 by CMN Resolution No. 4,193), and Central Bank Circular No. 3,383 of April 30, 2008, the Central Bank requires banks to set aside a portion of their equity to cover operational risks (i.e., losses arising from failures, deficiency or inadequacy of internal proceedings, personnel or systems, including those due to external events). Resolution No. 3,490 (which was repealed as of October 1, 2013 by CMN Resolution No. 4,193) became effective as of July 1, 2008 and required portions of banks' equity to cover operational risks. The risk-weighted capital ratio required by us and all other banks in Brazil is currently 11% of risk-based exposure. Our Basel ratio was 17.5% as of December 31, 2013, 17.4% as of December 31, 2012 and 16.5% as of December 31, 2011.

On March 1, 2013, the CMN and the Central Bank enacted four Resolutions and 15 Circulars in order to implement the recommendations of the Basel III regulations (the "Basel III Regulations") in Brazil: CMN Resolution No. 4,192, CMN Resolution No. 4,193, CMN Resolution No. 4,194 and CMN Resolution No. 4,195. CMN Resolution No. 4,192 repealed CMN Resolution No. 3,444, CMN Resolution No. 3,532 and CMN Resolution No. 3,655, as well as articles 2, 3 and 4 of CMN Resolution No. 3,059 and article 6 of CMN Resolution No. 2,723. Under the new rules, regulatory capital will continue to consist of two tiers. Tier 1 Capital will have a 6.0% floor (as from January 1, 2015), divided into two portions: common equity or *capital principal* (corporate capital and profit reserves, among other inclusions and deductions) of at least 4.5% and additional capital or *capital complementar* (hybrid debt and capital instruments authorised by the Central Bank, with certain deductions). Tier 2 capital will consist of subordinated debt instruments authorised by the Central Bank, with certain deductions. Current hybrid instruments and subordinated debt approved by the Central Bank as additional capital or Tier 2 Capital are expected to be maintained as such if they also comply with Basel III Regulations, including mandatory conversion into equity as directed by the Basel Committee. If such instruments do not comply with Basel III Regulations, there will be a yearly deduction of 10.0% on the nominal value of such instruments, as from October 1, 2013 (90%) and continuing on an annual basis as from January 1, 2014 (80%) thereafter, until 0% or until January 1, 2022.

Due to changes in the rules concerning capital adequacy or in the performance of the Brazilian economy as a whole, the Bank's capital reserves may be negatively affected. The Bank may also be compelled to limit its credit operations, dispose of some of its assets and/or take other measures that may adversely affect the Bank's results of operations and financial condition.

If, as a result of the Basel III Regulations' capital limits, we increase our capital limits, it could negatively affect our results of operations and may make it more difficult for us to comply with such limits.

Changes in regulations regarding compulsory deposits may adversely affect us.

The Central Bank has periodically changed the level of compulsory deposits that financial institutions in Brazil are required to maintain with the Central Bank. The Central Bank may increase its compulsory deposit requirements in the future or impose new compulsory deposit requirements.

Compulsory deposits generally yield lower returns than our other investments and deposits because:

- a portion of our compulsory deposits do not bear interest;
- a portion of our compulsory deposits must be held in Brazilian government securities; and
- a portion of our compulsory deposits must finance the Brazilian rural sector and, for certain banks, the Brazilian housing sector.

Any increase in the compulsory deposit requirements may reduce our ability to lend funds and to make other investments and, as a result, may adversely affect us. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Principal Factors Affecting our Financial Condition and Results of Operations—Compulsory Deposit Requirements".

The increasingly competitive environment in the Brazilian banking industry may adversely affect us.

Traditionally, our competitors in the corporate and the individual lending segments have been specialised medium-sized banks. However, in recent years large domestic and foreign banks and financial institutions have started to operate in these segments. This has occurred simultaneously with a further period of consolidation in the Brazilian banking sector. Of particular significance in recent years, Banco do Brasil acquired Banco Nossa Caixa S.A. and a 50% interest in Banco Votorantim S.A., Caixa Econômica Federal S.A. acquired 35% of Banco Panamericano S.A., the Itaú group merged with the Unibanco group and Banco Santander (Brasil) S.A. acquired Banco ABN AMRO Real S.A. These acquisitions may be followed by other domestic or international acquisitions and result in additional consolidation in the corporate lending and the individual lending segments, which could significantly change the competitive landscape in which we operate. We cannot guarantee that we will compete successfully with these banks, primarily because they have more resources than we do and have an extensive network of branch offices and distribution channels.

In addition, our business in the payroll deduction loan segment may be adversely affected if our competitors are able to obtain exclusive agreements with governmental authorities for this kind of product.

Moreover, certain of our competitors currently are, or intend to become, publicly-held companies, which will considerably increase their shareholders' equity and, as a result, increase the level of competition. Increased competition may reduce the spreads we earn and result in the loss of our managers, who may be hired by our competitors and decrease our marketing power.

Increased competition adversely affects us by, among other things, limiting our ability to increase our client base and expand our operations, reducing our profit margins on the banking and other services and products we offer, and increasing competition for investment opportunities. See "Business of Banco Daycoval S.A.—Competition".

An increase in our loan portfolio, particularly in the corporate lending segment, may adversely affect us.

An increase in our loan portfolio may increase the level of our loans in default and allowance for loan losses if this increase is caused by a less conservative management of our operations. In addition, a close relationship with clients is essential to a successful performance in the corporate lending segment. The increase in the volume of our loan operations and in the number of our clients may harm our relationships with corporate clients since we may lose new business opportunities and distance ourselves from our existing clients.

The majority of our corporate lending clients are small- and medium-sized companies, which typically have lower levels of corporate governance and may provide us with incorrect information when we assess their risk. As a result, we may inadvertently grant loans to companies that do not meet our standard loan criteria, which may adversely affect us.

Any restrictions on bank loan interest rates may adversely affect us by decreasing our revenues and limiting our ability to make loans.

Decree No. 22,626 of April 7, 1933, as amended, also known as the Usury Law (*Lei de Usura*), prevents any person or entity from charging interest rates higher than 12.0% per annum. However, Law No. 4,595 of December 31, 1964 (the "the Banking Reform Law"), together with recent court decisions, have exempted banks from this prohibition. Any changes to the courts' views about this exemption or an amendment in the applicable laws and regulations limiting the interest rates that we can charge on our loans may adversely affect us.

Limits on the maximum interest rates we are allowed to charge on our payroll deduction loans could adversely affect us.

We are subject to limits on the interest rates we charge on our loans to pension beneficiaries and retirees of the INSS, and to other government entities with which we have agreements governing our payroll deduction loan segment. We cannot guarantee that these entities will maintain the maximum applicable interest rates at current levels. For example, due to the reduction in the SELIC rate from 15.25% per year to 14.75% per year, on July 19, 2006, the INSS reduced the maximum interest rate applicable to its pension beneficiaries and retirees from 2.90% to 2.86% per month. The INSS has since further reduced such rate and it is currently 2.14% per month. In the event that the INSS decides to implement new reductions to the rates applicable to our loans or any other government entity reduces the limits on applicable interest rates, we could be adversely affected.

Payroll deduction loans are subject to changes in applicable laws and regulations and to the interpretation of such laws and regulations by Brazilian courts, as well as to changes in policies by public entities.

Payroll deduction loans are governed by several laws and regulations at the federal, state and municipal levels, establishing limits on the amounts that can be deducted and the irrevocability of the authorisation of the payroll deduction given by the public employee, retiree or pension recipient prior to the repayment of the loan.

The adoption of any new law or regulation or the change, revocation or new interpretation of any existing law or regulation, that results in a prohibition or restriction on our ability to make these direct deductions could increase our loan portfolio's risk profile, increase the interest rates of our consumer loans and lead to a higher percentage of losses. We cannot guarantee that the laws and regulations relating to direct payroll deductions from public employees or the INSS will not be changed or revoked in the future.

In addition, the granting of payroll deduction loans to public employees, INSS retirees and pension beneficiaries requires the authorisation of the public entities to which those persons are connected. The

Brazilian Government or other government entities can change the regulations applicable to these authorisations. Currently, we have no authorisation to offer payroll deduction loans to the employees of certain state or municipal governments because the laws of those states and municipalities will only allow state-owned banks to grant such loans. Other government agencies could enact regulations in the future to restrict or prevent us from offering payroll deduction loans to their employees. As of December 31, 2013, our payroll deduction loan portfolio was almost entirely made up of payroll deduction loans to public employees and INSS retirees and pension beneficiaries, and any changes or implementation of new laws or regulations that restricts or prevents us from granting these type of loans could adversely affect us.

Our ability to make direct payroll deductions depends on the effectiveness and validity of the agreements we enter into with the private and public sector employers of the persons who have taken such loans and on those persons remaining employed.

A portion of our revenues is derived from our payroll deduction loan transactions, the payments of which are directly deducted from an employee's or retiree's paychecks. These deductions could be suspended if the agreements we entered into with our borrowers' private or public sector employers are terminated, or if these borrowers' employment is terminated, including as a result of death of the borrower.

If any of these agreements are terminated, we may need to implement a new collection system of payroll deduction loans, which may not be as effective as the previous one or have higher operating costs. As a result, our operations in this segment may decrease. If an employee has his or her employment terminated because the employee leaves his or her job, or has deceased, the payment of the loan may depend exclusively on the financial ability of the borrower or his or her estate to repay the loan. In these circumstances we may not recover all or part of the credit we extended to such persons.

In addition, if a borrower divorces, Brazilian law provides that in certain circumstances, the alimony due by the borrower may be directly deducted from his or her paycheck. These deductions may have priority over other debts of the borrower (including our credit) and, as a result, we may not receive all or part of the amount owed to us.

Any of these risks could increase the risk of our payroll deduction loan portfolio, which could adversely affect us. These risks could also cause an increase of administrative and other expenses for the collection of payments, including the implementation of a new collection system caused by termination of agreements, which could adversely affect us.

Deterioration of our relationship with, poor performance by, or bankruptcy of, our third-party service providers or sales teams may adversely affect us.

We use third-party service providers to assist, support and maintain certain of our back-office departments and certain of our communications, IT and point-of-sale systems. If these third-party service providers fail to meet their assistance, support and maintenance obligations, we could be adversely affected. In addition, our revenues from payroll deduction loans and auto loans are highly dependent on the willingness and ability of our banking correspondents and their independent sales agents to identify new borrowers for us. Our relationship with our banking correspondents is not exclusive, so they may generate business for other banks. If the effectiveness of our banking correspondents and their independent agents were to deteriorate, and we are unable to replace them with new banking correspondents and agents, we may lose clients, fail to gain new clients or experience significantly reduced revenues from our payroll deduction and auto loan businesses, which would adversely affect us.

Changes in tax and social security regulations may adversely affect us.

To support its fiscal policies, the Brazilian Government regularly implements changes to tax and social security regimes that affect our clients and us. These reforms include changes in tax rates and tax

assessment criteria and the enactment of temporary taxes, the proceeds of which are earmarked for specific governmental purposes. See "The Brazilian Financial and Banking Regulation—Taxation of Brazilian Corporations". Some of these measures, such as the increase in the amount of social contribution payable by banks and the imposition until recently of a tax on financial transactions (*Imposto sobre Operações Financeiras*) ("IOF") of 6% on the entry of foreign funds in relation to some specific money market investments, may result in increases in our payments of taxes and social contributions, which could adversely affect our profitability and ability to engage in certain transactions. In addition, changes in tax and social securities regulations, which may be reinstated at any time, may result in uncertainties in the Brazilian financial system, and increase our funding costs and the default rates of our borrowers, which may adversely affect us.

The risks associated with our treasury activities and open market activities may have an adverse affect on our financial condition.

In recent years, a portion of our gross revenues and operating profit have been derived from market operations conducted by our treasury division and involving trading in a variety of Brazilian Government securities and financial instruments. The majority of these revenues have resulted from credit operations. There are various risks to us associated with such activities, including market and counterparty risks. We have been actively seeking to expand our business into more traditional banking products in order to diversify our revenue base. However, we intend, for so long as we perceive opportunities for such operations, and consider involvement in such activities to be in our interests, to continue such operations. Accordingly, our financial condition and our net income in future periods will continue to be exposed to the risks inherent in such activities, which may have an adverse affect on us.

Any imbalance between our loan portfolio and our sources of funds could adversely affect our operating results and our capacity to expand our credit transactions.

We are exposed to certain imbalances between the loans we make and our obligations to our funding providers in relation to the interest rates and maturity dates of these loans and obligations. A portion of our loan portfolio is made up of fixed interest rate credits and the yield from our credit transactions depends on our ability to balance the cost of our funding with the interest rates charged to our clients. An increase in the market interest rates in Brazil could increase our cost of funding, especially the cost of our time deposits, and may force us to reduce the spread we charge on our loans, adversely affecting us.

Any mismatch between the maturity of our loans and our sources of funds would potentially result in an imbalance in the interest rates on these loans and funding sources, which could create problems in our liquidity if we fail to continue to be able to obtain funding at favourable rates. An increase in the total cost of our sources of funds for any of these reasons could result in an increase in the interest rates on our loans, which could, as a result, affect our ability to attract new clients. Any decrease in the level of our loan portfolio may adversely affect us.

Time deposits are an important source of funding for us and we cannot assure you that they will continue to be available on favourable terms to us or at all.

Our sources of funding are not broadly diversified and we rely on time deposits as our principal funding source. As of December 31, 2013, 29.9% of our funding was obtained from time deposits.

Our ability to obtain additional funding will depend on, among other factors, our performance and future market conditions. We cannot assure you that time deposits will continue to be available on favourable terms to us or at all. If we are unable to obtain sufficient new funding, we may not be able to continue growing our loan portfolio or to respond effectively to changes in business conditions and competitive pressures, which could have an adverse effect on us.

A downgrading in our credit rating may increase our costs of funding.

Our costs of funding are influenced by a number of factors, some of which are out of our control, such as prevailing macroeconomic conditions and the regulatory environment for Brazilian banks. Any unfavourable change in these factors may cause a negative impact in our credit rating, which could restrict our ability to obtain funding, transfer loan portfolios or issue securities on acceptable terms, increasing our cost of funding.

A deterioration in the creditworthiness of the receivables our clients provide as collateral to our loans, or difficulties in repossessing and realising value from collateral with respect to defaulted loans, may adversely affect us.

Most of the financings we grant to our clients, particularly mid-sized companies, are secured by pledges of receivables from third parties. Any reduction in the creditworthiness of these third parties may negatively affect our ability to collect receivables from our clients and therefore may adversely affect us.

In addition, some of our loans, such as vehicle financing, are secured by assets that are expensive to repossess and difficult and cumbersome to store and manage or in respect of which security has not been properly taken or registered. Upon default by our clients, it may be difficult for us to repossess and to realise value from collateral with respect to the underlying loans. If we experience higher rates of default on our loans that are secured with these types of assets, provisioned amounts may be inadequate and we would incur higher losses from the defaulted loans.

We may not successfully implement our strategies, which may adversely affect us.

We intend to implement several business strategies that we believe will be essential for our future growth. Among these strategies, we plan to expand our market share in the corporate lending segment by increasing our customer base, improving our distribution structure and offering tailor-made products to our clients. We also plan to seek to consolidate and expand our market share in the individual lending segment by offering new credit products and by taking advantage of our current distribution network. We cannot assure you that we will successfully implement these or any other strategies, which would have an adverse effect on us.

The loss of any of our key managers, our inability to attract and maintain additional management personnel may adversely affect us.

Our ability to maintain our competitive position and implement our growth strategy is highly dependent on our management team. We cannot assure that we will not lose any of our current key managers or that we will be successful in attracting and maintaining qualified personnel to be part of our management team, which may adversely affect us.

Our controlling shareholders' interests could conflict with interests of the holders of the Notes.

We are controlled by the Dayan family. See "Summary—Structure of Banco Daycoval S.A.". In common with all Brazilian financial institutions, we are monitored by the Central Bank to ensure we comply with regulations that prevent an abuse of such power. However, this level of control enables the Dayan family to elect and control the decisions of our board of executive officers and to determine the outcome of all of actions requiring shareholders' approval. Decisions in relation to our policy towards acquisitions, divestitures, financings or other transactions could be made by the Dayan family which may be contrary to the interests of holders of the Notes, and which may have a negative impact on the interests of holders of the Notes. See "Summary—Structure of Banco Daycoval S.A.".

There may be less publicly available corporate disclosure about us than is regularly published by or about listed companies in certain countries with highly developed capital markets.

A principal objective of the securities laws of the United Kingdom, the United States, Brazil and other countries is to promote full and fair disclosure of all material information of companies issuing securities. As a Brazilian listed bank, we are subject to extensive regulation by the Central Bank and the CVM, which requires us (to a greater extent than non-bank and non-listed entities) to disclose information concerning our operations and financial condition. However, there may be less publicly available information about us than is regularly published by or about listed companies in certain countries with highly developed capital markets, such as the United Kingdom or the United States.

Increased regulation following recent developments in global markets may adversely impact our results of operations.

Recent developments in the global markets have led to an increase in the involvement of various governmental and regulatory authorities in the financial sector and in the operations of financial institutions. In particular, governmental and regulatory authorities in France, the United Kingdom, the United States, Belgium, Luxembourg and elsewhere have provided additional capital and funding and are implementing other measures including increased regulatory control in their respective banking sectors including by imposing enhanced capital requirements. It is uncertain how the more rigorous regulatory climate will impact financial institutions, including us. It is also uncertain whether further regulatory requirements (including capital adequacy requirements) will be introduced in such countries or elsewhere, including Brazil.

The changes in Brazilian GAAP for conversion into IFRS may adversely impact our financial statements.

The Bank prepares its financial statements in accordance with Brazilian GAAP, which differs in certain significant respects from IFRS. As a result, the financial information presented in these Listing Particulars may differ significantly from financial statements prepared in accordance with IFRS or the accounting standards of other countries. The Bank has made no attempt to identify or quantify the impact of those differences.

The CVM and the Central Bank require that publicly-listed companies, and companies subject to Central Bank supervision, also present and disclose, once a year, consolidated financial statements prepared in accordance with IFRS, beginning with financial statements as of and for the year ending December 31, 2010, with comparative figures for 2009.

Due to the enactment of Law No. 11,638 and Law No. 11,941, the CPC has issued and will continue to issue new accounting standards to align Brazilian GAAP more closely with IFRS. Accounting standards issued by CPC and applicable to financial institutions must be approved by the Central Bank.

No reconciliation of IFRS of any of the financial statements presented in these Listing Particulars has been prepared. There can be no assurance that such a reconciliation would not identify material quantitative differences between our financial statements as prepared on the basis of accounting principles determined by Brazilian GAAP and our financial statements as prepared on the basis of IFRS.

Risks Relating to the Notes

Noteholders may not be fully compensated for the amount invested in the Notes plus accrued interest if we declare bankruptcy, violate banking regulations on a recurring basis or are insolvent.

In February 2005, Law No. 11,101, the Bankruptcy Law was enacted in Brazil, the main goal of which is to prevent the liquidation of viable companies that are capable of fulfilling their debt obligations. The Bankruptcy Law seeks to do that by providing greater levels of flexibility to design reorganisation strategies, while increasing safeguards for secured creditors. It also seeks to improve creditors' ability to recover their

claims by allowing for judicial approval of settlement agreements and plans of reorganisation between the debtor and a committee of creditors. While the insolvency of financial institutions and mixed capital companies remain governed by specific regimes (intervention, extrajudicial liquidation and temporary special administration, each of which is discussed in further detail below), they are subject to the Bankruptcy Law on a subsidiary basis, to the extent applicable, until such time as a specific set of rules is enacted (Article 197 of the Bankruptcy Law). Therefore, Noteholders will not be able to take full advantage of the Bankruptcy Law's more flexible provisions and must continue to rely on Law No. 6,024, dated March 13, 1974, which governs the intervention into, and the administrative liquidation of financial institutions by the Central Bank. See "The Brazilian Financial System and Banking Regulation—Bank Failure".

The Central Bank may (i) intervene in our operations and management or (ii) liquidate us if we:

- suffer losses due to bad management that places our creditors at risk;
- commit recurrent violations of banking regulations;
- are insolvent; or
- request the Central Bank to intervene in our operations.

During the 12-month intervention period, our liabilities for obligations contracted prior to the commencement of the intervention period are suspended. Upon commencement of an extrajudicial liquidation proceeding against us, all potential and ongoing lawsuits asserting claims over our assets as well as matured liabilities and claims on deposits will be automatically suspended, while all of our outstanding obligations will be simultaneously accelerated. In addition, certain credits, such as credits for salaries, among others, will have preference over any other credits, including secured credits. As the Notes are unsecured and would constitute general unsecured claims in an administrative liquidation proceeding, in the event that the Central Bank intervenes in our operations or commences liquidation proceedings against us, Noteholders may not be fully compensated for the amount they invested in the Notes, plus accrued interest. See "The Brazilian Financial System and Banking Regulation—Bank Failure".

It may be difficult to enforce civil liabilities against us or our directors and officers.

We are organised under the laws of Brazil, and all of our directors and officers reside in Brazil. In addition, substantially all of our assets and most or all of the assets of our directors and officers are located in Brazil. As a result, it may be difficult for investors to effect service of process outside Brazil on such persons or to enforce judgments against them, including in any action based on civil liabilities under the securities laws of any jurisdiction other than Brazil. See "Enforcement of Judgments".

We may issue Notes that are subject to a Foreign Currency Constraint.

The Notes may contain a Foreign Currency Constraint provision, as more fully described in the Conditions and in the applicable Final Terms. Upon the occurrence of a Foreign Currency Constraint Event, holders of Notes affected thereby may elect to exchange the Notes for an equivalent nominal amount of Exchanged Notes with terms and conditions identical to the terms and conditions of the original Notes, except that payments in respect of the Exchanged Notes will be made in the lawful currency of Brazil. Upon termination of the Foreign Currency Constraint Event, Exchanged Notes will be exchanged for an equivalent nominal amount of the original Notes and such holder will receive future payments in respect of the Notes in the Specified Currency of the Notes. If a holder does not elect to receive payments in the lawful currency of Brazil by making such exchange, after the termination of the Foreign Currency Constraint Event such holder will receive any payments in respect of the Notes in the Specified Currency of the Notes. A Foreign Currency Constraint Event will not be deemed an Event of Default provided that we have fully complied with our obligations under Condition 7(i). Holders of Notes containing a Foreign Currency Constraint provision shall

have no recourse against our assets and operations outside Brazil, including, without limitation, our assets and operations in the Cayman Islands.

In the event of the occurrence of a Foreign Currency Constraint Event in Brazil and the decision by a Noteholder to receive amounts due under the Notes in the Specified Currency in which payments are due, interest will accrue on any unpaid principal amounts of the Notes of such Noteholder at the interest rate on such Notes from the date payment was due until the date of payment, subject to limitations in the event that payments are held by financial institutions to comply with certain requirements of the Brazilian government or the Central Bank. For these Notes, interest will not accrue on overdue payments of interest or additional amounts, if any. See "Terms and Conditions of the Notes—Condition 7(i) (Currency Constraint)".

In the event we are required to pay any amount due in respect of Notes issued through our Cayman Islands Branch from Brazilian sources, it is not certain that the necessary governmental approval will be obtainable at a future date.

Under Brazilian law, the issue of Notes through our Cayman Islands Branch is not subject to the Central Bank's prior approval and/or registration. In the event we are required to pay any amount due in respect of such Notes from Brazilian sources, or our principal office is substituted for the Cayman Islands Branch in respect of such Notes in accordance with the terms and conditions of such Notes, we will need the specific approval of the Central Bank. Any specific approval from the Central Bank may only be requested when such payment is to be remitted abroad, and will be granted by the Central Bank on a case-by-case basis. It is not certain that any such approval will be obtainable at a future date.

Additional Notes issued in the same series may be treated as a separate issue for U.S. federal income tax purposes.

The Issuer may, without the consent of the holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate issue for U.S. federal income tax purposes. In such a case, the additional Notes may be considered to have been issued with original issue discount ("OID") even if the original Notes had no OID, or the additional Notes may have a greater amount of OID than the original Notes. See "Taxation—United States Federal Income Taxation Considerations" for a discussion of OID. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

Notes issued after July 1, 2014, and notes classified as equity for U.S. tax purposes at any time, may be subject to U.S. withholding.

Under the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("FATCA"), a 30% withholding tax is imposed on certain payments made to certain foreign financial institutions (and their more-than-50% affiliates). In January 2013, final regulations under FATCA were promulgated which provide a detailed set of due diligence, information reporting and disclosure requirements in order for entities to avoid or minimise the withholding tax.

Under FATCA and the final regulations promulgated thereunder, the 30% withholding tax is imposed on "withholdable payments" and certain "foreign passthru payments" made to foreign financial institutions (and their more-than-50% affiliates) unless the payee foreign financial institution enters into an agreement with the IRS to, among other things, annually report certain information about accounts in such payee foreign financial institution held by U.S. persons or entities with substantial U.S. owners. "Withholdable payments" include payments of interest (including original issue discount), dividends, and other items of fixed or determinable annual or periodical gains, profits, and income, in each case, from sources within the United States, as well as gross proceeds from the sale of any property of a type which can produce interest or dividends from sources within the United States. "Foreign Passthru payments" generally are certain payments attributable to

withholdable payments. While payments on debt instruments issued by foreign financial institutions such as us should generally not be treated as being from sources within the United States, and thus generally should not be subject to the 30% withholding tax under FATCA for "withholdable payments", the final regulations have not provided a complete description of every payment that would be a "foreign passthru payment", and it is therefore uncertain whether and under what circumstances payments on the Notes will be "foreign passthru payments" subject to withholding under FATCA.

Under the final regulations, only Notes issued on or after July 1, 2014 (or Notes subject to a "material modification" on or after July 1, 2014), or Notes issued at any time if such Notes are treated as equity for U.S. federal income tax purposes, will potentially be subject to the withholding tax. Additionally, under the final regulations, withholding on "foreign passthru payments" would not be required before January 1, 2017, and would not be required with respect to any payment on a Note that was outstanding on or before the date six-months after the date on which final regulations are issued providing a definition of "foreign passthru payments" (except for a Note that is subject to a "material modification" after such date).

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not clear. If we or any other person are required to withhold amounts in connection with FATCA from any payments made in respect of the Notes, holders and owners of Notes will not be entitled to receive additional amounts to compensate them for such withholding. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected.

Holders of Notes should consult their own tax advisers on how these rules may apply to payments they receive under the Notes.

The Issuer may be substituted without the consent of Noteholders.

The terms and conditions of the Notes contain provisions permitting the Issuer, without consent of the Noteholders, to substitute for itself any other branch or office of the Issuer as principal debtor under the Notes. Any such substitution must be by a deed poll and shall be subject to the satisfaction of the conditions set forth in the terms and conditions of the Notes, including the delivery of legal opinions addressed to the Noteholders relating to the assumption by the substitute of all of the obligations of the Issuer under the Notes and other matters relating thereto. See "Terms and Conditions of the Notes—Meetings of Noteholders, Modifications and Substitution—Substitution".

Subordination to certain statutory liabilities.

Under Brazilian law, our obligations under the Notes are subordinated to certain statutory preferences. In the event of our liquidation, such statutory preferences, such as claims for salaries, wages, social security, other employment related claims and taxes, court fees and expenses will have preference over any other claim, including claims by any holder in respect of the Notes and those guaranteed by a security interest.

Absence of public markets.

Application has been made to list the Notes issued under the Programme on the Irish Stock Exchange (Global Exchange Market). However, the Notes are new securities for which there is currently no established market. We cannot assure Noteholders as to the development or liquidity of any market for the Notes.

The liquidity of and trading market for the Notes may be adversely affected by a general decline in the market for similar securities. Such a decline may adversely affect our liquidity and trading markets independent of our prospects of financial performance.

The market for debt securities issued by Brazilian companies is influenced by economic and market conditions in Brazil and, to varying degrees, market conditions and interest rates in other Latin American countries and emerging market countries. For example, following the various economic crises in the region,

the market for debt instruments issued by Latin American companies (including Brazilian companies) has been volatile, and this volatility has adversely affected the price of such securities. There can be no assurance that events in Latin America or elsewhere will not cause a continuation or recurrence of such market volatility or that such volatility will not adversely affect the price of the Notes or that economic and market conditions will not have any other adverse effect on our business.

Judgments of Brazilian courts enforcing our obligations under the notes would be payable only in reais.

If proceedings were brought in the courts of Brazil seeking to enforce our obligations under the notes, we would not be required to discharge our obligations in a currency other than *reais*. Under the Brazilian exchange control limitations, an obligation in Brazil to pay amounts denominated in a currency other than *reais* may only be satisfied in Brazilian currency at the rate of exchange in effect on the date of payment. There can be no assurance that such rate of exchange will afford the full compensation of the amount invested in the notes plus accrued interest, if any.

FOREIGN EXCHANGE RATES AND EXCHANGE CONTROLS

Before March 14, 2005 there were two foreign exchange markets in Brazil, the commercial rate exchange market and the floating rate exchange market, where exchange positions of Brazilian banks in the commercial market and the floating market were unified and differentiated solely for regulatory purposes. The commercial market was reserved primarily for foreign trade transactions and transactions that generally require prior registration with the Central Bank, such as the purchase and sale of registered investments by foreign persons and related remittances of funds abroad. Purchases of foreign exchange in the commercial market could be carried out only through a financial institution in Brazil authorised to buy and sell currency in that market. The commercial market rate was the commercial selling rate for converting Brazilian currency into U.S. dollars, as reported by the Central Bank. The floating market rate generally applied to specific transactions for which Central Bank approval was not required. Prior to the implementation of the Real Plan, the commercial market rate and the floating market rate differed significantly at times. However, since the introduction of the *real* in 1994, the two rates have not differed significantly.

On March 4, 2005, the CMN unified the commercial market and the floating market through the enactment of CMN Resolution No. 3,265, thereby producing a single exchange market in place of the previous two. Currently, CMN Resolution No. 3,568 of May 29, 2008 regulates the new unified exchange market, simplifying both inbound and outbound foreign exchange transactions by permitting exchange contracts to be executed by those local institutions that are authorised to deal in foreign exchange.

On March 23, 2010, the CMN issued CMN Resolution No. 3,844 ("CMN Resolution No. 3,844"), adopting a series of measures to consolidate and simplify the Brazilian foreign exchange regulations. These changes are expected to reduce the effective cost of foreign exchange transactions and the related administrative expenses for both the public and private sectors, as well as to provide more legal certainty for the parties to such transactions.

As of the date of these Listing Particulars, all financial transfers from Brazil to other countries and from abroad to Brazil, either in Brazilian currency or in any foreign currency, related to foreign capital flows governed by CMN Resolution No. 3,844, must comply with the general rules applicable to the Brazilian foreign exchange market, such as complying with all laws, be supported by proper documentation and have a reasonable economic justification.

From time to time, there have been significant fluctuations in the exchange rate between the Brazilian *real* and the U.S. dollar and other currencies. The *real* depreciated against the U.S. dollar by 9.3% in 2000, 18.7% in 2001, 52.3% in 2002, 18.8% in 2004, 32.2% in 2008, 12.6% in 2011, 8.5% in 2012 and 14.6% in 2013. The *real* appreciated against the U.S. dollar by 19.4% in 2003, 15.9% in 2005, 5.9% in 2006, 17.0% in 2007, 25.6% in 2009 and 4.0% in 2010.

At March 11, 2014, the rate for purchasing U.S. dollars was R$2.35 to U.S.$1.00.

The following table shows the *real*/U.S. Ptax 800 selling rate for U.S. Dollars for the periods and dates indicated:

Year	Low	High	Average[1]	Period-End
2009	1.70	2.42	1.99	1.74
2010	1.65	1.88	1.76	1.67
2011	1.53	1.90	1.67	1.88
2012	1.70	2.11	1.95	2.04
2013	1.95	2.45	2.16	2.34
Month				
September 2013	2.20	2.39	2.27	2.23
October 2013	2.16	2.21	2.19	2.20
November 2013	2.24	2.33	2.30	2.32
December 2013	2.31	2.38	2.35	2.34
January 2014	2.33	2.44	2.38	2.43
February 2014	2.34	2.42	2.38	2.33
March 2014 (through March 11)	2.31	2.35	2.33	2.35

Note:

(1) Represents the average of exchange rates on each day of each respective month during the periods indicated.

Source: Central Bank.

USE OF PROCEEDS

We will use the net proceeds of any issue of Notes for our general corporate purposes or as otherwise specified in the applicable Final Terms.

CAPITALISATION

The table below shows our capitalisation as of December 31, 2013. You should read this table in conjunction with "Presentation of Financial Information", "Summary Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", and our audited consolidated financial statements and the related notes included elsewhere in these Listing Particulars.

	As of December 31, 2013	
	(R$ millions)	**(U.S.$ millions)[1]**
Short-term liabilities		
Deposits	2,666.1	1,138.1
Money market funding	779.6	332.8
Funds from acceptance and issuance of securities	1,836.1	783.7
Interbank accounts	0.9	0.4
Interbranch accounts	22.2	9.5
Borrowings and onlendings	822.5	351.1
Derivatives	3.3	1.4
Technical reserves-insurance	29.1	12.4
Other payables	383.0	163.6
Total	**6,542.8**	**2,793.0**
Long-term liabilities		
Deposits	1,042.2	444.9
Funds from acceptance and issuance of securities	2,938.5	1,254.4
Borrowings and onlendings	971.8	414.9
Derivatives	0.8	0.3
Other payables	999.1	426.4
Total	**5,952.4**	**2,540.9**
Deferred income	13.7	5.8
Non-contrrolling interest	0.7	0.3
Total shareholders' equity	2,440.3	1,041.8
Total capitalisation[2]	**14,949.9**	**6,381.8**

Notes:

(1) Translated into U.S.$ solely for the convenience of the reader. The rate used to translate such amounts was R$2.34 to U.S.$1.00 (subject to rounding adjustments), which was the exchange rate in effect as of December 31, 2013, as reported by the Central Bank.

(2) Total capitalisation corresponds to short- and long-term liabilities, deferred income, non-controlling interest and total shareholders' equity.

On December 30, 2013, our board of directors approved a capital increase in the amount of R$71.2 million, which was approved by the Central Bank on January 15, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations is based on, and must be read in conjunction with, our audited consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 and their related notes included elsewhere in these Listing Particulars, as well as with the sections "Presentation of Financial Information" and "Summary Financial Information".

The following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those discussed in these estimates and forward-looking statements as a result of various factors, including, but not limited to, those indicated in the section "Risk Factors".

Principal Factors Affecting Our Financial Condition and Results of Operations

Brazilian Macroeconomic Conditions

As a bank in Brazil, our financial condition and results of operations are significantly affected by Brazilian macroeconomic, political and social conditions as well as the economic performance of other emerging markets.

In 2011, Brazil's GDP grew by 2.7%. The *real* depreciated against the U.S. dollar by 12.6% in 2011, reaching R$1.88 per U.S.$1.00 as of December 31, 2011. Inflation, as measured by the IPCA and the IGP-M, was 6.5% and 5.1%, respectively, for the year ended December 31, 2011. The Central Bank maintained its tightening monetary policy, further increasing the SELIC rate to 12.50% in July 2011. However, evaluating other factors, particularly volatility in foreign economies, which could have had a deflationary pressure on Brazil's economy, as well as in order to reinforce Brazil's domestic fiscal policy to fight inflation, the COPOM reduced the SELIC rate several times in the second half of 2011 and the SELIC rate was 11.00% as of December 31, 2011.

In 2012, Brazil's GDP grew by 0.9% and the *real* depreciated 8.5% against the U.S. dollar, reaching R$2.04 per U.S.$1.00 as of December 31, 2012. During the course of 2012, the COPOM continued to reduce the SELIC rate, which as of December 31, 2012 the was 7.25%. Average unemployment in the principal metropolitan areas of Brazil was 4.6% as of December 31, 2012, according to the IBGE. In 2012, the inflation rate, as measured by the IPCA and the IGP-M, was 5.8% and 7.8%, respectively.

In 2013, Brazil's GDP grew by 2.3% and the *real* depreciated 14.6% against the U.S. dollar, reaching R$2.34 per U.S.$1.00 as of December 31, 2013. During the course of 2013, in response to inflation concerns the COPOM raised the SELIC rate several times, and as of December 31, 2013 was 10.00%. Average unemployment in the principal metropolitan areas of Brazil was 4.3% as of December 31, 2013, according to the IBGE. In 2013, the inflation rate, as measured by the IPCA and the IGP-M, was 5.9% and 5.5%, respectively.

The following table shows GDP growth, U.S. dollar exchange rates, inflation and interest rates in Brazil for the periods presented.

	At and for the years ended December 31,					
	2013		2012		2011	
GDP growth	2.3	%	0.9	%	2.7	%
Inflation (IGP-M)[1]	5.5	%	7.8	%	5.1	%
Inflation (IPCA)[2]	5.9	%	5.8	%	6.5	%
CDI[3]	8.1	%	8.4	%	11.6	%
TJLP[4]	5.0	%	5.5	%	6.25	%
Appreciation (depreciation) of the *real* against the U.S. dollar	(14.6)	%	(8.5)	%	(12.6)	%
Exchange rate at closing (R$ to U.S.$1.00)	R$2.34		R$2.04		R$1.88	
Average exchange rate (R$ to U.S.$1.00[5])	R$2.16		R$1.95		R$1.67	

Notes:

(1) IGP-M is the general market price index as measured by the FGV.

(2) IPCA is a consumer price index calculated by the IBGE.

(3) CDI is the average interbank deposit certificate index applicable in Brazil (accumulated at the end of each month and annually).

(4) TJLP represents the interest rates applied by the BNDES for long-term financing (end of period).

(5) Average of exchange rate for each day of each month during the period.

Sources: BNDES, Central Bank, IBGE and the FGV.

GDP Growth

Growth in Brazil's GDP may impact our results of operations, since such growth generally affects the overall volume of credit transactions in the country, including of our corporate and individual clients. In the years ended December 31, 2013, 2012 and 2011, Brazil's GDP grew 2.3%, 0.9%, and 2.7%, respectively.

Effects of Fluctuation of Interest Rates on Our Financial Condition and Results of Operations

Generally, an increase in interest rates results in an increase in our income from lending operations due to higher rates that we are able to charge. However, such an increase can adversely affect our results of operations as a result of reduced overall demand for loans and greater risk of default by our clients. In addition, increased interest rates affect our funding costs, particularly time deposits and interbank deposits, and can adversely affect our profitability if we are unable to pass on our increased funding costs to our clients. However, a decrease in interest rates can reduce our income from lending operations as a result of lower rates on our loans. This reduction of income may eventually be offset by an increase in the volume of loans we make resulting from increased demand for loans and/or a decrease in our funding costs.

In addition, changes in interest rates can affect the value of our securities portfolio and therefore our financial condition and results of operations. However, the effect of these fluctuations may be limited by our use of derivative hedging instruments. See "—Information on Market Risks—Risk and Risk Management".

Inflation

Our net income may be adversely affected by higher inflation rates in Brazil, which generally increase our operating costs. In addition, higher inflation generally causes an increase in interest rates by the Central Bank to control inflation. See "—Effects of Fluctuation of Interest Rates on Our Financial Condition and Results of Operations". Inflation can also contribute to an increase in market volatility by causing economic uncertainty and reducing overall consumption levels, GDP growth and consumer confidence.

Governmental Regulation

Compulsory Deposit Requirements

The Central Bank imposes compulsory deposit requirements on financial institutions to control liquidity within the Brazilian financial system. Whenever the Central Bank modifies these requirements, the balance of our interest-bearing assets and liabilities is affected, which will, in turn, affect our interest revenues and expenses.

The compulsory deposit percentages apply to the total volume of our deposits, and the compulsory amounts must be deposited with the Central Bank. Pursuant to Central Bank Circulars No. 3,632 of February 21, 2013 and No. 3,569 of December 22, 2011, the principal compulsory deposit requirements are as follows:

- 44% of average daily demand deposits, minus R$44.0 million, for each assessment period (which begins on a Monday and ends on the Friday of the following week); and
- 20% of time deposits that exceed R$2 billion.

As of December 31, 2013, the balance of our compulsory deposits with the Central Bank was R$125.4 million, compared to R$88.0 million as of December 31, 2012 and R$107.9 million as of December 31, 2011. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—Changes in Regulations Regarding Compulsory Deposits may Adversely Affect Us".

Capital Requirements

In June 2004, the Basel Committee on Banking Regulations and Supervisory Practices approved a new framework for risk-based capital adequacy, commonly referred to as the "Basel II Accord". The Basel II Accord sets out the details for adopting more risk-sensitive minimum capital requirements for financial institutions. As part of its implementation of the Basel II Accord, the Central Bank has proposed new capital adequacy regulations, which among other provisions contain changes to the risk weighting for different categories of loans.

The implementation timetable of the Basel II Accord in Brazil was made official by the Central Bank on December 9, 2004 through Communication No. 12,746, amended later on September 27, 2007 by Communication No. 16,137. The timetable provided for different steps, initiated with the use of a standardised approach with respect to capital requirements, as determined by the Central Bank, and finalised with the use of advanced models.

Furthermore, pursuant to CMN Resolution No. 3,490 of August 29, 2007 (which was repealed as of October 1, 2013 by CMN Resolution No. 4,193), and Central Bank Circular No. 3,383 of April 30, 2008, the Central Bank requires banks to set aside a portion of their equity to cover operational risks (i.e., losses arising from failures, deficiency or inadequacy of internal proceedings, personnel or systems, including those due to external events). Resolution No. 3,490 (which was repealed as of October 1, 2013 by CMN Resolution No. 4,193) became effective as of July 1, 2008 and required portions of banks' equity to cover operational risks. The risk-weighted capital ratio required by us and all other banks in Brazil is currently 11% of risk-based exposure. Our Basel ratio was 17.5% as of December 31, 2013, 17.4% as of December 31, 2012 and 16.5% as of December 31, 2011.

On March 1, 2013, the CMN and the Central Bank enacted four Resolutions and 15 Circulars in order to implement the recommendations of the Basel III Regulations in Brazil: CMN Resolution No. 4,192, CMN Resolution No. 4,193, CMN Resolution No. 4,194 and CMN Resolution No. 4,195. CMN Resolution No. 4,192 repealed CMN Resolution No. 3,444, CMN Resolution No. 3,532 and CMN Resolution No. 3,655, as well as articles 2, 3 and 4 of CMN Resolution No. 3,059 and article 6 of CMN Resolution No. 2,723. Under

the new rules, regulatory capital will continue to consist of two tiers. Tier 1 Capital will have a 6.0% floor (as from January 1, 2015), divided into two portions: common equity or *capital principal* (corporate capital and profit reserves, among other inclusions and deductions) of at least 4.5% and additional capital or *capital complementar* (hybrid debt and capital instruments authorised by the Central Bank, with certain deductions). Tier 2 capital will consist of subordinated debt instruments authorised by the Central Bank, with certain deductions. Current hybrid instruments and subordinated debt approved by the Central Bank as additional capital or Tier 2 Capital are expected to be maintained as such if they also comply with Basel III Regulations, including mandatory conversion into equity as directed by the Basel Committee. If such instruments do not comply with Basel III Regulations, there will be a yearly deduction of 10.0% on the nominal value of such instruments, as from October 1, 2013 (90%) and continuing on an annual basis as from January 1, 2014 (80%) thereafter, until 0% or until January 1, 2022.

Due to changes in the rules concerning capital adequacy or in the performance of the Brazilian economy as a whole, the Bank's capital reserves may be negatively affected. The Bank may also be compelled to limit its credit operations, dispose of some of its assets and/or take other measures that may adversely affect the Bank's results of operations and financial condition.

See "—Liquidity and Capital Resources—Capital Adequacy" for the calculation of our capital requirements and our regulatory capital level.

Regulation of Payroll Deduction Loans

The Brazilian Government and the Ministry of Welfare and Social Security (*Ministério da Previdência e Assistência Social*) oversee credit activities offered to pension beneficiaries and retirees of the INSS who receive benefits from the INSS. Currently, we are not permitted to charge an origination fee (*Taxa de Abertura de Crédito*) for payroll deduction loans to individuals who receive INSS benefits. Furthermore, the INSS may review its policy related to loan deductions from payrolls and may issue new regulations imposing limitations and/or modifications in the terms and conditions on which payroll deduction loans can be offered to pension beneficiaries and retirees of the INSS. See "Risk Factors—Risks Relating to the Bank and the Brazilian Banking Industry—Payroll deduction loans are subject to changes in applicable laws and regulations and to the interpretation of such laws and regulations by Brazilian courts, as well as to changes in policies by public entities".

Loan Losses

An increase in the volume of our loans in default can result in reduced revenue from our lending operations, which requires us to make additional allowance for loan losses or to use such allowance to write-off loans, and adversely affect our financial condition and results of operations. We comply with Central Bank regulations regarding the write-off of overdue loans, which generally require that they be written off as a loss 360 days after they mature or otherwise become due.

Changes in Tax Regulation

Our results of operations are affected by changes to the tax regulations and regimes applicable to us and our clients. These changes include changes in tax rates and tax assessment criteria and the imposition of temporary taxes, the proceeds of which are generally earmarked for specific governmental purposes. See "The Brazilian Financial System and Banking Regulation—Taxation of Corporations" for changes in the rate of the Social Contribution on Net Profits (*Contribuição Social sobre o Lucro Líquido*) ("CSLL") affecting us.

Volatility of the Real Against the U.S. Dollar

The depreciation or appreciation of the *real* may adversely affect our financial condition and results of operations to the extent we have operations denominated in or indexed to foreign currency, primarily the U.S.

dollar. Our exposure to foreign exchange rate fluctuations is reduced through the use of derivative instruments or through our policy of avoiding mismatches between our funding denominated in foreign currency (particularly the U.S. dollar) and foreign-linked investments, which serve as a natural hedge.

When the *real* depreciates, we generally suffer losses from our liabilities denominated in or indexed to foreign currencies, such as our short-term and long-term indebtedness denominated in U.S. dollars and other cross-border sources of funds, because we incur an expense on the revaluation of such liabilities in *reais* and our cost in *reais* to service this indebtedness increases. However, we also have gains derived from our assets denominated in or indexed to foreign currencies since the principal and interest income on these assets, when calculated in *reais*, increase as the *real* depreciates.

Conversely, when the *real* appreciates, we generally obtain gains from our liabilities denominated in or indexed to foreign currencies on the revaluation of such liabilities in *reais* and our cost in *reais* of servicing these debts decreases. However, we also incur losses from our assets denominated in or indexed to foreign currencies because the principal and interest income on these assets, when calculated in *reais*, decrease.

In addition to impacting the value of our assets and liabilities indexed to or denominated in foreign currency, fluctuations of the *real* against other foreign currencies can, among other factors, increase or decrease demand by our clients for loans indexed to foreign currency and the percentage of non-recoverable loans.

Critical Accounting Policies

The following is a description of the principal accounting policies that currently affect our financial condition and results of operation and that require us to make judgments, estimates and assumptions affecting the reported amount of our assets and the liabilities and results of operations. Our financial statements include, for example, several estimates and assumptions related to our allowance for loan losses and the market value of securities and derivatives which we acquire or trade, among others. The adoption of these estimates and assumptions requires us to make judgments related to effects of matters that are inherently uncertain. A change in these estimates and assumptions may adversely affect our financial condition and results of operations. Note 3 to our consolidated financial statements as of and for the years ended December 31, 2013 and 2012 included in these Listing Particulars contains the critical accounting policies and methods used in the preparation of our financial statements.

On December 28, 2007, Law No. 11,638 was enacted altering, revoking and adding new provisions to the Brazilian Corporation Law, especially with respect to chapter XV, Fiscal Year and Financial Statements. Law No. 11,638 was designed primarily to update accounting practices as contemplated in Brazilian Corporation Law, so as to enable the convergence of Brazilian accounting practices with international accounting standards. It also contemplates broad changes to accounting practices generally accepted in Brazil as they relate to statutory accounting practices and procedures. Law No. 11,638 also allows the CVM, the Central Bank and the CPC to issue new accounting standards and procedures, applicable to public companies in Brazil, in conformity with such international accounting standards.

As part of the process of convergence with IFRS, the CPC has issued several pronouncements related to the international convergence which have been approved by the CVM, some of which have not yet been ratified by the Central Bank. See “Presentation of Financial Information”.

Provision for Contingencies

We are currently party to tax, labour and civil proceedings arising from the normal course of our business. We classify as “probable”, “possible” and “remote” the risk that such contingencies arising from these lawsuits will materialise into actual losses for us. We generally record provisions for these contingencies on our books when we classify the loss related to these claims as probable, except for fiscal contingencies,

which are fully provisioned regardless of their risks. We do not constitute provisions for contingencies whose risk we consider possible or remote. We base our classifications of the probability of losses on those risks on the opinion of our external and internal legal counsel, taking into consideration the analysis of the possible outcomes of the claims and the strategies for challenging or entering into agreements in relation to such claims. Any change in the circumstances taken into account in the process of classification of our risk of loss in the lawsuits to which we are party may lead us to revise our provision for contingencies.

Loans and Allowance for Loan Losses

Our loans are classified by our officers according to their risks, which are determined based on the type and amount of the loan and the collateral received, the borrower's credit history, the spread to be charged and other specific and global risks of our loan portfolio. This classification is based on the requirements of CMN Resolution No. 2,682 of December 21, 1999 ("CMN Resolution No. 2,682"), which requires us to periodically analyze our loan portfolio and classify our loans within nine levels, from "AA" (minimum risk) to "H" (maximum risk—loss).

The table below sets forth the rating of our loans by risk levels and the balance of our allowance for loan losses at the date presented:

	As of December 31, 2013			
			Allowance for loan losses	
Risk Level	**Credits**	**% of Total**	**Minimum required by Central Bank**	**Effective**
	(R$ millions, except as otherwise indicated)			
AA	106.1	1.2	0.0%	-
A.	4,006.3	45.2	0.5%	20.0
B	3,876.6	43.7	1.0%	38.8
C	277.8	3.1	3.0%	8.3
D	138.8	1.6	10.0%	13.9
E	64.9	0.7	30.0%	19.5
F	35.0	0.4	50.0%	17.5
G	36.6	0.4	70.0%	25.6
H	325.5	3.7	100.0%	325.5
Total	**8,867.6**	**100.0**	-	**469.1**

	As of December 31, 2012			
			Allowance for loan losses	
Risk Level	**Credits**	**% of Total**	**Minimum required by Central Bank**	**Effective**
	(R$ millions, except as otherwise indicated)			
AA	39.2	0.5	0.0%	-
A.	3,229.3	42.9	0.5%	16.2
B	3,473.2	46.2	1.0%	34.7
C	250.6	3.4	3.0%	7.5
D	130.0	1.7	10.0%	13.0

	As of December 31, 2012			
			Allowance for loan losses	
Risk Level	**Credits**	**% of Total**	**Minimum required by Central Bank**	**Effective**
E	62.1	0.8	30.0%	18.6
F	54.0	0.7	50.0%	27.0
G	46.6	0.6	70.0%	32.6
H	239.2	3.2	100.0%	239.2
Total	**7,524.2**	**100.0**	-	**388.8**

	As of December 31, 2011			
			Allowance for loan losses	
Risk Level	**Credits**	**% of Total**	**Minimum required by Central Bank**	**Effective**
	(R$ millions, except as otherwise indicated)			
AA	309.4	4.0	0.0%	-
A.	3,354.1	43.4	0.5%	16.7
B	3,533.2	45.7	1.0%	35.3
C	270.3	3.5	3.0%	8.1
D	77.5	1.0	10.0%	7.8
E	26.3	0.3	30.0%	7.9
F	34.4	0.5	50.0%	17.2
G	22.6	0.3	70.0%	15.8
H	97.0	1.3	100.0%	97.0
Total	**7,724.8**	**100.0**	-	**205.8**

Any loans classified as level "H" (which requires a allowance for loan losses equal to the full amount of the loan) must be written off after being so classified for a period of six-months. The write-off is taken against the existing allowance for loan losses, is recorded for up to five years in a memorandum account and is no longer included in our balance sheet. Any eventual revenue from loans allocated to the memorandum account is recognised only upon receipt. See "The Brazilian Financial System and Banking Regulation—Regulation by the Central Bank—Classification of Credit and Allowance for Loan Losses".

Market Value of Financial Instruments

In accordance with Brazilian GAAP and specific rules of the Central Bank, we record some of our assets, such as securities and derivatives, at market value.

Market value is defined as the value at which a position could be closed or sold in the market. The market value of the majority of securities we hold is determined on the basis of the value of transactions conducted on a particular day or on the business day before the date in which the transaction closes. When information regarding such transactions is not available, we determine market value on the basis of various sources. For government securities, the market value is based on the information compiled by the ANBIMA.

The market value of securities issued abroad is based on their daily average trading price. Finally, the market value of securities in investment funds is based on the price quoted by the fund manager.

To manage our interest rate and foreign exchange rate risk exposure, we enter into option, swap and other derivative contracts. The market value of these derivatives is based on the trading price of these instruments on the exchanges on which they are traded, especially on the BM&FBOVESPA.

Securities

In accordance with Central Bank Circular no. 3,068 of November 8, 2001, we record securities in our portfolio as follows:

- *Trading Securities*. We record the securities we acquire for trading on our balance sheet at their acquisition cost and add any adjustments resulting from mark-to-market accounting and earnings derived from such securities. These adjustments and earnings are also recognised as revenues or expenses, as the case may be, in our income statement.

- *Securities held to maturity*. We record the securities that we intend and have the financial capacity to hold through maturity on our balance sheet at their acquisition cost and add any earnings derived from such securities. These earnings are also recognised as revenues in our income statement. We do not make mark-to-market adjustments in connection with these securities.

- *Securities available for sale*. We record any securities not classified as securities for trading nor held to maturity on our balance sheet at their acquisition cost and mark them to market. We recognise the earnings from such securities as assets on our balance sheet and as revenue in our income statement. The mark-to-market adjustments are recorded net of income tax and social contribution in a separate account of our shareholders' equity.

Derivatives

In accordance with Central Bank Circular No. 3,082 of January 30, 2002, we record options, future contracts and swaps as follows:

- *Options*. A premium received is classified as a liability until the option maturity, when it is then recognised as a reduction of the cost of the acquired financial instrument underlying the option or as income, in the event of non-exercise. A premium paid is classified as an asset until the option maturity, when it is then recognised as an increase in the cost of the acquired financial instrument underlying the option or as expense, in the event of non-exercise.

- *Future contracts*. The amount recorded on our balance sheet for our future contracts is adjusted on a daily basis at market value and the corresponding revenue or expense is recorded in our income statement.

- *Swaps*. The differential receivable or payable are recorded on our balance sheet and the corresponding revenue or expense, respectively, is recorded in our income statement on a pro rata basis.

- *Currency swaps*. The gains or losses on our currency swap agreements are recorded on our balance sheet and the corresponding revenue or expense, respectively, is recorded on our income statement.

Our derivative financial operations consist mainly of future market index contracts, future DI contracts and future foreign exchange contracts traded on the BM&FBOVESPA.

Impairment

The impairment of non-financial assets is recognised when the carrying amount of an asset or a cash generating unit is higher than its recoverable or realisable value. A cash generating unit is the smallest identifiable group of assets which generates cash flows substantially independent from other assets and groups of assets. Impairment losses are recorded in the statement of income for the period when they are recognised, when applicable. As of December 31, 2013, no events indicate that non-financial assets may be impaired.

Amounts of non-monetary items, except those recorded under the captions "Other assets" and "Other receivables – tax credits", are periodically tested, at least annually, for impairment.

Other Accounting Policies

Consolidation of the financial statements

In the preparation of our consolidated financial statements, intercompany balances and transactions with our direct and indirect subsidiaries and with Daycoval Veículos FIDC and Daycoval Classic have been eliminated. We also adjust the financial statements of our indirect foreign subsidiary to Brazilian GAAP and translate any amounts indicated therein into *reais*.

The financial information related to Daycoval Veículos Fundo de Investimento em Direitos Creditórios ("Daycoval Veículos FIDC") was consolidated into our financial statements as of and for the years ended Decenber 31, 2012 and 2011. As part of this consolidation, we recorded the balance of our receivables portfolio previously transferred to Daycoval Veículos FIDC as "lending operations" and excluded the amounts represented by our subordinated quotas in Daycoval Veículos FIDC from our balance sheet. We also recognised such receivables portfolio, net of the amounts represented by Daycoval Veículos FIDC's subordinated quotas, as "borrowings and onlendings—domestic borrowings". In our income statements, we recorded any income from Daycoval Veículos FIDC, as well as any increase in the market value of our subordinated quotas (which are recognised in our individual financial statements as income under "securities transactions"), as "lending operations". Any amounts due to senior quotaholders of Daycoval Veículos FIDC were recorded as costs under "funding operations". Daycoval Veículos FIDC was wound up on December 13, 2013 and is not consolidated into our financial statements as of and for the year ended December 31, 2013. For further information on Daycoval Veículos FIDC, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Funding—Borrowings and Onlendings".

The financial information related to Daycoval Classic Fundo de Investimento Multimercado Privado ("Daycoval Classic") was also consolidated into our financial statements as of and for the year ended December 31, 2011. As part of this consolidation, the proportion of the securities portfolio of Daycoval Classic that corresponded to our portion of fund shares was incorporated into our securities portfolio and our investment in fund shares was eliminated for such year. Income from Daycoval Classic shares was recorded on our financial statements as "securities transactions" for such year. For the years ended December 31, 2013 and 2012, financial information related to Daycoval Classic was not consolidated into our financial statements, since the fund was open to other investors, and not only to us and our consolidated subsidiaries as was the case previously, and also due to the complete redemption of fund shares by the Bank during the period mentioned.

Recognition of Results of Operations

Our results of operations are recognised on the accrual basis.

Pre-paid Expenses

We recognise commissions paid to our banking correspondents as prepaid expenses on our balance sheet. This methodology enables us to maintain a high degree of control over the payments made in connection with these commissions. The corresponding expense for a commission payment is recognised over the life of the loan for which the commission was paid, concurrently and in proportion to the recognition of income from the corresponding loan payments. Commission payments are recorded as other administrative expenses on our income statements.

Deferred IncomeTax and Social Contribution

Our income tax and social contribution are recorded under current or deferred liabilities.

Current income tax and social contribution are calculated based on our taxable income at the rates of 25% (15% plus an additional 10% for taxable income in excess of R$240,000 per year or R$60,000 per quarter) and 15% (compared to 9% until May 2008), respectively. Brazilian tax legislation allows us to offset tax losses from prior periods against the taxable income of the current period, with no time limitation, but only up to 30% of the taxable income of each fiscal year.

Deferred income tax and social contribution include the effects from the recognition of "temporary differences", which are composed mainly of provisions usually related to contingencies and provision for credit losses which are not deductible in the calculation of taxable income when recorded, but only at a later point in time when their financial realisation occurs. When calculating our income tax, we recognise all recorded provisions as temporary differences.

Main Sources of Revenues and Expenses

Our principal sources of revenues and expenses are:

- *Income from financial intermediation*. Consists of income from lending operations, securities transactions, derivatives and foreign exchange transactions.

- *Expenses on financial intermediation*. Consists of expenses from funding operations (through time deposits, interbank deposits and money market funding), borrowings and onlendings, and our allowance for loan losses.

- *Other operating income (expenses)*. Consists primarily of (i) income from services provided, particularly fees charged in connection with new loans and opening of new accounts; (ii) personnel expenses; (iii) other administrative expenses; (iv) tax expenses; and (ii) other operating income and other operating expenses, including exchange rate variations on our debt issued in the international markets and monetary adjustments of contingencies.

Comparison of Results of Operations for the Year Ended December 31, 2013 compared to the Year Ended December 31, 2012

The following table shows certain items derived from our income statements for the years indicated:

Income Statement Data

	For the years ended December 31,				
	2013	% of total income from financial intermediation	2012	% of total income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Income from financial intermediation	2,344.6	100.0 %	2,257.5	100.0 %	3.9 %
Expenses on financial intermediation	(1,561.6)	(66.6) %	(1,396.9)	(61.9) %	11.8 %
Gross profit from financial intermediation	**783.0**	**33.4 %**	**860.6**	**38.1 %**	**(9.0) %**
Other operating (expenses) income	(420.6)	(17.9) %	(282.2)	(12.5) %	49.0 %
Income from operations	**362.4**	**15.5 %**	**578.4**	**25.6 %**	**(37.3) %**
Non-operating expenses	(4.4)	(0.2) %	(12.3)	(0.5) %	(64.2) %
Income before income taxes	**358.0**	**15.3 %**	**566.1**	**25.1 %**	**(36.8) %**
Income tax and social contribution	(211.8)	(9.0) %	(238.0)	(10.5) %	(11.0) %
Deferred tax assets	126.0	5.4 %	73.4	3.2 %	71.7 %
Profit sharing	(38.4)	(1.6) %	(44.0)	(1.9) %	(12.5) %
Net income	**233.8**	**10.0 %**	**357.5**	**15.8 %**	**(34.6) %**

Income from financial intermediation

Our income from financial intermediation increased 3.9%, from R$2,257.5 million in the year ended December 31, 2012 to R$2,344.6 million in the year ended December 31, 2013. The table below shows the composition of our income from financial intermediation for the years indicated.

Income from financial intermediation

	For the years ended December 31,				
	2013	% of total	2012	% of total	Variation (%)
	(R$ millions, except percentages)				
Lending operations	1,743.0	74.3 %	1,576.3	69.8 %	10.6 %
Securities transactions	319.9	13.7 %	396.8	17.6 %	(19.4) %
Derivatives	126.4	5.4 %	142.1	6.3 %	(11.0) %
Foreign exchange transactions	155.3	6.6 %	142.3	6.3 %	9.1 %
Total	**2,344.6**	**100.0 %**	**2,257.5**	**100.0 %**	**3.9 %**

Lending operations

The table below contains the composition of our income from lending operations for the years indicated.

Lending Operations

	For the years ended December 31,				
	2013	**% of total**	**2012**	**% of total**	**Variation (%)**
	(R$ millions, except percentages)				
Loans	1,320.8	75.8%	1,227.0	77.8%	7.6%
Discounted trade notes[1]	84.1	4.8%	82.3	5.2%	2.2%
Financing[2]	286.6	16.4%	239.3	15.2%	19.8%
Recovery of receivables previously written off as loss	51.5	3.0%	27.7	1.8%	85.9%
Total	**1,743.0**	**100.0%**	**1,576.3**	**100.0%**	**10.6%**

Notes:

(1) Represents income from financial instruments acquired from our clients at a discount for collection.

(2) Represents income from our direct consumer credits.

Our income from lending operations increased 10.6%, from R$1,576.3 million in the year ended December 31, 2012 to R$1,743.0 million in the year ended December 31, 2013. This increase was mainly due to (i) a 7.6% increase in income from loans as a result of the increase in the average balance of our outstanding loans, from R$7,489.3 million in the year ended December 31, 2012 to R$7,861.5 million in the year ended December 31, 2013, principally due to our strategy to grow our payroll lending portfolio, and (ii) a 19.8% increase in income from direct consumer credit operations as a result of the increase in the average balance of these operations.

Securities transactions

Our income from securities transactions decreased 19.4%, from R$396.8 million in the year ended December 31, 2012 to R$319.9 in the year ended December 31, 2013, mainly due to a decrease in the market value of our securities portfolio classified as "available for sale" as a result of the lower SELIC rate for the year ended December 31, 2013 compared to the year ended December 31, 2012. Our securities portfolio is mainly composed of securities linked to the SELIC rate.

Derivatives

Our income from derivatives decreased 11.0% from R$142.1 million in the year ended December 31, 2012 to R$126.4 million in the year ended December 31, 2013, mainly due to (i) an increase in net expenses from futures transactions, from R$7.7 million in the year ended December 31, 2012 to R$16.2 million in the year ended December 31, 2013 and (ii) a decrease in net gains from swap transactions, from R$149.9 million in the year ended December 31, 2012 to R$142.4 million in the year ended December 31, 2012. The results of derivative financial instruments reflect the effects of interest rate and foreign exchange rate volatilities, and these results offset the effects of such volatilities on our core banking operations. The principal line items affected by such volatilities are expenses from borrowings and onlendings and expenses from funds from acceptance and issuance of securities (included in expenses from funding operations).

Foreign exchange transactions

Our income, net of expenses from foreign exchange transactions, increased 9.1% from R$142.3 million in the year ended December 31, 2012 to R$155.3 million in the year ended December 31, 2013, mainly due to the 14.6% depreciation of the *real* against the U.S. dollar during the year ended December 31, 2013.

Expenses on financial intermediation

Our expenses on financial intermediation increased 11.8% from R$1,396.9 million in the year ended December 31, 2012 to R$1,561.6 million in the year ended December 31, 2013. The table below provides the composition of our expenses on financial intermediation for the years indicated:

Expenses on financial intermediation

	For the years ended December 31,				
	2013	% of income from financial intermediation	2012	% of income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Funding operations	867.8	(37.0)%	835.7	(37.0)%	3.8%
Borrowings and onlendings	182.3	(7.8)%	173.5	(7.7)%	5.1%
Financial assets sale or transfer	33.0	(1.4)%	20.0	(0.9)%	65.0%
Allowance for loan losses	478.5	(20.4)%	367.7	(16.3)%	30.1%
Total	**1,561.6**	**(66.6)%**	**1,396.9**	**(61.9)%**	**11.8%**

Funding operations

The table below shows the composition of our expenses from funding operations for the years indicated:

	For the years ended December 31,				
	2013	% of total	2012	% of total	Variation (%)
	(R$ millions, except percentages)				
Interbank deposits	17.1	2.0%	66.1	7.9%	(74.1)%
Time deposits	237.8	27.4%	307.1	36.8%	(22.6)%
Money-market funding	92.4	10.6%	107.1	12.8%	(13.7)%
Funds from acceptance and issuance of securities[(1)]	275.7	31.8%	236.8	28.3%	16.4%
Agrobusiness letter of credit	15.5	1.8%	14.9	1.8%	4.0%
Mortgage loan notes	13.8	1.6%	0.9	0.1%	1,433.3%
Financial bills	210.3	24.2%	97.1	11.6%	116.6%
Fund of credit guarantee	5.2	0.6%	5.7	0.7%	(8.8)%
Total	**867.8**	**100.0%**	**835.7**	**100.0%**	**3.8%**

Note:

(1) Expenses from the issuance of securities abroad do not include earnings from exchange rate variation applicable to these operations, which are recorded as other operating income.

Our expenses from funding operations increased 3.8%, from R$835.7 million in the year ended December 31, 2012 to R$867.8 million in the year ended December 31, 2013, mainly as a result of increased expenses from financial bills and funds from acceptance and issuance of securities, which were partially offset

by a decrease in expenses from interbank deposits and time deposits. Our average balance of financial bills increased 115.2% from R$1,139.8 million in the year ended December 31, 2012 to R$2,453.2 million in the year ended December 31, 2013. The average balance of our notes issued abroad increased by 13.2% from R$1,137.9 million in the year ended December 31, 2012 to R$1,287.6 million in the year ended December 31, 2013 as a result of the 14.6% depreciation of the *real* against the U.S. dollar in the year ended December 31, 2013. This depreciation of the *real* had the effect of increasing the value in *reais* of payments on our notes issued abroad.

Borrowings and onlendings

Our expenses from borrowings and onlendings increased 5.1%, from R$173.5 million in the year ended December 31, 2012 to R$182.3 million in the year ended December 31, 2013, mainly due to the increase of the principal amount from our borrowings contracts, in the amounts of US$333.5 million and €30.5 million, between December 31, 2012 and December 31, 2013. The increase in expenses also reflects the 14.6% depreciation of the *real* against the U.S. dollar in the year ended December 31, 2013.

Allowance for loan losses

Our allowance for loan losses reflects both the aggregate value of our credit portfolio and the credit risk assigned to credits within the portfolio. Our provisions charged increased 30.1% from R$367.7 million in the year ended December 31, 2012 to R$478.5 million in the year ended December 31, 2013, as a result of an increase in defaults in 2013, in particular in the corporate lending segment and payroll lending segment. In the corporate lending segment, our provisions were significantly affected by a single client's filing for judicial recovery. The amount due from the client is fully provisioned and we hold security over real property of the borrower. The increase in provisions in the payroll lending segment was as a result of the growth of our portfolio in 2013.

Our closing balance allowance for loan losses was R$469.1 million, or 5.3% of our total loan portfolio, as of December 31, 2013, compared to R$388.8 million, or 5.2% of our total loan portfolio, as of December 31, 2012.

Gross profit from financial intermediation

As a result of the foregoing, our gross profit from financial intermediation decreased 9.0% from R$860.6 million in the year ended December 31, 2012 to R$783.0 million in the year ended December 31, 2013.

Other operating income (expenses)

Our other operating expenses net of other operating income increased 49.0% from R$282.2 million in the year ended December 31, 2012 to R$420.6 million in the year ended December 31, 2013. The following table shows the composition of our other operating income (expenses) for the years indicated:

Other operating income (expenses)

	For the years ended December 31,				
	2013	% of income from financial intermediation	2012	% of income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Income from services provided	93.9	4.0%	77.9	3.5%	20.5%
Results of insurance operations	2.8	0.1%	3.0	0.1%	(6.7)%
Personnel expenses	(185.6)	(7.9)%	(165.8)	(7.3)%	11.9%

	For the years ended December 31,				
	2013	% of income from financial intermediation	2012	% of income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Other administrative expenses	(376.1)	(16.0)%	(265.4)	(11.8)%	41.7%
Tax expenses	(83.7)	(3.6)%	(79.7)	(3.5)%	5.0%
Other operating income	216.9	9.3%	220.6	9.8%	(1.7)%
Other operating expenses	(88.8)	(3.8)%	(72.8)	(3.2)%	22.0%
Total	**(420.6)**	**(17.9)%**	**(282.2)**	**(12.5)%**	**49.0%**

Income from services provided

Our income from services provided increased 20.5%, from R$77.9 million in the year ended December 31, 2012 to R$93.9 million in the year ended December 31, 2013, principally due to the increase in the average balance of our outstanding loans during the year ended December 31, 2013 compared to the year ended December 31, 2012, resulting in an increase in the fees earned in respect of such loans.

Personnel expenses

Our personnel expenses increased 11.9%, from R$165.8 million in the year ended December 31, 2012 to R$185.6 million in the year ended December 31, 2013. The increase reflects the 11.2% increase in our total number of employees from 987 on December 31, 2012 to 1,098 on December 31, 2013 and the 8.0% salary raise as a result of collective bargaining agreements.

Other administrative expenses

Our other administrative expenses increased 41.7%, from R$265.4 million in the year ended December 31, 2012 to R$376.1 million in the year ended December 31, 2013, principally due to an increase in commissions paid to banking correspondents from R$105.5 million in the year ended December 31, 2012 compared to R$178.5 million in the year ended December 31, 2013, mainly due to our strategic decision to grow our payroll loan portfolio.

Tax expenses

Our tax expenses increased 5.0%, from R$79.7 million in the year ended December 31, 2012 to R$83.7 million in the year ended December 31, 2013, mainly due to the increase in our taxable income, and more specifically in contributions to federal taxes including the Programme for Social Integration (*Programa de Integração Social*) ("PIS") and the Contribution for the Financing of Social Security (*Contribuição para o Financiamento da Seguridade Social*) ("COFINS").

Other operating income

Our other operating income decreased 1.7%, from R$220.6 million in the year ended December 31, 2012 to R$216.9 million in the year ended December 31, 2013. This decrease was mainly due to the depreciation of 14.6% of the *real* against the U.S. dollar in the year ended December 31, 2013 compared to a depreciation of 8.9% in the year ended December 31, 2012. We did not record exchange rate variation gains from our U.S. dollar denominated securities and borrowings in the year ended December 31, 2013, compared to gains of R$44.8 million in the year ended December 31, 2012. This decrease was partially offset by a 14.7% increase in income from receivables not recorded as lending operations, which consist of credits purchased from third parties without recourse to the sellers. The average balance of such transactions increased 20.3%

from R$619.2 million in the year ended December 31, 2012 to R$761.6 million in the year ended December 31, 2013.

Other operating expenses

Our other operating expenses increased 22.1%, from R$72.8 million in the year ended December 31, 2012 to R$88.8 million in the year ended December 31, 2013. This increase was mainly due to an increase of R$14.5 million in discounts offered in connection with payroll loan prepayments and refinancings during the year ended December 31, 2013.

Income from operations

As a result of the foregoing, our income from operations decreased 37.3%, from R$578.4 million in the year ended December 31, 2012 to R$362.4 million in the year ended December 31, 2013.

Income tax and social contribution

Our income tax and social contribution decreased 11.0%, from R$238.0 million in the year ended December 31, 2012 to R$211.8 million in the year ended December 31, 2013, mainly due to a decrease in non-deductible expenses in the year ended December 31, 2013 relating to temporary differences recognised as deferred tax assets.

Deferred tax assets

Our deferred tax assets increased 71.7% from R$73.4 million in the year ended December 31, 2012 to R$126.0 million in the year ended December 31, 2013, due to the increase in temporary differences in the year ended December 31, 2013 recognised as deferred tax assets, mainly from the recognition of allowance for loan losses.

Net income

As a result of the foregoing, our net income decreased 34.6%, from R$357.5 million in the year ended December 31, 2012 to R$233.8 million in the year ended December 31, 2013.

Comparison of Results of Operations for the Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

The following table shows certain items derived from our income statements for the years indicated:

Income Statement Data

	For the years ended December 31,				
	2012	**% of total income from financial intermediation**	**2011**	**% of total income from financial intermediation**	**Variation (%)**
	(R$ millions, except percentages)				
Income from financial intermediation	2,257.5	100.0 %	1,923.9	100.0 %	17.3 %
Expenses on financial intermediation	(1,396.9)	(61.9) %	(1,299.5)	(67.5) %	7.5 %
Gross profit from financial intermediation	**860.6**	38.1 %	**624.4**	**32.5 %**	**37.8 %**
Other operating (expenses) income	(282.2)	(12.5) %	(156.6)	(8.1) %	80.2 %
Income from operations	**578.4**	25.6 **%**	**467.8**	**24.3 %**	**23.6 %**
Non-operating expenses	(12.3)	(0.5) %	(7.2)	(0.4) %	70.8 %

Income before income taxes	**566.1**	25.1 %	**460.6**	**23.9 %**	**22.9 %**	
Income tax and social contribution	(238.0)	(10.5) %	(144.2)	(7.5) %	65.0 %	
Deferred tax assets	73.4	3.3 %	22.1	1.1 %	232.1 %	
Profit sharing	(44.0)	(1.9) %	(33.4)	(1.7) %	31.7 %	
Net income	**357.5**	15.8 %	**305.1**	**15.9 %**	**17.2 %**	

Income from financial intermediation

Our income from financial intermediation increased 17.3%, from R$1,923.9 million in the year ended December 31, 2011 to R$2,257.5 million in the year ended December 31, 2012. The table below shows the composition of our income from financial intermediation for the years indicated.

Income from financial intermediation

	For the years ended December 31,				
	2012	**% of total**	**2011**	**% of total**	**Variation (%)**
	(R$ millions, except percentages)				
Lending operations	1,576.3	69.8 %	1,427.7	74.2 %	10.4 %
Securities transactions	396.8	17.6 %	371.6	19.3 %	6.8 %
Derivatives	142.1	6.3 %	21.9	1.1 %	548.9 %
Foreign exchange transactions	142.3	6.3 %	102.7	5.4 %	38.6 %
Total	**2,257.5**	**100.0 %**	**1,923.9**	**100.0 %**	**17.3 %**

Lending operations

The table below contains the composition of our income from lending operations for the years indicated.

Lending Operations

	For the years ended December 31,				
	2012	**% of total**	**2011**	**% of total**	**Variation (%)**
	(R$ millions, except percentages)				
Loans	1,227.0	77.8%	1,091.7	76.5%	12.4%
Discounted trade notes[(1)]	82.3	5.2%	70.8	5.0%	1.2%
Financing[(2)]	239.3	15.2%	230.5	16.1%	3.8%
Recovery of receivables previously written off as loss	27.7	1.8%	34.7	2.4%	(20.2)%
Total	**1,576.3**	**100.0%**	**1,427.7**	**100.0%**	**10.4%**

Notes:

(1) Represents income from financial instruments acquired from our clients at a discount for collection.

(2) Represents income from our direct consumer credits.

Our income from lending operations increased 10.4%, from R$1,427.7 million in the year ended December 31, 2011 to R$1,576.3 million in the year ended December 31, 2012. This increase was due to a 17.0% increase in the average balance of our outstanding loans, from R$6,401.6 million in the year ended December 31, 2011 to R$7,489.3 million in the year ended December 31, 2012. During 2012, we were able to maintain high margins on lending operations for all segments, associated with an increase in client

diversification and, consequently, an increase in the quantity of traded contracts, partially offset by a reduction of the average ticket. The increase in the average balance of our outstanding loans was principally due to an increase of R$422.9 million in the average balance of loans to corporate clients and an increase of R$664.8 million in the aggregate average balance of our payroll deduction loans, vehicle financing and direct consumer credits.

Securities transactions

Our income from securities transactions increased 6.8%, from R$371.6 million in the year ended December 31, 2011 to R$396.8 in the year ended December 31, 2012, mainly due to an increase in the average volume of our securities portfolio from R$517.7 million in the year ended December 31, 2011 to R$543.2 million in the year ended December 31, 2012. Our securities portfolio is mainly composed of securities linked to the SELIC rate.

Derivatives

Our income from derivatives increased 548.8% from R$21.9 million in the year ended December 31, 2011 to R$142.1 million in the year ended December 31, 2012, mainly due to variations in our net results (i) on futures transactions, from a net gain of R$7.7 million in the year ended December 31, 2011 to net expense of R$7.8 million in the year ended December 31, 2012 and (ii) on swap transactions, from a net gain of R$13.7 million in the year ended December 31, 2011 to net gain of R$149.9 million in the year ended December 31, 2012. The results of derivative financial instruments reflect the effects of interest rate and foreign exchange rate volatilities, and these results offset the effects of such volatilities on our core banking operations. The principal line items affected by such volatilities are expenses from borrowings and onlendings and expenses from funds from acceptance and issuance of securities (included in expenses from funding operations).

Foreign exchange transactions

Our income, net of expenses from foreign exchange transactions, increased 38.6% from R$102.7 million in the year ended December 31, 2011 to R$142.3 million in the year ended December 31, 2012, mainly due to (i) the increase of 65.3% in the average balance of our foreign trade transactions (as measured by the net average balance of positive and negative foreign exchange transactions), from R$251.5 million in the year ended December 31, 2011 to R$415.7 million in the year ended December 31, 2012, and (ii) increased fees on our foreign exchange transactions in the year ended December 31, 2012 compared to the year ended December 31, 2011.

Expenses on financial intermediation

Our expenses on financial intermediation increased 7.5% from R$1,299.5 million in the year ended December 31, 2011 to R$1,396.9 million in the year ended December 31, 2012. The table below provides the composition of our expenses on financial intermediation for the years indicated:

Expenses on financial intermediation

	For the years ended December 31,				
	2012	% of income from financial intermediation	2011	% of income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Funding operations	835.7	(37.0)%	868.3	(45.1)%	(3.8)%
Borrowings and onlendings	173.5	(7.7)%	259.3	(13.5)%	(33.1)%
Financial assets sale or transfer	20.0	(0.9)%	–	–%	–%

	For the years ended December 31,				
	2012	% of income from financial intermediation	2011	% of income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Allowance for loan losses	367.7	(16.3)%	171.9	(8.9)%	113.9%
Total	**1,396.9**	**(61.9)%**	**1,299.5**	**(67.5)%**	**7.5%**

Funding operations

The table below shows the composition of our expenses from funding operations for the years indicated:

	For the years ended December 31,				
	2012	% of total	2011	% of total	Variation (%)
	(R$ millions, except percentages)				
Interbank deposits	66.1	7.9%	38.9	4.5%	69.9%
Time deposits	307.1	36.8%	389.9	44.9%	(21.2)%
Money-market funding	107.1	12.8%	137.6	15.9%	(22.2)%
Funds from acceptance and issuance of securities[1]	236.8	28.3%	282.8	32.6%	(16.3)%
Agrobusiness letter of credit	14.9	1.8%	3.0	0.3%	396.7%
Mortgage loan notes	0.9	0.1%	–	–	n.a.
Financial bills	97.1	11.6%	10.8	1.2%	799.1%
Fund of credit guarantee	5.7	0.7%	5.3	0.6%	7.5%
Total	**835.7**	**100.0%**	**868.3**	**100.0%**	**(3.8)%**

Note:

(1) Expenses from the issuance of securities abroad do not include earnings from exchange rate variation applicable to these operations, which are recorded as other operating income.

Our expenses from funding operations decreased 3.8%, from R$868.3 million in the year ended December 31, 2011 to R$835.7 million in the year ended December 31, 2012, mainly as a result of a decrease in the interest rates (SELIC) prevailing in Brazil from 11.76% for the year ended December 31, 2012 compared to 8.62% for the year ended December 31, 2011. This decrease of SELIC results in a reduction on the interest payable on our interbank and time deposits, and also on the repurchase transactions. The average balance of those operations increased by 11.5% from R$4,937.4 million in the year ended December 31, 2011 to R$5,505.3 million in the year ended December 31, 2012 as a result of the following variations: (i) a 7.0% increase in the average balance of time deposits, from R$3,310.1 million in the year ended December 31, 2011 to R$3,541.8 million in the year ended December 31, 2012, (ii) a 130.6% increase in the average balance of interbank deposits, from R$324.7 million in the year ended December 31, 2011 to R$748.6 million in the year ended December 31, 2012, and (iii) a 6.7% decrease in the average balance of repurchase transactions, from R$1,302.5 million in the year ended December 31, 2011 to R$1,214.8 million in the year ended December 31, 2012. Another important component of our funding portfolio is the issuance of notes abroad the average balance of which increased by 12.8% from R$1,008.5 million in the year ended December 31, 2011 to R$1,137.9 million in the year ended December 31, 2012. The increase in funding expenses also reflects a 8.9% depreciation of the *real* against the U.S. dollar in the year ended December 31, 2012 which had the effect of increasing the value in *reais* of payments on our notes issued abroad.

Borrowings and onlendings

Our expenses from borrowings and onlendings decreased 33.1%, from R$259.3 million in the year ended December 31, 2011 to R$173.5 million in the year ended December 31, 2012, mainly due to the decrease of the principal amount from our borrowings contracts, in the amounts of US$133.8 million and €18.5 million, during the year ended December 31, 2012.

Allowance for loan losses

Our allowance for loan losses reflects both the aggregate value of our credit portfolio and the credit risk assigned to credits within the portfolio. Our provisions charged increased 113.9%, from R$171.9 million for the year ended December 31, 2011 to R$367.7 million for the year ended December 31, 2012, as a result of a significant increase in credits in arrears in the year ended December 31, 2012. This increase was primarily due to the growth of our loan portfolio in 2012.

Our closing balance allowance for loan losses was R$388.8 million, or 5.2% of our total loan portfolio, as of December 31, 2012, compared to R$205.8 million, or 2.7% of our total loan portfolio, as of December 31, 2011.

Gross profit from financial intermediation

As a result of the foregoing, our gross profit from financial intermediation increased 37.8% from R$624.4 million in the year ended December 31, 2011 to R$860.6 million in the year ended December 31, 2012.

Other operating income (expenses)

Our other operating income net of other operating expenses increased from R$156.6 million in the year ended December 31, 2011 to R$282.2 million in the year ended December 31, 2012. The following table shows the composition of our other operating income (expenses) for the years indicated:

Other operating income (expenses)

	For the years ended December 31,				
	2012	% of income from financial intermediation	2011	% of income from financial intermediation	Variation (%)
	(R$ millions, except percentages)				
Income from services provided	77.9	3.5%	62.0	3.2%	25.6%
Results of insurance operations	3.0	0.1%	3.1	0.2	(6.3)%
Personnel expenses	(165.8)	(7.3)%	(134.1)	(7.0)%	23.6%
Other administrative expenses	(265.4)	(11.8)%	(183.5)	(9.5)%	44.6%
Tax expenses	(79.7)	(3.5)%	(55.5)	(2.9)%	43.6%
Other operating income	220.6	9.8%	244.3	12.7%	(9.7)%
Other operating expenses	(72.8)	(3.3)%	(92.9)	(4.8)%	(21.6)%
Total	**(282.2)**	**(12.5)%**	**(156.6)**	**(8.1)%**	**(80.2)%**

Income from services provided

Our income from services provided increased 25.6%, from R$62.0 million in the year ended December 31, 2011 to R$77.9 million in the year ended December 31, 2012, principally due to the increase in the average balance of our outstanding loans during the year ended December 31, 2012 compared to the year ended December 31, 2011, resulting in an increase in the fees earned in respect of such loans.

Personnel expenses

Our personnel expenses increased 23.6%, from R$134.1 million in the year ended December 31, 2011 to R$165.8 million in the year ended December 31, 2012. The increase reflects an increase in the number of our employees that occurred during the year ended December 31, 2012, as a result of our strategy to increase operations following the improvement in global and domestic economic conditions. Our total number of employees increased 6.9% from 923 on December 31, 2011 to 987 on December 31, 2012.

Other administrative expenses

Our other administrative expenses increased 44.6%, from R$183.5 million in the year ended December 31, 2011 to R$265.4 million in the year ended December 31, 2012, mainly due to an increase in expenses relating to data processing and third party technical and specialised services.

Tax expenses

Our tax expenses increased 43.6%, from R$55.5 million in the year ended December 31, 2011 to R$79.7 million in the year ended December 31, 2012, mainly due to the increase in our taxable income, and more specifically in contributions to federal taxes including PIS and COFINS.

Other operating income

Our other operating income decreased 9.7%, from R$244.3 million in the year ended December 31, 2011 to R$220.6 million in the year ended December 31, 2012. This decrease was mainly due to the depreciation of 8.9% of the *real* against the U.S. dollar in the year ended December 31, 2012 compared to appreciation of 12.6% in the year ended December 31, 2011. In the year ended December 31, 2011, we recorded exchange rate variation gains of R$138.1 million from our U.S. dollar denominated securities and borrowings, compared to R$44.8 million in the year ended December 31, 2012. This decrease was partially offset by a 91.5% increase in income from receivables not recorded as lending operations. The average balance of such transactions increased 95.6% from R$316.5 million in the year ended December 31, 2011 to R$619.2 million in the year ended December 31, 2012.

Other operating expenses

Our other operating expenses decreased 21.6%, from R$92.9 million in the year ended December 31, 2011 to R$72.8 million in the year ended December 31, 2012. This increase was mainly due to a decrease of R$7.6 million in discounts for payroll deductions prepayments during the year ended December 31, 2012.

Income from operations

As a result of the foregoing, our income from operations increased 23.7%, from R$467.8 million in the year ended December 31, 2011 to R$578.4 million in the year ended December 31, 2012.

Income tax and social contribution

Our income tax and social contribution increased 65.0%, from R$144.2 million in the year ended December 31, 2011 to R$238.0 million in the year ended December 31, 2012, mainly due to a non-deduction in the year ended December 31, 2012 of temporary differences recognised as deferred tax assets mainly from the recognition of allowance for loan losses.

Deferred tax assets

Our deferred tax assets increased 232.1% from R$22.1 million in the year ended December 31, 2011 to R$73.4 million in the year ended December 31, 2012 due to the increase of temporary differences in the

year ended December 31, 2012 recognised as deferred tax assets, mainly from the recognition of allowance for loan losses.

Net income

As a result of the foregoing, our net income increased 17.2%, from R$305.1 million in the year ended December 31, 2011 to R$357.5 million in the year ended December 31, 2012.

Liquidity and Capital Resources

Liquidity

Our asset and liability management policy is designed to ensure that our capital position is adequate for our risk profile and consistent with applicable regulatory standards and guidelines. In particular, our policy is designed to avoid material mismatches between our assets and liabilities, optimise our risk-return ratio and ensure that we have sufficient liquidity to meet obligations for deposit withdrawals, repay other liabilities at maturity, make loans or enter into other transactions with our customers and meet our working capital needs.

We seek to maintain access to diversified funding sources at reasonable costs, within the framework of our asset and liability management policy, which establishes limits with respect to risks, interest rate sensitivity, funding gaps and limitations of asset concentration.

We review the main aspects of our asset and liability management, as well as our liquidity and capital resources, in regular monthly meetings of our committees. These committees review and evaluate our liquidity position to establish a minimum liquidity level and, when necessary, hold extraordinary meetings to review and evaluate our liquidity position as a result of macroeconomic changes.

To avoid a liquidity crisis, we monitor our investments on a daily basis to seek to maintain a high level of our deposits in cash and available funds. Our total cash and available funds were R$2,049.0 million, R$2,657.8 million and R$1,610.5 million as of December 31, 2013, 2012 and 2011, respectively. We also generally maintain the average term of our total funding higher than the average term of our loan portfolio. In order to deal with an unanticipated need for substantial liquidity, we have prepared a contingency plan consisting of the use of additional funds from our current facilities and the reduction of our total loan portfolio, including through the interruption of our lending operations. In addition, we and other financial institutions in Brazil have unused pre-approved credit lines with the Central Bank, which are limited to the amount of government-issued securities we hold. Since our creation, we have never used these credit lines.

Our treasury department is responsible for managing our liquidity and funding sources, including trading securities denominated in *reais* and in foreign currency. Our treasury department maintains what we believe is a proper balance between scheduled maturities and diversification of funding sources. With our current level of capital resources and capacity to access additional funding, we believe that our overall liquidity is sufficient to meet our existing obligations to our customers and creditors, satisfy anticipated changes in our asset and liability levels and fulfil our ordinary course working capital needs.

Sources of Funding

The following table shows the composition of our funding at the dates presented:

	As of December 31					
	2013		2012		2011	
	(R$ millions)	(% of total funding)	(R$ millions)	(% of total funding)	(R$ millions)	(% of total funding)
Demand deposits	389.4	3.8%	255.3	3.0%	305.5	3.9%

Interbank deposits	241.3	2.3%	516.0	6.0%	503.9	6.4%
Time deposits	3,073.7	29.9%	3,328.8	38.8%	3,730.9	47.5%
Other deposits	3.9	-	1.7	-	1.8	n.a.%
Funds from acceptance and issuance of securities	4,774.6	46.5%	3,275.9	38.2%	1,492.5	19.0%
Borrowings and onlendings	1,794.3	17.5%	1,201.3	14.0%	1,826.7	23.2%
Total funds	**10,277.2**	**100.0%**	**8,579.0**	**100.0%**	**7,861.3**	**100.0%**

We believe that our current sources of funding provide us with adequate resources for our lending operations.

Demand deposits

As of December 31, 2013, we had a total of R$389.4 million in demand deposits, compared to R$255.3 million and R$305.5 million as of December 31, 2012, and 2011, respectively. As we do not operate retail branches, we do not consider demand deposits to be a significant source of funding.

Interbank deposits

We receive interbank loans from Brazilian financial institutions in open market operations. Our balance of interbank deposits was R$241.3 million, R$516.0 million and R$503.9 million as of December 31, 2013, 2012 and 2011, respectively.

Time deposits

A significant portion of our funding is in the form of time deposits. Usually, these deposits result from the sale of CDBs to Brazilian companies, pension funds and individuals. Most of our CDBs bear an interest rate equivalent to the CDI plus a spread. Usually, CDBs have a lower average cost and longer average maturity than our assets. Our balance of time deposits was R$3,073.7 million, R$3,328.8 million and R$3,730.9 million as of December 31, 2013, 2012 and 2011, respectively.

During the first quarter of 2009, we concluded an agreement with the Pioneer Investors pursuant to which the Pioneer Investors subscribed R$410.0 million of our Pioneer CDBs in a private placement. The operation was intended to increase our liquidity and strengthen our capital structure, provide funding to expand our corporate lending operations and diversify and extend the tenor of our funding. Upon subscribing the Pioneer CDBs, the Pioneer Investors acquired warrants which may be converted into ordinary shares and preferred shares of the Bank in whole or in part on a quarterly basis commencing March 31, 2011 at a fixed price of R$7.75 per share. The Pioneer CDBs mature on March 31, 2014 and pay interest through March 31, 2013 at a rate of 110% of the DI-CETIP Over rate and thereafter at a rate of 55% of the DI-CETIP Over rate.

Our board of directors, at a meeting held on October 21, 2010, passed a resolution approving the possibility of early redemption of the Pioneer CDBs. Any such early redemption must be approved by our management, through negotiation with the respective holders, in conditions favourable to the Bank, considering the current economic scenario and financial market liquidity. Any such early redemption shall not affect the terms and conditions of unredeemed Pioneer CDBs and shall not affect the provisions relating to the terms and conditions for the exercise of the warrants acquired upon subscription the Pioneer CDBs. Pioneer CDBs in the amount of R$74.0 million were redeemed in 2010 pursuant to the resolution described above.

As of December 31, 2013, the Pioneer Investors had converted warrants into 18,451,613 ordinary shares (representing approximately 11.5% of our ordinary shares and 7.3% of our total capital stock as of such date) and 47,318,675 preferred shares (representing approximately 51.8% of our preferred shares and 18.8% of our total capital stock as of such date). The remaining warrants may be converted into up to a maximum of 3,003,905 preferred shares and there are no outstanding warrants that may be converted into ordinary shares.

The tables below show the composition of our CDB and CDI portfolios by maturity at the dates presented.

	As of December 31,		
	2013	**2012**	**2011**
		(R$ millions)	
Up to 90 days	830.0	1,327.4	1,004.0
From 91 days to 1 year	1,442.8	1,440.5	1,583.5
From 1 year to 3 years	874.4	910.7	1,538.2
Over 3 years	167.8	166.1	109.0
Total	**3,315.0**	**3,844.7**	**4,234.7**

The table below shows the concentration of our CDB and CDI portfolios by depositors at the dates presented:

	As of December 31,		
	2013	**2012**	**2011**
Largest depositor	5.9%	5.1%	6.4%
10 largest depositors	26.7%	30.2%	28.9%
20 largest depositors	41.9%	45.7%	42.2%
50 largest depositors	64.1%	66.4%	62.9%
100 largest depositors	79.3%	79.2%	76.3%
Total number of depositors	989	1,345	1,197

Money Market Funding

We manage our liquidity position by performing overnight operations with other financial institutions, generally for a one-business-day term, backed up by federal treasury bonds and buy-back commitments. These operations represent an important instrument in the management of our treasury operations. As of December 31, 2013, 2012 and 2011, our money market funding transactions totaled R$779.6 million, R$781.2 million and R$1,269.5 million, respectively. Our use of money market funding varies from time to time depending upon our short-term liquidity and arbitrage opportunities in the market.

Funds from acceptance and issuance of securities

These funds consist of debt issued in the international capital markets, mainly pursuant to our U.S.$2,000,000,000 Euro Medium-Term Note Programme, and the issuance of financial bills, agribusiness credit notes and mortgage loan notes in the Brazilian market. As of December 31, 2013, 2012 and 2011, our funds from acceptance and issuance of securities totaled R$4,774.6 million, R$3,275.9 and R$1,492.6 million, respectively. Our outstanding notes under the Euro-Medium Term Note Programme bear interest at rates of 6.25% to 6.50%.

Borrowings and onlendings

Funds from borrowings and onlendings consist of resources from credit facilities executed with other financial institutions located outside Brazil to finance the import and export operations of our clients. As of December 31, 2013, the outstanding balance of these facilities was R$838.4 million, compared to R$294.4 million and R$557.9 million as of December 31, 2012 and 2011, respectively. In addition, we fund

foreign exchange transactions denominated in foreign currency relating to the financing of imports and exports, the outstanding balance of which amounted to R$637.3 million as of December 31, 2013 compared to R$603.4 million and R$864.2 million as of December 31, 2012 and 2011.

In addition to funds from credit facilities with financial institutions outside Brazil, we began to act as an accredited financial agent for BNDES in 2008, onlending special purpose funding obtained from BNDES to targeted groups of borrowers. The source of funds is managed by BNDES, principally on behalf of FINAME. In these circumstances, we borrow funds from BNDES and onlend those funds at a spread determined by BNDES to particular sectors of the economy or for specific purposes determined by BNDES and reflecting Brazilian government policy. We control lending decisions and the application of lending criteria, within certain parameters, which may be set by BNDES. Our lending is principally to the private sector, in respect of which we assume the risk for the funds we onlend. BNDES funds are typically lent for longer maturities than are our other corporate loans. As of December 31, 2013, the outstanding balance of these facilities was R$318.6 million, compared to R$303.4 million and R$315.4 million as of December 31, 2012 and 2011, respectively.

A portion of our funding from borrowings and onlendings previously consisted of amounts received from Daycoval Veículos FIDC, which was created in 2008 to securitise part of our vehicle finance portfolio. As part of our funding strategy, we transferred to Daycoval Veículos FIDC certain of our vehicle finance receivables against receipt of cash advances and subordinated quotas in the fund. Daycoval Veículos FIDC collected these receivables and paid to its senior quota holders, on an annual basis, interest at 113.0% of the CDI. As the holder of the subordinated quotas, we were liable for any losses suffered by Daycoval Veículos FIDC up to the total value of our quotas and were entitled to receive any surplus after payments to the senior quotaholders. As of December 31, 2012 and 2011, the outstanding balance of receivables held by Daycoval Veículos FIDC was R$174.2 million and R$161.4 million. Daycoval Veículos FIDC was wound up on December 13, 2013.

Use of Funds

We mainly use our funds to carry out our lending operations and acquire interbank financial investments. We also use a substantial portion of our funding to acquire securities, including federal government securities issued by the National Treasury and by the Central Bank, which have lower risk and, consequently, higher liquidity.

The following tables present our main uses of funds at the dates indicated.

	As of December 31,					
	2013	**% of total assets**	**2012**	**% of total assets**	**2011**	**% of total assets**
Total assets	14,949.9	100.0%	12,939.2	100.0%	12,104.7	100.0%
Cash	91.4	0.6%	69.3	0.5%	26.8	0.2%
Interbank instruments	2,021.3	13.5%	2,541.0	19.6%	2,107.5	17.4%
Securities and derivatives	1,421.0	9.5%	1,012.3	7.8%	741.5	6.1%
Loan portfolio	8,867.6	59.4%	7,524.3	58.2%	7,724.8	63.8%
Foreign exchange portfolio	365.0	2.4%	322.5	2.5%	435.8	3.6%
Receivables not featured as loan operations	1,058.0	7.1%	774.8	6.0%	665.0	5.5%
Total use of funds	**13,824.3**	**92.5%**	**12,244.1**	**94.6%**	**11,701.4**	**96.7%**

Compulsory Deposits with the Central Bank

The Central Bank requires that certain financial institutions either deposit a determined amount of funds with the Central Bank or purchase and hold Brazilian federal treasury securities. These compulsory deposits can be used only for limited purposes. The Central Bank determines the interest to be paid on these deposits, if any. As of December 31, 2013, the outstanding balance of such deposits and investments was R$125.4 million, compared to R$88.0 million and R$107.9 million as of December 31, 2012 and 2011, respectively.

Investments

From 2011 to 2013, we made substantial investments in our information technology system and facilities. Our investments in information technology relate mainly to updating and maintaining information technology equipment and systems in accordance with the industry trends.

Capital Adequacy

We must comply with the capital requirements established by the Central Bank, which reflect the directives of the Basel II Accord with certain modifications. Central Bank regulations require that banks maintain a minimum capital level of 11% of risk-weighted assets. This percentage is higher than the 8.0% established in the Basel II Accord. The capital requirements are calculated on a consolidated basis.

The following table presents the calculation of our capital requirements and our regulatory capital level, on the dates presented.

	As of December 31,		
	2013	**2012**	**2011**
	(R$ millions, except percentages)		
Adjusted shareholders' equity[1]	2,440.3	2,203.5	1,952.4
Capital increase	(71.2)	-	-
Write-down of revaluation reserves	-	(1.2)	(1.3)
Write-down of valuation adjustments to available-for-sale securities	-	(4.8)	(1.8)
Tier I regulatory capital	**2,369.1**	**2,197.5**	**1,953.0**
Addition of revaluation reserves	-	1.2	1.3
Addition of valuation adjustments to available-for-sale securities	-	4.8	(1.8)
Tier II regulatory capital	-	6.0	**(0.5)**
Risk-weighted regulatory capital [4]	**2,369.1**	**2,203.5**	**1,952.4**
Capital allocation by risk level			
Credit risk	1,276.2	1,015.3	1,023.4
Market risk	154.4	239.5	166.5
Operational risk [5]	61.3	138.3	113.4
Required regulatory capital[2]	**1,491.9**	**1,393.1**	**1,303.2**
Basel index[3]	17.5%	17.4%	16.5%

Notes:

(1) At the dates indicated, our adjusted shareholders' equity was equal to our shareholders' equity.

(2) Required regulatory capital is defined by the Central Bank and it establishes the minimum level of adjusted shareholders' equity based upon our risk-weighted assets.

(3) Basel index corresponds to 11% of our adjusted shareholders' equity divided by the minimum amount of capital we are required to maintain pursuant to the regulations of the Central Bank.

(4) For the year ended December 31, 2013, the risk weighted regulatory capital was calculated considering the procedures established by Resolution 4192/13 from Central Bank.

(5) From July 1, 2013, we adopted the "Simplified Alternative Standard Approach – ASA II" for the calculation of the operational risk portion ("Popr"), which comprises the required regulatory capital ("PRE"). The adoption of this approach reduced both the required regulatory capital of the Popr portion and the operational risk portion allocation segregated by business lines. Up to June 30, 2013, we adopted the "Basic Indicator Approach – BIA".

Contractual Obligations

The table below presents the maturity of our significant contractual obligations as of the dates indicated. The table does not include deferred income tax liability and estimated payments of interest on such obligations.

	As of December 31, 2013			
Contractual Obligations	**Less than one year**	**From one to three years**	**From three to five years**	**Five years or more**
		(R$ millions)		
Funds from acceptance and issuance of securities	1836.1	2848.4	87.9	2.2
Borrowings and onlendings	822.4	851.0	114.5	6.4
Derivatives	2.8	0.8	-	-
Exchange transactions	9.3	-	-	-
Rents	3.0	3.3	2.8	9.5

Off-Balance Sheet Transactions

Except for the bank guarantees we provide in the ordinary course of our business, we do not have any off-balance sheet transactions. In addition, we do not control any company that is not consolidated or otherwise included in our financial statements. We do not own any equity interest in any special purpose company.

Guarantees provided on behalf of third parties as of December 31, 2013 amounted to R$486.2 million, of which R$12.3 million relate to co-obligations to third parties from assignments of receivables. As of December 31, 2012, such guarantees amounted to R$457.1 million, of which R$31.4 million related to co-obligations to third parties from assignments of receivables, and as of December 31, 2011, such guarantees amounted to R$439.0 million, of which R$64.5 million related to co-obligations to third parties from assignments of receivables.

Financial guarantees provided on behalf of third parties are subject to financial charges and counter-guarantees provided by beneficiaries.

Information on Market Risks

Risk and Risk Management

In the ordinary course of our business, we are exposed to various risks inherent to banking activities. The way we manage these risks directly affect our activities and operations and, consequently, our results. The most significant risks to which we are exposed to are:

- market risk;
- exchange rate risk;
- interest rate risk;
- liquidity risk; and
- operating risk.

The manner in which we manage and identify these risks is essential for our profitability. Our management of these risks involves different levels of our management team and encompasses a series of policies and strategies.

Market Risk

We identify market risk through the impact on the value of our assets and liabilities of variations such as in the interest rate and exchange rate curves. Since most of our assets and liabilities are subject to market risk, we have developed our own tools to make it possible to carry out real-time diagnosis of our entire assets and liabilities exposure, as well as offering us alternative scenarios and the impacts of the same on the value of our positions, such as the development of studies and economic-financial analysis that evaluate the impact of different scenarios in the market positions, reports that monitor the risks to which we are subject and periodic tests that evaluate the controls on these risks and also verify the adequacy of our methodology. We also use a risk system called Value at Risk (VaR) to measure the exposure of our positions to market risk. The VaR consistently applies to all products and markets, allowing the comparison of risks among different portfolios. This system is based on the parametric assessment technique within a one year period and with approximately 99.0% confidence interval. The efficacy of this system is tested through procedures that indicate the historical degree of adhesion of the results, and the figures obtained in the current measurement.

Exchange Rate Risk

Most of our transactions are denominated in *reais*. However, we also have obligations denominated in or indexed to foreign currencies, especially the U.S. dollar. As of December 31, 2013, 2012 and 2011, our consolidated foreign exchange exposure from obligations denominated in or indexed to the U.S. dollar was R$2,876.5 million, R$2,105.9 million and R$2,490.1 million, respectively, equivalent to 121.4%, 95.6% and 127.5% of our reference shareholders' equity at such dates.

Our consolidated exchange rate exposure equals the difference between the assets and liabilities linked to a foreign currency, including derivatives at market value. The Central Bank requires that financial institutions maintain a consolidated exchange rate exposure lower than 30.0% of the reference shareholder's equity.

We engage in derivative financial transactions to minimise the effect of foreign exchange rates on our dollar-indexed assets and liabilities or if we are instructed to do so by our clients. These operations involve various types of derivatives, including interest rates swaps, foreign exchange rate swaps and future contracts. As of December 31, 2013, 2012 and 2011, the notional value of our derivative contracts amounted to R$3,230.0 million, R$2,713.6 million and R$2,221.4 million, respectively.

The table below shows our assets and liabilities indexed in foreign currencies, in terms of purchased and sold operations, respectively, at the dates indicated.

	Position in U.S.$		Position in Euro	
	As of December 31, 2013			
	Purchased	Sold	Purchased	Sold
	(R$ millions, except percentages)			
Assets denominated in foreign currency				
Cash	31.5	-	18.4	-
Interbank investments	9.3	-	-	-
Securities	80.0	-	-	-
Loan portfolio	286.5	-	-	-
Other credits – foreign exchange portfolio	356.4	-	0.7	-
Investments	33.7	-	-	-
Total	**797.4**	-	**19.1**	-
Liabilities denominated in foreign currency				
Deposits	-	3.4	-	0.5
Securities issued abroad	-	1,567.4	-	-
Interbranch accounts	-	16.8	-	5.0
Borrowings and onlending	-	1,176.3	-	100.3
Other payables	-	5.2	-	-
Total	-	**2,769.2**	-	**105.8**
Derivatives	**2,179.8**	**184.1**	**100.3**	**-**
Consolidated foreign exchange exposure	2,977.2	2.953.3	119.4	105.8
Net exposure	**137.0**	**-**	**13.6**	**-**
Reference shareholders' equity	2,440.3	2,440.3	2,440.3	2,440.3
Consolidated foreign exchange exposure as % of the reference shareholders' equity	122.0%	121.0%	4.9%	4.3%

Interest Rate Risk

Interest rate risk results from the potential changes in the prices of our assets and liabilities, unexpected oscillations in the inclination and form of interest yield curves and changes in the correlation between interest rates of different financial instruments. We are exposed to interest rate risk when there are mismatches between the interest rates of our funding and the loans we grant.

Liquidity Risk

Liquidity risk represents the possibility of mismatch between maturity dates of our assets and liabilities, which could result in our inability to meet our obligations within the established terms. Our general policy is to maintain appropriate levels of liquidity that make it possible for us to meet our current and future obligations, while at the same time being able to take advantage of any opportunities that may arise. In addition, we are subject to the liquidity requirements established by the Central Bank.

We control liquidity risk on a daily basis through analysis of our mismatch structures, especially in the short-term. We also simulate these structures with estimates for renewal of portfolios. In parallel, we analyze on a monthly basis liquidity rates derived from the balances of the accounts of the balance sheets. In addition, we analyze stress scenarios specifically focused on liquidity.

Operating Risk

Operating risks are related to the possibility of losses resulting from failure, deficiency or inadequacy of internal procedures, persons and systems, or external events. Due to the increase in the volume of banking operations and greater dependency on computer systems, the maintenance of a proper technological base became essential to us. Thus, we have allocated substantial funds to assure the stability and availability of our computer systems.

SELECTED STATISTICAL INFORMATION

The information below is included only for analytical purposes and is based on and should be read in conjunction with our consolidated financial statements and accompanying notes included in these Listing Particulars, as well as with "Presentation of Financial Information", "Summary Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operation".

Average balance sheet and information on interest rates

The tables below set forth the average balances of our interest-earning assets and interest-bearing liabilities, other assets and liabilities, the interest income and expenses generated from such assets and liabilities and the average return rate for each period of the periods indicated. Data for full-year periods regarding volume and average balances included in these Listing Particulars was calculated at 13 dates: as of December 31 of the previous year and at the end of each of the following 12 months. Likewise, data regarding the average return rate included in these Listing Particulars was calculated based on the revenues and expenses for the period, divided by the average balances calculated as indicated above. Interest income and expense also include inflation adjustment and indexing of our assets and liabilities in *reais*; earnings and losses from assets and liabilities denominated in foreign currency; and earnings and losses both realised and to be realised in connection with securities and derivatives, except for mark-to-market adjustments of securities classified as available for sale, which are recorded under shareholders' equity and exclude applicable taxes and contributions.

	For the years ended December 31,								
	2013			2012			2011		
	Average balance	Revenue (Expenses)	Average Rate%	Average balance	Revenue (Expenses)	Average Rate%	Average balance	Revenue (Expenses)	Average Rate%
	(R$ millions, except as otherwise indicated)								
Assets									
Lending operations	7,435.0	141.2	7.9%	1,784.6	151.4	8.5%	1,122.2	123.7	11.0%
Foreign exchange portfolio[1] [2]	306.9	208.5	20.7%	845.7	286.1	33.8%	844.7	159.6	18.9%
Interbank investments[3]	1,789.1	1,736.0	23.3%	6,832.4	1,576.3	23.1%	6,018.2	1,427.7	23.7%
Securities and derivatives[4]	1,009.9	155.3	50.6%	415.4	138.5	33.3%	268.7	112.2	41.8%
Total interest-earning assets	**10,540.9**	**2,241.1**	**21.3%**	**9,878.1**	**2,152.3**	**21.8%**	**8,253.8**	**1,823.2**	**22.1%**

[1] Foreign exchange transactions consist of the net balance of positive and negative foreign exchange positions as recorded, respectively, under "exchange purchased pending settlement" and "exchange sold pending settlement". The results of these transactions consist of the income from foreign exchange operations less expenses derived from such operations.

[2] Net income from foreign exchange portfolio include foreign exchange gains that were previously recorded as "other operating income" in the amounts of R$9.5 million in 2011, changing our net expense from foreign exchange portfolio from expense of R$102.7 million to income of R$112.2 million.

[3] Interbank investments consist of the net balance of interbank investment recorded as an asset position and money market funding (third party portfolio) recorded as a liability position.

[4] Securities and derivatives consist of the net balance of positive and negative operations with securities and derivatives. The results of these operations consist of the income from securities and derivatives less expenses derived from such instruments.

	For the years ended December 31,								
	2013			2012			2011		
	Average balance	Revenue (Expenses)	Average Rate%	Average balance	Revenue (Expenses)	Average Rate%	Average balance	Revenue (Expenses)	Average Rate%
	(R$ millions, except as otherwise indicated)								
Liabilities									
Funding operations									
Interbank deposits	224.0	(17.1)	(7.6)%	759.0	(66.1)	(8.7)%	343.7	(38.9)	(11.3)%
Time deposits	2,962.7	(243.9)	(8.2)%	3,425.4	(312.8)	(9.1)%	3,284.8	(395.2)	(12.0)%
Money market funding[1]	50.1	(4.0)	(8.0)%	94.1	(5.6)	(5.9)%	209.1	(27.4)	(13.1)%
Funds from issuance of financial bills, agribusiness letters of credit and mortgage loan notes	2,830.6	(239.7)	(8.5)%	1,355.7	(113.0)	(8.3)%	95.5	(13.8)	(14.4)%
Funds from acceptance and issuance of securities[2]	1,287.6	(276.6)	(21.5)%	1,128.8	(202.5)	(17.9)%	1,007.2	(197.6)	(19.6)%
Total funding operations	**7,355.0**	**(781.2)**	**(10.6)%**	**6,763.0**	**(700.0)**	**(10.3)%**	**4,940.3**	**(672.9)**	**(13.6)%**
Total borrowings and onlending[3]	1,437.2	(175.3)	(12.2)%	1,548.7	(163.5)	(10.6)%	1,564.5	(236.6)	(15.1)%
Total interest-bearing liabilities	**8,792.1**	**(956.5)**	**(10.9)%**	**8,311.7**	**(863.5)**	**(10.4)%**	**6,504.8**	**(909.5)**	**(14.0)%**
Gross profit from financial intermediation (before provisions)		**1,284.6**			**1,288.8**			**913.7**	

[1] The average balances of money marketing funding consider only our own portfolio of repurchase transactions.

[2] Expenses from funds derived from acceptance and issuances of securities include foreign exchange gains that were previously recorded as "other operating income" in the amount of R$85.2 million in 2011, changing our expenses from funds derived from acceptance and issuances of securities from expense of R$282.8 million to expenses of R$197.6 million.

[3] Expenses from financing and onlending include foreign exchange gains that were allocated from "other operating income" in the amount of R$22.7 million in 2011, changing our expenses from financing and onlending from expense of R$259.3 million to expenses of R$236.6 million.

Changes in interest income and expenses – Volume and rates analysis

The table below sets forth the effect of changes in our interest income and expenses resulting from fluctuations in the average volumes and average yield rate for each of the periods indicated. Variations in our volumes and interest rates were calculated based on changes on our average balances during the period and changes on the average interest rates on our interest-earning assets and interest-bearing liabilities. We allocated the net change from the combined effects of volume and rate proportionately to the average volume and rate, in absolute terms, without considering positive or negative effects.

	For the years ended December 31,					
	2012 and 2013			2011 and 2012		
	Increase / decrease due to variations in			Increase / decrease due to variations in		
	Average Volume	Average Rate	Net Variation	Average Volume	Average Rate	Net Variation
	(R$ millions)					
Interest earning assets						
Loan portfolio	99.9	80.8	185.9	193.2	(39.2)	148.6
Foreign exchange portfolio	(38.6)	70.9	13.2	61.3	(22.6)	26.3
Interbank investments	(8.3)	(2.1)	(10.2)	73.0	(28.5)	27.7
Securities and derivatives	74.4	(121.0)	(78.0)	0.2	126.2	126.5
Total	**127.4**	**28.6**	**110.9**	**327.7**	**35.9**	**329.1**

	For the years ended December 31,					
	2012 and 2013			2011 and 2012		
	Increase / decrease due to variations in			Increase / decrease due to variations in		
	Average Volume	Average Rate	Net Variation	Average Volume	Average Rate	Net Variation
	(R$ millions)					
Interest-bearing liabilities						
Funding transactions						
Interbank deposits	46.9	7.6	49.1	(47.0)	9.0	(27.2)
Time deposits	51.8	28.1	75.4	(16.9)	95.2	82.4
Money market funding	2.6	(2.0)	1.6	15.1	15.0	21.8
Financial bills, agribusiness letters of credit and mortgage loan notes	(123.1)	(1.7)	(126.8)	(182.1)	5.8	(99.2)
Funds from acceptance and issuance of securities	(31.5)	(6.7)	(39.0)	(23.9)	16.9	(4.9)
Total funding operations	**(53.3)**	**25.3**	**(39.7)**	**(254.8)**	**141.9**	**(27.1)**
Total borrowings and onlendings	10.5	(24.8)	(12.7)	2.4	71.4	73.1
Total interest-bearing liabilities	**42.8**	**0.5**	**(52.4)**	**(252.4)**	**213.3**	**46.0**

Net interest margin and net income margin

The table below sets forth the average balances of our total assets, interest-earning assets, interest-bearing liabilities, and average shareholders' equity, as well as certain related ratios, for the periods indicated.

	For the years ended December 31,		
	2013	2012	2011
	(R$ millions, except as otherwise indicated)		
Average balance of total assets	13,882.1	12,943.7	10,708.8
Average balance of interest-earning assets[1]	10,540.9	9,878.1	8,253.8
Average balance of interest-bearing liabilities[2]	8,792.1	8,311.7	6,504.8
Average balance of shareholders' equity	2,345.3	2,047.5	1,850.5
Net margin[3]	12.6%	11.1%	9.7%
Exceed of interest-earning assets over interest-bearing liabilities[4]	1,748.8	1,566.4	1,749.0

	For the years ended December 31,		
	2013	2012	2011
Return on average balance of interest-earning assets[5]	2.2%	3.6%	3.7%
Average income on interest-bearing assets[6]	22.1	22.9%	23.3%
Average expenses on interest-bearing liabilities[7]	17.8%	16.8%	20.0%
Return on average balance of shareholders' equity[8]	10.0%	17.5%	16.4%
Efficiency index[9]	36.4%	30.6%	32.2%

(1) Represents assets that generate income from financial operations.

(2) Represents liabilities that generate expenses from financial operations.

(3) Consists of gross profit from financial intermediation before allowances for loan losses as a percentage of the average balance of interest-earning assets. See "Management's Discussion and Analysis of financial condition and results of operation— Critical Accounting Policies—Loans and Allowance for Loan Losses" for a discussion of the allowance for loan losses.

(4) Consists of the average balance of interest-earning assets less the average balance of interest-bearing liabilities.

(5) Consists of net income as a percentage of the average balance of interest-earning assets.

(6) Consists of income from financial intermediation as a percentage of the average balance of interest-earning assets.

(7) Represents expenses on financial intermediation excluding the effects of the allowance for loan losses, as a percentage of the average balance of interest-bearing liabilities.

(8) Consists of net income (annualised) as a percentage of the average balance of shareholders' equity.

(9) Efficiency index is calculated by dividing (a) the sum of (i) personnel expenses and (ii) other administrative expenses, excluding depreciation and amortisation by (b) the sum of income from services provided and gross profit from financial intermediation (adjusted by the "Foreign exchange variation" effects originally recognised in "Other operating income" in the amounts of R$39.5 million for the year ended December 31, 2012 and R$120.7 million for the year ended December 31, 2011), excluding the effects of the allowance for loan losses and, for the year ended December 31, 2013, including the income from purchase of credit rights, recognised in "Other operating income" in the amount of R$147.5 million. Efficiency index is not calculated using a standard methodology and may not be comparable to the definition of efficiency index or similarly titled measures used by other companies. Efficiency index is not a measure calculated in accordance with Brazilian GAAP or IFRS. We believe that the efficiency index provides a better understanding of our operational performance.

Return on shareholders' equity and assets

The table below sets forth selected financial ratios for the periods indicated.

	For the year ended December 31,		
	2013	2012	2011
	(R$ millions, except as otherwise indicated)		
Net income	233.8	357.5	305.1
Average balance of total assets	13,882.1	12,943.7	10,708.8
Average balance of shareholders' equity	2,345.3	2,047.5	1,850.5
Return on average assets [1]	1.7%	2.7%	2.9%
Return on average shareholders' equity[2]	10.0%	17.5%	16.4%
Percentage of average shareholders' equity on average balance of total assets	16.9%	15.8%	17.3%
Distribution of Dividends			
Total dividends distributed [3]	112.3	160.1	164.1
Total dividends as percentage of net income	48.0%	45.0%	53.8%

(1) Consists of net income as a percentage of the average balance of total assets.

(2) Consists of net income as a percentage of the average balance of total shareholders' equity.

(3) Total distribution of dividends and interest on shareholders' equity.

Composition of our securities and derivatives portfolio

The tables below set forth the detailed breakdown of the composition of securities and derivatives portfolio by account, maturity and type for each of the periods indicated. For a description on the accounting practices that are applicable to our securities portfolio, see notes to our financial statements included elsewhere in these Listing Particulars.

Breakdown by Maturity

	As of December 31, 2013				
	Indeterminate Maturity	Up to 3 months	3 to 12 months	Over 12 months	Total
			(R$ millions)		
Securities for trading					
Investment fund shares	29.1	-	-	-	29.1
Total	**29.1**	**-**	**-**	**-**	**29.1**
Securities available for sale					
Brazilian government securities	-	19.2	6.9	855.0	881.1
Foreign securities	2.4	0.5	-	94.5	97.4
Public held companies shares	3.6	-	-	-	3.6
Investment fund shares	235.3	-	-	-	235.3
Total	**241.3**	**19.7**	**6.9**	**949.5**	**1,217.4**
Total securities portfolio	**270.4**	**19.7**	**6.9**	**949.5**	**1,246.5**

	As of December 31, 2012				
	Indeterminate Maturity	Up to 3 months	3 to 12 months	Over 12 months	Total
			(R$ millions)		
Securities for trading					
Brazilian government securities	-	290.2	-	-	290.2
Investment fund shares	25.8	-	-	-	28.8
Total	**25.8**	**290.2**	**-**	**-**	**316.0**
Securities available for sale					
Brazilian government securities	-	37.8	22.9	192.4	253.1
Foreign securities	-	-	2.0	87.3	89.3
Public held companies shares	4.2	-	-	-	4.2
Investment fund shares	214.6	-	-	9.0	223.6
Total	**218.8**	**37.8**	**24.9**	**288.7**	**570.2**
Total securities portfolio	**244.6**	**328.0**	**24.9**	**288.7**	**886.2**

	As of December 31, 2011				
	Indeterminate Maturity	Up to 3 months	3 to 12 months	Over 12 months	Total
			(R$ millions)		
Securities for trading					
Investment fund shares	22.2	-	-	-	22.2
Total	**22.2**	**-**	**-**	**-**	**22.2**
Securities available for sale					
Brazilian government securities	-	0.2	11.9	505.6	517.7
Foreign securities	-	1.3	-	35.6	36.9
Public held companies shares	3.8	2.3	9.1	2.8	18.0
Investment fund shares	94.7	-	-	-	94.7
Total	**98.5**	**3.8**	**20.9**	**544.0**	**667.2**
Total securities portfolio	**120.7**	**3.8**	**21.0**	**544.0**	**689.5**

Breakdown by type of security

	As of December 31,		
	2013	**2012**	**2011**
		(R$ millions)	
Securities for trading			
Own portfolio			
Letras do Tesouro Nacional – LTN (Brazilian government securities)	–	222.5	–
Total	**–**	**222.5**	**–**
Linked to Central Bank			
Letras do Tesouro Nacional – LTN (Brazilian government securities)	–	67.7	–
Total	**–**	**67.7**	**–**
Securities guaranteeing technical provisions			
Investment fund shares	29.1	25.8	22.2
Total	**29.1**	**25.8**	**22.2**
Securities available for sale			
Own portfolio			
Letras do Tesouro Nacional – LTN (Brazilian government securities)	679.1	0.2	307.9
Letras Financeiras do Tesouro – LFT (Brazilian government securities)	91.9	135.7	45.5
Notas do Tesouro Nacional – NTN (Brazilian government securities)	–	13.5	24.8
Foreign fixed-income securities	97.4	89.4	36.9
Certificados de Depósitos Bancários – CDB (Bank Certificate of Deposit)	–	–	12.0
Recibos de Depósitos Bancários – RDB (Bank Depositary Receipts)	–	–	0.4
Debentures	–	–	0.4
Financial bills	–	–	1.3
Investment fund shares	235.3	223.6	94.7
Shares of publicly traded companies	3.6	4.2	3.8
Total	**1,107.3**	**466.6**	**527.7**
Linked to repurchase commitments			
Letras do Tesouro Nacional – LTN (Brazilian government securities)	28.7	–	95.4
Letras Financeiras do Tesouro – LFT (Brazilian government securities)	43.3	–	–
Notas do Tesouro Nacional – NTN (Brazilian government securities)	–	–	–
Total	**72.0**	**–**	**95.4**
Linked to guarantees			
Letras do Tesouro Nacional – LTN (Brazilian government securities)	37.9	102.3	43.0
Letras Financeiras do Tesouro – LFT (Brazilian government securities)	0.1	1.1	1.1
Total	**38.0**	**103.4**	**44.1**
Securities guaranteeing technical provisions			
Letras Financeiras do Tesouro – LFT (Brazilian government securities)	–	0.1	0.1
Investment fund shares	0.1	–	-
Total	**0.1**	**0.1**	**0.1**
Total securities portfolio	**1,246.5**	**886.1**	**689.5**

Derivatives

	As of and for the years ended December 31,					
	2013		2012		2011	
	Asset (liability)	Trade amount	Asset (liability)	Trade amount	Asset (liability)	Trade amount
	(R$ millions)					
Assets						
Derivatives						
Swap transactions – differential receivable	174.0	1,690.9	126.1	1,397.0	52.0	961.3
Receivable from currency forward contract	0.5	11.0	–	–	–	–
Futures transactions pending settlement						
Dollar Futures	0.3	–	0.1	–	0.1	5.6
DDI (exchange coupon)	0.4	59.7	–	72.1	–	76.2
DI (interbank deposit rate)	0.5	812.7	0.4	753.6	–	211.2
Liabilities						
Derivatives						
Swap transactions – differential payable	(3.6)	103.8	(2.6)	90.5	(42.9)	644.4
Payable for currency forward contract	(0.5)	11.0	–	–	–	–
Futures transactions pending settlement						
Dollar Futures	(0.8)	53.6	–	22.1	–	24.0
DDI (exchange coupon)	–	–	(0.4)	–	–	0.9
DI (interbank deposit rate)	(0.6)	487.3	(0.1)	378.3	(0.2)	297.8
Total	**170.2**	**3,230.0**	**123.5**	**2,713.6**	**9.0**	**2,221.4**

Central Bank compulsory deposits

In compliance with the Central Bank's requirements, our balance of compulsory deposits, represented by compulsory payments and other types of compulsory deposits, amounted to R$125.4 million as of December 31, 2013. See "The Brazilian Financial System and Banking Regulation—Regulations affecting liquidity in the financial market".

Loan portfolio

The tables below set forth our credit transactions portfolio by type of transaction for each of the periods indicated. Our total lending operations involve only borrowers resident in Brazil, denominated in *reais* and indexed to local interest rates.

	As of December 31,					
	2013		2012		2011	
	Total	%	Total	%	Total	%
	(R$ millions, except as otherwise indicates)					
Loans	6,908.5	77.9	5,738.3	76.3%	5,779.6	74.8%
Discounted trade notes	187.1	2.1	200.4	2.7%	162.6	2.1%
Financings	1,378.1	15.5	1,096.0	14.6%	1,369.5	17.7%
Financings with co-obligation.	—	—	99.2	1.3%	—	—
Rural Financings	39.5	0.5	68.9	0.9%	35.8	0.5%
Total lending operations	**8,513.2**	**96.0**	**7,202.8**	**95.7%**	**7,347.5**	**95.1%**
Other notes and credits receivable	2.7	0.2%	—	—	15.4	0.2%
Import financing	0.7	—	3.0	—	—	—
Advances on foreign exchange contracts and	338.7	3.8%	306.2	4.0%	361.9	4.7%

	As of December 31,					
	2013		2012		2011	
	Total	%	Total	%	Total	%
	(R$ millions, except as otherwise indicates)					
imports backed by letters of credit						
Other notes and credits receivable with credit extension characteristics	12.3	—	12.2	—	—	—
Total loan portfolio	**8,867.6**	**100.0%**	**7,524.2**	**100.0%**	**7,724.8**	**100.0%**

Loan portfolio maturity

The tables below set forth the maturities of our loan portfolio at the dates indicated:

	As of December 31, 2013
Outstanding transactions with maturity	
Up to 3 months	2,231.8
3 months to 12 months	2,648.9
1 year to 3 years	2,769.2
3 years to 5 years	782.8
Over 5 years	122.5
Total outstanding transactions	**8,555.2**
Overdue transactions	
up to 60 days	70.5
61 to 180 days	86.7
181 to 360 days	155.2
Total overdue transactions	**312.4**
Total	**8,867.6**

	As of December 31, 2012
Outstanding transactions with maturity	
Up to 3 months	2,129.7
3 months to 12 months	2,357.2
1 year to 3 years	2,218.9
3 years to 5 years	514.6
Over 5 years	49.0
Total outstanding transactions	**7,269.6**
Overdue transactions	
up to 60 days	78.3
61 to 180 days	91.9
181 to 360 days	84.5
Total overdue transactions	**254.6**

	As of December 31, 2012
Total	**7,524.2**

	As of December 31, 2011
Outstanding transactions with maturity	
Up to 3 months	2,545.3
3 months to 12 months	2,629.3
1 year to 3 years	1,889.9
3 years to 5 years	499.3
Over 5 years	45.5
Total outstanding transactions	**7,609.3**
Overdue transactions	
up to 60 days	44.5
61 to 180 days	43.5
181 to 360 days	27.5
Total overdue transactions	**115.5**
Total	**7,724.8**

According to CMN Resolution No. 2,682, overdue financial transactions are written off when overdue (i) for more than 360 days if their maturity terms is shorter than 36 months or (ii) for more than 720 days if their maturity exceeds 36 months.

Largest clients

The tables below set forth a summary of our largest clients at the dates presented.

	As of December 31,					
	2013		2012		2011	
	Amount	% Total	Amount	% Total	Amount	% Total
	(R$ millions, except as otherwise indicated)					
10 largest clients	697.1	7.9%	745.0	9.9%	1,067.4	13.8%
50 largest clients	994.9	11.2%	866.2	11.5%	1,062.9	13.8%
100 largest clients	800.7	9.0%	811.7	10.8%	936.1	12.1%
Other loans	6,374.9	71.9%	5,101.3	67.8%	4,658.4	60.3%
Total loan portfolio	**8,867.6**	**100.0%**	**7,524.2**	**100.0%**	**7,724.8**	**100.0%**

Credit approval process

For a description of our credit approval process, see “Business of Banco Daycoval S.A.—Credit Policy, Risk Management and Default Rates”.

Rating of our loan portfolio

The tables below set forth the rating of our credit transactions by risk levels, as of the dates indicated, where “AA” represents minimum credit risk and category “H” represents an extremely high credit risk, according to the applicable regulation issued by the Central Bank. It also sets forth the balance of our allowance for loan losses as of the dates indicated. See section “Management’s Discussion and Analysis of Financial Condition and Results of Operation—Critical Accounting Policies—Loans and Allowance for Loan Losses”.

	As of December 31, 2013			
			Allowance for loan losses	
Risk Level	Credits	% of Total	Minimum required by Central Bank	Effective
		(R$ millions, except as otherwise indicated)		
AA	106.1	1.2	0.0%	-
A	4,006.3	45.2	0.5%	20.0
B	3,876.6	43.7	1.0%	38.8
C	277.8	3.1	3.0%	8.3
D	138.8	1.6	10.0%	13.9
E	64.9	0.7	30.0%	19.5
F	35.0	0.4	50.0%	17.5
G	36.6	0.4	70.0%	25.6
H	325.5	3.7	100.0%	325.5
Total	**8,867.6**	**100.0**	**-**	**469.1**

	As of December 31, 2012			
			Allowance for loan losses	
Risk Level	Credits	% of Total	Minimum required by Central Bank	Effective
		(R$ millions, except as otherwise indicated)		
AA	39.2	0.5	0.0%	-
A	3,229.3	42.9	0.5%	16.2
B	3,473.2	46.2	1.0%	34.7
C	250.6	3.3	3.0%	7.5
D	130.0	1.7	10.0%	13.0
E	62.0	0.8	30.0%	18.6
F	54.0	0.7	50.0%	27.0
G	46.6	0.6	70.0%	32.6
H	239.2	3.2	100.0%	239.2
Total	**7,524.2**	**100.0**		**388.8**

	As of December 31, 2011			
			Allowance for loan losses	
Risk Level	Credits	% of Total	Minimum required by Central Bank	Effective
		(R$ millions, except as otherwise indicated)		
AA	309.4	4.0	0.0%	-
A	3,354.1	43.4	0.5%	16.8
B	3,533.3	45.7	1.0%	35.3
C	270.3	3.5	3.0%	8.1
D	77.5	1.0	10.0%	7.8
E	26.3	0.3	30.0%	7.9
F	34.4	0.5	50.0%	17.2
G	22.6	0.3	70.0%	15.8
H	96.9	1.3	100.0%	96.9
Total	**7,724.8**	**100.0**		**205.8**

Overdue credits and allowances for loan losses

The tables below set forth a summary of our overdue credits (defined as credits under D to H levels), most of which overdue for more than 61 and less than 360 days, as well as certain indexes of assets quality, for dates indicated:

	As of December 31,		
	2013	2012	2011
	(R$ millions, except as otherwise indicated)		
Total assets	14,949.9	12,939.2	12,104.7
Total loan portfolio	8,867.6	7,524.2	7,724.8
Overdue credits	312.4	254.6	115.6
Overdue credits as a percentage of total loan portfolio	3.5%	3.4%	1.4%
Overdue credits as a percentage of total assets	2.1%	2.0%	1.0%
Allowance for loan losses	469.1	388.8	205.8
Allowance for loan losses as a percentage of:			
Total loan portfolio	5.3%	5.2%	2.7%
Total overdue credits	150.2%	152.7%	178.0%

Allowance for loan losses

The tables below set forth the track record of our allowance for loan losses for each of the periods indicated:

	For the years ended December 31,		
	2013	2012	2011
	(R$ millions, except as otherwise indicated)		
Balance at the beginning of the period	377.4	205.8	179.0
Establishment of provision [1]	465.4	366.4	167.0
Write-offs	(373.7)	(183.4)	(140.2)
Balance at the end of the period	**469.1**	**388.8**	**205.8**
Credits recovered	51.5	27.7	34.7
Write-off credits as a percentage of total loan portfolio	**4.2%**	**2.5%**	**1.9%**
Allowance for loan losses as a percentage of loan portfolio	**5.3%**	**5.2%**	**2.7%**

(1) The difference between the provision established and the provision declared in our financial statements results from the fact that losses foreclosed assets are recognised as losses under "allowance for loan losses".

Funding

Balance of deposits

The table below sets forth the balance of deposits as of the dates indicated:

	As of December 31,		
	2013	2012	2011
	(R$ millions, except as otherwise indicated)		
Demand deposits and other deposits	393.2	257.0	307.2
Interbank deposits	241.3	516.0	503.9
Time deposits	3,073.7	3,328.8	3,730.9

Maturity of deposits

The table below sets forth the maturity of our outstanding deposits as of the dates indicated:

	As of December 31, 2013
	(R$ millions)
No maturity	393.3
Up to 90 days	830.0
91 to 360 days	1,442.8
1 year to 3 years	874.4

	As of December 31, 2013
3 years to 5 years	130.8
Over 5 years	37.0
Total	**3,708.3**

	As of December 31, 2012
	(R$ millions)
No maturity	257.0
Up to 90 days	1,327.4
91 to 360 days	1,440.5
1 year to 3 years	910.7
3 years to 5 years	128.2
Over 5 years	38.0
Total	**4,101.8**

	As of December 31, 2011
	(R$ millions)
No maturity	307.3
Up to 90 days	1,004.0
91 to 360 days	1,583.5
1 year to 3 years	1,538.2
3 years to 5 years	76.1
Over 5 years	32.9
Total	**4,542.0**

Funds from acceptance and issuance of securities and financial bills (*letras financeiras*), agribusiness letters of credit and mortgage loan notes

Our funds from financial bills (*letras financeiras*), agribusiness letters of credit and mortgage loan notes consist of notes denominated in Brazilian *reais* linked to CDI and our funds from acceptance and issuance of securities consist of indebtedness denominated in foreign currency in the form of fixed rate notes issued by us.

The table below sets forth the maturity of these notes as of the dates indicated:

	As of December 31, 2013		
	Notes	Financial bills, agribusiness letters of credit and mortgage loan notes	Total
		(R$ millions)	
Up to 90 days	36.3	491.6	527.9
91 to 360 days	—	1,308.2	1,308.2
1 year to 3 years	1,364.5	1,483.9	2,848.4
3 years to 5 years	—	90.1	90.1
Total	**1,400.8**	**3,373.8**	**4,774.6**

	As of December 31, 2012		
	Notes	Financial bills, agribusiness letters of credit and mortgage loan notes	Total
		(R$ millions)	
Up to 90 days	31.3	129.7	161.0
91 to 360 days	-	497.6	497.6

1 year to 3 years	610.1	1,414.0	2,024.1
3 years to 5 years	566.7	26.5	593.2
Total	**1,208.1**	**2,067.8**	**3,275.9**

	As of December 31, 2011		
	Notes	**Financial bills, agribusiness letters of credit and mortgage loan notess**	**Total**
		(R$ millions)	
Up to 90 days	27.8	59.9	87.7
91 to 360 days	-	33.6	33.6
1 year to 3 years	-	331.1	331.1
3 years to 5 years	1,040.2	-	1,040.2
Total	**1,068.0**	**424.6**	**1,492.6**

Borrowings and onlendings

The tables below set forth the maturity of our fund from borrowings and onlendings as of the dates indicated.

	As of December 31, 2013
	(R$ millions)
Up to 90 days	341.7
91 to 360 days	480.8
1 year to 3 years	851.0
3 years to 5 years	114.5
Above 5 years	6.3
Total	**1,794.3**

	As of December 31, 2012
	(R$ millions)
Up to 90 days	287.6
91 to 360 days	664.3
1 year to 3 years	203.0
3 years to 5 years	32.4
Above 5 years	13.9
Total	**1,201.2**

	As of December 31, 2011
	(R$ millions)
Up to 90 days	345.7
91 to 360 days	978.2
1 year to 3 years	341.3
3 years to 5 years	139.2
Above 5 years	22.2
Total	**1,826.6**

BUSINESS OF BANCO DAYCOVAL S.A.

Overview

We are one of the leading banks specialising in providing loans to companies in Brazil. The majority of our loans in this segment are provided to small- and medium-sized companies with annual gross revenues of between R$8.0 million and R$300.0 million. We also have a significant presence in the retail segment. Since the late 1980s, we have offered a wide range of credit products to companies secured by collateral. As of September 30, 2013, we were the 16th largest Brazilian private bank in terms of shareholders' equity and the 21st largest Brazilian private bank in terms of volume of assets, according to the Central Bank. As of December 31, 2013, we had assets of R$14,949.9 million, shareholders' equity of R$2,440.3 million and a loan portfolio of R$8,867.6 million, 52.5% of which consisted of loans made to companies.

For the year ended December 31, 2013, our return on average shareholders' equity was approximately 10.0%, compared to 17.5% and 16.4% for the years ended December 31, 2012 and 2011, respectively. For the year ended December 31, 2013, our return on average assets was approximately 1.7%, compared to 2.7% and 2.9% for the years ended December 31, 2012 and 2011, respectively.

We operate through 36 branches located in 29 cities across 19 Brazilian states and the Federal District (Brasília). We had approximately 5,069 active corporate clients as of December 31, 2013 and our portfolio of company loans and trade finance loans at such date was R$4,653.1 million. We believe that a significant potential client base of Brazilian small- and medium-sized companies exists, which will allow us to continue to expand our activities in this segment.

In 2004, we started operations in the individual lending market by offering payroll deduction loans under the DayCred brand. As of December 31, 2013, our portfolio of such loans was R$3,442.5 million, which we originated through a wide distribution network consisting of around 1,012 banking correspondents. We also began to offer vehicle financing in 2006. As of December 31, 2013, our portfolio of auto loans was R$704.6 million, which we originated through a wide distribution network consisting of approximately 95 banking correspondents. Our portfolio of loans to individuals also includes other products, such as the financing of purchases by consumers of goods and services through retailers or service-providers participating in our direct consumer credits programme which, as of December 31, 2013, amounted to R$67.4 million. As of December 31, 2013 our aggregate portfolio of loans to individuals represented 47.5% of our total loan portfolio.

We seek to diversify our sources of funding to avoid mismatches between the respective interest rates and maturities of our funding and the loans that we grant, and to obtain liquidity to allow us to take advantage of growth opportunities. Our time deposits are our primary source of funding and amounted to R$3,073.7 million as of December 31, 2013, representing 29.9% of our total funding. For further discussion of our time deposits, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Funding—Time deposits". Our sources of funding also include debt issued in the international capital markets, with coupons varying from 6.25% to 6.50% per annum. The aggregate outstanding balance of such debt was R$1,400.8 million as of December 31, 2013, representing 13.6% of our total funding. Our funding denominated in U.S. dollars represented 27.0% of our total funding as of December 31, 2013, and includes the balance of borrowings and onlendings denominated in U.S. dollars in addition to debt issued in the international capital markets.

The following tables highlight certain of our financial information as of the dates and for the periods indicated:

	As of December 31,			
	2013	2012	2011	2013
	(R$ millions, except percentages)			(U.S.$ millions, except percentages)[1]
Total assets	14,949.9	12,939.2	12,104.7	6,381.7
Shareholders' equity	2,440.3	2,203.5	1,952.4	1,041.7
Loan portfolio	8,867.6	7,524.2	7,724.8	3,785.4
Deposits	3,708.3	4,101.8	4,542.0	1,583.0
Funds from acceptance and issuance of securities	4,774.6	3,275.9	1,492.6	2,038.2
Basel index[2]	17.5%	17.4%	16.5%	17.5%
Cash, interbank investments and securities and derivatives	3,533.6	3,622.5	2,875.7	1,508.4
Allowance for loan losses as a percentage of total loan portfolio	5.3%	5.2%	2.7%	5.3%

	For the years ended December 31,			
	2013	2012	2011	2013
	(R$ millions, except percentages)			(U.S.$ millions, except percentages)[1]
Net income	233.8	357.5	305.1	99.9
Return on average shareholders' equity[3]	10.0%	17.5%	16.4%	10.0%
Return on average assets[4]	1.7%	2.7%	2.9%	1.7%
Efficiency index[5]	36.4%	30.6%	32.2%	36.4%

Notes:

(1) Translated into U.S.$ solely for the convenience of the reader. The rate used to translate such amounts was R$2.34 to U.S.$1.00 (subject to rounding adjustments), which was the selling exchange rate in effect as of December 31, 2013, as reported by the Central Bank. The U.S. dollar equivalent information presented in these Listing Particulars is provided solely for the convenience of investors and should not be construed as implying that the amounts in *real* represent, or could have been or could be converted into, U.S. dollars at such rates or any other rate.

(2) Basel index corresponds to 11% of our reference shareholders' equity divided by the minimum amount of capital we are required to maintain pursuant to the regulations of the Central Bank.

(3) Return on average shareholders' equity is calculated by dividing (a) net income by (b) average shareholders' equity that represents the sum of the shareholders' equity as of the end of each month in the fiscal year divided by 12. Return on average shareholders' equity is not a measure calculated in accordance with Brazilian GAAP or IFRS.

(4) Return on average assets is calculated by dividing (a) net income by (b) average total assets that represents the sum of total assets as of the end of each month in the fiscal year divided by 12. Return on average assets is not a measure calculated in accordance with Brazilian GAAP or IFRS.

(5) Efficiency index is calculated by dividing (a) the sum of (i) personnel expenses and (ii) other administrative expenses, excluding depreciation and amortisation by (b) the sum of income from services provided and gross profit from financial intermediation (adjusted by the "Foreign exchange variation" effects originally recognised in "Other operating income" in the amounts of R$39.5 million for the year ended December 31, 2012 and R$120.7 million for the year ended December 31, 2011), excluding the effects of the allowance for loan losses and, for the year ended December 31, 2013, including the income from purchase of credit rights, recognised in "Other operating income" in the amount of R$147.5 million. Efficiency index is not calculated using a standard methodology and may not be comparable to the definition of efficiency index or similarly titled measures used by other companies. Efficiency index is not a measure calculated in accordance with Brazilian GAAP or IFRS. We believe that the efficiency index provides a better understanding of our operational performance.

Our Strengths

We believe that our position as one of the leading medium-sized Brazilian banks is a result of the following strengths:

Significant and Solid Corporate Lending Operations

We have operated in the Brazilian corporate lending segment since 1989. We have developed solid and close relationships with our clients by offering high-quality services and a broad range of credit products that are tailor-made to their particular needs. We believe that our network of branches and other distribution channels, together with our team of specialised sales managers, allow us to efficiently respond to our clients' needs, including by rapidly approving loans without compromising our conservative risk policies.

Conservative and Solid Financial Position

Our activities are based on the maintenance of a solid financial position and the adoption of conservative credit and investment policies. We seek to maintain our liquidity by investing at least 30.0% of our deposits in cash and cash equivalents. To minimise liquidity risks, we also seek to avoid mismatches between our credit portfolio and our sources of funds by diversifying and extending the maturity of our funding. As of December 31, 2013, our funding was composed of (i) time deposits, demand deposits, interbank deposits and other deposits, (ii) borrowings and onlendings, and (iii) funds from acceptance and issuance of securities, which represented 36.0% and 17.5%, 46.5% of our total funding, respectively. Our Basel index as of December 31, 2013 was 17.5%, which was significantly higher than the 11.0% rate required by the Central Bank and higher than the average Basel index of the banks listed on the BM&FBOVESPA. Our financial strength is confirmed by our credit ratings, which are among the best of same-sized Brazilian banks operating in the same segments as us: "AA(bra)" from Fitch, "Aa1.br" from Moody's and "brAA" from Standard & Poor's for long-term debt (national scale) and "BBB-" from Fitch, "Baa3" from Moody's and "BB+" from Standard & Poor's for long-term debt (global scale).

Quality of Loan Portfolio

We believe that the quality of our loan portfolio and the low level of loan defaults that we have experienced are principally a result of our ability to select clients with an acceptable risk profile and to closely monitor the collateral that they grant us with respect to the loans that we provide them. As of December 31, 2013, the percentage of our loan portfolio represented by AA to C credits, according to the risk classification system established by the Central Bank, was 93.2%, compared to 92.9% and 96.7%, as of December 31, 2012 and 2011, respectively. In addition, our allowance for loan losses represented 5.3% of our total loan portfolio as of December 31, 2013, compared to 5.2% and 2.7% as of December 31, 2012 and 2011, respectively. In order to mitigate the risks that could result from a concentrated client base, our credit policy establishes limits on the percentages that each industry or client may represent in our total loan portfolio. As of December 31, 2013, our ten largest clients represented 7.9% of our total loan portfolio, compared to 9.9% and 13.8% as of December 31, 2012 and 2011, respectively.

In addition, the nature of the segments in which we operate contributes to the quality of our loan portfolio. Most of our loans to companies are guaranteed by what we believe to be high-quality collateral. In addition, we believe that our payroll deduction loans have a reduced risk profile compared to other credit products since the instalments on such loans are directly deducted from the payroll of the public or private sector employees or the pension paid to beneficiaries and retirees of the INSS, as the case may be, who are the borrowers under such loans. We also have strict internal credit analysis rules in relation to the auto loans that we grant.

Growth Potential with Low Marginal Costs

We believe that the segments in which we operate are among those with the greatest potential for growth in the Brazilian credit industry. We believe that we have the capacity to grow our operations with low marginal costs due to the combination of the following factors:

- we have a state-of-the-art technology platform with differentiated proprietary systems to evaluate and monitor loans and the capacity to support a significant increase in our client base;
- we have expertise in the development of efficient distribution channels for our products, which we believe will allow us to further expand the market share of our products and the range of products that we offer at reduced marginal costs, allowing us to compete with larger banks; and
- our headquarters, situated on Avenida Paulista, one of the main financial centres in the city of São Paulo and in Latin America, will allow us to accommodate future personnel increases without additional investments in real estate.

Agility and Efficiency in Developing New Products

We believe that our solid and flexible operating structure, together with the expertise of our management team, have allowed us to develop new products and to quickly explore market opportunities at low costs and in compliance with our stringent return and risk exposure criteria. For example, in 2004 we identified the substantial growth potential of the individual lending segment and started to offer payroll deduction loans. We rapidly implemented an efficient operating structure for offering such loans which, as of December 31, 2013, consisted of approximately 769,000 agreements entered into with public sector entities and a distribution network consisting of around 1,012 banking correspondents. Since 2010, in accordance with our strategy of diversifying products, we have opened 70 foreign exchange bureaus in Brazil through which we work with partners such as travel agencies, brokers and other financial institutions to offer customers a range of options for a fast and secure service when buying or selling foreign currency. In addition, we have recently expanded our portfolio of direct consumer credits. We believe both products present growth potential in Brazil.

Experienced Management Committed to High Standards of Corporate Governance

Our senior executives have substantial experience in the Brazilian financial markets and are fully committed to our interests and goals. Our chairman and each of our other senior executives have more than 45 years and 20 years, respectively, of experience in the Brazilian banking industry and extensive knowledge of our business. We believe that our management is capable of identifying potential growth opportunities that arise in the market and establishing competitive strategies that increase our profitability while reducing our costs and the risks in our portfolio. Our administrative structure is based on the strict definition of activities for each of our areas of operation, which enhances our efficient decision-making process. We seek to stimulate and retain our employees by offering attractive compensation plans which have contributed to our low employee turnover. We have also implemented high standards of corporate governance, such as the creation of a board of directors that includes two independent directors with experience in the financial markets.

Our Strategy

We seek to continue to grow on a sustainable and consistent basis and to create value for our shareholders through the following strategies:

Continue to Focus on Corporate Lending Segment

Our main strategy will be to continue to focus on corporate lending operations in Brazil. We believe that there are numerous potential clients in the regions in which we operate, and we intend to take advantage of the growth opportunities of this segment by:

- increasing our selected customer base while continuing to apply our credit and collateral quality criteria;
- growing and diversifying our distribution structure through the increase of our sales team and the opening of new branches in attractive locations, including the state of São Paulo and the states of the mid-west and northeast of Brazil; and
- retaining clients by offering a broad product portfolio that better serves their needs and differs us from our competitors, as well as through the development of new products, longer-term loans and foreign trade financing, including through our Cayman Islands Branch.

Continue to Take Advantage of Opportunities in the Individual Lending Segment

We intend to improve our market share in the individual lending segment by taking advantage of our experience in the lending market and our existing operating structure, as well as by offering new products that we deem attractive, by:

- increasing the volume of our payroll deduction loans through (i) the execution of new agreements with public entities, primarily federal agencies and smaller municipalities, (ii) the use of exclusive and innovative information technology tools to reach to new clients, and (iii) the strengthening of our relationships with banking correspondents through "loyalty" programs such as incentive and training initiatives;
- continuing to offer vehicle financing products through national coverage and a focus on higher value-added products such as financing small and heavy vehicles; and
- using our existing distribution channels to develop and offer new products, such as direct consumer credits, in order to realise economies of scale and reduce our marginal costs.

In addition, we may also include the following in our product mix to extend its retail offering:

- consumer finance – receivables-based credit for retailers secured by post-dated checks;
- credit cards – corporate cards in association with Mastercard; and
- payroll mortgage – long repayment period and conditional sale via trust deed as loan security.

Diversify our Sources of Funding

On January 21, 2008, we were authorised by the Central Bank to open our Cayman Islands Branch, with U.S.$3.0 million in separate capital. The purpose of our Cayman Islands Branch is to give us access to additional funding sources that will support our efforts to lengthen the average duration of our funding instruments and cut funding costs. Operationally, our Cayman Islands Branch focuses on growing our trade finance portfolio, enabling us to build a broader customer base, create new products and continue to diversify our international business.

Since December 31, 2006, we have made four issues of Eurobonds under our U.S.$2,000,000,000 Euro Medium-Term Note Programme, totalling U.S.$825 million in principal amount. In addition, during the

first quarter of 2009, we concluded an agreement with the Pioneer Investors pursuant to which the Pioneer Investors subscribed R$410.0 million of the Pioneer CDBs in a private placement. Upon subscribing the Pioneer CDBs, the Pioneer Investors acquired warrants convertible into ordinary shares and preferred shares of the Bank in whole or in part on a quarterly basis commencing March 31, 2011 at a fixed price of R$7.75 per share. As of December 31, 2013, the Pioneer Investors had converted warrants into 18,451,613 ordinary shares (representing approximately 11.5% of our ordinary shares and 7.3% of our total capital stock as of such date) and 47,318,675 preferred shares (representing approximately 51.8% of our preferred shares and 18.8% of our total capital stock as of such date). The remaining warrants may be converted into up to a maximum of 3,003,905 preferred shares and there are no outstanding warrants that may be converted into ordinary shares.

In addition, on October 11, 2011, we registered our financial bills (*letras financeiras*) issuance programme with the CVM. We have made three issues of financial bills under the programme, in the aggregate principal amount of R$720 million, R$249.9 million of which matured on November 15, 2013, R$350.1 million of which shall mature on July 29, 2015, and R$120.0 million of which shall mature on May 29, 2016.

Maintain our Solid Financial Base

We strive to maintain the high quality of our assets by applying our conservative credit and risk management policies, which we believe have been critical for maintaining relatively low default levels of our clients in recent years. In addition, we believe that our high liquidity level has also allowed us take advantage of growth opportunities. We will continue to seek to maintain adequate liquidity levels that are compatible with market standards and that provide us with long-term financial stability.

History

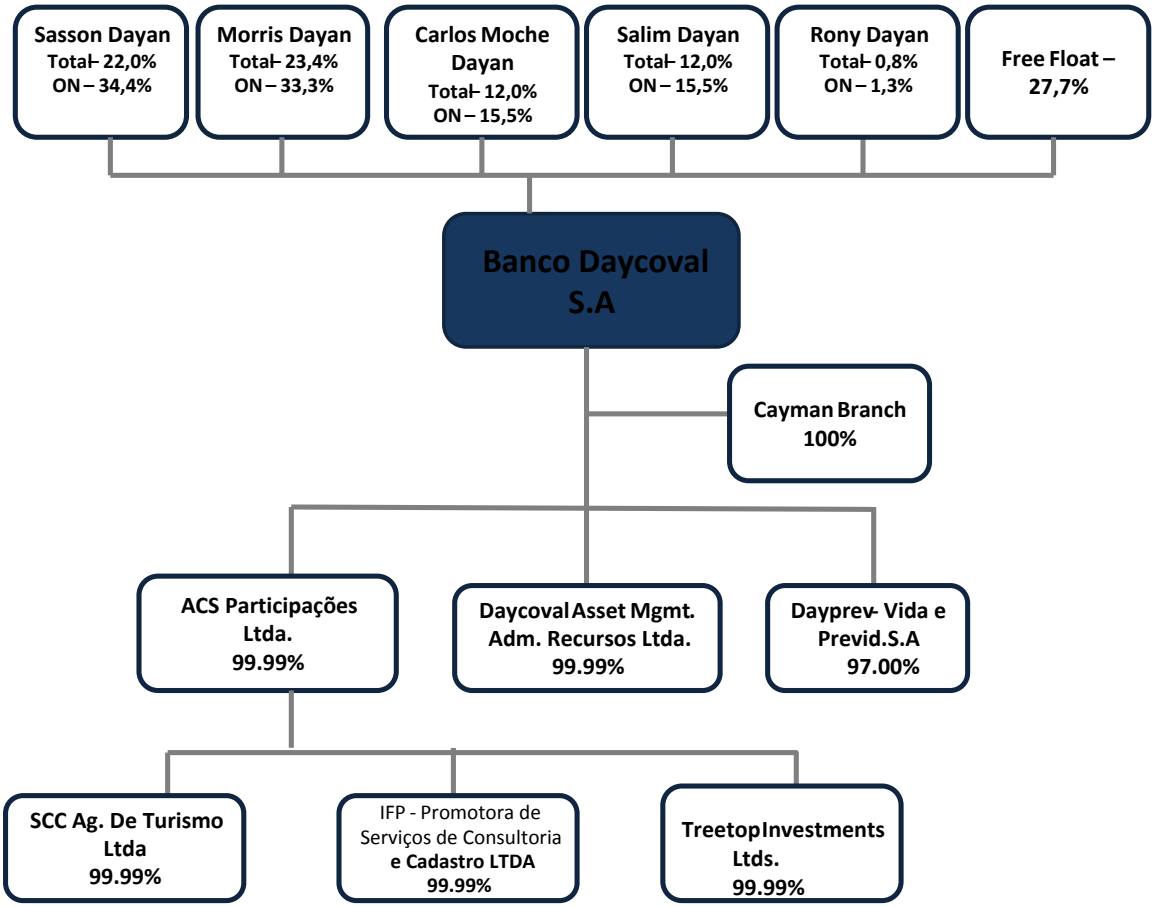
We were originally incorporated on August 5, 1968 as Daycoval Distribuidora de Títulos e Valores Mobiliários Ltda. In 1989, our name was changed to Banco Daycoval S.A. after we were authorised to operate as a multiple-service bank by the Central Bank. Since then, we have offered financing to companies. In 1994, we were authorised by the Central Bank to operate commercial portfolios and in 1995, to conduct foreign exchange transactions to support our corporate lending operations.

In March 2007, we created Dayprev to operate in the insurance business.

Also in March 2007, we and our shareholders completed a corporate restructuring that resulted in the creation of Daycoval Holding Financeira S.A., which held the majority of our capital stock and was controlled by the Dayan family. On June 29, 2007, we completed our IPO and raised approximately R$1.0 billion in capital. Daycoval Holding Financeira S.A. subsequently sold all of its shares of our capital stock to members of the Dayan family.

Structure of Banco Daycoval S.A.

The following chart indicates our corporate structure as of December 31, 2013:



Our executive offices are located at Avenida Paulista, 1793, in the City of São Paulo, in the State of São Paulo, CEP 01311-200, Brazil. Our investor relations telephone number is +55 (11) 3138-1024. We are registered with the State of São Paulo Commercial Registry under NIRE (*Número de Identificação de Registro de Empresas*) 35300524110.

The Cayman Islands Branch

The Cayman Islands Branch is registered as a foreign company under Part IX of the Companies Law (as amended) of the Cayman Islands. On May 12, 2008 the Cayman Islands Branch was granted a Category "B" banking licence by the Cayman Islands Monetary Authority to operate in the Cayman Islands under the Banks and Trust Companies Law (as amended) of the Cayman Islands, which allows the Cayman Islands Branch to conduct all types of banking business in any part of the world, but does not allow the Cayman Islands Branch to take deposits from residents of the Cayman Islands or to invest in any asset representing a claim on any person resident in the Cayman Islands, subject to certain exceptions in respect of, inter alia, exempted or ordinary resident companies and other licensees.

The registered office of the Cayman Islands Branch is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands and the telephone number is +1 345 914 3248.

Principal Products

Our principal activity is providing loans to companies in Brazil. The majority of our loans in this segment are provided to small- and medium-sized companies with annual gross revenues of between R$8.0 million and R$300.0 million. We offer these companies credit products such as working capital loans, foreign trade financing, bank guarantees and the factoring of receivables, in each case secured by collateral provided by the borrower. We also offer credit products to individuals including payroll deduction loans, vehicle financing and direct consumer credit. In addition, we provide (directly or through our subsidiaries) services that are complementary to our credit products, such as asset management and receivables collection.

The table below shows the breakdown of our loan portfolio by clients:

	As of December 31,					
	2013		2012		2011	
	Amount (R$ millions)	% of total loan portfolio	Amount (R$ millions)	% of total loan portfolio	Amount (R$ millions)	% of total loan portfolio
10 largest clients	697.1	7.9%	745.0	9.9%	1,067.4	13.8%
50 largest clients	994.9	11.2%	866.2	11.5%	1,062.9	13.8%
100 largest clients	800.7	9.0%	811.7	10.8%	936.1	12.1%
Other loans	6,374.9	71.9%	5,101.3	67.8%	4,658.4	60.3%
Total loan portfolio	**8,867.6**	**100.0%**	**7,524.2**	**100.0%**	**7,724.8**	**100.0%**

Corporate lending

As of December 31, 2013, our total credit portfolio to companies (excluding bank guarantees and receivables purchased) was R$4,653.1 million, compared to R$4,432.4 million and R$5,283.3 million as of December 31, 2012 and 2011, respectively. Our client base includes companies from more than 30 different sectors in the Brazilian economy. As of December 31, 2013, 5,069 were active clients and our largest client accounted for 28.1% of our total loan portfolio, compared to 3,954 active clients and 32.2% of our total loan portfolio as of December 31, 2012 and 4,015 active clients and 39.7% of our total loan portfolio as of December 31, 2011. The principal types of collateral that we take are trade bills, receivables, real estate, vehicles, checks and pledges.

The table below shows the breakdown of our corporate lending portfolio by sector:

	As of December 31,					
	2013		2012		2011	
	Amount (R$ millions)	% of total loan portfolio	Amount (R$ millions)	% of total loan portfolio	Amount (R$ millions)	% of total loan portfolio
Industry	2,234.0	25.2%	2,187.3	29.1%	2,502.5	32.4%
Services	1,275.3	14.4%	1,170.5	15.6%	1,429.0	18.5%
Commerce	893.0	10.1%	895.0	11.9%	1,187.8	15.4%
Other	4,465.3	50.3%	3,271.4	43.4%	2,605.5	33.7%

	As of December 31,					
	2013		2012		2011	
	Amount (R$ millions)	% of total loan portfolio	Amount (R$ millions)	% of total loan portfolio	Amount (R$ millions)	% of total loan portfolio
Total.....	**8,867.6**	**100.0%**	**7,524.2**	**100.0%**	**7,724.8**	**100.0%**

The aggregate amount of our credit portfolio to companies together with bank guarantees and receivables purchased was R$10,411.8 million as of December 31, 2013 compared to R$8,756.1 million and R$8,828.8 million as of December 31, 2012 and 2011, respectively.

The principal products we offer to companies are described below.

Working Capital. Working capital loans are provided in local and foreign currency and generally have short- or medium-term maturities. Our broad range of working capital loans is designed to meet the specific needs of each of our customers and includes bank credit certificates, loan agreements, secured revolving credit accounts and "*compror*" and "*vendor*" loans. The "*vendor*" loan consists of financing under which a company can sell its products on credit while receiving payment in cash. The main advantage of this type of financing is that the sale is financed by the bank, not the seller. Under this type of financing, the buyer is the main obligor of the loan and the seller remains liable for the buyer's default on loan payments. Under the "*compror*" loans, the bank finances the buyer's acquisition of the goods and seller is not liable for any payments due under the loan. As of December 31, 2013, our working capital loans amounted to R$2,523.9 million, or 40.9% of the aggregate amount of our company loan portfolio, bank guarantees and receivables purchased, compared to R$2,403.0 million, or 42.7%, as of December 31, 2012 and R$2,867.5 million, or 45.4%, as of December 31, 2011.

Foreign trade financing. Our foreign trade financing consists mainly of advances on foreign exchange contracts (ACC), advances on exchange delivered (ACE) and export prepayment transactions. Under the ACC and ACE agreements, we advance funds in *reais* to the exporter before the goods are shipped. After we receive the shipment documents, we forward them abroad to the importer of the goods against payment in foreign currency. If the importer defaults on any payments due under the exports transaction, we have recourse against the exporter for the full amount of the credit granted. In export prepayment transactions, we offer collateral to foreign banks that advance funds directly to Brazilian exporters on behalf of the importer. The average term of our foreign trade financing is 138 days. As of December 31, 2013, we had R$338.7 million in outstanding foreign trade financing, or 3.3% of the aggregate amount of our company loan portfolio, bank guarantees and receivables purchased, compared to R$431.5 million, or 7.7%, as of December 31, 2012 and R$709.6 million, or 11.2%, as of December 31, 2011.

Other Corporate Lending Products. We also offer other products to meet our clients' specific needs. These include onlending of BNDES funds, a service which we offer to our small and medium-sized clients. Onlending of BNDES funds and other products accounted for R$523.8 million as of December 31, 2013, or 8.8% of the aggregate amount of our company loan portfolio, bank guarantees and receivable purchased, compared to R$305.0 million, or 5.4%, as of December 31, 2012 and R$317.4 million, or 5.0%, as of December 31, 2011.

Bank Guarantees. Under our bank guarantees, we guarantee our clients' cash obligations to third parties. These guarantees consist mainly of financial guarantees for payments due under debt instruments issued by our clients (*aval*) or for other general personal obligations (*fiança*). As of December 31, 2013, the outstanding amount of the guarantees we provided was R$473.9 million, equivalent to 7.7% of the aggregate

amount of our company loan, bank guarantees and receivables purchased, compared to R$447.6 million, or 5.1%, as of December 31, 2012 and R$434.6 million, or 4.9%, as of December 31, 2011.

Receivables purchased. We purchase a portion of certain of our clients' receivables without recourse. As of December 31, 2013, the outstanding amount of such receivables purchased was R$1,037.7 million, equivalent to 16.8% of the aggregate amount of our company loan portfolio, bank guarantees and receivables purchased, compared to R$771.5 million, or 13.7%, as of December 31, 2012 and R$665.0 million, or 10.5%, as of December 31, 2011.

Individual lending

In 2004, we started our operations in the individual lending segment by offering payroll deduction loans. In 2006, we expanded our operations to include vehicle financing and direct consumer credit. Our vehicle financing operations focus on financing passenger cars and light vehicles and heavy-duty vehicles for farm and corporate use. We intend to improve our market share in the individual lending segment by offering new products, including mortgage payroll deduction loans, other consumer financing products and credit cards. As of December 31, 2013, the total balance of our individual loan portfolio amounted to R$4,214.4 million, or 47.5% of our total loan portfolio, compared to R$3,091.8 million, or 41.1%, as of December 31, 2012 and R$2,441.5 million, or 31.6%, as of December 31, 2011.

The main products offered to our individual lending customers are described below.

Payroll Deduction Loans

In 2004, we started offering payroll deduction loans to public sector employees under the DayCred brand, of which we filed an application for registration with the Brazilian Institute of Industrial Property (*Instituto Nacional de Propriedade Industrial*) (the "INPI"). Currently, our payroll deduction loan portfolio comprises primarily pension beneficiaries and retirees in the INSS system, public sector employees at the Brazilian federal, state and municipal levels (including members of Brazil's armed forces and workers in the law courts and legislative bodies), with a small number of employees from Brazil's private sector.

Our payroll deductions loans are governed by agreements we have executed with our borrowers' public and private sector employers and with the INSS. As of December 31, 2013, we had approximately 769,000 agreements, most of which have a definite duration and are subject to termination upon prior notice by either party. Some of those agreements have a defined term ranging from one to three years. If these agreements are terminated, the private employers or the public entities, as the case may be, remain responsible for withholding payments related to the outstanding credit we granted prior to such termination.

In the year ended December 31, 2013, we originated approximately R$2,631.0 million of payroll deduction loans, compared to R$1,421 million and R$1,458 million in the years ended December 31, 2012 and 2011, respectively.

Our payroll deduction loan portfolio totalled R$3,442.5 million on December 31, 2013, R$2,359.8 million on December 31, 2012 and R$1,841.9 million on December 31, 2011.

The table below shows our payroll deduction loan portfolio by type of employer at the dates indicated:

	As of December 31,		
Entity	**2013**	**2012**	**2011**
	(% of total payroll deduction loan portfolio)		

Entity	As of December 31, 2013	2012	2011
	(% of total payroll deduction loan portfolio)		
INSS	39.8	37.9	37.2
Government (state and federal)	35.7	29.7	18.4
Armed forces	14.3	24.3	33.6
Law courts and legislative bodies	2.5	3.4	5.3
Municipal governments	6.5	3.6	3.6
Other	0.2	0.9	1.6
Private sector employers	0.9	0.2	0.3

INSS. Consists of payroll deduction loans to pension beneficiaries and retirees of the INSS. Under these loans, the pension beneficiary or retiree authorises the INSS to deduct each instalment of the loan directly from the benefit. These deductions are limited to a 30.0% monthly cap established by law. On September 29, 2005, the INSS issued a normative ruling, which placed a 36-month limit on the period over which deductions can be made. The maximum interest rate applicable to the INSS pension beneficiaries and retirees is 2.5% per month. Currently, there is no age restriction applicable to beneficiaries and retirees for the execution of these loans, although the Brazilian Civil Code may restrict such execution in limited cases. The granting of payroll deduction loans to INSS retirees and pension beneficiaries requires the authorisation of the public entities to which those persons are connected. As of December 31, 2013, our INSS payroll deduction loans amounted to R$1,370.1 million, or 39.8% of our total payroll deduction loan portfolio, compared to R$882.8 million, or 37.9% of our total payroll deduction loan portfolio, as of December 31, 2012 and R$663.7 million, or 37.2% of our total payroll deduction loan portfolio, as of December 31, 2011.

Public sector employees. Brazilian law allows governmental entities to deduct repayment instalments of loans directly from the payroll of their employees, provided that certain conditions are satisfied. The employee must authorise the public entity to make such deductions prior to their commencement. As with deductions for INSS recipients, these deductions, combined with other optional deductions (such as association payments and retirement plan and life insurance contributions), are limited by law to 30.0% of the employee's monthly salary. However, if the sum of such optional deductions and other mandatory deductions (such as withheld income tax, social security contributions, union contributions, alimony and child support, and other withholdings required by law) exceeds 70.0% of the employee's monthly salary, the optional deductions in excess of that amount (including the payroll deduction loans we grant) may be suspended.

As of December 31, 2013, our INSS payroll deduction loans and our payroll deduction loans for public sector employees together amounted to R$3,420.1 million, or 99.1% of our total payroll deduction loan portfolio, compared to R$2,355.1 million, or 99.8% of our total payroll deduction loan portfolio, as of December 31, 2012 and R$1,836.4 million, or 99.7% of our total payroll deduction loan portfolio, as of December 31, 2011.

Auto Loans

In addition to payroll deduction loans, commencing in July 2006, we supplemented our individual lending portfolio by offering financing for vehicles, most of which are used.

We originated approximately R$331 million, R$341 million and R$353 million of vehicle loans in the years ended December 31, 2013, 2012 and 2011, respectively. Our vehicle financing portfolio amounted to R$704.6 million, or 7.9% of our total loan portfolio, R$694.3 million, or 9.2% of our total loan portfolio, and R$605.7 million, or 7.8% of our total loan portfolio, as of December 31, 2013, 2012 and 2011, respectively.

This line of business operates throughout the country and has a database comprising 8,000 dealers, as well as its own sales force of specialists hired by Daycoval to cover major cities. Smaller cities are covered by correspondents registered with the Central Bank who employ more than 70 sales representatives to provide sales services at automotive outlets.

Auto loans finance between 30% and 70% of the purchase price of used cars with an average term of 10 years. Tenors and rates are competitive. As of December 31, 2013, passenger cars and other light vehicles accounted for 78.7% of the vehicle financing portfolio and heavy-duty vehicles accounted for 21.3%.

Other Products to Individuals

We also engage in other lending operations to individuals that allow us to achieve certain synergies in our operations. Our portfolio of loans to individuals also included direct consumer credits in the amount of R$67.4 million as of December 31, 2013, compared to R$69.1 million and R$51.5 million as of December 31, 2012 and 2011, respectively.

Collection Services

We provide services for the collection of credit instruments held by our clients based on our own collection procedures. Our fee for providing these services varies according to the terms and conditions of each agreement.

Asset management

Through our subsidiary, Daycoval Asset Management, established in 2004, we manage investment portfolios and funds, offering products to our sophisticated clients according to their investment profile. Daycoval Asset Management had approximately R$1.8 billion investment portfolios and funds under management as of December 31, 2013, compared to R$1.9 billion and R$1.3 billion as of December 31, 2012 and 2011, respectively.

Treasury Operations

Our treasury operations seek to avoid mismatches between the respective interest rates and maturities of our funding and the loans we grant, as well as to obtain liquidity. We do not establish minimum performance goals for our treasury operations, but we usually arbitrate price distortions detected in the market to generate earnings. We operate mainly with government bond instruments, which are recorded in our financial statements as available for sale and therefore have their value subject to value mark-to-market adjustments. To a lesser extent, we also use derivative instruments and debt and equity issuances to manage our liquidity.

Clients

Our clients are principally composed of medium-sized companies with annual gross revenues between R$8.0 million and R$300.0 million. We have an extensive and diversified client base and do not significantly depend on any particular client. We also operate in the individual lending segment, in which our client portfolio consists of individuals and is highly fragmented. The diversification of our client base is an essential aspect of our business strategy.

As of December 31, 2013, active corporate clients represented 59.2% of our client base and individuals represented 41.8% of our client base.

The tables below show the composition of our loan portfolio by sector in which our clients operate as of the dates indicated:

Sector	As of December 31, 2013	2012	2011
		(R$ millions)	
Industry	2,234.0	2,187.4	2,502.5
Trade	893.0	895.0	1,187.8
Rural	39.5	68.9	35.8
Financial Intermediaries	1.7	8.2	32.5
Other services	1,275.3	1,170.5	1,429.0
Individuals	4,355.2	3,190.1	2,511.7
Public sector	68.9	4.2	25.5
Total	**8,867.6**	**7,524.2**	**7,724.8**

Below is a description of the criteria we use for the clarification of our corporate clients in each of the sectors.

- industry: loans granted to companies that operate in the manufacturing, mineral extraction, processing and transformation, construction and utility sectors, among others;
- trade: loans granted to companies that operate as intermediaries in the sale and purchase of products in the wholesale or retail segments;
- rural: loans granted to companies that operate in the agricultural sector;
- financial intermediaries: loans granted to companies that operate in the financial sector;
- other services: loan granted to companies that render services relating to air, maritime, road or rail transportation, communication, education, culture and entertainment, among others;
- individuals: loans to individuals; and
- public sector: loans to public sector entities at the federal, state and municipal levels.

Credit Policy, Risk Management and Default Rates

We use conventional instruments of credit analysis and records to evaluate our corporate clients. We usually initiate our credit operation through our commercial managers who are responsible for client prospecting. Subsequently, we analyze client data and verify the credit rating of the clients with credit protection agencies. If we do not identify any problems, a branch manager or superintendent contacts the potential client to formalise the relationship and conclude the prospecting process. Once this phase is finalised, we gather data and documents to create a client's credit file. Such documents and data, used to analyze the credit limit to be established, includes registration and accounting data, analytic indebtedness position, authorisation to check the client's status with the risk department of the Central Bank, corporate documents and site visit reports drafted by the branch manager or superintendent.

Each credit proposal, with the exception of loans made to individuals, must be pre-approved by one executive officer or the entire board of executive officers, taking into account the type and amount of the loan and the collateral received, the borrower's credit history, spread to be charged and specific and global risks of our loan portfolio. The decision-making process in connection with the approval of our corporate loans is as follows:

- loans of up to R$1.0 million: a special committee composed of three members must approve the transaction, subject to ratification by our board of executive officers, and

- over R$1.0 million: our entire board of executive officers must approve the transaction.

The credit limit approval is valid for a 180-day period. After that period, the credit limit must be reassessed. We are implementing a project to decentralise our decision-making process. As a result, we expect that part of the responsibilities of our board of executive officers, which has not yet been defined, will be delegated to a special committee.

For individual loans, we usually verify the credit rating of the individuals with credit protection agencies and request for income statements and proof of the residential address before granting any loans. These loans are approved by at least one of our executive officers.

The criteria we use to classify loans in our portfolio correspond to those established by the Central Bank. All of our clients receive a risk classification, and each loan granted to each client also receives a risk classification, depending on the risk level of the transaction and the amount we received as collateral. Classifications are determined by the credit line cap, type and amount of collateral to be received and spread to be applied. All transactions are confirmed by our back-office, which confirms the limits and receipt of all relevant documentation.

As of December 31, 2013, 93.2% of our loan portfolio was classified as AA to C compared to 92.9% and 96.7%, as of December 31, 2012 and 2011, respectively. As of December 31, 2013, our loans in default for more than 60 days represented 3.5% of our total loan portfolio, compared to 3.4% and 1.4% as of December 31, 2012 and 2011, respectively. Our allowance for loan losses represented 5.3% of our total loan portfolio as of December 31, 2013, compared to 5.2% and 2.7% as of December 31, 2012 and 2011, respectively.

We believe that our risk management policy is essential for the maintenance of the quality of our loan portfolio and our low level of loan defaults, since it is designed to allow us select clients with an appropriate risk profile and to closely monitor the collateral that they grant us on the loans that we make. Our default levels are below average for banks in our segment in Brazil. The collateral granted to us is usually liquid and consist of trade bills, receivables, checks and pledges.

Distribution Network

Corporate Segment

We operate through 36 branches located in 29 cities across 19 Brazilian states and the Federal District (Brasília). In addition, our distribution system currently includes 265 salesmen. Besides our physical presence, our internet banking system allows every client to conduct all of its banking transactions remotely, making our services accessible from cities where we are not physically present. We rely heavily on information technology resources to carry out our activities, and we made significant new investments in this area in 2010 to increase our capacity to service clients via internet banking.

Individual Segment

Our main distribution channel in this segment is our network of around 1,012 banking correspondents spread throughout Brazil. These banking correspondents are responsible for promoting, offering and selling our payroll deduction and auto loan products, collecting all relevant documentation and agreements from clients and providing all information we request during the credit approval process. These banking correspondents have an extensive network of independent agents who further broaden our distribution

network. Banking correspondents are paid on a commission-fee basis calculated on the principal amount of loans granted.

As is customary in this market, our relationship with our banking correspondents is not exclusive, so they may generate business for other banks. Our payroll deduction loans and auto loans are highly dependent on the ability of our banking correspondents and their independent sales agents to identify new borrowers for us.

Information Technology

We have implemented a comprehensive technology upgrade and expansion plan in recent years in order to support our growth strategy and double the capacity of our operating systems.

The changes, which required significant investment in the implementation of leading-edge platforms, encompassed equipment renewal and expansion, technology platform restructuring, construction of new systems, and the enhancement of existing structures to meet the new needs and demands of customers and business partners.

The renovation has made us more modern and streamlined in our operations, intensifying our readiness to leverage new business opportunities and offer personalised solutions in products and services in a rapid and efficient manner.

The capacity of the internet structure more than doubled in a short period, especially for Daycred's online retail transactions delivering payroll loans and auto loans. To enhance security, we have retained the services of specialists to maintain a backup of the system including the entire database, so that the system can resume normal operations quickly in a contingency.

A new system has been installed to consolidate all the information held by us and permit easy access and faster credit decision making by business managers. The programme is already undergoing a new stage of enhancement to assure even greater agility in the work done by these managers.

We have three ITIL-certified professionals to guarantee best practice in IT service management, as well as programs that generate performance indicators for people and processes, providing a system of metrics that identifies enhancement opportunities.

In 2009, we became the first middle market bank in Brazil to offer pre-authorised direct debit under a system known as DDA. This innovative electronic payment service enables customers and clients to settle online any utility bill, credit instalment, insurance premium or other debt registered in their name with us or any other financial institution in the DDA system, using our internet banking platform. The benefits to users include speed, convenience and security.

We have also recently invested in the Bank's portal, especially Dayconnect, a dynamic and secure internet banking platform. As part of this service, we implemented a secure and reliable authentication system called Daycoval eCode, to ensure that only authorised users with their own security cards and tokens can access Dayconnect.

Competition

The financial services market in Brazil is highly competitive. We face direct competition from major multi-service banks in Brazil, such as Banco Bradesco S.A., Banco do Brasil S.A., Banco Safra S.A., Banco Santander (Brasil) S.A., Itaú Unibanco S.A., as well as from medium-sized banks focused on the same business segments as ourselves, Banco Industrial e Comercial S.A., Banco Fibra S.A. and Banco Indusval S.A.

In the individual lending segment, we face competition from Banco Bonsucesso S.A. and Banco BMG, among others.

The banking industry in Brazil has gone through a period of consolidation. Of particular significance in the past few years, Banco do Brasil acquired Banco Nossa Caixa S.A. and a 50% interest in Banco Votorantim S.A., Caixa Econômica Federal S.A. acquired 35% of Banco Panamericano S.A., the Itaú group merged with the Unibanco group and Banco Santander (Brasil) S.A. acquired Banco ABN AMRO Real S.A. For more details, see "The Brazilian Financial and Banking Regulation—Main Regulatory Agencies".

Marketing

We believe that the strong recognition of our brand is primarily the result of the solid and transparent image we have built with our clients and the awards that we have received. We believe the strong recognition of our brand helps us to attract new clients without significant marketing initiatives and signals our credibility in the market. Unlike some of our competitors, our marketing efforts are usually limited to specific and focused marketing events.

Human Resources

Employees

Our number of employees as of December 31, 2013, 2012 and 2011 was 1,098 employees (including a sales force of 265), 987 employees (including a sales force of 246) and 923 employees (including a sales force of 231), respectively.

Training

In order to meet the Central Bank's requirements, as well as improve the quality of our credit products, we regularly provide courses, seminars and conferences for our employees in their respective areas of expertise, including courses related to the prevention of money laundering. We also regularly pay for other courses and seminars requested by employees that we deem useful for our activities.

Payroll and Benefits

Our payroll expenses include expenses in connection with salaries, payroll charges and benefits. These benefits include: (i) meal vouchers, (ii) transport vouchers, (iii) fuel allowance (for commercial department only), and (iv) life insurance. We also maintain a profit sharing plan regulated by a collective bargaining agreement with the FEBRABAN and the Banking Trade Union (*Sindicato dos Bancários*) (the "Banking Trade Union"). For the year ended December 31, 2013, we had payroll expenses of R$185.6 million and the expenses of our profit sharing plan to employees amounted to R$38.4 million. For the year ended December 31, 2012, we had payroll expenses of R$165.8 million and the expenses of our profit sharing plan amounted to R$44.0 million, compared to R$134.1 million and R$33.4 million in the year ended December 31, 2011.

Unions and Collective Bargaining Agreements

Our employees are members of the Banking Trade Union and we are members of the Bank Association (*Sindicato dos Bancos*) (the "Bank Association"). We believe we have good relationship with our employees and unions and we have never experienced a strike or other labour slowdown.

Properties

We rent the building where our principal office in the city of São Paulo and the premises where our other branches are located. As of December 31, 2013, we also owned properties due to our foreclosure of

loans backed by real estate. Pursuant to regulations established by the Central Bank, we are required to sell this real estate within a year following its acquisition.

Intellectual Property

We own the "Daycoval" brand, as well its respective logo, and the "DayCred" brand, which are registered with the INPI.

We own the domain names "daycoval.com.br", "bancodaycoval.com.br" and "daycred.com.br", which are duly registered with the Information and Coordination Centre Dot Br (*Núcleo de Informação e Coordenação do Ponto Br*), or NIC.br, the entity responsible for registering domain names in Brazil.

Insurance

We maintain insurance policies with Itaú-Unibanco Seguros and Zurich Brasil Seguros, covering Bankers Blanket Bond risk and part of property risk, ACE Seguros covering Directors & Officers risk. The total amount of this coverage is R$10.0 million.

We also have property insurance policies with Yasuda Seguros, which cover building and furniture risks and damages caused by fire, lightning and explosion, electric short circuits, robbery and aggravated theft. The total amount of this coverage is R$27.0 million and includes risks in our principal office in the city of São Paulo and the other premises where our branches and offices are located.

Our insurance policies are renewed on annual basis and contain standard terms and conditions applicable to insurance policies with similar coverage and in accordance with Brazilian regulations.

Material Agreements

We are parties to several agreements arising out of the normal course of our business, such as agreements for telecommunications, supply of goods and several services, such as banking services, security, collection and, information technology. We do not believe that any of those agreements taken individually is material.

We have entered into agreements with Daycoval Veículos FIDC in order to securitise portions of our loan portfolio. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources of Funding—Borrowings and Onlendings".

During the first quarter of 2009, we concluded an agreement with the Pioneer Investors pursuant to which the Pioneer Investors subscribed R$410.0 million of our Pioneer CDBs in a private placement. The operation was intended to increase our liquidity and strengthen our capital structure, provide funding to expand our corporate lending operations and diversify and extend the tenor of our funding. Upon subscribing the Pioneer CDBs, the Pioneer Investors acquired warrants which may be converted into ordinary shares and preferred shares of the Bank in whole or in part on a quarterly basis commencing March 31, 2011 at a fixed price of R$7.75 per share. As of December 31, 2013, the Pioneer Investors had converted warrants into 18,451,613 ordinary shares (representing approximately 11.5% of our ordinary shares and 7.3% of our total capital stock as of such date) and 47,318,675 preferred shares (representing approximately 51.8% of our preferred shares and 18.8% of our total capital stock as of such date). The remaining warrants may be converted into up to a maximum of 3,003,905 preferred shares and there are no outstanding warrants that may be converted into ordinary shares. The Pioneer CDBs mature on March 31, 2014 and pay interest through March 31, 2013 at a rate of 110% of the DI-CETIP Over rate and thereafter at a rate of 55% of the DI-CETIP Over rate.

On June 22, 2010, we entered into a financing agreement with the International Finance Corporation (the "IFC") pursuant to which it extended loans to us totalling U.S.$135 million and €23.5 million, consisting of five tranches with varying maturity dates between June 2012 and June 2015.

On November 19, 2010, we entered into a financing agreement with the Inter-American Investment Corporation (the "IIC") pursuant to which IIC and a syndicate of banks extended loans to us in an aggregate amount of U.S.$112.5 million, made up of two tranches with three year and five year maturities.

On December 21, 2010, we entered into an agreement with the Inter-American Development Bank ("IADB") pursuant to which the IADB agreed to make available a trade finance guarantee facility through which it may issue guarantees, up to an aggregate nominal amount of U.S.$50 million, in support of our payment obligations under instruments issued by us in connection with trade finance transactions.

On July 16, 2013, we entered into a new financing agreement with the IFC pursuant to which: (i) it extended to us an A loan totalling U.S.$50 million, in one tranche with a five-year maturity, and (ii) it and a syndicate of banks extended to us a B loan totalling U.S.$.225 million (or the equivalent amount in Euros), made up of three tranches with two- and three-year maturities.

Legal Proceedings

We are party to various judicial and administrative proceedings, including civil, labour and tax proceedings, arising in the ordinary course of our business. As of December 31, 2013, our provisions for legal proceedings were approximately R$910.7 million, of which R$892.8 million related to tax proceedings, R$14.4 million related to civil proceedings and R$3.5 million related to labour proceedings. We believe that our provisions for judicial and administrative proceedings are sufficient to meet our probable losses. We do not believe that any individual pending proceedings, if adversely decided, would have a material adverse effect on us.

Our principal tax proceedings are summarised below:

- IRPJ (*Imposto de Renda – Pessoa Jurídica*) proceedings: we have disputed (i) the deduction of the amounts we pay for the CSLL from the tax base used for the calculation of IRPJ and (ii) the effect from the non-recognition of monetary adjustments of our balance sheet. As of December 31, 2013, we had provisions of R$236.9 million in connection with these proceedings;

- CSLL (*Contribuição Social sobre o Lucro Líquido*) proceedings: we have challenged (i) the effect from the non-recognition of monetary adjustments of our balance sheet, and (ii) the application of a differentiated tax rate for the calculation of the CSLL, (iii) the deduction of the CSLL paid from our tax base relating to the fiscal year ended December 31, 1996 of interest on shareholders' equity we paid in that year, and (iv) the purported increase in the rate from 9% to 15% as of January 2008. As of December 31, 2013, we had provisions of R$189.1 million in connection with these proceedings;

- COFINS proceedings: we have disputed the tax base for the calculation for the COFINS, which we believe is applicable to our net income as opposed to our total income from financial intermediation. As of December 31, 2013, we had provisions of R$402.0 million in connection with these proceedings;

- PIS proceedings: we have disputed the tax base for the calculation of the PIS, which we believe is applicable to our net income as opposed to our total income from financial intermediation. As of December 31, 2013, we had provisions of R$62.9 million in connection with these proceedings.

SUBSIDIARIES AND AFFILIATES

The following table sets out the active subsidiaries of the Bank, showing the principal activity of the subsidiary and the Bank's proportion of its net worth as of December 31, 2013.

Name	Percentage owned	Principal activity
	(%)	
Direct Subsidiaries		
ACS Participações Ltda.	99.99	Investment holding company
Daycoval Asset Management Adm. Recursos Ltda.	99.99	Fund and portfolio management
Dayprev Vida e Previdencia S.A.	97.00	Insurance business
Indirect Subsidiaries		
Treetop Investments Ltd.	100.00	Investment holding company
IFP - Promotora de Serviços de Consultoria e Cadastro Ltda.	99.99	Financial services intermediation
SCC Agência de Turismo Ltda.	99.99	Travel and foreign exchange services

Through its subsidiaries, Banco Daycoval provides its customers with complementary financial products, such as asset management and insurance brokerage. Our principal subsidiaries are as follows:

ACS Participações Ltda.

ACS Participações Ltda. ("ACS") is a holding company which invests in and controls other companies owned by the Bank. We own 99.99% of ACS. As of December 31, 2013, ACS had shareholders' equity was R$170.2 million.

Daycoval Asset Management Administração de Recursos Ltda.

Daycoval Asset Management Adm. Recursos Ltda ("Daycoval Asset Management") carries out fund and portfolio management services for its clients. We own 99.99% of Daycoval Asset Management, which manages investment funds and asset portfolios of our clients. As of December 31, 2013, Daycoval Asset Management had shareholders' equity of R$22.2 million.

Dayprev Vida e Previdencia S.A.

We own 97.0% of Dayprev, through which we provide private pensions under the brand name Dayprev. The purpose is to support new payroll lending via life insurance as part of a pensions portfolio. As of December 31, 2013, Dayprev had shareholders' equity of R$23.9 million.

Treetop Investments Ltd.

Treetop Investments Ltd. is a company incorporated in the Bahamas and is used mainly as an investment vehicle for our operations, but does not engage in any commercial activity. As of December 31, 2013, Treetop had shareholders' equity of R$29.4 million.

IFP Promotora de Serviços de Consultoria e Cadastro Ltda.

IFP Promotora de Serviços de Consultoria e Cadastro Ltda. ("IFP") provides financial services intermediation to individuals. As of December 31, 2013, IFP had shareholders' equity of R$65.1 million.

SCC Agência de Turismo Ltda.

SCC Agência de Turismo Ltda. provides foreign exchange services. As of December 31, 2013, SCC Agência de Turismo Ltda. had shareholders' equity of R$11.3 million.

MANAGEMENT AND EMPLOYEES

Management

Pursuant to our bylaws and Brazilian Corporation Law, we are managed by a *Conselho de Administração*, or board of directors, and a *Diretoria*, or board of executive officers. Our bylaws provide for a non-permanent fiscal council.

Board of Directors

Pursuant to our bylaws, our board of directors is composed of a minimum of five and a maximum of 10 directors, of which 20% must be independent directors. Should this percentage result in a fractional number, our board of directors may proceed to round it up, if the fraction is equal to or higher than 0.5, or down, if lower than 0.5. Therefore, if our board of directors comprises five members, at least one member must be an independent director. The minutes of the shareholders' meeting that elects the independent director must clearly identify such director.

Our board of directors is responsible for defining our general business policies and overall guidelines, including our long-term strategies, and for controlling and monitoring our performance. The duties of our board of directors include, among other things, electing or removing our executive officers and supervising our management team.

The members of our board of directors are elected at a shareholders' meeting for two-year terms, reelection being permitted. The board members may be removed at any time pursuant to a decision of a shareholders' meeting.

As a result of the execution of an agreement to join the Level 2 segment of BM&FBOVESPA and of our adherence to the Level 2 regulation, our directors are required to sign an instrument of adherence to this regulation and our agreement with the BM&FBOVESPA prior to taking office. In addition, under our bylaws, the members of our board of directors are required to adhere to the regulation of the market arbitration chamber established and managed by the BM&FBOVESPA.

In accordance with Brazilian Corporation Law, minority shareholders of a listed company, whose interest in the voting shares represent a minimum of 15.0% of the company's voting capital stock, have the right to elect one member of the board of directors in a separate voting process at a shareholders' meeting. In addition, holders of non-voting preferred shares or preferred shares with restricted voting rights that represent at least 10.0% of the company's capital stock, or holders of either common or preferred shares in the aggregate representing a minimum of 10.0% of the capital stock, have the right to elect one member of the board of directors in a separate voting process at a shareholders' meeting.

Currently, our board of directors is composed of six members, two of whom are independent directors. The term of office of our directors extends through the annual shareholders' meeting to be held to analyze and approve our financial statements for the year ended December 31, 2014.

The table below shows the names, position and date of election of the current members of our board of directors. The business address of our board of directors is Av. Paulista, 1793, Bela Vista – 01311-200 – São Paulo – SP, Brazil.

Name	Position	Election Date
Sasson Dayan[1]	Chairman	April 29, 2013
Gustavo Henrique de Barroso Franco	Independent Member	April 29, 2013
Peter M. Yu	Independent Member	April 29, 2013
Morris Dayan[1][2]	Member	April 29, 2013
Carlos Moche Dayan[1][2]	Member	April 29, 2013
Rony Dayan[1]	Member	April 29, 2013

Note:

(1) Common shareholder. See "—Shares held by our directors and officers".

(2) Carlos Moche Dayan is the son of Sasson Dayan, one of the founders of the Bank and chairman of our Board of Directors. Morris Dayan is the son of Ibrahim Dayan, one of the founders of the Bank.

Except for the stockholding participations referred to in this section or as disclosed in "Related Party Transactions", we have no relevant agreements with and obligations to the members of our board of directors. Insofar as the Bank is aware, there are no conflicts, or potential conflicts, between any duties to the Bank of any of the members of the board of directors and their private affairs.

We set out below brief biographical descriptions of the members of our board of directors:

Sasson Dayan. Mr. Sasson Dayan is currently chairman of our board of directors. He started his career in Lebanon at Casa Bancária Salim A. Dayan, which was founded by his father. In 1968, he incorporated Daycoval DTVM in Brazil together with his brother Ibrahim Dayan. In 1970, they also founded Valco Corretora de Valores Mobiliários, which had significant operations in the BOVESPA. In 1989, Daycoval DTVM was authorised to operate as a multiple bank and became Banco Daycoval S.A.

Gustavo Henrique de Barroso Franco. Mr. Gustavo Franco is currently an independent member of our board of directors. From 1986 to 1993, he was a professor, researcher and consultant specialised in inflation, stabilisation and international economic issues. From 1993 to 1999, he was the adjunct secretary of economic policy of the Ministry of Finance, director for international affairs and president of the Central Bank. Mr. Franco played an essential role in the formulation and structuring of the *Real* Plan, among other activities. In 1999, he worked as a professor in the economics department of *Pontifícia Universidade Católica do Rio de Janeiro*, or PUC-Rio. In 2000, he founded Rio Bravo Investimentos S.A., a consulting financial company, where he serves as CEO. He is also a member of the board of directors of various companies, as well as consultant and speaker in corporate events. Mr. Franco holds a degree in economics from PUC-Rio and a masters degree in economics from PUC-Rio. He also holds a Ph.D in economics from Harvard University.

Peter M. Yu. Mr. Peter Yu is currently an independent member of our board of directors. He is the Managing Partner of the Cartesian Capital Group. Prior to founding Cartesian, Mr. Yu founded and served as Chief Executive Officer of AIG Capital Partners, Inc. ("AIGCP"). Under his leadership, AIGCP became a leading emerging market private equity firm, with more than U.S.$4.5 billion under management. Prior to forming AIGCP, Mr. Yu served President William Clinton as Director of the National Economic Council, the White House office responsible for developing economic policy. A graduate of Harvard Law School, Mr. Yu served as President of the Harvard Law Review and as a law clerk on the U.S. Supreme Court. Mr. Yu received a BA from Princeton University's Woodrow Wilson School.

Morris Dayan. Mr. Morris Dayan is currently a member of our Board of Directors and has been our officer since March 1998. From 1991 to 1992, he worked as a trainee in the Republic National Bank of New York and between 1992 and 1994 he worked with us as a trader. He has participated in various courses in the BM&FBOVESPA. Mr. Morris Dayan graduated from the University of Jerusalem with degrees in economics and philosophy.

Carlos Moche Dayan. Mr. Carlos Dayan is currently a member of our Board of Directors and has been our officer since March 1998 and has worked with us as a sales manager since 1994. Mr. Carlos Dayan graduated from the *Universidade de São Paulo* with a degree in economics and he holds an MBA from the FGV.

Rony Dayan. Mr. Rony Dayan is currently a member of our Board of Directors. He earned a degree in Business Administration from the FGV in 2001. He attended specialisation courses in management and leadership in Israel. He is fluent in French, English, Spanish, Hebrew and Portuguese. He has worked at Banco Daycoval since 2001, where he has been responsible for the marketing department and collateral review.

Board of Executive Officers

Under our bylaws, our board of executive officers is composed of a minimum of four and a maximum of 12 members, one of whom is designated as our chief executive officer, one of whom is designated as our investor relations officer, up to five of whom are designated as executive officers and the rest simply designated as officers. Our executive officers are our legal representatives, responsible for the day-to-day management of our operations and for implementing the policies and general guidelines set by our board of directors. Under Brazilian Corporation Law, our executive officers must reside in Brazil, but do not need to be shareholders.

Our executive officers are elected by our board of directors for two-year terms, reelection being permitted. Under the Brazilian Corporation Law, a maximum of one-third of our directors may also serve as our executive officers. In addition, our executive officers may be removed at any time pursuant to a decision taken by our board of directors.

Like our directors, our executive officers are also required to execute a management statement under which they are personally responsible for complying with Level 2 regulation and the agreement with BM&FBOVESPA, prior to taking office. In addition, under our bylaws, our executive officers are required to adhere to the regulation of the market arbitration chamber established and managed by the BM&FBOVESPA.

Currently, our board of executive officers is composed of five members. The table below shows the names, age, titles and date of election of our current officers.

Name	Position	Election Date
Salim Dayan[(1)]	Chief Executive Officer	April 26, 2012
Morris Dayan[(1)(2)]	Executive Officer	April 26, 2012
Carlos Moche Dayan[(1)(2)]	Executive Officer	April 26, 2012
Ricardo Gelbaum	Investor Relations Officer	April 26, 2012
Maria Regina R.M. Nogueira	Officer	April 26, 2012
Albert Rouben	Officer	April 26, 2012
Nilo Cavarzan	Officer	April 26, 2012
Alexandre Teixeira	Officer	July 23, 2013
Alexandre Rhein	Officer	November 25, 2013

Note:

(1) Common shareholder. See "—Shares held by our directors and officers".

(2) Carlos Moche Dayan is the son of Sasson Dayan, one of the founders of the Bank and chairman of our board of directors. Morris Dayan is the son of Ibrahim Dayan, one of the founders of the Bank.

We set out below brief biographical descriptions of the members of our board of executive officers:

Salim Dayan. Mr. Salim Dayan has been our chief executive officer since April 2012 and has worked with us as a sales manager since 1991. Mr. Salim Dayan graduated from the *Universidade de São Paulo* with a degree in production engineering and he holds his MBA from *Instituto Brasileiro de Mercado de Capitais*.

Morris Dayan. Mr. Morris Dayan has been our executive officer since 1989. See "Board of Directors" for a description of Mr. Morris Dayan's resume.

Carlos Moche Dayan. Mr. Carlos Dayan has been our officer since March 1998. See "Board of Directors" for a description of Mr. Sasson Dayan's resume.

Ricardo Gelbaum. Mr Gelbaum graduated in business administration from the Getúlio Vargas Foundation and has a bachelors degree in Economics from *Universidade Gama Filho*. He has worked for more than 30 years in a number of important financial institutions in Brazil, including 10 years as executive officer for finance of Banco BMG S.A. He is also a director of the Brazilian Bank Association (*Associação Brasileira de Bancos* - ABBC).

Maria Regina R. M. Nogueira. Mrs. M. Regina Nogueira graduated from the *Fundação Armando Álvares Penteado* with a degree in economics. She attended several courses in the Continuing Education Programme at *Fundação Getúlio Vargas* oriented towards the financial market. She has participated in technical committees at the FEBRABAN, at the ANBIMA and at the ABBC. She has a strong background and broad knowledge in the banking and financial segment acquired during her executive career in various mid-size and large financial institutions over the last 25 years.

Albert Rouben. Mr. Rouben received an engineering degree from Technion - Israel Institute of Technology (Israel). He has 24 years of professional experience, 18 of which were gained in the financial markets. He is currently our superintendent of operations control, responsible for the implementation and management of a number of branches focused on the corporate operations in the main capital cities and industrial centres of Brazil.

Nilo Cavarzan. Mr. Carzavan received a degree in economic science from the *Fundação de Escola de Comércio Álvares Penteado* (FECAP). He has 36 years of professional experience, 22 of which were gained in financial institutions, where he specialised in product development. He has worked at Daycoval since 2004 in the payroll loan operations.

Alexandre Teixeira. Mr. Teixeira obtained an MBA at *Fundação Getúlio Vargas* and a Bachelor of Science in accounting sciences from *Faculdades Metropolitanas Unidas* – FMU. He has worked for over 29 years in domestic and multinational financial institutions, occupying positions of superintendent, executive director, regional general manager and other management and operational positions. He has expertise in the implementation and development of financial operations, most notably in portfolios, finance companies and leasing. He has worked for Daycoval since 2006 in the auto loans and other goods financing areas.

Alexandre Rhein. Mr. Rhein received a degree in electronic engineering from *Instituto Tecnológico de Aeronáutica* (ITA). He also did postgraduate work at the FGV and received an MBA from the

BM&FBOVESPA. He has a broad background in the field of information technology and during his career has been responsible for systems development, network infrastructure and technology areas in banks and other companies, including as a member of the global information security committee of a British multinational company. He was a member of the SWIFT working group in Brazil. He has been with Daycoval since 2006.

Fiscal Council

Under Brazilian Corporation Law, a fiscal council is a corporate body independent of the management and our independent accountants. A fiscal council may be either permanent or non-permanent, in which case it will be installed at the request of shareholders that represent at least 0.1% of the voting shares or 5% of the non-voting shares, presented at any shareholders' meeting in a specific year. Our fiscal council is non-permanent, according to our bylaws. When installed, the fiscal council will be composed of a minimum of three and a maximum of five members and their respective alternates, according to the Brazilian Corporation Law. Under our bylaws, our fiscal council members are subject to the rules of the market arbitration chamber established by the BM&FBOVESPA.

As our fiscal council is not currently installed, we have not elected any fiscal council members.

The primary responsibilities of the fiscal council are monitoring management activities, reviewing the company's financial statements and reporting its findings to the shareholders. Under the Brazilian Corporation Law, we are required to pay to fiscal council members, as compensation, a minimum of 10% of the average annual amount paid to our executive officers.

Under the Brazilian Corporation Law, our fiscal council may not include members that are (i) on our board of directors, or (ii) on our board of executive officers, or are (iii) employed by us or (iv) employed by a subsidiary or company under common control with us, or are (v) spouses or close family members of any member of our board of directors or board of executive officers.

Audit Committee

In 2009, we constituted and installed our audit committee, pursuant to CMN Resolution No. 3,198, issued by the CMN on May 27, 2004, as amended by CMN Resolution No. 3,416 dated October 24, 2006, CMN Resolution No. 3,606 dated September 11, 2008 and CMN Resolution No. 3,771 dated August 26, 2009 ("CMN Resolution No. 3,198"). The primary responsibilities of the audit committee are to review the quality and accuracy of our financial statements, to ensure compliance with applicable laws and regulations and to maintain our relationship with our independent accountants. The audit committee is also responsible for the quality of our internal audit procedures and the efficiency of our internal controls and risk management systems.

Compensation

Under our bylaws, our shareholders are responsible for establishing, at a shareholders' meeting, the aggregate amount we pay to the members of our board of executive officers and our board of directors. A board of directors' meeting must in turn allocate this amount among our directors and executive officers.

Aggregate compensation of the members of our board of directors and board of executive officers amounted to R$32.4 million in 2013.

Stock option plans

On May 21, 2008 the Extraordinary General Meeting approved our Stock Option Purchase Plan (the "Plan"). Those eligible to participate in the Plan are executives, managers, employees (of the Bank or of any

company under its control) and individuals who provide services to the Bank or to any company under its control. The options to purchase shares granted within the scope of the Plan may not exceed 5% of our total fully paid-up share capital stock. Our board of directors has approved four stock option programmes. The total number of options which had been granted as of December 31, 2013 pursuant to the Plan was 3,177,537, of which 1,793,832 had been exercised, 79,167 had been cancelled and 1,304,538 remained outstanding. For further discussion of the Plan, see the notes to our financial statements included in these Listing Particulars.

Shares held by our directors and officers

The table below indicates the number of our shares that are directly held by our directors and executive officers, as well as the respective individual percentages that their ownership represent in the total number of our shares, as of February 25, 2014.

Directors and executive officers	**Common shares**	**%**	**Preferred shares**	**%**	**% of our total shares**
Sasson Dayan……	55,381,891	34.4	50,000	0.0	22.1
Morris Dayan…….	53,617,344	33.3	5,317,386	5.9	23.5
Carlos Moche Dayan…….	24,931,314	15.5	5,317,390	5.9	12.0
Salim Dayan……	24,931,314	15.5	5,317,390	5.9	12.0
Rony Dayan……	2,007,929	1.2	15,305	0.0	0.8
Maria Regina R. M. Nogueira	-	-	53,616	0.1	0.0
Gustavo Henrique de Barroso Franco	-	-	1	0.0	0.0
Peter M. Yu	-	-	1	0.0	0.0
Albert Rouben			303,000	0.3	0.1
Nilo Cavarzan	-	-	4,905	0.0	0.0
Alexandre Rhein	-	-	25,604	0.0	0.0
Total	**160,869,792**	**100.0**	**16,404,598**	**18.1**	**6.4**

PRINCIPAL SHAREHOLDERS

We are controlled by the Dayan family, which holds 100.0% of our voting shares and 70.2% of our total capital stock. See "Summary—Structure of Banco Daycoval S.A.".

Our bylaws and the agreement between our are intended to ensure that such control is not abused.

On the date of these Listing Particulars, we have an authorised and subscribed share capital of R$1,868.8 million, consisting of 251,309,937 shares, divided in 160,869,792 common shares and 90,440,145 preferred shares with no par value (1,935,466 of which are held in treasury). Each common share is entitled to one vote. Our preferred shares do not have voting rights but shall have priority in the reimbursement of capital, without premium.

The principal shareholders of the Bank as of February 25, 2014 are as follows:

	Common shares		Preferred shares		Total	
Share holder	**Quantity**	**%**	**Quantity**	**%**	**Quantity**	**%**
Sasson Dayan	55,381,891	34.4	50,000	0.1	55,431,891	22.0
Morris Dayan	53,617,344	33.3	5,317,386	5.9	58,934,730	23.4
Carlos Moche Dayan	24,931,314	15.5	5,317,390	5.9	30,348,704	12.0
Salim Dayan	24,931,314	15.5	5,317,390	5.9	30,248,704	12.0
Rony Dayan	2,007,929	1.2	15,305	0.0	2,023,234	0.8
IFC	-	-	16,774,193	18.5	16,774,193	6.7
Cartesian			18,376,384	20.3	18,376,384	7.3
Wolfensohn	-	-	4,991,412	5.5	4,991,412	2.0
HSBC	-	-	4,324,591	4.7	4,324,591	1.7
Treasury shares	-	-	1,935,466	2.1	1,935,466	0.8
Other shareholders	1	0.0	28,110,466	31.1	28,110,467	11.2
Total	**160,869,792**	**100.0**	**90,440,145**	**100.00**	**251,309,937**	**100.00**

Share Buyback Plans

On January 18, 2013, our board of directors approved a share buyback plan (the "January 2013 Share Buyback Plan") pursuant to which up to 6,246,000 of our outstanding registered preferred shares could be repurchased at market value, using existing reserves, to be held in treasury and subsequently resold or cancelled, without a reduction in capital, in accordance with Law No. 6406, CVM Instruction No. 10 of February 4, 1980, and our bylaws. The maximum limit on the number of shares which could be repurchased pursuant to the January 2013 Share Buyback Plan was reached on January 30, 2013.

On December 17, 2013, our board of directors approved a share buyback plan (the "December 2013 Share Buyback Plan") pursuant to which up to 9,300,000 of our outstanding registered preferred shares could be repurchased at market value, using existing reserves, to be held in treasury and subsequently resold or cancelled, without a reduction in capital, in accordance with Law No. 6406, CVM Instruction No. 10 of February 4, 1980, and our bylaws. The maximum limit on the number of shares which could be repurchased pursuant to the December 2013 Share Buyback Plan was reached on December 31, 2013.

On January 22, 2014, our board of directors approved a share buyback plan (the "January 2014 Share Buyback Plan") pursuant to which up to 6,359,800 of our outstanding registered preferred shares may be

repurchased at market value, using existing reserves, to be held in treasury and subsequently resold or cancelled, without a reduction in capital, in accordance with Law No. 6406, CVM Instruction No. 10 of February 4, 1980, and our bylaws. The January 2014 Share Buyback Plan expires on January 22, 2015.

Agreement with Pioneer Investors

During the first quarter of 2009, we concluded an agreement with the Pioneer Investors pursuant to which the Pioneer Investors subscribed R$410.0 million of our Pioneer CDBs in a private placement. The operation was intended to increase our liquidity and strengthen our capital structure, provide funding to expand our corporate lending operations and diversify and extend the tenor of our funding. Upon subscribing the Pioneer CDBs, the Pioneer Investors acquired warrants which may be converted into ordinary shares and preferred shares of the Bank in whole or in part on a quarterly basis commencing March 31, 2011 at a fixed price of R$7.75 per share. As of December 31, 2013, the Pioneer Investors had converted warrants into 18,451,613 ordinary shares (representing approximately 11.5% of our ordinary shares and 7.3% of our total capital stock as of such date) and 47,318,675 preferred shares (representing approximately 51.8% of our preferred shares and 18.8% of our total capital stock as of such date). The remaining warrants may be converted into up to a maximum of 3,003,905 preferred shares and there are no outstanding warrants that may be converted into ordinary shares. The Pioneer CDBs mature on March 31, 2014 and pay interest through March 31, 2013 at a rate of 110% of the DI-CETIP Over rate and thereafter at a rate of 55% of the DI-CETIP Over rate.

RELATED PARTY TRANSACTIONS

The Bank, in common with other banks in Brazil, is prohibited from lending or advancing funds to, or guaranteeing the obligations of, or underwriting transactions of: (i) its directors, executive officers and managers, members of its fiscal council, their respective spouses and certain other relatives of such persons; (ii) any person or entity which holds more than 10% of its share capital; (iii) any entity of which it holds more than 10%. of the total capital (except subject to prior approval of the Central Bank in certain limited circumstances); and (iv) any entity of which any of the persons mentioned in (i) above holds more than 10% of the total capital.

Accordingly, we have not granted loans or made cash advances to, or guaranteed the transactions of, any of our non-financial affiliates or to our directors, officers or close family members of our directors and officers.

Certain affiliates, shareholders and subsidiaries maintain demand and time deposits with us or hold securities issued by us pursuant to transactions carried out on an arm's length basis on standard market terms. As of December 31, 2013, we held time deposits and demand deposits on behalf of, and had financial letters and other debt instruments outstanding held by, affiliates and other related parties in respect of which financial information is not consolidated within our financial statements in a total amount of R$233.0 million.

As of December 31, 2013, the total net amount of our related party transactions (including transactions with subsidiaries in respect of which financial information is consolidated within our financial statements) was a liability in the amount of R$202.7 million, as we held assets in the amount of R$30.3 million and liabilities in the amount of R$233.0 million.

See note 28 to our consolidated financial statements included in these Listing Particulars for further discussion of our related party transactions.

THE BRAZILIAN FINANCIAL SYSTEM AND BANKING REGULATION

The legal structure of the Brazilian Financial System (*Sistema Financeiro Nacional*, or "National Financial System") was established by Law No. 4,595 (banking sector), Law No. 6,385 (securities sector), Law No 12.154 of December 23, 2009 (pension funds sector), and Decree-Law No 73 of November 21, 1966 (private insurance sector).

Main Regulatory Agencies

The National Financial System consists of the following agencies:

(i) Macro-Regulatory Agencies:

- the CMN;
- the Brazilian Council for Private Insurance (*Conselho Nacional de Seguros Privados* – CNSP); and
- the Brazilian Council for Complementary Pension (*Conselho Nacional de Previdência Complementar* – CNPC).

(ii) Regulatory and Supervisory Agencies:

- the Central Bank;
- the CVM;
- the Brazilian Private Insurance Superintendence (*Superintendência de Seguros Privados* – SUSEP); and
- the Brazilian Complementary Pensions Superintendence (*Superintendência Nacional de Previdência Complementar* – PREVIC).

The CMN and the Central Bank regulate the Brazilian banking sector. The CVM regulates the Brazilian securities and capital markets. Below is a summary of the main attributes and powers of each of these regulatory agencies.

The CMN

Currently, the CMN is the highest authority in the Brazilian Financial System. It is responsible for formulating monetary and financial policies and for the overall regulation and supervision of monetary, credit, budgetary, fiscal and public debt policies. The CMN is responsible for:

- adjusting the volume of means of payment to the needs of the Brazilian economy;
- controlling the value of the currency and the country's balance of payments;
- regulating the establishment and operation of financial institutions;
- directing investment of public and private financial institutions, taking into account different regions of the country and favorable conditions for the stable development of the national economy;
- controlling Brazil's reserves of gold and foreign exchange;

- enabling the improvement of the resources of financial institutions and instruments;
- monitoring the liquidity and solvency of financial institutions;
- coordinating monetary, credit, budgetary, fiscal and public debt policies; and
- establishing the policy used for the organisation and operation of the Brazilian securities market.

The CMN has three members: the Minister of Finance, who is also the chairman of the CMN, the Minister of Planning, Budgeting and Management and the Chairman of the Central Bank.

The Central Bank

The Central Bank is a federal agency subordinated to the Ministry of Finance and is responsible for implementing the monetary and credit policies established by the CMN, by means of authorising the establishment of new financial institutions, monitoring the operations of state-owned and private-owned financial institutions, and, when required, applying penalties pursuant to Brazilian law. Pursuant to Law No. 4,595, the Central Bank is also responsible for, among others, regulating credit and foreign capital, receiving mandatory payments and voluntary demand deposits from financial institutions, carrying out rediscount operations and providing loans to banking institutions, in addition to functioning as the depositary for official gold and foreign currency reserves. The Central Bank is also responsible for authorising the establishment of financial institutions, controlling and approving their operations, transfer of ownership and corporate restructurings, as well as transfers of their principal place of business or branches (whether in Brazil or abroad) and also requires that they regularly submit financial statements.

The Chairman of the Central Bank is appointed by the President of Brazil, subject to confirmation by the Federal Senate. The Chairman of the Central Bank has an an indefinite term of office and may be dismissed at any time by the President of Brazil.

The CVM

The CVM is a federal agency subordinated to the Ministry of Finance and is responsible for regulating and monitoring the Brazilian securities and capital markets. Pursuant to Law No 6.385, the CVM has authority to: (i) implement the CMN´s policy in relation to securities and the capital markets, (ii) approve, suspend or cancel the registration of public companies, (iii) approve, suspend or cancel public offerings of securities, (iv) supervise the activities of public companies, organised OTC markets, exchange markets and commodities and futures markets, as well as members of the securities distribution system, (v) disclose information or issue recommendations providing guidance to market, and (vi) prohibit market participants from engaging in acts that could be detrimental to the operation of the market and its investors. Pursuant to Law No. 10,303 of October 31, 2001 ("Law No. 10,303"), the regulation and supervision of financial and investment funds (originally regulated and supervised by the Central Bank) were transferred to the CVM.

The CVM consists of a chairman and four directors, all appointed by the President of Brazil, subject to confirmation by the Federal Senate. The term of office of CVM directors is five years, they may not be re-appointed. In addition, one fifth of the members of the board must be substituted each year.

Legal Reform of the Brazilian Financial System—Amendment to the Brazilian Constitution

Former Article 192(3) of the Brazilian Constitution, enacted in 1988, established a maximum of 12.0% *per annum* on bank loan interest rates. However, since the Brazilian Constitution was enacted, this rate has not been enforced, as the constitutional provision was pending regulation. Several attempts were made to regulate the limitation on bank loan interest, but none of them were implemented. In May 2003, Constitutional Amendment 40/03 ("EC 40/03") was enacted which repealed the maximum interest rate and enabled congress

to legislate on this matter by means of specific laws. Brazilian Congress may now pass bills that regulate the National Financial System.

With the enactment of the Civil Code in 2002, the maximum interest rate applicable to bank loans has been pegged to the SELIC rate as established by the Central Bank, unless the parties have agreed to a different rate or another rate is provided for by law. However, some uncertainty still exists as to whether the SELIC rate or the 12.0% per annum interest rate established in the Brazilian tax code should apply and whether such maximum should apply to financial institutions.

In addition, the STJ has interpreted Article 5 of Provisional Measure No. 2,170-36 of August 23, 2001 as authorising the capitalisation of agreed rates in bank credit certificates, rural, commercial and industrial notes and in standard loan agreements entered into as of March 30, 2000, as long as interest rates are expressly provided for in these agreements. However, the constitutionality of this provision is pending judgement before the STF. In the event that this provision is deemed unconstitutional, prohibition on capitalisation of interest rates on a monthly basis under standard loan agreements could be restated.

Termination fees (*comissão de permanência*) are expressly forbidden for rural, commercial and industrial notes and certificates, due to the limitation on default charges. However, the STJ authorises them to be charged under bank credit certificates and standard loan agreements, as long as they are expressly provided for and are in accordance with the STJ Precedent No. 472. This predecent determines that the collection of termination fees may not exceed the sum of the interest and the late fees provided for in the loan agreement, and excludes liability to pay interest, late fees and contractual penalties.

Financial Bills (*Letras Financeiras*)

Law No. 12,249 of June 11, 2010 ("Law No. 12,249") creates the financial bill (*letra financeira*, or "LF"), a long-term debt security, enabling a new category of fund raising by Brazilian financial institutions. On August 23, 2012 the CMN issued Resolution No. 4,123 ("CMN Resolution No. 4,123") that regulates the issuance of LFs. Pursuant to CMN Resolution No. 4,123, LFs must have (i) a minimum nominal amount of either R$300,000 (for subordinated LFs) or R$150.000 (for unsubordinated LFs), and (ii) a minimum tenor of 24 months. LFs may be publicly offered in the Brazilian capital markets in accordance with the applicable CVM regulations.

Provisional Measure No. 608, enacted on February 28, 2013, and converted into Law No. 12,838 on July 9, 2013, sets forth certain additional requirements applicable to the issuance of LFs and allows Brazilian banks to issue subordinated LFs. In addition, LFs may be accounted for as regulatory capital, subject to conditions specified by the CMN.

Structured Operations Certificates (Certificados de Operações Estruturadas)

On September 5, 2013, the CMN enacted CMN Resolution No. 4,263 ("CMN Resolution No. 4,263"), which regulates issuances of Structured Operations Certificates (*Certificados de Operações Estruturadas*, or "COEs"), created by Law No. 12,249. Pursuant to CMN Resolution No. 4,263, a COE is a certificate issued against an initial investment, representative of a single and indivisible set of rights and obligations, with a profitability structure that has characteristics of derivative financial instruments. Only multiple-service banks, commercial banks, investment banks and savings banks are authorised to issue COEs, which must be issued exclusively in book-entry form, through the registration in a registry and clearing system authorised by the Central Bank or CVM. A COE can reference price indices, bond indexes, securities indexes, interest rates, exchange rates, securities and other underlying assets, including those disclosed or traded abroad, with due observance of the same requirements for assets in Brazil, including regarding exchanges and OTC markets, which must be regulated by the competent foreign authorities. CMN Resolution No. 4,263 became effective 120 days after it was enacted.

Principal Limitations and Restrictions on Financial Institutions

Activities carried out by financial institutions are subject to several limitations and restrictions. In general terms, such limitations and restrictions are related to credit granting, risk concentration, investments, sales under repurchase agreements, loans in and trading with foreign currency, investment funds management, micro-credit and payroll deductable loans.

Restrictions on the Extension of Credit

Financial institutions may not grant loans nor guarantee the transactions of their affiliates, except in some limited circumstances. For this purpose, the law defines an affiliate as:

- any company or individual that holds more than 10.0% of the capital stock of the financial institution;
- any entity whose board of executive officers is made up of the same, or substantially the same, members as that of the financial institution's board of executive officers;
- any company in which the financial institution holds more than 10.0% of the capital stock, or which is under common control with the financial institution; or
- the executive officers and directors of the financial institution and their family members, and any company in which these persons hold more than 10.0% of the capital stock, or in which they are also managers.

The restrictions with respect to transactions with related parties do not apply to transactions entered into with financial institutions in the interbank market.

Moreover, there are currently certain restrictions on financial institutions which limit their ability to grant loans to public sector entities, such as government subsidiaries and governmental agencies. These restrictions are in addition to restrictions on indebtedness to which these public-sector entities are subject.

Repurchase Transactions

Repurchase transactions (*operações compromissadas*) are transactions involving assets that are sold or purchased subject to the occurrence of certain conditions. Upon the occurrence of any such conditions, and depending on the terms of the particular agreement, the seller or the buyer may be required to repurchase, or resell the assets, as the case may be. The conditions triggering the repurchase or resale obligation vary from one transaction to the other, and typically must occur within a particular time frame.

Repurchase transactions executed in Brazil are subject to operational capital limits, based on the financial institution's shareholders' equity, as adjusted in accordance with Central Bank regulations. A financial institution may only hold repurchase transactions in an amount up to 30 times its reference shareholders' equity. Within this limit, repurchase transactions involving private securities may not exceed five times the amount of the reference shareholders' equity. Limits on repurchase transactions involving securities backed by Brazilian governmental authorities vary in accordance with the type of security involved in the transaction and the perceived risk of the issuer, as established by the Central Bank.

Foreign Currency Loans

Upon registering with the Central Bank, financial institutions may borrow foreign currency-denominated funds in the international markets without the prior written consent of the Central Bank, including onlending such funds in Brazil to Brazilian corporations and other financial institutions. Banks make those onlending transactions through loans payable in Brazilian currency and denominated in such foreign currency. The terms of the onlending must mirror the exact terms and conditions of the original transaction. The interest rate charged on the underlying foreign loan must also conform to international market

practices. In addition to the original cost of the transaction, the financial institution may only charge an onlending commission.

The Central Bank may establish limitations on the term, interest rate and general conditions of foreign-currency loans. It frequently changes these limitations in accordance with the economic environment and the monetary policy of the Federal Government.

Asset Management Regulation

On May 5, 1999, the CVM enacted Instruction No. 306, as amended ("Instruction CVM No. 306"), which provides that only natural or legal persons authorised by the CVM may act as managers of third-party assets. Authorised institutions must (i) segregate the management of third-party assets from their other activities, (ii) appoint a CVM-accredited officer as the agent responsible for management and supervision of such assets, and (iii) establish a specialised technical department to render these services.

On August 18, 2004, the CVM enacted Instruction No. 409, as amended, which consolidates the rules applicable to investment funds (except in relation to certain structured investment funds, which are regulated by a distinct set of rules). Fund managers must also be authorised by the CVM, pursuant to Instruction CVM No. 306, in order to manage investment fund portfolios.

The asset management industry is also self-regulated by ANBIMA, which enacts additional rules and standards of best practices, primarily with respect to marketing and advertising.

Micro-credit Regulation

The Federal Government has taken several measures intended to encourage lower-income individuals to have greater access to the Brazilian Financial System. Such measures include the requirement for providing credit allocation, the simplification of banking procedures and the liberalisation of credit union (*cooperativas de crédito*) regulations.

Since 2003, commercial banks, full service banks licensed to provide commercial banking services, and Caixa Econônima Federal ("CEF") must allocate 2.0% of their cash deposits to low-interest-rate loan transactions designated for lower-income individuals, small companies and informal entrepreneurships. According to CMN Resolution No. 4,000 of August 25, 2011, as amended ("CMN Resolution No. 4,000"), and CMN Resolution No. 4,424 dated June 28, 2013, interest rates on these loans cannot exceed 2.0% per month (or 4.0% per month in specific production finance transactions), the repayment term cannot be less than 120 days, except in specific circumstances, and the principal amount of the loan cannot exceed R$2,000 for individuals and R$5,000 for micro-enterprises (or R$15,000 in specific production finance transactions).

For the purpose of compliance with CMN Resolution No. 4,000, the CMN enacted Resolution No. 4,050, of January 26, 2012, as amended, which authorises commercial banks, full service banks licensed to provide commercial banking services and CEF to grant credit loans to individuals whose monthly income is equal to or less than ten Brazilian minimum wages; provided that such credit is clearly designated for the acquisition of goods and services to aid disabled persons.

Regulations Aimed at Ensuring the Strength of the Brazilian Financial System

Restrictions on Risk Concentration

Brazilian law prohibits financial institutions from concentrating their risk in only one person or group of related persons. The law prohibits a financial institution from extending credit to any person or group of related persons in an aggregate amount equivalent to 25.0% or more of the financial institution's regulatory capital. This limitation applies to any transaction involving the extension of credit, including those involving:

- loans and advances;
- guarantees; and
- underwriting, purchase and renegotiation of securities.

Restrictions on Investment

Financial institutions may not:

- hold, on a consolidated basis, permanent assets that exceed 50.0% of their reference shareholders' equity;
- own real property, other than property for their offices and service outlets; or
- acquire equity interests in other financial institutions abroad, without prior approval of the Central Bank.

When a bank receives real estate as payment of a debt, such property must be sold within one year. Such one-year limit may be extended for two additional periods of one year, subject to the Central Bank's approval.

Internal Compliance Procedures

All financial institutions must establish internal policies and procedures to control their:

- activities;
- financial, operational and management information systems; and
- compliance with all applicable regulations.

The board of executive officers of a financial institution is responsible for implementing an effective structure of internal controls by defining responsibilities and control procedures and establishing corresponding goals at all levels of the institution. The board of executive officers is also responsible for verifying compliance with internal procedures.

An internal audit department, which reports directly to the company's board of directors, must be responsible for monitoring the internal control system.

The financial institutions must designate a technically qualified senior manager to be responsible for compliance with all regulations regarding financial statements and auditing.

Independent Accountants and Audit Committee

On May 27, 2004, the CMN enacted Resolution No. 3,198, as amended, ("CMN Resolution No. 3,198") which establishes certain requirements in respect of financial institutions' independent accountants and requires financial institutions to have an audit committee.

All financial institutions must have their accounts audited by independent accountants. Independent accountants can only be hired if they are registered with the CVM, certified in specialised banking analysis by the IBRACON and if they meet several requirements that assure their independence. Moreover, CMN Resolution No. 3,198 requires that financial institutions replace the person, officer, manager, supervisor or any of its members responsible for their independent accounting firm work at least every five years. Former accountants can be reassigned to the audit team only after three complete years have passed since their prior service.

Pursuant to CMN Resolution No. 3,198, all financial institutions: (i) with a regulatory capital or a consolidated regulatory capital equal to or greater than R$1 billion; (ii) managing third party assets in the amount equal to or greater than R$1 billion; or (iii) managing third party assets and deposits in the aggregate amount equal to or greater than R$5 billion, must create an internal audit committee within one year from indicating in its financial statements that any such parameter has been reached. The audit committee must be created pursuant to the financial institution's bylaws and must be composed of, at a minimum, three individuals, at least one of whom is an expert in accounting and auditing. The audit committee must report directly to the board of directors.

The independent accountants, in the course of their audit or review procedures, and the audit committee should notify the Central Bank of the existence or evidence of error or fraud within a maximum period of three business days from the respective identification of the same, represented by:

- non compliance with legal and regulatory norms that place the continuity of the audited entity at risk;
- fraud of any amount perpetrated by the administration of said institution;
- relevant fraud perpetrated by entity employees or third parties; or
- errors that result in significant errors in the accounting records of the entity.

Audit Committee

Audit committee members of financial institutions with shares traded on a stock exchange may not be or have been in the previous twelve months: (i) the officer of the institution or its affiliates; (ii) an employee of the institution or its affiliates; (iii) the technician responsible, officer, manager, supervisor or any other member of a management post of the team involved in auditing activities at the institution; or (iv) a member of the institution's audit council or that of its affiliates; including as a spouse, blood relative, surety, affinity and second degree relatives of such persons.

Audit committee members of publicly traded financial institutions are also forbidden from receiving any other kind of remuneration from the institution or its affiliates other than that relating to their respective post as a member of the audit committee. In the event an audit committee member of the institution is also a member of the board of directors of the institution or its affiliates, such member must opt for remuneration related to one of the posts.

The audit committee should report to the board of directors or officers, as applicable, and its main duties are to:

- nominate the independent accountants to be elected by the board of directors;
- supervise the work of the independent accountants;
- request that the independent accountants be substituted whenever deemed necessary;
- review the financial records for each half year period as well as the administrative and audit reports;
- supervise accounting and auditing, including compliance with in-house procedures and applicable regulations;
- evaluate the compliance of the financial institution's administration with the guidelines provided by the independent accountant;

- establish procedures for receiving and disclosing information in the event of any noncompliance with in-house procedures or applicable regulations;

- offer guidance to officers and directors with regard to in-house controls and procedures to be adopted; and

- meet every three months with officers and directors, independent accountants and in-house accountants to verify compliance with its guidelines.

Furthermore, Brazilian regulation also permits the creation of a single audit committee for an entire group of companies. In this particular case, the audit committee should be responsible for any and all financial institutions belonging to the same group.

Financial Reporting Requirements

Brazilian law requires financial institutions to prepare their financial statements in accordance with certain standards established by the Brazilian corporations law and other applicable regulations. As a financial institution, we are required to have our financial statements audited every six-months. Quarterly financial information, as required by Central Bank and CVM regulations, is subject to review by independent accountants.

New CMN Regulation for Credit Assignment

CMN Resolution No. 3,533 of January 31, 2008 ("CMN Resolution No. 3,533") establishes the procedure and rules for accounting for assigned credit rights. Pursuant to CMN Resolution No. 3,533, if the assignor substantially retains the risks and benefits of the assigned credits, such credits may not be recorded as off–balance sheet loans. This provision is also applicable to: (i) assignments with repurchase commitments; (ii) assignments in which the assignor undertakes the obligation to compensate the assignee for losses; and (iii) assignments made jointly with the acquisition (or subscription) of subordinated shares in receivables investment funds (*Fundo de Investimento em Direitos Creditórios*, or "FIDCs") by the assignor.

Capital Adequacy Guidelines

Brazilian financial institutions must comply with guidelines established by the Central Bank and the CMN that are similar to those of the Basel II Accord on risk-based capital adequacy, which is currently being implemented. The banks provide the Central Bank with the information necessary for it to perform its supervisory functions, which include supervising the movements in the solvency or capital adequacy of banks.

The main principle of the Basel II Accord, as implemented in Brazil, is that a bank's own resources must cover its principal risks, including credit risk, market risk and operational risk.

The requirements imposed by the Central Bank and the CMN differ from the Basel II Accord in several aspects. Among other differences, the Central Bank and the CMN:

- impose a minimum capital requirement of 11% in lieu of the 8% minimum capital of, as required by the Basel II Accord;

- require an additional amount of capital with respect to off-balance sheet interest rate and foreign currency swap operations;

- assign different risk weighting and credit conversion factors to some assets, including a risk weighting of 300.0% on deferred tax assets other than temporary differences;

- require calculation and report on the minimum capital and capital ratios on a consolidated basis;

- require banks to set aside a portion of their equity to cover operational risks as of July 1, 2008, which varies from 12.0% to 15.0% of average income amounts from financial intermediation; and

- do not allow the use of external rating to calculate the minimum capital required. The Central Bank adopts a conservative approach to defining the capital demand of corporate exposures.

- consider regulatory capital for the determination of operating limits of Brazilian financial institutions, comprising the sum of the following two tiers:

    - Tier-1 equity is represented by the net shareholders' equity plus the balance of positive income accounts and of the deposit in the linked account for making up for capital deficiency, less the amounts corresponding to the balances of negative income accounts, revaluation reserves, contingency reserves, and special profit reserves concerning mandatory dividends not distributed, preferred shares issued with a redemption clause and preferred shares with cumulative dividends, certain tax credits, deferred fixed assets (less the premiums paid on acquiring the investments), and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category and derivative financial instruments used for hedging cash flow.

    - Tier-2 equity is represented by revaluation reserves, contingency reserves, special reserves of profits concerning mandatory dividends not distributed, in addition to preferred cumulative stock issued by financial institutions authorised by the Central Bank, preferred redeemable stock, subordinated debt and hybrid debt capital instruments and the balance of non-accounted gains or losses resulting from mark-to-market securities classified in the "securities available for sale" category, and derivative financial instruments used for hedging the cash flow.

The total amount of Tier-2 equity is limited to the total amount of Tier-1 equity, provided that: (i) the total amount of revaluation reserves is limited to 25.0% of the Tier-1 equity; (ii) the total amount of subordinated debt plus the total amount of redeemable preferred shares with an original term to maturity below 10 years is limited to 50.0% of the total amount of the Tier-1 equity; and (iii) a 20.0% reduction shall be applied to the amount of the subordinated debt and preferred redeemable stock in Tier-1 Capital annually for the five years preceding the respective maturities.

On March 1, 2013, the CMN and the Central Bank enacted four Resolutions and 15 Circulars in order to implement in Brazil the recommendations of the Basel III regulations (the "Basel III Regulations"). The new regulations follow the guidelines of the Public Hearing No. 40, disclosed on February 17, 2012 with some material changes. CMN Resolution No. 4,192, as amended by CMN Resolution No. 4,278, of October 31, 2013 ("CMN Resolution No. 4,192"), CMN Resolution No. 4,193, as amended by CMN Resolution No. 4,281, of October 31, 2013 ("CMN Resolution No. 4,193"), and CMN Resolution No. 4,194 became effective on October 31, 2013 and CMN Resolution 4,195 became effective on July 1, 2013. CMN Resolution No. 4,192 repealed CMN Resolution No. 3,444, CMN Resolution No. 3,532 and CMN Resolution 3,655, as well as articles 2, 3 and 4 of CMN Resolution No. 3,057 and article 6 of CMN Resolution No. 2,723.

The regulatory capital will continue to be composed by two tiers. Tier-1 Capital will have a 6.0% minimum (as of January 1, 2015), divided into two portions: common equity or *capital principal* (corporate capital and profit reserves, among other inclusions and deductions) of at least 4.5% and additional capital or *capital complementar* (hybrid debt and capital instruments authorised by the Central Bank, with certain deductions). Tier-2 capital will be composed of subordinated debt instruments authorised by the Central Bank, with certain deductions. Current hybrid instruments and subordinated debt approved by the Central Bank as additional capital or Tier-2 Capital are expected to be maintained as such if they also comply with Basel III regulations, including the mandatory conversion clauses into equity as directed by the Basel Committee. If such instruments do not comply with Basel III Regulations, there will be a yearly deduction of 10.0% on the

nominal value of such instruments, started as of October 1, 2013 (90%) and continuing on an annual basis from January 1, 2014 (80%) thereafter, until 0% or until January 1, 2022. CMN Resolution No. 4,193 also repealed CMN Resolution No. 2,772 and 3,490, and CMN Resolution No. 4,194 repealed CMN Resolution No. 3,897 (all as of October 1, 2013).

One of the most important change applicable to non-common Tier-1 or Tier-2 instruments is that, to be qualified as additional Tier-1 or Tier-2 Capital, as the case may be, the Basel III Regulations require an instrument to have a provision that requires such instruments to either be written off or converted into common equity upon a "trigger event". A "trigger event" includes: (1) common equity being lower than a certain percentage of the risk-weighted asset of the issuer and (2) the decision to make an injection of capital, or equivalent support as determined by the relevant authority, temporary intervention of the Central Bank or a discretionary determination by the Central Bank to write off or convert the instrument, without which the bank would become non-viable.

The Basel III Regulations define the criteria for calculation of various elements of a financial institution's risk weighted assets and also address which instruments qualify as regulatory capital, introducing the possibility that regulatory capital can include debt securities that may be written off or that may, in certain circumstances, be converted into equity. Specifically, under the Basel III Regulations, regulatory capital requirements will be increased in 2017 to a maximum of 13.0% of risk-weighted assets, of which from 2.5%to 5% will only be required as a countercyclical measure, with phase-in of the modifications beginning in 2013.

Basel III requires banks to maintain: (i) a minimum common equity capital ratio of 4.5%; (ii) a minimum Tier-1 Capital ratio of 6.0% (as of January 1, 2015); and (iii) a minimum regulatory capital ratio of 8% (as of January 1, 2019). In addition to the minimum capital requirements, Basel III Regulations will require a "capital conservation buffer" of 2.5% (but up to 5%, if so determined by the Central Bank). The capital conservation buffer would restrict certain discretionary distributions (such as bonuses to management, dividends, reduction of capital and repurchase of shares). The three basic minimum requirements were phased in as of October 1, 2013.

The following table presents the implementation schedule of the main changes related to capital adequacy and leverage expected with respect to Basel III Regulations:

Parameters	10/1/13	1/1/14	1/1/15	1/1/16	1/1/17	1/1/18	1/1/19
Common Equity	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Tier-1	5.5%	5.5%	6%	6%	6%	6%	6%
Regulatory Capital	11%	11%	11%	9.875%	9.25%	8.625%	8%
Conservative Capital	-	-	-	From 0.625% to 1.25%	From 1.25% to 2.5%	From 1.875% to 3.75%	From 2.5% to 5%

The verification of regulatory capital and new minimum capital requirements will be applicable to entities belonging to a consolidated (*consolidado*) group. From January 1, 2014, the consolidated prudential (*consolidado prudencial*) group includes the financial institutions authorised to operate by the Central Bank, as well as similar entities controlled by those financial institutions and investment funds in which financial institutions retain relevant risks and benefits.

A total of 15 Circulars from the Central Bank complete the regulations included among the Basel III Regulations and set forth the procedures for calculating the risk-weighted asset (RWA). Such Circulars implement several operations adjustments required for a new capital structure. For instance, the exposure to clearing houses, which were not included in the original regulatory scope, will now receive a 2% weight, in accordance with the security mechanisms offered by each institution. In addition, derivative transactions in the over-the-counter market will be subject to new capital requirements to face the marked to market adjustment as a result of the variation of the credit risk of the counterparty. The Circulars also improve the treatment to risk exposure to investment funds, securitisation instruments, and credit derivatives (among others). They also implement certain adjustments to risk weighting in order to adjust the system to the Basel III Regulations, in particular in relation to exposures relating to certain real estate credits and large corporate credits.

The Role of Federal Government in the Brazilian Banking System

In light of the global financial crisis, the Law No. 11.882 of December 23, 2008, was passed to authorise the Central Bank to use currency reserves to provide financial institutions with liquidity through rediscount operations and loan transactions. Furthermore, Law No. 11,908 of March 3, 2009, was enacted to increase the role of the federal government in the Brazilian banking system by authorising: (i) Banco do Brasil and CEF, both state-controlled financial institutions, to directly or indirectly acquire controlling and non-controlling participations in private and public financial institutions in Brazil, including insurance companies, pension institutions and capitalisation companies, (ii) the creation of Caixa Banco de Investimentos S.A., a wholly-owned subsidiary of CEF, with the purpose of conducting investment banking activities, and (iii) the Central Bank to carry out currency swap transactions with central banks of other countries.

On May 23, 2013, the CMN, with Resolution No. 4,222 ("CMN Resolution No. 4,222"), amended the bylaws of the Credit Guarantee Fund (*Fundo Garantidor de Crédito*, or "FGC") maintaining the rule that FGC can invest up to 50.0% of its net worth in: (i) the acquisition of credit rights of financial institutions and leasing companies; (ii) fixed-income securities issued by associated institutions, which must be secured by credit rights created or to be created with funds of the respective applications; and (iii) backed transactions (*operações ativas vinculadas*). The FGC may sell any assets acquired in transactions described in items (i), (ii) and (iii) of this paragraph.

Corporate Structure

Except for the cases set forth as exceptions in the law, financial institutions must be organised as corporations (*sociedades por ações*) and be subject to the provisions of the Brazilian corporations law and the regulations issued by the Central Bank, and to inspections by the CVM if they are registered as publicly listed corporations.

The capital stock of financial institutions may be divided into voting or non-voting shares, where non-voting shares may not exceed 50.0% of the total capital stock.

Classification of Credit and Allowance for Loan Losses

Under Central Bank regulations, financial institutions are required to classify their loan transactions with companies into nine categories, ranging from AA to H, in accordance with their risks. Risk assessment includes an evaluation of the borrower, the guarantor and the relevant loans. Credit classifications are determined in accordance with Central Bank criteria relating to:

- characteristics of the debtor and the guarantor, such as their economic and financial situation, level of indebtedness, capacity for generating profits, cash flow, delay in payments, contingencies and credit limits; and

- characteristics of the transaction, such as its nature and purpose, the sufficiency of the collateral, the level of liquidity and the total amount of the loan.

As of September 30, 2013, the Bank revised the criteria and parameters it uses to calculate its loan classifications, based mainly on factors such as customer risk history/real losses.

As a result of this change to the Bank's criteria, the information presented here for quarters prior to the third quarter of 2013 may not be comparable with the information presented for the third quarter of 2013 and beyond. In addition, if the information for the third quarter of 2013 that is presented here were instead based on the former criteria used by the Bank, the results could be different.

The regulations specify, for each loan category, a minimum loss provision as follows:

Loan category	Minimum provision
AA	0.0%
A	0.5%
B	1.0%
C	3.0%
D	10.0%
E	30.0%
F	50.0%
G	70.0%
H[1]	100.0%

Note:
(1) Banks must write off any loan within six-months after it is ranked H.

In general, banks must review their loan classifications annually. However, except for loans totalling less than R$50,000, banks must review loans:

- semi-annually, in any case where the aggregate amount of loans extended to a single borrower or economic group exceeds 5.0% of the bank's reference shareholders' equity; and
- monthly, in case the loans become overdue.

A loan may be upgraded if it has a credit support or downgraded if it is in default. Banks must write off loans within six-months after they are ranked H.

In case of loan transactions with individuals, the loan is graded based on data including the individual's income, net worth and credit history (as well as other personal data).

For loans that are past due, the regulations establish maximum risk classifications, as follows:

Number of Days Past Due[1]	Maximum Classification
1 to 14 days	A
15 to 30 days	B
31 to 60 days	C
61 to 90 days	D
91 to 120 days	E
121 to 150 days	F
151 to 180 days	G

Number of Days Past Due[1]	Maximum Classification
More than 180 days	H

Note:
(1) The period may be doubled in the case of loans with maturity in excess of 36 months.

Financial institutions are required to determine, on a monthly basis, whether any loans must be reclassified as a result of these maximum risk classifications, and, if so, must adjust their loss provisions in accordance with the regulations relating to minimum provisions described above.

In addition, financial institutions are required to make their lending and loan ranking policies available to the Central Bank and to their independent accountants. They must also provide information relating to their loan portfolio along with their financial statements, including:

- a breakdown of lending activities and nature of the borrower;
- maturity of the loans;
- amounts of rolled-over, written-off and recovered loans;
- loan portfolio diversification, in accordance with the risk classification; and
- overdue loans, divided between those up to 15 days overdue and those that are more than 15 days overdue.

Central Bank Credit Risk System

Financial institutions are required to provide information to the Central Bank concerning the extension of credit and guarantees rendered to clients. The information is used to:

- strengthen the Central Bank's supervisory capacity;
- make information regarding debtors available to other financial institutions (however, other institutions can only access information upon the client's authorisation); and
- prepare macro-economic analyses.

If the aggregate amount of a client's transactions exceeds R$5,000, the financial institution must provide the Central Bank with:

- the identity of such client;
- a breakdown of the client's transactions, including any guarantees rendered by the bank with respect to his/her obligations; and
- information regarding the client's credit risk classification, based on the credit risk classification policy described above.

For those transactions for which the total value is equal to or less than R$5,000, the financial institution must inform the Central Bank of all transactions for the client.

Futhermore, the CMN, through Resolution No. 3,721 of April 30, 2009, established new standards related to the internal credit risk management structure of financial institutions, which were adopted on

October 29, 2010. On March 4, 2013, the Central Bank enacted Circular No. 3,648, which establishes the minimum requirements for the use of internal credit risk classification systems in the calculation of required regulatory capital, as set forth in Resolution No. 4,193.

Anti-Money Laundering Law

Law No. 9,613, of March 3, 1998, as amended ("the Anti-Money Laundering Law") plays a major role for those engaged in banking and financial activities in Brazil. The Anti-Money Laundering Law sets forth the definition and the penalties for those involved in activities that consist of "laundering" or concealing of property, rights and assets, as well as a prohibition on using the financial system for these illicit acts.

Pursuant to the Anti-Money Laundering Law and Central Bank Circular No. 3,461, financial institutions must:

- identify and maintain up-to-date records regarding their clients;
- maintain internal controls and records;
- review transactions or proposals with characteristics which may indicate the existence of a money laundering crime;
- keep records of transactions involving electronic transfers and checks for a period of at least five years;
- keep records of transactions that exceed R$10,000 in a calendar month, or reveal a pattern of activity that suggests a scheme to avoid identifications, for a period of at least five years;
- keep records of transfers involving electronic transfers, checks, administrative checks or payment orders that exceed R$1,000; and
- inform the appropriate authorities (without the client's knowledge) of any suspicious transaction or set of transactions performed by individuals or entities pertaining to the same group of companies.

In addition, the Brazilian anti-money laundering law created the Financial Activity Control Council (*Conselho de Controle de Atividades Financeiras* or "Coaf"). The main role of the Coaf is to foster cooperation among the Brazilian governmental agencies responsible for implementing national anti-money laundering policies, in order to stem the performance of illegal and fraudulent acts. Their activities also include imposing administrative fines as well as examining and identifying suspected illegal activities pursuant to the Anti-Money Laundering Law.

On July 24, 2009, the Central Bank issued Circular No. 3,461, as amended by Circular No. 3,654 of March 27,2013, consolidating the procedures to be adopted by financial institutions in order to prevent the crimes set forth in the Anti-Money Laundering Law. Circular No. 3,461 sets forth requirements for financial institutions relating to (i) internal policies and controls systems, (ii) records of customer information, (iii) records of financial services and transactions, (iv) records of checks and transfer of funds, (v) records of prepaid cards, (vi) records of handling of resources in excess of R$100,000; and (vii) reports of material information to the Coaf. Furthermore, the CMN enacted several Circular-Letters with its understandings of the Anti-Money Laundering Law as well as the proceedings related to such interpretation. Circular-Letter No. 3,430 of February 11, 2010, clarifying concepts relating to customers and politically exposed persons, as well as procedures to be followed in connection with the identification of such customers or persons. On March 12, 2012, CMN enacted Circular-Letter No. 3,542, which discloses a list of transactions and situations which may indicate the occurrence of the crimes as provided for in the Anti-Money Laundering Law. These suspicious transactions must be reported to the Coaf.

Also on March 12, 2012, the Central Bank amended the rules applicable to procedures that must be adopted by financial institutions in relation to the prevention and combat of money laundering and terrorism financing, as a response to the recommendations of the Financial Action Task Force ("FATF"), an inter-governmental body for combating money laundering, terrorist financing and other related threats to the international financial system. The main measures include: (i) enactment of Circular No. 3,583 of March 12, 2012, which sets forth that (a) financial institutions must not initiate any relationship with clients, or proceed with existing relationships, if it is not possible to fully identify such clients; and (b) anti-money laundering procedures are also applicable to agencies and subsidiaries of Brazilian financial institutions located abroad; and (ii) enactment of Circular No. 3,691 of December 16, 2013, establishing that the institutions authorised to operate in the Brazilian foreign exchange market with financial institutions located abroad must verify if the other party is physically present in the country where it was organised and licensed or is subject to effective supervision.

Clean Company Law

Brazil's President Dilma Rousseff recently signed Law No. 12,846 dated August 1, 2013, known as the "clean company law", which became effective on January 29, 2014. This law sets forth strict liability for companies and prohibits acts such as bribery, fraud in public procurement, bid rigging (and other conduct that aims to restrict competition in public bids), fraud in contracts signed with public bodies, impairing investigations by public officers, influencing or financing others to engage in illegal acts against the government, manipulating the economic and financial balance of a public contract, and gaining any type of advantage from amendments to or extensions of public contracts.

Politically-Exposed Individuals

The Central Bank enacted Circular No. 3,461 of July 24, 2009 ("Central Bank Circular No. 3,461"), as amended, requiring financial institutions other institutions authorised to operate by the Central Bank to implement policies, procedures and internal controls in order to improve the prevention and avoidance of activities relating to the crimes described in the Anti-Money Laundering Law.

The Central Bank Circular No. 3,461 sets forth, among other things, that these institutions must take certain actions to establish business relationships with, and to follow up on financial transactions of, clients who are deemed to be politically-exposed individuals. Pursuant to Article 4 of Central Bank Circular No. 3,461, for purposes of such regulation, politically-exposed individuals are public agents, including their immediate family members, spouses, life partners and stepchildren of public agents. Under such regulation, a public agent is defined as a person who occupies or has occupied a relevant public office or position over the past five years in Brazil or other countries, territories and foreign jurisdictions. The five-year term runs retroactively from the initial date of the business relationship or from the date when the client became a politically-exposed individual.

In addition, such institutions must adopt reinforced and continuous surveillance actions with regard to business relationships with politically-exposed individuals, paying special attention to proposed relationships and transactions of such individuals originating from countries with which Brazil has a large volume of financial and commercial transactions, common borders or ethnic, language or political proximity.

Tax Evasion Law

Generally, information protected by bank secrecy laws can only be furnished in compliance with a court order or an order by a Federal Congressional Inquiry Committee (*Comissão Parlamentar de Inquérito*).

However, the Central Bank may provide information generally protected by bank secrecy laws without judicial authorisation within the performance of its supervisory powers, as long as they have sufficient circumstantial evidence that a client has engaged in tax evasion. Such evidence may be represented by, among others:

- the client reporting transactions with a value lower than its market value;
- loans acquired from sources outside the financial system;
- transactions involving "tax havens";
- expenses or investments which exceed the declared available income;
- overseas currency remittances through non-resident accounts in amounts which exceed the declared available income; and
- legal entities that have their registration with the General Taxpayers Registry cancelled or declared invalid.

Additionally, in accordance with Normative Ruling No. 811, of January 28, 2008, of the Brazilian Revenue Service, as amended, financial institutions must report certain information relating to transactions carried out in Brazil, such as payments and deposits, among others.

Regulations Affecting Liquidity in the Financial Market

The Central Bank currently imposes compulsory deposit and other related requirements upon financial institutions from time to time. The Central Bank uses reserve requirements on demand deposits, savings deposits and time deposits as a mechanism to control the liquidity of the Brazilian financial system. Historically, those imposed reserves have accounted for substantially all amounts required to be deposited with the Central Bank.

In light of the global financial crisis in 2008 and 2009, the CMN and the Central Bank enacted the following measures to provide the National Financial System with greater stability, including:

- increasing the rate for demand deposit reserve requirements from 42.0% to 43.0% from July 2010 to July 2012, 44.0% from July 2012 to July 2014, and 45.0% as of July 2014, 45.0% being the rate that was in effect prior to the global financial crisis;
- restoring the rate for time deposit reserve requirements from 13.5% to 15.0% effective March 29, 2010, and further from 15.0% to 20.0%, effective as of December 2010;
- limiting the deductibility from financial institutions' time deposit reserve requirements of certain transactions with smaller financial institutions with a consolidated Tier 1 Capital of no more than R$5 billion; and
- introducing the requirement that reserve amounts be funded entirely in cash, with time deposit reserve amounts earning interest at the SELIC rate and demand deposit reserve amounts earning no interest.

Below are some of the current types of reserves:

Demand Deposits. Pursuant to Circular No. 3,632 of February 21, 2013, which amended and restated rules in respect of reserve requirements over demand deposits, banks and other financial institutions are generally required to deposit 45.0% of the daily average balance of their demand deposits, bank drafts, collection of receivables, collection of tax receipts, debt assumption transactions and proceeds from the realisation of guarantees granted to financial institutions in excess of R$44 million with the Central Bank on a non-interest-bearing basis. However, up until the calculation and compliance periods beginning (i) on June 2, 2014 and June 18, 2014, respectively, for institutions classified by the Central Bank as Group A institutions for purposes of demand deposits, and (ii) on June 9, 2014 and June 25, 2014, respectively, for institutions classified by the Central Bank as Group B institutions for purposes of demand deposits, the applicable rate shall be 44%. At the

end of each day, the balance in such account must be equivalent to at least 80.0% of the reserve requirement for the respective calculation period, which begins on the Monday of one week and ends on the Friday of the following week. On December 27, 2012, the Central Bank enacted Circular No. 3,622, which sets forth that compliance with the requirements for demand deposits may be carried out with deduction of the amount corresponding to the updated outstanding balance of the loans granted as of December 21, 2012 and which are in accordance with certain criteria established for the sub-programs of Resolution No. 4,170 dated December 20, 2012, as amended by CMN Resolution No. 4,274 dated October 31, 2013 and by CMN Resolution No. 4,300 dated December 30, 2013. This deduction is limited to 20.0% of the deposit requirement and only applies to financial institutions which, in September 2012, had Tier 1 capital above R$6.0 billion.

Savings Deposits. Pursuant to CMN Resolution No. 3,103 of June 25, 2003, CMN Resolution No 3,932 of December 16, 2010, Central Bank Circular No. 3,128 of June 24, 2002 and Central Bank Circular No. 3,130 of June 27, 2002, Brazilian financial institutions are generally required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, an amount in cash equivalent to 20.0% of the average aggregate balance of savings accounts during the prior week. In addition, a minimum of 65.0% of the total amount of deposits in saving accounts must be used to finance the real estate sector, being 80.0% of that percentage necessarily allocated to residential real estate or the housing construction sector, as determined by CMN Resolution No. 3,932. Pursuant to CMN Resolution No. 3,023 of October 11, 2002, as amended, the Central Bank established an additional reserve requirement of 10.0% on the savings account funds captured by the entities of the SBPE. CMN Resolution No. 3,843 of March 10, 2010 prohibits financial institutions from using securities issued by the Brazilian federal government to satisfy this additional reserve requirement.

Time Deposits. In accordance with Central Bank Circular No. 3,569 of December 22, 2011, as amended ("Central Bank Circular No. 3,569"), banks are subject to a mandatory reserve of 20.0% of the average daily balance of their time deposits and certain other amounts, after a deduction of R$30.0 million, in the amount exceeding: (i) R$3.0 billion, for financial institutions with Tier I component of regulatory capital below R$2.0 billion; (ii) R$2.0 billion, for financial institutions with Tier I component of regulatory capital equal or higher than R$2.0 billion and below R$5.0 billion; (iii) R$1 billion, for financial institutions with Tier I component of regulatory capital equal or higher than R$5.0 billion and below R$15.0 billion; and (iv) zero, for financial institutions, such as the Bank, with Tier I component of regulatory capital higher than R$15.0 billion. If the applicable reserve requirement of a financial institution is below R$0.5 million, such financial institution will be exempt from the reserve requirements set forth by Central Bank Circular No. 3,569 and amendments therein. Amounts subject to this reserve requirement shall be deposited in cash on a specific account and, at the end of each day, deposited amounts shall be equivalent to 100.0% of the applicable reserve requirement.

On May 21, 2012, with Circular No. 3,594, amending Circular No. 3,569, the Central Bank permitted banks subject to mandatory collections to (in addition to the transactions already established in Central Bank Circular 3,569) deduct from amounts to be collected loans for and commercial leasing of automobiles and light commercial vehicles extended after May 22, 2012, as long as the loans are recorded in the banks' respective assets and originated by each bank: (i) itself; (ii) another bank that belongs to the same financial conglomerate; or (iii) a bank controlled directly or indirectly by such bank. Central Bank Circular No. 3,594 also establishes that this deduction may be effected by the bank while the credit operations remain recorded in their assets, in an amount equivalent to total updated loan balances as of the last day of each calculation period, up to a maximum 36.0% of assets.

On March 27, 2013, the Central Bank enacted Circular No. 3,655, which amended and consolidated rules regarding an additional reserve requirement on deposits captured by multiple-service banks, investment banks, commercial banks, development banks, credit, financing and investment companies, real estate companies and savings and loan associations. Pursuant to that regulation, the aforesaid entities are required to deposit in an interest-bearing account with the Central Bank, on a weekly basis, the cash equivalent to the sum of the following amounts: (i) 11.0% of the arithmetic average of the time deposits funds and certain other amounts subject to the respective reserve requirement; (ii) 10.0% of the arithmetic average of the savings deposits funds

subject to the respective reserve requirement; and (iii) 0.0% of the arithmetic average of the demand deposits funds subject to the respective reserve requirement.

These amounts must be discounted from (i) R$3.0 billion for financial institutions with an adjusted Tier I component of regulatory capital below R$2.0 billion, (ii) R$2.0 billion for financial institutions with Tier I component of regulatory capital below R$5.0 billion and equal to or higher than R$2.0 billion, (iii) R$1.0 billion for financial institutions with Tier I component of regulatory capital below R$15.0 billion and equal to or higher than R$5.0 billion, (iv) or zero for financial institutions with a Tier I component of regulatory capital equal to or higher than R$15.0. The reserve requirements must be met in cash on a specific account and, at the end of each day, the balance in the interest-bearing account must be equivalent to 100.0% of the additional reserve requirement.

Foreign Currency and Gold Exposure

Pursuant to CMN Resolution No. 3,488 of July 8, 2011, the total consolidated exposure of a financial institution in foreign currencies and gold cannot exceed 30.0% of its reference shareholders' equity.

Pursuant to Central Bank Circular No. 3,548 dated July 8, 2011 as amended by Central Bank Circular No. 3,619 of December 18, 2012, 60.0% over the final sale day trade of foreign exchange of financial institutions (deducted from U.S.$3,000,000,000) were generally required to be deposited in an account at the Central Bank. However, the Central Bank, through Circular No. 3,659 of June 25, 2013, amended Circular No. 3,548, reducing the required deposits to zero. Financial institutions for which the amount to be deposited is lower than R$100,000 are exempt from such deposit.

Rural Lending

According to the Manual of Rural Lending, as published by the Central Bank, financial institutions are required to maintain a daily average balance of rural lending not less than 25.0% of the daily balance of all accounts subject to compulsory reserve requirements. Financial institutions must provide the Central Bank with evidence of compliance with such requirement by the fifth business day of each month. A financial institution that does not meet this requirement will be subject to payment of fines calculated over the daily difference between the requirement and the portion actually used for rural lending and a pecuniary penalty or, at the financial institution's discretion, to deposit the unused amount until the last business day of the subsequent month in a non-interest-bearing account maintained with the Central Bank.

Repurchase Agreements, Export Notes, Etc.

The Central Bank at times has established a reserve requirement for certain types of financial transactions, such as repurchase agreements, export notes, derivative transactions and certain types of assignments. Central Bank Circular No. 2,820 of May 27, 1998 currently sets this reserve requirement at zero.

Taxation of Financial Transactions

Financial transactions in Brazil are generally subject to income tax and to the IOF.

The income tax assessed on the income received on financial transactions by Brazilian residents generally depends on: (i) the type of investment (fixed or variable income, as defined by Brazilian law; variable income investments usually being treated more favorably); and (ii) the term of the investment (long-term investments usually have a more favorable tax treatment). The income tax assessed on income deriving from financial transactions is: (a) for Brazilian legal entities, a prepayment of the corporate income tax due by them; and (b) exclusive for individuals that are Brazilian residents. As a general rule, investments in the Brazilian financial and capital markets made by individuals or legal entities resident or domiciled in regular tax jurisdictions are subject to the same taxation rules applicable to Brazilian. A favourable taxation regime is

available to those investments made in accordance with the rules set forth by the CMN (CMN Resolution 2,689). On the other hand, a higher taxation may be applicable if the investments originate from low tax jurisdictions and do not comply with the rules set forth by the CMN.

IOF

IOF is a federal tax levied on foreign exchange, securities/bonds, credit and insurance transactions. Pursuant to Article 153, §1, of the Brazilian Constitution, the IOF rate may be changed by an executive decree within certain limits defined by law. In addition, the IOF rate is not subject to the *ex post facto* principle, which provides that laws increasing the rate of any existing taxes or creating new taxes will only come into effect as of the latter of: (i) the first day of the year following their publication; and (ii) 90 days after their publication. In contrast, an executive decree increasing the IOF rate takes effect from its publication date. Executive Decree No. 6,306 of December 14, 2007, as amended ("IOF Regulations"), currently consolidates the IOF legislation.

IOF on Foreign Exchange Transactions

Pursuant to the IOF Regulations, foreign exchange transactions are subject to the levy of the IOF ("IOF/FX"). The current legislation allows the Minister of Finance to increase the IOF/FX up to a rate of 25.0% at anytime. At this point, Article 15-A of the IOF Regulations sets out that the current general IOF/FX rate is 0.38%, although there are some exceptions, such as:

(i) foreign exchange transactions for the inflow of funds, including symbolic transactions, related to external credits, subject to registration with the Central Bank, involving direct external credits or credits obtained by means of issuance of notes in the international market with a minimum average term of up to 360 days, in which case the IOF/FX rate is 6.0%;

(ii) foreign exchange transactions for the inflow and outflow of funds related to external credits, excluding the transactions mentioned in item (i) above, in which case the IOF/FX rate is 0.0%;

(iii) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit cards, in which case the IOF/FX rate is 6.38% of the amount of the transaction;

(iv) foreign exchange transactions for the acquisition of goods or services outside Brazil with credit cards by the Federal Union, States, Municipalities, Federal District, as well as its foundations and autarchies, in which case the IOF/FX rate is 0.0%;

(v) foreign exchange transactions related to export of goods and services, in which case the IOF/FX rate is 0.0%;

(vi) foreign exchange transactions for the inflow and outflow of funds related to investments made by investment funds that invest in non-Brazilian markets in accordance with the rules set forth by the CVM, in which case the IOF/FX rate is 0.0%;

(vii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian financial market executed on the BM&FBOVESPA in accordance with the rules set forth by the CVM (except for derivative transactions with pre-defined earnings), in which case the IOF/FX rate is 0.0%;

(viii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian capital markets, including the acquisition of shares in public

offers and other similar transactions and investments in shares issued by Brazilian private equity (FIP) and venture capital (FIEE) funds, in which case the IOF/FX rate is 0.0%;

(ix) foreign exchange transactions for the symbolic inflow of funds in connection with the cancellation of depository receipts for investment in shares traded on the BM&FBOVESPA, in which case the IOF/FX rate is 0.0%;

(x) foreign exchange transactions for the symbolic inflow of funds due to conversion of the foreign investor regime from direct investment to investment in shares traded within the Stock Exchange in accordance with the rules set forth by the CMN, in which case the IOF/FX rate is 0.0%.

(xi) foreign exchange transactions for the inflow of resources for investment in securities issued in accordance with sections 1 and 3 of Law 12,431, such as infrastructure debentures, in which case the IOF/FX rate is 0.0%.

(xii) foreign exchange transactions for the inflow of funds related to investments made by non-residents in the Brazilian financial and capital markets, other than transactions described in items (vii) to (xi) above, in which case the IOF/FX rate was 6.0% and has been recently reduced to 0.0%;

(xiii) foreign exchange transactions for the return (outflow) of funds related to the investments made by non-residents in the Brazilian financial and capital markets mentioned in items (vii) to (xii) above, in which case the IOF/FX rate is 0.0%;

(xiv) foreign exchange transactions for the remittance of interest on net equity and dividends earned by foreign investors, in which case the IOF/FX rate is 0.0%;

(xv) foreign exchange transactions performed between financial institutions, in which case the IOF/FX rate is 0.0%;

(xvi) foreign exchange transactions made by international air transportation companies, domiciled abroad, for purposes of remitting resources derived from its local revenues, in which case the IOF/FX rate is 0.0%;

(xvii) foreign exchange transactions for the inflow of funds to cover expenses incurred in the country with credit cards issued abroad, in which case the IOF/FX rate is 0.0%;

(xviii) foreign exchange transaction related to the acquisition of foreign currency by financial institutions simultaneously contracted with a foreign currency sale transaction, exclusively when required by regulatory provision, except the transactions mentioned in items (i), (viii), (ix) and (xii), when the simultaneous foreign exchange transactions are specifically required in applicable regulations, in which case the IOF/FX rate is 0.0%;

(xix) foreign exchange transactions for the inflow of funds related to donations received by public financial institutions controlled by the federal government and intended to prevent, monitor and combat deforestation and promote the conservation and sustainable use of forests in Brazil, in which case the IOF/FX rate is 0.0%;

(xx) foreign exchange transactions for the inflow of funds, including through simultaneous exchange transactions, to post initial or additional margin requirements, required by stock, futures and commodities exchanges, in which case the IOF/FX rate is 0.0%;

(xxi) foreign exchange transactions for the inflow of the funds, including through simultaneous exchange transactions, to invest in Brazilian Depositary Receipts - BDR, in which case the IOF/FX rate is 0.0%;

(xxii) foreign exchange transactions to ensure compliance with the obligations of international credit card managers and commercial or multiple banks that act as credit or debit card issuers relating to withdrawals made abroad by their users, in which case the IOF/FX rate is 6.38%; and

(xxiii) foreign exchange transactions for the purchase of foreign currency and traveler checks as well as charging prepaid international cards, intended to cover personal expenses on international travels, in which case the IOF/FX rate is 6.38%.

IOF on Securities Transactions

Pursuant to Article 25 of the IOF Regulations, IOF may also be levied on transactions involving bonds or securities, including those carried out on Brazilian stock, futures or commodities exchanges as well as Brazilian over-the-counter markets ("IOF/Securities"). Article 29 of the IOF Regulations sets out that the IOF/Securities rate can be increased up to 1.5% per day of the amount of the taxed transaction, during the period in which the investor holds the securities, up to the amount equal to the gain made on the transaction and only from the date of its increase or creation, although certain transactions may be subject to specific rates.

IOF/Securities may be assessed on the national adjusted value of financial derivatives, except in cases of derivatives used as hedges for exports when the ratio between the daily sold exposure in the derivatives is not greater than 1.2 times the amount of total exports in the preceding year. For such transactions involving financial derivatives, the IOF-Securities rate used to be 1.0%, but was reduced to 0.0% as of June 13, 2013.

In addition, IOF/Securities is assessed on gains realised in transactions with terms of less than 30 days consisting of the sale, assignment, repurchase or renewal of fixed-income investments or the redemption of shares of mutual funds or investment pools. The maximum rate of IOF/Securities payable in such cases is 1.0% per day, up to the amount equal to the gain made on the transaction, and decreases with the duration of the transaction, reaching zero for transactions with maturities of at least 30 days, except that the rate for the following types of transactions is currently 0.0%:

- transactions carried out by financial institutions and other institutions chartered by the Central Bank as principals, except the consortium manager;
- transactions carried out by mutual funds or investment pools themselves;
- transactions carried out in the equity markets, including those performed in stock, futures and commodities exchanges and similar entities;
- redemptions of shares in equity funds;
- transactions with certificates of agribusiness credit rights (CDCA), with letters of credit for agribusiness (LCA), and certificates of agribusiness receivables (CRA);
- transactions with debentures, with certificates of real estate receivables (CRI), and financial letters; and
- transactions carried out by governmental entities, political parties and worker's syndicates.

IOF on Credit Transactions

IOF also applies to credit transactions, except for foreign credit ("IOF/Credit"). The IOF levied on credit transactions granted to legal entities is generally assessed at a daily rate of 0.0041%, up to a limit of 1.5%. Additionally, an IOF surtax of 0.38% is currently applicable to most credit transactions.

IOF on Insurance Transactions

In addition, IOF tax is levied on insurance transactions ("IOF/Insurance") at the rate of: (i) 0.0% in the operations of reinsurance, relating to export credits or to the international transport of goods and in operations in which the premiums are allocated to the financing of life insurance plans with coverage for survival, among others; (ii) 0.38% of premiums related to life insurance plans without coverage for survival, among others; (iii) 2.38% of premiums paid in the case of health insurance; and (iv) 7.38% of premiums paid in the case of other types of insurance. Rural insurance, among certain other specific insurance transactions, is exempt from IOF.

Taxation of Brazilian Corporations

Brazilian companies' income tax is made up of two components, a federal income tax and social contribution on taxable profits, which is known as the "Social Contribution on Net Profits". In turn, the federal income tax includes two components: a federal income tax and an additional income tax. The federal income tax is assessed at a combined rate of up to 25.0% of adjusted net income (the normal rate for Brazilian legal entities is 15.0% plus 10.0% for legal entities with annual profits exceeding R$240,000). The social contribution on net profits is currently assessed at a rate of 15.0% for financial institutions and 9.0% for non-financial institutions pursuant to Law No. 11,727 of June 23, 2008.

Companies are taxed based on their worldwide income rather than on income produced solely in Brazil. Therefore, profits, capital gains and other income obtained abroad by Brazilian entities will be computed in the determination of their net profits. In addition, profits, capital gains and other income obtained by foreign branches or income obtained from subsidiaries or foreign corporations controlled by a Brazilian entity will also be computed in the calculation of such entity's profits, in proportion to its participation in such foreign companies' capital. The Brazilian entity is allowed to deduct any income tax paid abroad, up to the amount of Brazilian income taxes imposed on such income.

As of January 1, 2002, Provisional Measure No. 2,158-35 determined that such profits, capital gains and other income obtained abroad by a controlled or affiliate company shall be subject to taxation on an accrual basis by the Brazilian entity on December 31 of every fiscal year, unless the Brazilian entity is liquidated before the date of its year-end balance sheet, in which case the profits are taxed at the time of its liquidation. The recently published Provisional Measure No. 627, dated November 11, 2013, brought new regulations regarding this matter, providing that the profits obtained abroad by affiliates shall be subject to taxation by the Brazilian entity on December 31 of the year that such profits are made available to the Brazilian entity, provided that the affiliate (i) is not subject to a low tax regime (those whose profits are taxed at a nominal rate lower than 20%), (ii) is not located in a favourable tax jurisdiction or not beneficiary of a privileged tax regime, (iii) is not controlled, directly or indirectly, by a legal entity subject to the treatment described in item (ii), and (iv) has active income equal to or greater than 80% of its total income. Those provisions will be in force as of January 2015, but taxpayers have been able to elect to apply its provisions as of January 2014. Provisional Measure No. 627 is still subject to changes during the voting process in Congress before becoming law.

Dividends deriving from profits generated as from January 1, 1996 are not subject to withholding income tax when paid, nor to corporate income tax or individual income tax on the person receiving the dividend. However, as the payment of dividends is not tax deductible for the company distributing them, there is an alternative regime for shareholder compensation called "interest on net equity" which allows companies to deduct any interest paid to shareholders from net profits for tax purposes. Although controversial, the Brazilian tax authorities have expressed their understanding that exempt dividends would be only those

deriving from profits calculated based on accounting rules in force until December 31, 2007, that is, before Brazil changed accounting principles in order to align with IFRS, and any dividends paid in excess would be subject to withholding income tax. This is still a controversial matter and Provisional Measure No. 627 stated that all dividends effectively paid until publication of such Provisional Measure, derived from profits assessed between January 1, 2008 and December 31, 2013, in amounts higher than the amounts calculated in accordance with accounting principles in force until December 31, 2007, are tax exempt, provided that the legal entity that paid such dividends elects to adopt Provisional Measure No. 627 as from January 1, 2014.

Law No. 9,249 dated December 26, 1995 allows a corporation to deduct from its net profits for tax purposes any interest paid to shareholders as remuneration of the shareholders' equity called "interest on net equity" or "interest on shareholder's capital". Distributions may be paid in cash. The interest is calculated on certain net equity accounts in accordance with the daily *pro rata* variation of the TJLP, as determined by the Central Bank from time to time, and cannot exceed the greater of:

- 50.0% of the net income (after social contributions on profit and before the federal income tax provision and the deduction of the interest amount attributable to shareholders) related to the period in respect of which the payment is made; or

- 50.0% of the sum of retained profits and profits reserves as of the date of the beginning of the period in respect of which the payment is made.

Any payment of interest to shareholders is subject to withholding income tax at the rate of 15.0%, or 25.0% in the case of a shareholder who is domiciled in a "tax haven" jurisdiction. These payments may be qualified, at their net value, as part of any mandatory dividend.

Tax losses carried forward are available for offsetting up to 30.0% of the annual taxable income. No time limit is currently imposed on the application of tax losses to offset future taxable income.

Two federal contributions are imposed on the gross revenues of corporate entities: the Social Integration Program (*Programa de Integração Social*, or "PIS") and the Social Security Financing Tax (*Contribuição para Financiamento da Seguridade Social*, or "COFINS").

In May 2003, the Brazilian Congress approved an increase in the rate of COFINS, payable by the financial services sector. Since September 2003, the PIS and COFINS have been imposed over financial institutions' gross revenues at a combined rate of 4.65%, but some specific costs, such as funding cost, are authorised to be deducted from the PIS and COFINS tax bases. The COFINS and the PIS rate for some non-financial companies have increased from 3.0% to 7.6% and from 0.65 to 1.65%, respectively, resulting in a combined rate of 9.25%, although certain deductions for expenses are authorised (non-cumulative PIS and COFINS regime). Pursuant to Section 1 of Decree No. 5,442 of May 9, 2005, the PIS and COFINS non-cumulative rates applicable to financial revenues received by legal entities (non-financial institutions) is zero per cent.

Law No. 12, 249 of June 11, 2010

The Brazilian government has introduced thin capitalisation provisions, effective as of January 1, 2010, through the enactment of Provisional Measure No. 472, enacted by the Brazilian government on December 15, 2009, later converted into Law No. 12,249 of June 11, 2010 ("Law No. 12,249"). As a general rule, thin capitalisation provisions are intended to limit the tax deductibility of interest payments made by a Brazilian company to: (i) related parties, as set forth in the Brazilian transfer pricing rules; or (ii) a beneficiary that is domiciled or incorporated in a tax haven jurisdiction or that benefits from a privileged tax regime.

Thin capitalisation rules are applicable to transactions with a foreign related party. Hence, the interest paid or credited to a foreign related party is deductible for IRPJ and CSLL purposes if, concurrently:

(i) in the case of indebtedness to a related party that holds a direct equity stake in the Brazilian entity, the relevant indebtedness of the Brazilian legal entity, on the interest accrual date, does not exceed two times the value of the stake held by the related party in the net worth of the Brazilian legal entity (individual limit);

(ii) in the case of indebtedness to a related party that does not hold a direct equity stake in the Brazilian entity: the relevant indebtedness of the Brazilian legal entity, on the interest accrual date, does not exceed two times the value of the net worth of the Brazilian legal entity (individual limit);

(iii) in either (i) or (ii) above, the sum of the indebtedness of the Brazilian legal entity to all related parties, on the interest accrual date, does not exceed two times the aggregate value of the stakes of all related parties in the net worth of the Brazilian legal entity (collective limit). However, pursuant to Law 12,249, this item (iii) does not apply in the event of indebtedness exclusively to foreign related parties which do not hold direct equity stakes in the Brazilian entity, in which case the total indebtedness cannot exceed two times the value of the net worth of the Brazilian legal entity. In cases where the lender is located in a tax haven jurisdiction or benefits from a privileged tax regime, the interest paid or credited to a lender (entity or individual) resident or domiciled in a tax haven jurisdiction or that benefits from a privileged tax regime is deductible for IRPJ and CSLL purposes, if the total indebtedness of the Brazilian legal entity to residents located in tax haven jurisdictions or that benefit from privileged tax regimes does not exceed 30.0% of the net worth of the Brazilian legal entity.

Moreover, pursuant to Law 12,249, there may be room for the tax authorities to interpret that interest payments or credits to an entity or individual resident or domiciled in a tax haven jurisdiction or that benefits from a privileged tax regime will not be deductible unless the following requirements are fulfilled, concurrently: (i) identification of the actual beneficiary abroad; (ii) evidence of the operational capacity of the foreign lender; and (iii) documentary evidence of payment of the respective price or receipt of the assets and rights or use of the service. For such purposes, the actual beneficiary is deemed to be (i) an entity that is not incorporated with the sole or main purpose of achieving tax savings and (ii) which receives such payments on its own account (rather than on behalf of a third party, as an agent or fiduciary manager, etc.). Since the provisions introduced by Law No. 12,249 are recent, it is still unclear how the tax authorities will interpret and apply such provisions. These new regulations may have an impact on the transactions performed by any Brazilian company.

Law No. 12,715 of September 17, 2012 and Law No. 12,766 of December 28, 2012

The Brazilian transfer pricing rules on the deductibility of interest were amended by Law 12,715 and Law 12,766.

Law 12,715 and 12,766 amended Law 9,430/1996, which sets forth transfer pricing rules for loans with related parties abroad or parties domiciled in favourable tax havens jurisdictions and privileged tax regimes as defined under Brazilian law. According to the current rules, interest payments arising from loans executed before January 1st, 2013 and registered with the Central Bank are not subject to transfer pricing scrutiny. For contracts executed as of January 1st, 2013, interest payments should observe the following benchmark rates ("Reference Rate") plus a spread set by the Ministry of Finance ("Spread") to determine the interest deductibility limits:

- In case of transactions in US dollars with prefixed rates: the Reference Rate will be the market rate of the Brazilian sovereign bonds issued in the international market in US dollars;

- In case of transactions in Brazilian *reais* with prefixed rates: the Reference Rate will be the market rate of the Brazilian sovereign bonds issued in the international market in Brazilian *reais*; and

- In all other cases the Reference Rate will be: Libor for a 6-month period of the currency in which the transaction is contracted, or Libor for a 6-month period for US dollars if there is no Libor for the specific currency of the transaction.

Pursuant to the Ministry of Finance's Ordinance No. 427, of July 30, 2013, the "Spread" for purposes of the deductibility of interest paid by Brazilian legal entities to related parties abroad and to parties located in favourable tax jurisdictions was established at a flat 3.5% rate, so that in order to determine the deductible amount of interest expenses from contracts executed as of January 1 2013,the maximum admitted rate will be calculated as the sum of the "Reference Rate" and the "Spread".

The Ministry of Finance's Ordinance No. 427/2013 also provides for a spread margin of 2.5% for the purposes of recognising minimum revenue in transactions carried out as from August 3, 2013, where the Brazilian company is the lender.

Law 12,766 expressly provides that novation and renegotiation are considered new contracts, which will result in the application of the new transfer pricing rules to the agreement.

Regulations Affecting the Bank's Relationship with its Clients

The relationship between financial institutions and their clients is regulated in general by laws applicable to all commercial transactions, and by the Brazilian Civil Code, in particular. However, regulations established by the CMN and the Central Bank address specific issues relating to banking activity and contracts, complementing the general regulation.

The Consumer Defense Code and the Banking Client Defense Code

In 1990, the Brazilian Consumer Defense Code (*Código de Defesa do Consumidor*) was enacted to establish rigid rules to govern the relationship between product and service providers and consumers and to protect final consumers. In June 2006, the Brazilian Supreme Court of Justice ruled that the Brazilian Consumer Defense Code also applies to transactions between financial institutions and their clients. Financial institutions are also subject to specific regulation of the CMN, which specifically regulates the relationship between financial institutions and their clients. CMN Resolution No. 3,694 of March 26, 2009, as amended by Resolution No. 4,283 of November 11, 2013, and CMN Resolution No. 3,919 of November 25, 2010, as amended by Resolution No. 3,954 of February 24, 2011, establish procedures with respect to the settlement of financial transactions and to services provided by financial institutions to clients and the public in general, aiming at improving the relationship between market participants by fostering additional transparency, discipline, competition and reliability on the part of financial institutions. The new regulation consolidates all the previous related rules. The main changes introduced by the Consumer Defense Code are described below:

- financial institutions must ensure that clients are fully aware of all contractual clauses, including responsibilities and penalties applicable to both parties, in order to protect the counterparties against abusive practices. All queries, consultations or complaints regarding agreements or the publicity of clauses must be promptly answered, and fees, commissions or any other forms of service or operational remuneration cannot be increased unless reasonably justified (in any event these cannot be higher than the limits established by the Central Bank);

- financial institutions are prohibited from transferring funds from their clients' various accounts without prior authorisation;

- financial institutions cannot require that transactions linked to one another must be carried out by the same institution. If the transaction is dependent on another transaction, the client is free to enter into the latter with any financial institution it chooses;

- financial institutions are prohibited from releasing misleading or abusive publicity or information about their contracts or services. Financial institutions are liable for any damages caused to their clients by their misrepresentations;

- interest charges in connection with personal credit and consumer directed credit must be proportionally reduced in case of anticipated settlement of debts;

- clients have the right to withdraw up to R$5,000 upon request. For higher amounts, clients are required to give the financial institution at least 24 hours' prior notice; and

- adequate treatment for the elderly and physically disabled.

Claims Department (*Ouvidoria*)

Our claims department complies with the regulatory requirements of CMN Resolution 3,849 of March 25, 2010. Our claims department is responsible for monitoring all our clients' claims, receiving and addressing these claims and suggesting any eventual solutions. Claims are monitored on a daily basis and our Internal Audit Committee, Audit Committee and Executive Officers are informed on the status of all claims received by our claims department on a semi-annual basis.

Bank Secrecy

Financial institutions must maintain the secrecy of their banking operations and services provided to their clients. According to Supplementary Law No. 105 of January 10, 2001 ("Supplementary Law No. 105") the only circumstances in which information about clients, services or operations of Brazilian financial institutions or credit card companies may be disclosed to third parties are the following: (i) disclosure of information with the express consent of the interested parties; (ii) sharing of information on credit history between financial institutions for record purposes; (iii) supply to credit reference agencies of information based on data from the records of subscribers of checks drawn on accounts without sufficient funds and defaulting debtors; and (iv) occurrence or suspicion that criminal or administrative illegal activities have been performed. Supplementary Law No. 105 also allows the Central Bank or the CVM to exchange information with foreign governmental authorities, provided that a specific treaty in that respect must have been previously executed.

Auditors of the Brazilian Internal Revenue Service may also inspect an institution's documents, books and financial registry in certain circumstances, provided that it obtains permission from the client or by a court order.

Bank Failure

Intervention, Administrative Liquidation and Bankruptcy

The Central Bank may intervene in the operations of a financial institution not controlled by the Federal Government if there is a material risk for creditors, or if the financial institution frequently violates applicable regulations. The Central Bank may also intervene if liquidation can be avoided or it may perform administrative liquidation or, in some circumstances, require the bankruptcy of any financial institution, except those controlled by the Federal Government.

Administrative Liquidation

An administrative liquidation of any financial institution (with the exception of public financial institutions controlled by the Federal Government, such as the Bank) may be carried out by the Central Bank if it can be established that:

- the debts of the financial institution are not being paid when due;
- the financial institution is deemed insolvent;
- the financial institution has incurred losses that could abnormally increase the exposure of the unsecured creditors;
- management of the relevant financial institution has materially violated Brazilian banking laws or regulations; or
- upon cancellation of its operating authorisation, a financial institution's ordinary liquidation proceedings are not carried out within 90 days or are carried out with delay representing a risk to its creditors, at the Central Bank's discretion. Liquidation proceedings may otherwise be requested, on reasonable grounds, by the financial institution's officers or by the intervener appointed by the Central Bank in the intervention proceeding.

Administrative liquidation proceedings may cease:

- at the discretion of the Central Bank if the parties concerned assume the administration of the financial institution after having provided the necessary guarantees;
- when the liquidator's final accounts are rendered and approved, and subsequently filed with the competent public registry;
- when converted to an ordinary liquidation; or
- when the financial institution is declared bankrupt.

Temporary Special Administration Regime

In addition to the aforesaid procedures, the Central Bank may also establish the Temporary Special Administration Regime (*Regime de Administração Especial Temporária* or "RAET"), as provided by Decree-Law No. 2,321 of February 25, 1987. The RAET is a less restrictive form of intervention by the Central Bank in private and non-federal public financial institutions and which allows institutions to continue to operate normally.

The RAET may be imposed by the Central Bank in the following circumstances:

- continuous practice of transactions contrary to the economic and financial policies established by federal law;
- the institution fails to comply with the compulsory reserves rules;
- the institution has operations or circumstances which call for an intervention;
- reckless or fraudulent management;

- the institution faces a shortage of assets; and
- the occurrence of any of the events described above that may result in a declaration of intervention.

The main objective of the RAET is to assist with maintaining the solvency and financial conditions of the institution under special administration. Therefore, the RAET does not affect the day-to-day business operations, liabilities or rights of the financial institution, which continues to operate in its ordinary course.

There is no minimum term for a RAET, which may cease upon the occurrence of any of the following events: (a) acquisition by the Federal Government of control of the financial institution, (b) corporate restructuring, merger, spin-off, amalgamation or transfer of the controlling interest of the financial institution, (c) decision of the Central Bank, or (d) declaration of extra-judicial liquidation of the financial institution.

Repayment of Creditors in Liquidation

In case of bankruptcy or liquidation of a financial institution, certain credits, such as credits for salaries up to 150 minimum wages (*salários mínimos*) per labour creditor, among others, will have preference over any other credits.

Under CMN Resolution No. 4,222, the FGC guarantees a maximum amount of R$250,000 of deposits and credit instruments held by an individual against a financial institution (or against financial institutions of the same financial group). In addition, the FGC provides a special guarantee for institutions authorised by the Central Bank in an amount of R$20 million. The FGC is funded principally by mandatory contributions from all Brazilian financial institutions that work with client deposits. The payment of unsecured credit and client deposits not payable under the FGC is subject to the prior payment of all secured credits and other credits to which specific laws may grant special privileges.

In addition, two laws affect the priority of repayment of creditors of Brazilian banks in the event of their insolvency, bankruptcy or similar proceedings. First, Law No. 9,069 of June 29, 1995 confers immunity from attachment on compulsory deposits maintained by financial institutions with the Central Bank. Such deposits may not be attached in actions by a bank's general creditors for the repayment of debts. Second, Law No. 9,450 of March 14, 1997 requires that the assets of any insolvent bank funded by loans made by foreign banks under trade finance lines be used to repay amounts owing under such lines in preference to those amounts owing to the general creditors of such insolvent bank.

Cancellation of Banking License

The Banking Reform Law, together with specific regulations enacted by CMN Resolution No. 1,065 of December 5, 1985, provides that some penalties can be imposed upon financial institutions in certain situations. Among them, a financial institution may be subject to the cancellation of its license to operate and/or to perform exchange transactions. Such cancellations are applicable under certain circumstances established by the Central Bank as, for instance, in case of repeated: (a) violation of the Central Bank regulations by the management of the financial institution, or (b) negligence of the financial institution in pursuing adequate banking practices concerning its exchange activities.

In addition, Central Bank may, according to CMN Resolution No. 4,122 of August 2, 2012, as amended by CMN Resolution No. 4,308, of January 30, 2014, cancel the authorisation to operate granted by the Central Bank if one or more of the following situations are verified at any time: (i) lack of customary performance of transactions deemed essential, pursuant to the applicable rules; (ii) operating inactivity; (iii) the institution is not located at the address informed to the Central Bank; (iv) unjustified interruption of sending the Central Bank the statements required under prevailing regulation for over four (4) months; and (v) noncompliance with the business plan.

Decree-Law No. 2,321 provides that, if the RAET is decreed, the individuals or legal entities that have a control relationship with the administered institution shall be held jointly liable with the former management for the obligations assumed thereby, irrespective of malicious or negligent acts thereunder. Such joint liability is limited to the overall uncovered liabilities of the institution according to a balance sheet prepared as at the date when the provisional administration system is ordered.

Furthermore, Law No. 9,447 of March 14, 1997, provides for the liability of controlling persons of the financial institutions under intervention, extrajudicial liquidation or RAET ("Law No. 9,447/97"). Law No. 9,447/97 determines that the controlling persons of a financial institution under extrajudicial liquidation or intervention are also jointly and severally liable for the obligations assumed by such institution. This same law further establishes that the assets of individuals or legal entities that exercise direct or indirect control over financial institutions under intervention, extrajudicial liquidation or temporary regulatory receivership must be rendered unavailable for disposal or encumbrance in any way, until their liability is eventually verified.

Brazilian Payment System

Based on the guidelines adopted by the Bank for International Settlements, Law No. 10,214 of March 27, 2001, established the new legal framework for the settlement of payments in Brazil. After a period of tests and gradual implementation, the Brazilian Payment and Settlement System began operating in April 2002. The Central Bank and CVM have the power to regulate and supervise this system. Pursuant to these rules, new clearing houses may be created and all clearing houses are required to adopt procedures designed to reduce the possibility of systemic crises and to reduce the risks currently borne by the Central Bank. The most important principles of the Brazilian Payment System are:

- the existence of two main payment and settlement systems: real-time gross settlements, using the reserves deposited with the Central Bank; and deferred net settlements, through the clearing houses;
- the clearing houses, with some exceptions, will be liable for the payment orders they accept; and
- bankruptcy laws do not affect the payment orders made through the credits of clearing houses, nor the collateral granted to secure those orders. However, clearing houses have ordinary credits against any participant under bankruptcy laws.

The systems consisting of the Brazilian clearing systems are responsible for creating safety mechanisms and rules for controlling risks and contingencies, for loss sharing among market participants and for direct execution of participants' positions, performance of their agreements and foreclosure of collateral held under custody. In addition, clearing houses and settlement services providers that are considered important to the system are obligated to set aside a portion of their assets as an additional guarantee for the settlement of transactions.

Under these rules, responsibility for the settlement of a transaction is assigned to the clearing houses and settlement service providers responsible for it. Once a financial transaction has been submitted for clearing and settlement, it generally becomes the obligation of the relevant clearing house and/or settlement services provider to clear and settle it and it is no longer subject to the risk of bankruptcy or insolvency on the part of the market participant that submitted it for clearing and settlement.

Financial institutions and other institutions authorised by the Central Bank are also required under these rules to create mechanisms to identify and avoid liquidity risks, in accordance with certain procedures established by the Central Bank. Resolution No. 4,090, issued by the CMN on May 24, 2012, sets forth that institutions are required to:

- maintain and document criteria for measuring liquidity risks and mechanisms for managing them;

- analyze economic and financial data to evaluate the impact of different market scenarios on the institution's liquidity and cash flow;
- prepare reports to enable the institution to monitor liquidity risks;
- identify and evaluate mechanisms for unwinding positions that could threaten the institution economically or financially and for obtaining the resources necessary to carry out such unwindings;
- adopt system controls and test them periodically;
- promptly provide to the institution's management available information and analyses regarding any liquidity risk identified, including any conclusions or remedies adopted; and
- develop contingency plans for handling liquidity crisis situations.

Acquisition of Companies by Financial Institutions

On March 29, 2012, CMN enacted Resolution No. 4,062 ("CMN Resolution No. 4,062"), which amends Article 8 of CMN Resolution No. 2,723 of May 31, 2000. Under the previous regulation in force, financial institutions were merely required to inform the Central Bank of their interest in the capital of any other company headquartered in Brazil and the partial or total disposal of their interest in such companies. The new rule, however, requires financial institutions, such as the Bank, to request prior authorisation from the Central Bank to have direct or indirect interest in the corporate capital of any companies headquartered in Brazil or abroad, except for corporate interests which are typical for investment or development portfolios maintained by investment, development or multiple banks and factoring agencies (*agências de fomento*). CMN Resolution No. 4,062 also establishes that the Central Bank will only allow interests in companies which carry out activities that are complementary or subsidiary to the activities of the financial institution.

On April 26, 2012, the Central Bank enacted Circular No. 3,590, which sets forth that the Central Bank will examine certain corporate reorganisations and other acts involving two or more financial institutions not only considering their potential effects on the financial system and its stability but also any potential impacts regarding market concentration and competition. Pursuant to Central Bank Circular No. 3,590, such acts will be subject to the Central Bank's analysis, except in the case of transactions involving institutions of the same economic group or credit assignments which do not involve a business transfer. The methodology and parameters used in the market concentration analysis of such activity will be included in the Guide for Analysis of Monopolistic Activity in the Financial System, to be published by the Department of Organisation of the Financial System of the Central Bank. Upon approval of the transaction, the Central Bank may establish certain restrictions thereon and require that the financial institutions execute a market share agreement that sets forth how resources will be shared.

Foreign Investment and the Brazilian Constitution

Foreign Banks

The Brazilian Constitution prohibits foreign financial institutions from establishing new branches in Brazil, except when duly authorised by the Federal Government (by means of a presidential decree). A foreign financial institution duly authorised to operate in Brazil through a branch or a subsidiary is subject to the same rules, regulations and requirements that are applicable to any Brazilian financial institution.

Foreign Investment in Brazilian Financial Institutions

The Brazilian Constitution permits foreign individuals or companies to invest in the voting shares of Brazilian financial institutions only if they have specific authorisation from the Federal Government.

Foreign investors may acquire publicly-traded non-voting shares of Brazilian financial institutions negotiated on a stock exchange, or depositary receipts offered abroad representing non-voting shares without specific authorisation.

Consolidation of Exchange Rules

CMN Resolution No. 3,844 consolidated the general provisions relating to foreign capital entering Brazil by way of direct investments and financial transactions. Such rule governs the registry of flows of direct investments, credits, royalties, transfers of technology and foreign leasing, among other things. The Central Bank, by means of Circular No. 3,689, Circular No. 3,690 and Circular No. 3,691, each dated December 16, 2013 ("Central Bank Circular No. 3,691"), took a step further in order to simplify the registration and classification of foreign exchange transactions and revoked several outdated rules, including the Exchange Market and Foreign Capital Rulebook (*Regulamento do Mercado de Câmbio e Capitais Internacionais*).

The main aspects of the abovementioned rules are the following:

- Financial transfers (to and from Brazil), in *reais* or foreign currency, related to the flow of foreign capital pursuant to Resolution No. 3,844 are regulated by the Brazilian foreign exchange market;
- Specific approvals or prior consent of the Central Bank are no longer required; and
- Presentation of certain information relating to the transaction to the Central Bank is no longer required;
- Simultaneous exchange agreements are no longer required for payment of premiums and indemnification related to international reinsurance when the flow of funds occurs in a foreign currency account held by an insurance sector company;
- Certain institutions operating in the foreign exchange market may now maintain more than one foreign currency account at the same site in Brazil;
- Certain records of exchange transactions no longer need to be maintained given that the anti-money laundering rules already cover such requirement; and
- Prepayments for goods to be exported from Brazil are no longer limited to being made up to 360 days in advance.

Social-Environmental Policy (PRSA)

On June 13, 2012, the Central Bank announced the terms of Public Hearing No. 41/2012, which discloses proposed regulations regarding: (i) the implementation of a social-environmental responsibility policy (*política de responsabilidade social ambiental*, or "PRSA") for financial institutions and other institutions authorised to operate by the Central Bank; and (ii) the preparation and disclosure of social-environmental responsibility reports.

The initial draft regulation establishes that financial and other institutions authorised to operate by the Central Bank must develop a PRSA, as a management tool for considering the social, economic and environmental components of their business in aid of establishing ethical and transparent relationships with their respective interested third parties. The second draft regulation provides general guidelines regarding the

preparation and disclosure of the social-environmental report to promote transparency in financial institutions' actions as well as to fulfill the requirements of the PRSA.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Final Terms, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or the Global Certificates representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to an amended and restated Agency Agreement (as amended or supplemented as at the Issue Date, the "Agency Agreement") dated December 8, 2010 between the Issuer, The Bank of New York Mellon as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "Deed of Covenant") dated December 8, 2010 executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents, the principal paying agent and the calculation agent(s) for the time being (if any) are referred to below respectively as the "Fiscal Agent", the "Paying Agents" (which expression shall include the Fiscal Agent), the "Registrar", the "Transfer Agents", the "Principal Paying Agent", and the "Calculation Agent(s)". The Noteholders (as defined below), the holders of the interest coupons (the "Coupons") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "Talons") (the "Couponholders") and the holders of the receipts for the payment of instalments of principal (the "Receipts") relating to Notes of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "Conditions"), "Tranche" means Notes which are identical in all respects.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1. Form, Denomination and Title

The Notes are issued in bearer form ("Bearer Notes") or in registered form ("Registered Notes") in each case in the Specified Denomination(s) shown hereon.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Instalment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("Certificates") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "Register"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "Noteholder" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "holder" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. No Exchange of Notes and Transfers of Registered Notes

(a) *No Exchange of Notes*: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) *Transfer of Registered Notes*: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) *Exercise of Options or Partial Redemption in Respect of Registered Notes*: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Conditions 2(b) or (c) shall be available for delivery within three business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(d)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the form

of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent (as defined in the Agency Agreement) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "business day" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) *Transfer Free of Charge*: Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) *Closed Periods*: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date.

3. Status

The Notes, the Receipts and Coupons relating to them constitute (subject to Condition 4) unsecured and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes, the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

4. Negative Pledge

The Issuer undertakes that, so long as any of the Notes, Receipts or Coupons remain outstanding (as defined in the Agency Agreement) it will not create any lien, pledge or other charge upon any of its present or future property, rights and assets as security for any notes or bonds denominated in a currency other than the lawful currency of Brazil which are either listed on a stock exchange or capable of being so listed unless the Notes are secured rateably by such lien, pledge or charge.

5. Interest and other Calculations

(a) *Interest on Fixed Rate Notes*: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date.

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes:

(i) *Interest Payment Dates*: Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Specified Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity", "Reset Date" and "Swap Transaction" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(I) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(II) above applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in

question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Index Linked Interest Notes*: The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified hereon and interest will accrue by reference to an Index or Formula as specified hereon.

(c) *Zero Coupon Notes*: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) *Dual Currency Notes*: In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified hereon.

(e) *Partly Paid Notes*: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(f) *Accrual of Interest*: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(g) *Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding*:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

(h) *Calculations*: The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such

Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(i) Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts: The Calculation Agent shall, as soon as practicable on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of each Specified Denomination of the Notes for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, the Principal Paying Agent, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(j) *Definitions*: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Business Day" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "TARGET Business Day") and/or

(iii) in the case of a currency and/or one or more Additional Business Centers, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Centre(s) or, if no currency is indicated, generally in each of the Additional Business Centers;

"Day Count Fraction" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "Calculation Period"):

(i) if "Actual/Actual" or "Actual/Actual - ISDA" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "Actual/365 (Fixed)" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(iii) if "Actual/360" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(iv) if "30/360", "360/360" or "Bond Basis" is specified hereon, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

Day Count Fraction =	$[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)$
	360

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D_1 is greater than 29, in which case D_2 will be 30;

(v) if "30E/360" or "Eurobond Basis" is specified hereon, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

Day Count Fraction =	$[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)$
	360

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30;

(vi) if "30E/360 (ISDA)" is specified hereon the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =	$[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)$
	360

where:

"Y_1" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y_2" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M_1" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M_2" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D_1" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D_1 will be 30; and

"D_2" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D_2 will be 30; and

(vii) if "Actual/Actual-ICMA" is specified hereon:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"Determination Period" means the period from and including a Determination Date in any year to but excluding the next Determination Date;

"Determination Date" means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

"Interest Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

"Interest Amount" means the amount of interest payable, and in the case of Fixed Rate Notes, means the Fixed Coupon Amount or Broken Amount, as the case may be;

"Interest Commencement Date" means the Issue Date or such other date as may be specified hereon;

"Interest Determination Date" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro;

"Interest Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"Interest Period Date" means each Interest Payment Date unless otherwise specified hereon;

"ISDA Definitions" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon;

"Rate of Interest" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon;

"Reference Banks" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified hereon;

"Reference Rate" means the rate specified as such hereon;

"Relevant Screen Page" means such page, section, caption, column or other part of a particular information service as may be specified hereon;

"Specified Currency" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated; and

"TARGET System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(k) *Calculation Agent*: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) *Redemption by Instalments and Final Redemption*:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or the relevant Instalment Date (being one of the dates so specified hereon) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(e) or 6(f), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is

calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(e) or 6(f), each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) *Early Redemption*:

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or 6(d) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or 6(d) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or 6(d) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) *Redemption for Taxation Reasons*: The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is either a Floating Rate Note or an Index Linked Note) or, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b)) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (I) in excess of the additional amounts the Issuer would be obliged to pay if payments were subject to withholding or deduction at a rate of 15% (the "Minimum Withholding Level") as a result of any change in, or amendment to, the laws or regulations of Brazil or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series and (II) in the case of Notes issued by the Bank acting through its Cayman Islands Branch, as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date in respect of the relevant Series, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Issuer shall not have the right to redeem the Notes in the event that it becomes obliged to pay additional amounts which are less than the additional amounts payable at the Minimum Withholding Level.

(d) *Redemption for Change of Control of the Issuer*: The Issuer shall, at the option of the holder of any Note, upon the holder giving not less than 15 nor more than 30 days' notice to the Issuer redeem such Note on the Redemption Date at its Early Redemption Amount (as described in Condition 6(b)) (together with interest accrued to the date fixed for redemption) if the Issuer ceases to be directly or indirectly owned and controlled by the Members of the Dayan Family as to at least 51% of both of its voting and total share capital (such event, a "Change of Control").

To exercise such option, the holder must deposit such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent within the notice period. No Note deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. The Issuer will give irrevocable notice (a "Change of Control Notice", which shall be published in accordance with Condition 14) to the Noteholders of the occurrence of a Change of Control not less than 15 nor more than 30 days after its occurrence (or such other notice period as may be specified hereon).

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meaning set out below:

"Members of the Dayan Family" means Mr. Ibrahim Dayan and Mr. Sasson Dayan and their respective children and grandchildren, including, in each case, the estate of such person pending distribution thereof.

"Redemption Date" means the date for redemption specified in the Change of Control Notice, being a date not less than 30 nor more than 45 days after the date of the Change of Control Notice or, in the event that no Change of Control Notice is given by the Issuer, the next Interest Payment Date occurring not less than 15 nor more than 30 days after the Change of Control.

(e) *Redemption at the Option of the Issuer*: If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(f) *Redemption at the Option of Noteholders*: If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) *Partly Paid Notes*: Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(h) *Purchases*: The Issuer and any of its subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(i) *Cancellation*: All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all

unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. Payments and Talons

(a) *Bearer Notes*: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 6(e)(vi)) or Coupons (in the case of interest, save as specified in Condition 6(e)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a check payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank. "Bank" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) *Registered Notes*:

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "Record Date"). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.

(c) *Payments in the United States*: Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) *Payments Subject to Laws*: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Appointment of Agents*: The Fiscal Agent, the Paying Agents, the Registrar, the Principal Paying Agent, the Transfer Agents and the Calculation Agent(s) initially appointed by the Issuer and their respective specified offices are listed below:

Fiscal Agent, Paying Agent, Transfer Agent and Calculation Agent

The Bank of New York Mellon
International Corporate Trust
101 Barclay Street – Floor 4E
New York, NY 10286

Paying Agent and Transfer Agent

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL

Irish Paying Agent

The Bank of New York Mellon (Ireland) Limited
Hanover Building,
Windmill Lane
Dublin 2
Ireland

Registrar

The Bank of New York Mellon
International Corporate Trust
101 Barclay Street – Floor 4E
New York, NY 10286

Principal Paying Agent

The Bank of New York Mellon Trust (Japan), Ltd.
Fukoku Seimei Building, 6F 2-2-2
Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011
Japan

The Fiscal Agent, the Paying Agents, the Registrar, the Principal Paying Agent, the Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Principal Paying Agent, the

Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) a Principal Paying Agent that is a Japanese tax resident, (v) one or more Calculation Agent(s) where the Conditions so require, (vi) if and for so long as any Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent with a specified office in the place required by such listing authority, stock exchange and/or quotation system and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in Condition 7(c).

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) *Unmatured Coupons and Receipts and unexchanged Talons*:

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes (other than Dual Currency Notes or Index Linked Notes), they should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, Dual Currency Interest Note or Index Linked Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are not to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Bearer Note or Certificate representing it, as the case may be.

(g) *Talons*: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) *Non-Business Days*: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Additional Financial Centers" hereon, and:

(i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day.

(i) *Currency Constraint*: If specified hereon that this Note is a Currency Constraint Note, payments by the Issuer on or in respect of this Note and the Receipts and Coupons relating to it are subject to Brazilian foreign exchange controls and restrictions and, notwithstanding the provisions of Conditions 7(a) to (h), the following provisions apply:

(i) If a Relevant Currency Constraint shall have occurred, the Issuer shall give to the Fiscal Agent, within two São Paulo Business Days (as defined below) after such event, a certificate signed by two authorised signatories certifying the existence of the Relevant Currency Constraint. The Issuer shall, as soon as practicable thereafter, give notice of such certification and its contents in accordance with Condition 14 and shall immediately appoint a Brazilian Paying Agent with a specified office in São Paulo, Brazil. In this event, any Noteholder may, for a period of 90 days after the publication of such notice (the "Election Period"), elect to exchange (such exchange, the "Currency Constraint Exchange") this Note (the "Original Note") and the related unmatured Receipts and Coupons and unexchanged Talons for an equivalent nominal amount of Exchanged Notes and related unmatured Receipts and Coupons and unexchanged Talons. To make such election, the holder must deposit the Original Note (together with all related unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent, together with a duly completed notice of election ("Election Notice") in the form obtainable from any Paying Agent (appropriately completed by such holder) within the Election Period. No Original Note so deposited and election made may be withdrawn without the prior consent of the

Issuer. All duly completed and valid Election Notices received by the Paying Agents within the Election Period shall, on receipt, be deemed to have been received on the first day of the Election Period.

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"Exchanged Note" means a Note with terms and conditions identical to the terms and conditions of the Original Note for which it was exchanged, save that:

(A) all payments due in respect of such Exchanged Note and related Receipts and Coupons shall be made by the Issuer, to the extent permitted by Brazilian law, in the lawful currency of Brazil when due (the "Due Date") or, where the Due Date occurs before the date of the Currency Constraint Exchange (the "Currency Constraint Exchange Date"), as soon as practicable after the Currency Constraint Exchange Date and without any additional amount in compensation for late payment against presentation (and, if applicable, surrender) of such Exchanged Note or related Receipt or Coupon in accordance with Condition 6(a) except that payments shall be made by transfer to an account in the lawful currency of Brazil maintained by the holder with a bank in São Paulo, Brazil; and

(B) the amount of any payment due in respect of such Exchanged Note and related Receipts and Coupons shall be that amount in the lawful currency of Brazil, as determined by the Brazilian Paying Agent, having regard to the provisions of this Condition 7(i), which would be required to purchase the amount of such payment in the Specified Currency at the rate of exchange shown on the Brazilian Central Bank computer information system, under the title SISBACEN PTAX-800, Option 5 on the São Paulo Business Day prior to the Due Date (or, where the Due Date precedes the Currency Constraint Exchange Date, on the São Paulo Business Day prior to the date of payment), provided that if no such rate of exchange is available, the applicable rate of exchange shall be an average of the Brazilian currency exchange rates on such São Paulo Business Day for the purchase of the Specified Currency notified to the Brazilian Paying Agent by four leading Brazilian Banks selected by the Brazilian Paying Agent in its discretion;

"Relevant Currency Constraint" means any law, regulation, directive or communication imposed or issued by the Government of Brazil or the Brazilian Central Bank or any other competent authority in Brazil imposing foreign exchange controls or other restrictions or any refusal to act or delay in acting by any such party, which has the effect of prohibiting, preventing or delaying the remittance of the Specified Currency (whether in respect of principal, interest, additional amounts payable pursuant to these Conditions or otherwise) to or by the Principal Paying Agent in respect of the Original Notes when due; and

"São Paulo Business Day" means a day other than a Saturday or Sunday on which commercial banks and foreign exchange markets are open for business in São Paulo, Brazil.

(ii) On termination of the Relevant Currency Constraint, Exchanged Notes and related unmatured Receipts and Coupons and unexchanged Talons shall be exchanged for an equivalent amount of Original Notes and related unmatured Receipts and Coupons and unexchanged Talons provided that, prior to such exchange, all payments due in respect of the Original Notes and related Receipts and Coupons and all payments due in respect of the Exchanged Notes and related Receipts and Coupons shall have been made by the Issuer. Such exchange shall be effected by the holders of Exchanged Notes presenting and surrendering such Exchanged Notes (together with all related unmatured Receipts and Coupons and unexchanged Talons) at any time after such termination at the specified office of any Paying Agent.

(iii) During the period in which a Relevant Currency Constraint is in effect, the Issuer shall take such steps as are legal under the laws and regulations of Brazil to make payments in respect of Original Notes and related Receipts and Coupons not exchanged for Exchanged Notes and related Receipts and Coupons (if any) in the Specified Currency from Brazil, whether to put into effect the terms of any restructuring, refinancing or rescheduling arrangements relating to such payments or otherwise, as promptly as such laws and regulations permit.

(iv) Notwithstanding anything in this Condition 7(i) to the contrary, during the period in which a Relevant Currency Constraint is in effect, any payments of principal of (but not interest on) the Original Notes which are not paid by reason of the imposition of such Relevant Currency Constraint shall bear interest in the Specified Currency at the Rate of Interest until the Relevant Currency Constraint is terminated or, if earlier, such sums are duly paid in full, provided that the Issuer complies at all times with its obligations set forth in this Condition 7(i).

(v) Notwithstanding anything in this Condition 7(i) to the contrary, no Noteholder or Couponholder shall be precluded by this Condition 7(i) from presenting any Note, Receipt or Coupon for payment at a time when a Relevant Currency Constraint is in effect.

(vi) It shall not be an Event of Default under these Conditions to the extent that any event described in Conditions 10(a) and 10(b) shall have occurred with respect to the Issuer solely as a result of a Relevant Currency Constraint, provided that the Issuer shall have fully complied with its obligations under this Condition 7(i). The Issuer shall not be in breach of any payment obligation in the Specified Currency relating to the Notes or the Coupons to the extent payment in the Specified Currency is not made by reason solely of such Relevant Currency Constraint; and no Noteholder or Couponholder shall be entitled to take action against the Issuer to enforce any rights against the Issuer which such Noteholder or Couponholder would, but for the provisions of this Condition 7(i), have had in respect of such payment.

(j) *Payments to Principal Paying Agent*: Every payment of any sum due in respect of the Notes made to the Principal Paying Agent as provided in the Agency Agreement shall, to such extent, be a good discharge to the Issuer. The Issuer will indemnify each Noteholder against any failure on the part of the Principal Paying Agent or any Agent to pay any sum due in respect of the Notes and will pay such sum to such Noteholder on demand. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any judgment, order,

claim or proof for a liquidated amount in respect of any sum due under any Note or any judgment or order. No proof or evidence of any actual loss may be required.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature (collectively, the "Taxes") imposed by or within Brazil or any authority therein or thereof having power to tax in the case of Notes issued by the Bank acting through its principal office, or by or within the Cayman Islands or any authority therein or thereof having power to tax in the case of Notes issued by the Bank acting through its Cayman Islands Branch (each, a "Taxing Jurisdiction"), unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required (the "Additional Amounts"), except that no such Additional Amounts shall be payable with respect to any Note, Receipt or Coupon in respect of:

(a) any Taxes imposed by reason of the existence of any present or former connection between a Noteholder or Couponholder (or beneficial owner of either) (or between a fiduciary, settlor, beneficiary, member or shareholder of such Noteholder or Couponholder (or beneficial owner of either), if such Noteholder or Couponholder (or beneficial owner of either) is an estate, a trust, a partnership or a corporation), on the one hand, and a Taxing Jurisdiction, on the other hand other than merely holding the Notes, Receipts or Coupons or receiving payments thereon (such as citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a dependent agent, a place of business or a place of management present or deemed present within the Taxing Jurisdiction); or

(b) any Taxes imposed as a result of the failure of the Noteholder or Couponholder (or beneficial owner of either), to comply with any certification, identification or other reporting requirements concerning its nationality, residence, identity or connection with the Taxing Jurisdiction, if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or a part of the Taxes, (2) the Noteholder or Couponholder (or beneficial owner of either) is able to comply with those requirements without undue hardship and (3) at least 30 days prior to the first Payment Date with respect to such requirements under the applicable law, regulation, administrative practice, or treaty shall apply, the Issuer has notified all Noteholders or Couponholders (or beneficial owner of either) that they will be required to comply with such requirements; or

(c) any Taxes imposed by reason of the failure of the Noteholder or Couponholder to present its Note, Receipt or Coupon within 30 days after the Relevant Date; *provided* that the Issuer will pay Additional Amounts to which a Noteholder or Couponholder would have been entitled had the Note, Receipt or Coupon owned by such Noteholder or Couponholder been presented on any day (including the last day) within such 30-day period; or

(d) any estate, inheritance, gift, value added, excise, transfer, personal property, use or sales Taxes or any similar Taxes; or

(e) any Taxes that are only payable otherwise than by deduction or withholding from payments on the Notes, Receipts or Coupons; or

(f) any Taxes where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive

implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(g) (except in the case of Registered Notes) any Taxes in respect of any Notes presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to, or requesting that such payment be made by, another Paying Agent in a Member State of the European Union; or

(h) any combination of the above.

In addition, no Additional Amounts shall be paid with respect to any payment to any Noteholder or Couponholder who is a fiduciary or a partnership or other than the sole beneficial owner of such Notes, Receipts or Coupons to the extent that the beneficiary or settlor with respect to such fiduciary, the member of such partnership or the beneficial owner of such Notes, Receipts or Coupons would not have been entitled to Additional Amounts had such beneficiary, settlor, member or beneficial owner held such Notes, Receipts or Coupons directly.

As used in these Conditions, "Relevant Date" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition.

9. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("Events of Default") (subject as provided in Condition 6(h)) occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable:

(a) *Non-Payment*: the Issuer fails to pay an amount payable in respect of the Notes or any of them when due and payable; or

(b) *Breach of Other Obligations*: the Issuer fails to perform or observe any of its other obligations under the Notes; or

(c) *Cross-Default*: (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries (as defined in the Agency Agreement) for or in respect of monies borrowed or raised becomes (or

becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any monies borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$5,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 10 days or unless the same is being contested in good faith by appropriate means; or

(e) *Security Enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person); or

(f) *Insolvency*: the Issuer or any of its Subsidiaries is (or is, or could be, deemed by applicable law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or

(g) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or a material part of its business or operations, except (i) for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger, consolidation or spin-off (A) on terms approved by an Extraordinary Resolution of the Noteholders, or (B) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries, or (ii) where any such winding-up or dissolution of a Subsidiary or ceasing to carry on business or operations by the Issuer would, if carried out, not have a material adverse effect on the ability of the Issuer to fulfil its obligations under the Notes as they fall due; or

(h) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of England is not taken, fulfilled or done; or

(i) *Illegality*: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or

(j) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

11. Meeting of Noteholders, Modifications and Substitution

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10% in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

(b) *Modification of Agency Agreement*: The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

(c) *Substitution*: The Issuer, or any previous substituted company, may at any time, without the consent of the Noteholders or the Couponholders, substitute for itself as principal debtor under the Notes, the Receipts, the Coupons and the Talons any entity (the "Substitute") that is another office or branch of the Issuer, provided that no payment in respect of the Notes, the Receipts or the Coupons is at the relevant time overdue. The substitution shall be made by a deed poll (the "Deed Poll"), to be substantially in the form of Schedule 8 to the Agency Agreement, and may take place only if (i) the Substitute shall, by means of the Deed Poll, agree to indemnify each Noteholder and Couponholder against any tax, duty, assessment or governmental charge that is imposed on it by (or by any authority in or of) the jurisdiction of the country of the Substitute's residence for tax purposes and, if different, of its incorporation with respect to any Note, Receipt, Coupon, Talon or the Deed of Covenant and that would not have been so imposed had the substitution not been made, as well as against any tax, duty, assessment or governmental charge, and any cost or expense, relating to the substitution, (ii) all action, conditions and things required to be taken, fulfilled and done (including the obtaining of any necessary consents) to ensure that the Deed Poll, the Notes, Receipts, Coupons, Talons and Deed of Covenant represent valid, legally binding and enforceable obligations of the Substitute and are in full force and effect, (iii) if then required as a matter of law of the country in which the Substitute is resident, the

Substitute shall have become party to the Agency Agreement and assumed all obligations of the Issuer thereunder, with any appropriate consequential amendments, as if it had been an original party to it, (iv) legal opinions addressed to the Noteholders shall have been delivered to them (care of the Fiscal Agent) from a lawyer or firm of lawyers with a leading securities practice in each jurisdiction referred to in (i) above and in England as to the fulfilment of the preceding conditions of this Condition 11(c) and the other matters specified in the Deed Poll and (vi) the Issuer shall have given at least 14 days' prior notice of such substitution to the Noteholders, stating that copies, or pending execution the agreed text, of all documents in relation to the substitution that are referred to above, or that might otherwise reasonably be regarded as material to Noteholders, shall be available for inspection at the specified office of each of the Paying Agents. References in Condition 10 to obligations under the Notes shall be deemed to include obligations under the Deed Poll.

12. Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Paying Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates)_or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Bearer Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Bearer Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Bearer Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in the conditions of such notes to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

14. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation in London (which is expected to be the Financial Times). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

15. Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order

of a court of any jurisdiction, in the winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer, as the case may be, to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17. Governing Law and Jurisdiction

(a) *Governing Law*: The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction*: The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons ("Proceedings") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) *Service of Process*: The Issuer irrevocably appoints TMF Corporate Services Limited at present having its office at Pellipar House, 1st Floor, 9 Cloak Lane, London, EC4R 2RU as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 13. Nothing shall affect the right to serve process in any manner permitted by law.

CLEARANCE AND SETTLEMENT

Book-Entry Ownership

Bearer Notes

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note in bearer form without coupons may be deposited with a common depositary for Euroclear and/or Clearstream, Luxembourg or an Alternative Clearing System as agreed between the Issuer and the Dealer. Transfers of interests in such temporary Global Notes or permanent Global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Euroclear and Clearstream, Luxembourg or, if appropriate, the Alternative Clearing System.

Registered Notes

The Issuer may make applications to Euroclear and/or Clearstream, Luxembourg and/or DTC for acceptance in their respective book-entry systems in respect of the Notes to be represented by an Unrestricted Global Certificate. Each Unrestricted Global Certificate deposited with a common depositary for, and registered in the name of, a nominee of Euroclear and/or Clearstream, Luxembourg and/or deposited with a Custodian and registered in the name of a nominee for DTC will have an ISIN, a CUSIP and a Common Code.

The Issuer, and a relevant US agent appointed for such purpose that is an eligible DTC participant, may make application to DTC for acceptance in its book-entry settlement system of the Registered Notes represented by a Restricted Global Certificate and/or and Unrestricted Global Certificate. Each Restricted Global Certificate and/or Unrestricted Global Certificate will have a CUSIP number. Each Restricted Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate and/or Unrestricted Global Certificate, as set out under "Transfer Restrictions". In certain circumstances, as described below in "Transfers of Registered Notes", transfers of interests in a Restricted Global Certificate and/or Unrestricted Global Certificate may be made as a result of which such legend may no longer be required.

In the case of a Tranche of Registered Notes to be cleared through the facilities of DTC, the Custodian, with whom the Restricted Global Certificates and/or Unrestricted Global Certificates are deposited, and DTC, will electronically record the nominal amount of the Restricted Notes and/or Unrestricted Notes held within the DTC system. Investors may hold their beneficial interests in a Restricted Global Certificate and/or Unrestricted Global Certificate directly through DTC if they are participants in the DTC system, or indirectly through organisations which are participants in such system.

Payments of the principal of, and interest on, each Restricted Global Certificate and/or Unrestricted Global Certificate registered in the name of DTC's nominee will be to, or to the order of, its nominee as the registered owner of such Restricted Global Certificate and/or Unrestricted Global Certificate. The Issuer expects that the nominee, upon receipt of any such payment, will immediately credit DTC participants' accounts with payments in amounts proportionate to their respective beneficial interests in the nominal amount of the relevant Restricted Global Certificate and/or Unrestricted Global Certificate as shown on the records of DTC or the nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in such Restricted Global Certificate and/or Unrestricted Global Certificate held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Issuer nor any Paying Agent or any Transfer Agent or the Registrar will have any responsibility or liability for any aspect of the records relating, to or payments made on account of, ownership interests in any Restricted Global Certificate and/or Unrestricted

Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

All Registered Notes will initially be in the form of an Unrestricted Global Certificate and/or a Restricted Global Certificate. Individual Certificates will only be available, in the case of Notes initially represented by an Unrestricted Global Certificate, in amounts specified in the applicable Final Terms, and, in the case of Notes initially represented by a Restricted Global Certificate, in minimum amounts of U.S.$100,000 (or its equivalent rounded upwards as agreed between the Issuer and the relevant Dealer(s)), or higher integral multiples of U.S.$1,000, in certain limited circumstances described below.

Payments through DTC

Payments in US dollars of principal and interest in respect of a Restricted Global Certificate and/or Unrestricted Global Certificate registered in the name of a nominee of DTC will be made to the order of such nominee as the registered holder of such Note. Payments of principal and interest in a currency other than US dollars in respect of Notes evidenced by a Restricted Global Certificate and/or Unrestricted Global Certificate registered in the name of a nominee of DTC will be made or procured to be made by the Paying Agent in such currency in accordance with the following provisions. The amounts in such currency payable by the Paying Agent or its agent to DTC with respect to Notes held by DTC or its nominee will be received from the Company by the Paying Agent who will make payments in such currency by wire transfer of same day funds to the designated bank account in such currency of those DTC participants entitled to receive the relevant payment who have made an irrevocable election to DTC, in the case of payments of interest, on or prior to the third business day in New York City after the Record Date for the relevant payment of interest and, in the case of payments of principal, at least 12 business days in New York City prior to the relevant payment date, to receive that payment in such currency. The Paying Agent will convert amounts in such currency into US dollars and deliver such US dollar amount in same day funds to DTC for payment through its settlement system to those DTC participants entitled to receive the relevant payment who did not elect to receive such payment in such currency. The Agency Agreement sets out the manner in which such conversions are to be made.

Transfers of Registered Notes

Transfers of interests in Global Certificates within Euroclear, Clearstream, Luxembourg and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Restricted Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Restricted Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in an Unrestricted Global Certificate may only be held through Euroclear or Clearstream, Luxembourg. In the case of Registered Notes to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in an Unrestricted Global Certificate to a transferee who wishes to take delivery of such interest through a Restricted Global Certificate for the same Series of Notes provided that any such transfer made on or prior to the expiration of the distribution compliance period (as used in ‘‘Subscription and Sale’’) relating to the Notes represented by such Unrestricted Global Certificate will only be made upon receipt by any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person whom the transferor, and any person acting on its behalf, reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Notes represented by such

Unrestricted Global Certificate will only be made upon request through Euroclear or Clearstream, Luxembourg by the holder of an interest in the Unrestricted Global Certificate to the Issuing and Paying Agent of details of that account at DTC to be credited with the relevant interest in the Restricted Global Certificate. Transfers at any time by a holder of any interest in the Restricted Global Certificate to a transferee who takes delivery of such interest through an Unrestricted Global Certificate will only be made upon delivery to any Transfer Agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described above and under "Transfer Restrictions", cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Custodian, the Registrar and the Issuing and Paying Agent.

On or after the Issue Date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date five business days after the trade date (T+5). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Certificates will be effected through the Issuing and Paying Agent, the Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) five business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Issuing and Paying Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of Registered Notes, see "Transfer Restrictions".

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes (including, without limitation, the presentation of Restricted Global Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in Restricted Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Restricted Global Certificates as to which such participant or participants has or have given such direction. However, in the circumstances described above, DTC will surrender the relevant Restricted Global Certificates for exchange for Individual Certificates (which will, in the case of Restricted Notes, bear the legend applicable to transfers pursuant to Rule 144A).

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organised under the laws of the State of New York, a ''banking organisation'' under the laws of the State of New York, a member of the US Federal Reserve System, a ''clearing corporation'' within the meaning of the New York Uniform Commercial Code and a ''clearing agency'' registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain

other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Issuer, nor any Paying Agent nor any Transfer Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Certificate is lodged with DTC or the Custodian, Restricted Notes represented by Individual Certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg or DTC.

Individual Certificates

Registration of title to Registered Notes in a name other than a depositary or its nominee for Clearstream, Luxembourg and Euroclear or for DTC will be permitted only (i) in the case of Restricted Global Certificates in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form—Exchange—Restricted Global Certificates" or (ii) in the case of Unrestricted Global Certificates in the circumstances set forth in "Summary of Provisions Relating to the Notes while in Global Form— Exchange—Unrestricted Global Certificates". In such circumstances, the Issuer will cause sufficient individual Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant Noteholder(s). A person having an interest in a Global Certificate must provide the Registrar with:

(i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Certificates; and

(ii) in the case of a Restricted Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange, or in the case of a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Individual Certificates issued pursuant to this paragraph (ii) shall bear the legends applicable to transfers pursuant to Rule 144A.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the relevant Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 of the Exchange Act, trades in the US secondary market generally are required to settle within five business days ("T+5"), unless the parties to any such trade expressly agree otherwise. Accordingly, in the event that an Issue Date is more than three business days following the relevant date of pricing, purchasers who wish to trade Registered Notes in the United States between the date of pricing and the date that is three business days prior to the relevant Issue Date will be required, by virtue of the fact that such Notes initially will settle beyond T+5, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices and, in the event that an Issue Date is more than five business days following the relevant date of pricing, purchasers of Notes who wish to trade Notes between the date of pricing and the date that is five business days prior to the relevant Issue Date should consult their own adviser.

TAXATION

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISERS AS TO THE CONSEQUENCES OF PURCHASING THE NOTES, INCLUDING, WITHOUT LIMITATION, THE CONSEQUENCES OF THE RECEIPT OF INTEREST AND THE SALE, REDEMPTION OR REPAYMENT OF THE NOTES.

EU Directive on the Taxation of Savings Income

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On September 15, 2008, the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

Brazilian Tax Considerations

The following discussion is a summary of the Brazilian tax considerations relating to an investment in the Notes by a non-resident of Brazil. The discussion is based on the tax laws of Brazil as in effect on the date hereof and is subject to any change in Brazilian law that may come into effect after such date. The information set forth below is intended to be a general discussion only and does not address all possible tax consequences relating to an investment in the Notes.

Interest, fees, commissions (including any original issue discount and any redemption premium) and any other income payable by a Brazilian obligor to an individual, entity, trust or organisation domiciled outside Brazil in respect of debt obligations derived from the issuance by a Brazilian issuer of international debt securities previously registered with the Central Bank, such as the Notes, is subject to income tax withheld at source. The rate of withholding tax with respect to such debt obligations is generally 15% as provided for in Section 10 of the Normative Ruling No. 252 of December 3, 2002 ("Normative Ruling No. 252/02"). According to Normative Ruling 252/02, in the event that the beneficiary of such payments is domiciled in a tax haven jurisdiction (as defined by Brazilian tax laws from time to time), such payments of interest, fees, commissions (including any original issue discount and any redemption premium) and any other income are also subject to withholding in respect of Brazilian income tax at the general rate of 15%. However, pursuant to article 8 of Law No. 9779 of January 19, 1999, if the relevant average term of the Notes is of less than 96 months, the rate applicable to the beneficiary domiciled in a tax haven jurisdiction is 25% (article 691, IX of Decree No. 3,000 of March 26, 1999 and article 1, IX of Law No. 9,481 of August 13, 1997). Accordingly, there is a risk that the tax authorities may change the understanding above and apply the rate of 25% in the event that the beneficiary is domiciled in a tax haven jurisdiction. If the beneficiary of the income is domiciled in a country with which Brazil has a treaty for the avoidance of double taxation and provided further that this beneficiary is qualified for the treaty benefits, such income might be subject to a lower withholding tax rate.

Brazil and Japan are signatories to a treaty (the "Brazil-Japan Treaty") for the avoidance of double taxation. Under the Brazil-Japan Treaty, payments of interest to entities incorporated in Japan (or a branch thereof) or other type of income deemed similar to income from borrowed funds under Brazilian tax law will

be subject to a Brazilian withholding tax rate of 12.5%. As long as such payments are made by the Issuer to the Paying Agent pursuant to the terms and conditions of the Notes and provided further that such Paying Agent is a tax resident of Japan and is qualified for the treaty benefits under the Notes, the payments shall be subject to the 12.5% rate of Brazilian withholding tax. If the Issuer is not able to rely on such treaty to make the payments, and in relation to payments not being made by the Issuer to the Principal Paying Agent, any such payments will be subject to Brazilian withholding tax at the rates indicated in the previous paragraph.

In addition, if under the terms and conditions of the Notes, the Issuer is required to gross up for any Brazilian withholding tax, Brazilian tax laws expressly authorise the Brazilian paying source to pay the income or earnings net of taxes and, therefore, to assume the cost of the applicable tax. The Issuer has the right to redeem the Notes at part in the event that it is required to gross-up for Brazilian withholding income tax at a rate in excess of the withholding income rate in effect on the date of issue of the relevant Notes.

Gains on the sale or disposal of the Notes made outside Brazil by a non-resident, other than a branch, subsidiary or an affiliated company of a Brazilian resident as defined under Brazilian tax law, to another non-Brazilian resident are not subject to Brazilian taxes. Article 26 of the Law No. 10,833 of December 29, 2003, established that, as from February 1, 2004, capital gains realised on the disposal of Brazilian *situs* assets by non-residents, whether to other non-residents or Brazilian residents and whether made outside or within Brazil, are subject to Brazilian withholding income tax. Although the scope of Law No. 10,833 is yet unclear, the Issuer believes that the Notes shall not fall into such provision. However, Brazilian tax authorities may understand otherwise; i.e. that the gains accrued abroad on the sale or disposal of such Notes should be taxable in Brazil.

Pursuant to the current IOF Regulations, the conversion of foreign currency into Brazilian reais and the conversion of Brazilian reais into foreign currency are subject to the IOF/FX. Currently, the IOF/FX rate is 0.38% for nearly all conversions of foreign currency into reais. According to the IOF Regulations, the liquidation of exchange transactions in connection with foreign financing or loans dated as from December 5, 2012, for inflow of proceeds into Brazil, are subject to IOF/FX at a zero percent rate. The rate is 6% for the conversion of foreign loans with an average term of less than 360 days into Brazilian currency. In addition, the Federal Government may increase the current IOF/FX rate at any time, up to a maximum rate of 25%. Any such new rate would only apply to future foreign exchange transactions.

Individuals domiciled in Brazil and Brazilian companies are taxed on the basis of their worldwide income, which includes profits, capital gains and other income obtained abroad by a Brazilian company or by its foreign branches, subsidiaries or affiliates as defined under Brazilian tax law. The earnings of branches of foreign companies are generally taxed in Brazil in the same manner as Brazilian companies. Non-Brazilian residents are generally taxed in Brazil only when income is derived from Brazilian sources.

Generally, there are no stamp, transfer or other similar taxes in Brazil with respect to the transfer, assignment or sale of the Notes outside Brazil, nor any inheritance, gift or succession tax applicable to the ownership, transfer or disposal of the Notes, except for gift and inheritance tax (*Imposto Sobre Transmissão Causa Mortis e Doação de Quaisquer Bens ou Direitos*) imposed by some Brazilian states on gifts, inheritance and bequests of individuals or entities domiciled or residing within such state.

United States Federal Income Taxation Considerations

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THESE LISTING PARTICULARS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY PROSPECTIVE PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON PROSPECTIVE PURCHASERS UNDER THE U.S. INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS

INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE PURCHASERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain material U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a "U.S. holder" (as defined below). This summary does not address the material U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Note as appropriate. The summary deals only with Notes that will be purchased by U.S. holders and held as capital assets. This summary is based upon United States laws, including the U.S. Internal Revenue Code of 1986, as amended (the "Code"), U.S. Treasury Regulations ("Treasury Regulations") (final, proposed and temporary) promulgated thereunder, rulings, judicial decisions and administrative pronouncements, all as currently in effect, and all of which are subject to change or changes in interpretation, possibly on a retroactive basis. The summary is included herein for general information only, and there can be no assurance that the U.S. Internal Revenue Service (the "IRS") will take a similar view of the U.S. federal income tax treatment of an investment in the Notes as described herein.

In particular, this summary does not purport to deal with persons in special tax situations, such as U.S. expatriates, persons subject to the alternative minimum tax, financial institutions, insurance companies, regulated investment companies, dealers in securities or currencies, traders in securities electing to mark their investments to market, tax-exempt entities, banks, persons holding Notes as a hedge against currency risks or as a position in a straddle for tax purposes, persons owning (directly, indirectly or by attribution) 10% or more of the outstanding share capital or voting power of the Issuer, persons whose functional currency is not the U.S. dollar or persons that purchase Notes for a price other than the respective issue prices of the Notes (except where otherwise specifically noted). Moreover, this summary deals only with Notes with a term less than 30 years, and does not address the tax treatment to U.S. holders of bearer Notes. The U.S. federal income tax treatment of any Notes with a term of 30 years or more will be more fully described in the applicable Final Terms. This summary does not address any U.S. federal tax laws (such as the estate tax or gift tax) other than U.S. federal income tax laws.

Bearer Notes are not being offered to U.S. holders. A U.S. holder who owns a bearer Note may be subject to limitations under U.S. federal income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code.

Prospective purchasers of Notes should consult the relevant Final Terms for any additional discussion of tax consequences that may be relevant to that particular issue and are urged to consult their own tax advisors in determining the particular U.S. federal, state, local and any other tax consequences to them of the purchase, ownership and disposition of Notes.

As used herein, the term "U.S. holder" means a beneficial owner of a Note that is (i) a citizen or individual resident of the United States for U.S. federal income tax purposes, (ii) a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the income of which is otherwise subject to U.S. federal income taxation regardless of its source.

If a partnership (or an entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner in a partnership that holds Notes is urged to consult its tax advisor regarding the specific tax consequences of the purchase, ownership and disposition of the Notes.

For purposes of this summary, a "Foreign Currency Note" means a Note on which all payments which a U.S. holder is entitled to receive are denominated in, or determined by reference to, a single Foreign Currency. For this purpose, "Foreign Currency" means a currency or currency unit other than U.S. dollars.

U.S. Currency Notes

Payments of Interest

Except as described below under "— Original Issue Discount", payments of interest on a Note (including additional amounts paid with respect to withholding tax on such Note, if any, and withholding tax on payments of such additional amounts) generally will be taxable to a U.S. holder as foreign source ordinary interest income at the time such payments are received or are accrued in accordance with the U.S. holder's method of tax accounting. Thus, a U.S. holder may be required to report income and pay tax on an amount greater than the actual amount of interest and/or OID due to such holder on the Notes if they become subject to withholding tax and additional amounts are paid to such U.S. holder, because, for U.S. federal income tax purposes, U.S. holders would be treated as having received the amount of Brazilian taxes withheld by the Issuer with respect to a Note, and as then having paid over the withheld taxes to the Brazilian taxing authorities.

Subject to certain limitations, a U.S. holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Brazilian income taxes withheld by the Issuer; provided that, if a U.S. holder elects to deduct Brazilian taxes for any taxable year, such U.S. holder must deduct rather than credit, all foreign taxes for such taxable year. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two "baskets", and the credit for foreign taxes on income in any such basket is limited to U.S. federal income tax allocable to that income. Interest and OID on the Notes generally will be attributable to the "passive income" basket. In certain circumstances a U.S. holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Brazilian taxes imposed on a payment of interest if the U.S. holder has not held the Notes for at least 16 days during the 31-day period beginning on the date that is 15 days before the date on which the right to receive the payment arises. Since a U.S. holder may be required to include OID on the Notes in its gross income in advance of any withholding of Brazilian income taxes from payments attributable to the OID (which would generally occur only when the Note is repaid or redeemed), a U.S. holder may not be entitled to a credit or deduction for these Brazilian income taxes in the year the OID is included in the U.S. holder's gross income, and may be limited in its ability to credit or deduct in full the Brazilian taxes in the year those taxes are actually withheld by the Issuer. The rules for foreign tax credits are complex and prospective purchasers should consult their own tax advisers concerning the foreign tax credit implications to them of the payment of any Brazilian taxes.

Original Issue Discount

The following summary is a general discussion of the material U.S. federal income tax consequences to U.S. holders of the ownership and disposition of Notes issued with OID ("Discount Notes") under applicable Treasury Regulations (the "OID Regulations"). This summary does not discuss Notes that are characterised as "contingent payment debt instruments" for U.S. federal income tax purposes, which are subject to special provisions with respect to the U.S. federal income tax treatment of OID.

A Note, other than a Note with a term of one year or less (a "Short-Term Note"), will be treated as issued with OID if the amount by which the Note's stated redemption price at maturity exceeds its issue price

is more than a *de minimis* amount. Generally, a Note's "issue price" will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The "stated redemption price at maturity" of a Note is the sum of all payments provided by the Note other than "qualified stated interest" payments.

In general, under a *de minimis* exception, a Note is not treated as issued with OID if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of ¼ of 1% of its stated redemption price at maturity multiplied by the number of complete years to its maturity date from its original issue date (or its weighted average maturity if the Note is an instalment obligation).

The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually at a single fixed rate of interest or a variable rate (in the circumstances described below under "— Variable Rate Notes"). In addition, under the OID Regulations, if a Note bears interest for one or more initial accrual periods at a rate below the rate applicable for the remaining term of such Note (e.g., Notes with teaser rates or interest holidays), and if the greater of either the resulting foregone interest on such Note or any "true" discount on such Note (i.e., the excess of the Note's stated principal amount over its issue price) equals or exceeds a specified *de minimis* amount as determined under the OID Regulations, then the stated interest on the Note would be treated as OID rather than qualified stated interest.

A U.S. holder of a Discount Note must include OID in income as ordinary interest income for U.S. federal income tax purposes as it accrues generally under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such U.S. holder's regular method of tax accounting. In general, the amount of OID included in income by the initial U.S. holder of a Discount Note is the sum of the daily portions of OID with respect to such Discount Note for each day during the taxable year (or portion of the taxable year) on which the U.S. holder held the Discount Note. The daily portion of OID on any Discount Note is determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be of any length and may vary in length over the term of the Discount Note, *provided that* each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day or first day of an accrual period. The amount of OID allocable to each accrual period generally is equal to the difference between (i) the product of the Discount Note's "adjusted issue price" at the beginning of the accrual period and the Discount Note's yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Note at the beginning of any accrual period is the sum of the issue price of the Discount Note plus the amount of OID allocable to all prior accrual periods minus the amount of any prior payments on the Discount Note that were not qualified stated interest payments. Under these rules, U.S. holders generally will have to include in taxable income increasingly greater amounts of OID in successive accrual periods.

Acquisition Premium

A U.S. holder that purchases a Discount Note for an amount less than or equal to the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "acquisition premium") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. holder's adjusted basis in the Note immediately after its purchase over the Note's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note's adjusted issue price.

Amortisable Bond Premium

A U.S. holder that purchases a Note for more than the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, may elect to amortise the bond premium. If a U.S. holder makes such an election, the amount of interest on the Note otherwise required to be included in the U.S. holder's income will be reduced each year by the amount of amortisable bond premium allocable to such year on a constant yield to maturity basis (except to the extent Treasury Regulations may provide otherwise). If a Note is redeemable prior to maturity, the amount of amortisable bond premium will be determined with reference to the amount payable on the earlier redemption date if such determination results in a smaller premium attributable to the period ending on the earlier redemption date. The election to amortise bond premium cannot be revoked without the consent of the IRS. Amortised bond premium will reduce the U.S. holder's tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium will thereafter apply to bond premium on certain other debt instruments that the U.S. holder then owns or thereafter acquired at a premium, and the election may have different tax consequences depending on when the debt instruments were issued or acquired. Special rules apply to (a) certain Notes payable in or by reference to a foreign currency (discussed below under "—Foreign Currency Notes") and (b) certain Notes with contingent interest payments. A U.S. holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a loss when the Note matures as described below in "—Sale, Retirement or Other Taxable Disposition of U.S. Currency Notes". A U.S. holder should consult its own tax advisor before making an election to amortise bond premium.

Market Discount

A Note, other than a Short-Term Note, generally will be treated as purchased at a market discount (a "Market Discount Note") if the Note's stated redemption price at maturity or, in the case of a Discount Note, the Note's "revised issue price", exceeds the amount for which the U.S. holder purchased the Note by at least 0.25% of the Note's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Note's maturity (or, in the case of a Note that is an instalment obligation, the Note's weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes "de minimis market discount". For this purpose, the "revised issue price" of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Any gain recognised on the maturity or disposition of a Market Discount Note (including any payment on a Note that is not qualified stated interest) will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. holder of a Market Discount Note may elect to include market discount in income currently over the life of the Note. This election shall apply to all debt instruments with market discount acquired by the electing U.S. holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. holder of a Market Discount Note that does not elect to include market discount in income currently will generally be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note that is in excess of the interest and OID on the Note includible in the U.S. holder's income, to the extent that this excess interest expense does not exceed the portion of the market discount allocable to the days on which the Market Discount Note was held by the U.S. holder.

Market discount will accrue on a straight-line basis unless the U.S. holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Note with respect to which it is made and is irrevocable.

Prospective purchasers are urged to consult their own tax advisors if such purchasers purchase a Note at a discount or premium from the Note's issue price. In this event, the Notes so purchased may be subject to

special U.S. federal income tax rules relating to the treatment of market discount or acquisition or bond premium.

Election to Treat All Interest as Original Issue Discount

A U.S. holder may elect to include in gross income all interest that accrues on a note using the constant yield method discussed above under "— Original Issue Discount", with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium.

Generally, this election will apply only to the Note with respect to which it is made and must be made for the taxable year in which the U.S. holder acquired the Note. However, if a Note subject to an election has amortisable bond premium, the U.S. holder will be deemed to have made an election to apply amortisable bond premium against interest for all debt instruments with amortisable bond premium, other than debt instruments the interest on which is excludible from gross income, that such U.S. holder holds as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if a U.S. holder makes the election for a Market Discount Note, such U.S. holder will be treated as having made the election discussed above under "— Market Discount" to include market discount in income currently over the life of all debt instruments that such U.S. holder currently owns or later acquires. A U.S. holder may not revoke any election to apply the constant yield method to all interest on a Note or the deemed elections with respect to amortisable bond premium or Market Discount Notes without the consent of the IRS. U.S. holders are urged to consult their own tax advisors regarding the advisability of making this election.

Variable Rate Notes

A Note that provides for a variable rate of interest (a "Variable Rate Note") may qualify as a "variable rate debt instrument" if the conditions described below are met. In the event a Variable Rate Note qualifies as a "variable rate debt instrument" then payments of interest on such Variable Rate Note are treated as described above under "— Payments of Interest".

Under the OID Regulations, Variable Rate Notes are subject to special rules whereby a Variable Rate Note will qualify as a "variable rate debt instrument" if:

(a) such Variable Rate Note's issue price does not exceed the total noncontingent principal payments by more than the lesser of:

  (i) .015 multiplied by the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date, or

  (ii) 15% of the total noncontingent principal payments; and

(b) such Variable Rate Note provides for stated interest, compounded or paid at least annually, only at:

  (i) one or more qualified floating rates,

  (ii) a single fixed rate and one or more qualified floating rates,

  (iii) a single objective rate, or

(iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate.

A Variable Rate Note provides for stated interest at a qualified floating rate if:

(a) variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which such Variable Rate Note is denominated; or

(b) the rate is equal to such a rate multiplied by either:

(i) a fixed multiple that is greater than 0.65 but not more than 1.35, or

(ii) a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and

(iii) the value of the rate on any date during the term of such Variable Rate Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If such Variable Rate Note provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of such Variable Rate Note, the qualified floating rates together constitute a single qualified floating rate.

A Variable Rate Note will not have a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of such Variable Rate Note or are not reasonably expected to significantly affect the yield on such Variable Rate Note.

A Variable Rate Note provides for stated interest at a single objective rate if:

- the rate is not a qualified floating rate,
- the rate is determined using a single, fixed formula that is based on objective financial or economic information that is not within the control of or unique to the circumstances of Banco Daycoval S.A. or a related party, and
- the value of the rate on any date during the term of such Variable Rate Note is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

A Variable Rate Note will not be treated as providing for stated interest at an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of such Variable Rate Note's term will be either significantly less than or significantly greater than the average value of the rate during the final half of such Variable Rate Note's term.

An objective rate as described above is a qualified inverse floating rate if:

- the rate is equal to a fixed rate minus a qualified floating rate; and

- the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

A Variable Rate Note will also provide for stated interest at a single qualified floating rate or an objective rate if interest on such Variable Rate Note is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period, and either:

- the fixed rate and the qualified floating rate or objective rate have values on the issue date of such Variable Rate Note that do not differ by more than 0.25% or

- the value of the qualified floating rate or objective rate is intended to approximate the fixed rate.

In general, if a Variable Rate Note provides for stated interest at a single qualified floating rate or objective rate, or one of those rates after a single fixed rate for an initial period (as set forth herein), interest on such Variable Rate Note will be accounted for as described above under "—Payments of Interest". In this case, the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, for any other objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield reasonably expected for such Variable Rate Note.

If a Variable Rate Note constitutes a variable rate debt instrument but does not provide for stated interest at a single qualified floating rate or a single objective rate, and also does not provide for interest payable at a fixed rate other than a single fixed rate for an initial period, a U.S. holder generally must determine the interest and OID accruals on such Variable Rate Note by:

- determining a fixed rate substitute for each variable rate provided under such Variable Rate Note,

- constructing the equivalent fixed rate debt instrument, using the fixed rate substitute described above,

- determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and

- adjusting for actual variable rates during the applicable accrual period.

When a U.S. holder determines the fixed rate substitute for each variable rate provided under a Variable Rate Note, it generally will use the value of each variable rate as of the issue date of such Variable Rate Note or, for an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on such Variable Rate Note.

If a Variable Rate Note provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and also provides for stated interest at a single fixed rate other than at a single fixed rate for an initial period, a U.S. holder generally must determine interest and OID accruals by using the method described in the previous paragraph. However, a Variable Rate Note will be treated, for purposes of the first three steps of the determination, as if such Variable Rate Note had provided for a qualified floating rate, or a qualified inverse floating rate, rather than the fixed rate. The qualified floating rate, or qualified inverse floating rate, that replaces the fixed rate must be such that the fair market value of such Variable Rate Note as of the issue date approximates the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate, or qualified inverse floating rate, rather than the fixed rate.

If a Variable Rate Note (such as a Note the payments on which are determined by reference to an index) does not qualify as a variable rate debt instrument under the OID Regulations, then the Variable Rate Note would be treated as a contingent payment debt obligation under applicable Treasury Regulations (the "CPDI Regulations"). The CPDI Regulations generally require a U.S. holder of such an instrument to include future contingent and noncontingent interest payments in income as such interest accrues based upon a projected payment schedule, whether or not the U.S. holder has actually received any such payment. Additionally, the CPDI Regulations provide special rules that would affect the character of any gain or loss upon the sale or exchange of a contingent payment debt instrument.

The U.S. federal income tax treatment of any Variable Rate Notes or other Notes that are treated as contingent payment debt obligations will be more fully described in the applicable Final Terms.

Short-Term Notes

In general, an individual or other cash basis U.S. holder of a Short-Term Note is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. holders and certain other U.S. holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity (i.e., all payments of interest are OID). A U.S. holder may elect to determine OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. holder at the U.S. holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Sale, Retirement or Other Taxable Disposition of U.S. Currency Notes

Generally, upon the sale, retirement or other taxable disposition of a Note, a U.S. holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, retirement or other taxable disposition (other than amounts representing accrued and unpaid qualified stated interest, which is taxable as interest) and such U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally equals the cost of the Note, increased by the amount of any OID and *de minimis* OID (and market discount, if an election has been made to include currently) included in the U.S. holder's income with respect to the Note and decreased by the amount of any payments that are not qualified stated interest. Except to the extent described above under "Original Issue Discount — Market Discount", "Original Issue Discount — Short Term Notes" or "Foreign Currency Notes", any gain or loss recognised on a sale, retirement or other taxable disposition of a Note, other than amounts attributable to accrued and unpaid interest, will be U.S. source gain or loss and generally will be treated as long-term capital gain or loss if at the time of the sale, retirement or other taxable disposition, the Note was held for more than one year. In the case of a U.S. holder who is an individual (or other non-corporate U.S. holder), long term capital gains, if any, generally will be subject to U.S. federal income taxation at preferential rates. The deductibility of capital losses is subject to significant limitations.

Gain realised by a U.S. holder on the sale, retirement or other taxable disposition of a Note generally will be treated as U.S. source income. Consequently, if Brazilian withholding tax is imposed on such gain, the U.S. holder will not be able to use the corresponding foreign tax credit, unless the holder has other foreign-source income of the appropriate type in respect of which the credit may be used. The U.S. foreign tax credit rules are very complex and your ability to credit foreign taxes may be subject to various limitations. Accordingly, prospective investors should consult their own advisors with respect to the application of these rules to their particular circumstances.

Optional Redemption

In general, if a Note provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies and the timing and amounts of the payments that comprise each payment schedule are known as of the issue date of such Note a U.S. holder must determine the yield and maturity of such Note by assuming that the payments will be made according to the payment schedule, if any, that is significantly more likely than not to occur.

Notwithstanding the general rules for determining yield and maturity, if either a U.S. holder or the Issuer has an unconditional option or options that, if exercised, would require payments to be made on such Note under an alternative payment schedule or schedules, then (i) in the case of an option or options that the Issuer may exercise, the Issuer will be deemed to exercise or not exercise an option or combination of options in the manner that minimises the yield on such Note and (ii) in the case of an option or options that a U.S. holder may exercise, it will be deemed to exercise or not exercise an option or combination of options in the manner that maximises the yield on such Note. If both a U.S. holder and the Issuer hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules, then except to the extent that a portion of a Note is repaid as a result of this change in circumstances and solely to determine the amount and accrual of OID, a U.S. holder must redetermine the yield and maturity of such Note by treating such Note as having been retired and reissued on the date of the change in circumstances for an amount equal to such Note's adjusted issue price on that date.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. holder could be required to recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes) and the U.S. holder's tax basis in the Notes. U.S. holders should consult their tax advisers concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

Foreign Currency Notes

As used herein, "Foreign Currency" means a currency or currency unit other than U.S. dollars. The discussion below relates to the Notes the payment of which is denominated in, or determined by reference to, a single Foreign Currency.

Interest — Cash Method

A U.S. holder who uses the cash method of accounting for U.S. federal income tax purposes and who receives a payment of interest on a Note (other than OID, the treatment of which is described below under "—

Interest — Accrual Method") will be required to include in income the U.S. dollar value of the Foreign Currency payment, based on the spot exchange rate on the date of receipt, regardless of whether the payment is in fact converted to U.S. dollars at that time. A cash method U.S. holder generally will not realise exchange gain or loss on the receipt of the interest payment but may have exchange gain or loss attributable to a subsequent disposition of the Foreign Currency so received which will be U.S. source ordinary income or loss.

Interest — Accrual Method

A U.S. holder who uses the accrual method of accounting for U.S. federal income tax purposes, or who otherwise is required to accrue interest prior to receipt, will be required to include in income the U.S. dollar value of the amount of interest income that has accrued and is otherwise required to be taken into account with respect to a Foreign Currency Note during an accrual period. The U.S. dollar value of such accrued income will be determined by translating such income at the average rate of exchange in effect for the interest accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. holder's taxable year. The average rate of exchange for an interest accrual period (or partial period) is the simple average of the spot exchange rates for each business day of such period or other average rate for the period that is reasonably derived and consistently applied by the U.S. holder. A U.S. holder may elect, however, to translate such accrued interest income at the spot rate on the last day of the interest accrual period, or the last day of the accrual period in that taxable year in the case of a partial accrual period. If the last day of the interest accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder may translate such interest at the spot rate on the date of receipt. The above election will apply to all debt obligations held by the U.S. holder at the beginning of the first taxable year to which the election applies and may not be revoked without the consent of the IRS. U.S. holders should consult their own tax advisors as to the advisability of making the above election.

A U.S. holder will recognise exchange gain or loss (which will be treated as U.S. source ordinary income or loss) with respect to accrued interest on the date such interest is received, and which generally will not be treated as an adjustment to interest income or expense. The amount of ordinary income or loss so recognised will equal the difference, if any, between the U.S. dollar value of the Foreign Currency payment received (determined on the basis of the spot rate on the date such payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above), regardless of whether such U.S. holder actually converts the payment into U.S. dollars.

Original Issue Discount

In the case of a Discount Note that is also a Foreign Currency Note, a U.S. holder must determine OID allocable to each accrual period in units of the Foreign Currency using the constant yield method described in "— U.S. Currency Notes — Original Issue Discount" above. Accrued OID is translated into U.S. dollars and the U.S. holder will recognise Foreign Currency gain or loss on the accrued OID in the same manner as described above in "— Interest — Accrual Method". Such U.S. holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) when it receives an amount attributable to OID in connection with a payment of interest or the sale, retirement or other taxable disposition of such Note. U.S. holders are urged to consult their own tax advisors regarding the interplay between the application of the OID and foreign currency exchange gain or loss rules.

Amortisable Bond Premium (including Acquisition Premium)

Bond premium (including acquisition premium) on a Note that is denominated in, or determined by reference to, a Foreign Currency will be computed in units of the Foreign Currency, and any such bond premium that is taken into account currently will reduce interest income in units of the Foreign Currency. On the date bond premium offsets interest income, a U.S. holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date and

on the date the Notes were acquired by the U.S. holder. A U.S. holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a loss when the Note matures as described below under "—Sale, Retirement or Other Taxable Disposition of Foreign Currency Notes".

Market Discount

Market Discount on a Note that is denominated in, or determined by reference to, a Foreign Currency, will be accrued in the foreign currency. If the U.S. holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. holder that does not elect to include market discount in income currently will recognise, upon the disposition or maturity of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Sale, Retirement or Other Taxable Disposition of Foreign Currency Notes

As discussed above under "Sale, Retirement or Other Taxable Disposition of U.S. Currency Notes", a U.S. holder will generally recognise gain or loss on the sale, retirement, or other taxable disposition of a Note equal to the difference between the amount realised on the sale, retirement or other taxable disposition and its adjusted tax basis in the Note.

A U.S. holder's initial tax basis in a Foreign Currency Note will be the U.S. dollar value of the Foreign Currency amount paid for such Foreign Currency Note, determined on the date of such purchase. If a Foreign Currency Note is traded on an established securities market, a cash basis U.S. holder (or, upon election, an accrual basis U.S. holder) will determine the U.S. dollar value of the amount paid by translating the Foreign Currency payment at the spot rate on the settlement date of the purchase. (If an accrual basis taxpayer makes such an election, the election must be applied consistently to all debt instruments from year to year and cannot be revoked without the consent of the IRS.) The amount of any subsequent adjustments to such holder's tax basis will be the U.S. dollar value of the Foreign Currency amount of the adjustment, determined as discussed herein. A U.S. holder's adjusted tax basis in a Foreign Currency Note generally will equal the cost of the Foreign Currency Note to such holder, increased by the amount of any OID and *de minimis* OID (and market discount if an election has been made to include currently) previously included in income by the holder with respect to such Foreign Currency Note and reduced by any payments that are not qualified stated interest previously received by the holder.

If a U.S. holder receives Foreign Currency on a sale, retirement or other taxable disposition of a Foreign Currency Note, the amount realised will be based on the U.S. dollar value of the Foreign Currency on:

- the date of disposition, if it is a cash basis taxpayer and the relevant Foreign Currency Notes are not traded on an established securities market, as defined in the applicable Treasury Regulations;

- the date of disposition, if it is an accrual basis taxpayer that does not elect to use the settlement date; or

- the settlement date for the sale, if it is a cash basis taxpayer, or an accrual basis taxpayer that so elects, and the relevant Foreign Currency Notes are traded on an established securities market, as defined in the applicable Treasury Regulations. (If an accrual basis

taxpayer makes such an election, the election must be applied consistently to all debt instruments from year to year and cannot be revoked without the consent of the IRS.)

Except as discussed in the following paragraph with respect to exchange gains or losses, any gain or loss recognised upon the sale, retirement or other taxable disposition of a Foreign Currency Note generally will be capital gain or loss, except to the extent attributable to accrued but unpaid interest and market discount or attributable to changes in the exchange rates as described below and will be treated as long-term capital gain or loss if at the time of sale, retirement or other taxable disposition the Foreign Currency Note was held for more than one year. If the U.S. holder is an individual (or other non-corporate U.S. holder), any long-term capital gain, if any, generally will be subject to U.S. federal income taxation at preferential rates. The deductibility of capital losses is subject to significant limitations.

Gain realised by a U.S. holder on the sale, retirement or other taxable disposition of a Note generally will be treated as U.S. source income. Consequently, if Brazilian withholding tax is imposed on such gain, the U.S. holder will not be able to use the corresponding foreign tax credit, unless the holder has other foreign-source income of the appropriate type in respect of which the credit may be used. The U.S. foreign tax credit rules are very complex and your ability to credit foreign taxes may be subject to various limitations. Accordingly, prospective investors should consult their own advisors with respect to the application of these rules to their particular circumstances.

Gain or loss realised upon the sale, retirement or other taxable disposition of a Foreign Currency Note that is attributable to fluctuations in currency exchange rates will constitute exchange gain or loss and will be taxable as U.S. source ordinary income or loss. Such foreign exchange gain or loss will be recognised only to the extent of the total gain or loss realised by the U.S. holder on the sale, retirement or other taxable disposition.

A U.S. holder generally will have a tax basis in any Foreign Currency received as interest or on the sale, retirement or other taxable disposition of a Foreign Currency Note equal to the U.S. dollar value of such Foreign Currency on the dates described above in "—Interest – Cash Method", "—Interest – Accrual Method" and "—Sale, Retirement or Other Taxable Disposition of Foreign Currency Notes". Any exchange gain or loss realised by a U.S. holder on a subsequent conversion or other disposition of Foreign Currency, generally, will be treated as ordinary income or loss.

If a Note is issued in circumstances where interest payments on the Note are denominated in or determined by reference to one currency and the principal portion of the Note may be denominated in or determined by reference to another currency ("Dual Currency Notes"), the applicable Final Terms will discuss the material U.S. federal income tax consequences in respect of these features to holders.

Foreign Currency Constraint

There are no Treasury Regulations, published rulings or judicial decisions specifically addressing the effect of a Relevant Currency Constraint on the Notes. The Issuer believes that an election or the failure to so elect to request payment in the lawful currency of Brazil (as provided in "Terms and Conditions of the Notes —Foreign Currency Constraint") should not be considered to result in a deemed sale or exchange of the Notes for U.S. federal income tax purposes, potentially resulting in recognition of gains or losses. There can be no assurance that the IRS will agree with this determination. U.S. holders should consult their own tax advisors in this regard.

Foreign Source Income

For U.S. foreign tax credit purposes, qualified stated interest, OID, and any additional amounts paid with respect to a Note will be treated as foreign source income, subject to various classifications and other

limitations. The rules relating to computing foreign tax credits or deducting foreign taxes are extremely complex, and U.S. holders are urged to consult their own tax advisors regarding the availability of U.S. foreign tax credits with respect to any Brazilian taxes withheld from payment.

Tax Return Disclosure Requirement

A U.S. holder may be required to report a sale, retirement or other taxable disposition of its Notes (or, in the case of an accrual basis U.S. holder, a payment of accrued interest) on IRS Form 8886 (Reportable Transaction Disclosure Statement) if it recognises a foreign exchange loss that exceeds U.S.$50,000 in a single taxable year from a single transaction, if such U.S. holder is an individual or trust, or higher amounts for other non-individual U.S. holders. U.S. holders are urged to consult their own tax advisors in this regard.

Certain individual U.S. holders are required to report information with respect to their investment in Notes not held through an account with a U.S. financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are encouraged to consult with their own tax advisors regarding the possible implications of this reporting requirement on their investment in the Notes.

Medicare Contribution Tax on Unearned Income

U.S. holders that are individuals or estates, or trusts that do not fall into a special class of trusts that are exempt from such tax (as well as certain foreign estates and trusts), are subject to a 3.8% tax on the lesser of (1) such holder's "net investment income" (or, in the case of an estate or trust, the "undistributed net investment income") for the relevant taxable year, and (2) the excess of such holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between $125,000 and $250,000, depending on the individual's circumstances). A holder's net investment income will generally include its gross interest income and its net gains from the disposition of the Notes, unless such interest or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive trading activities). Holders that are individuals, estates or trusts are urged to consult their own tax advisors regarding the applicability of this tax to their income and gains in respect of their investment in the Notes.

U.S. Information Reporting and Backup Withholding

Payments of principal, premium, if any, and interest (including OID) on, and proceeds from the sale, retirement or other taxable disposition of the Notes may be subject to information reporting to the IRS and possibly backup withholding. Backup withholding of U.S. federal income tax at a current rate of 28% may apply to payments made in respect of the Notes to holders who fail to make any required certification or who are not exempt recipients and who fail to provide certain identifying information (such as the holder's taxpayer identification number). Payments made in respect of the Notes to a U.S. holder must be reported to the IRS, unless the U.S. holder is an exempt recipient or otherwise establishes an exemption. U.S. persons who are required to establish their exempt status, generally, must provide an IRS Form W-9.

Any amounts withheld under the backup withholding rules from a payment to a U.S. holder would be allowed as a refund or a credit against such U.S. holder's U.S. federal income tax, *provided that* the required information is furnished to the IRS in a timely manner.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER'S PARTICULAR SITUATION. HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL,

AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL INCOME OR OTHER TAX LAWS.

Cayman Islands Tax Considerations

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Payments of interests, principal and other amounts on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest, principal and other amounts on the Notes or a distribution to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue or transfer of the Notes although duty may be payable if the Notes are executed in or brought into the Cayman Islands or produced before the courts of the Cayman Islands.

Certificates evidencing the Notes, in registered form, to which title is not transferable by delivery, should not attract Cayman Islands stamp duty. However, an instrument transferring title to a Note, if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

CERTAIN UNITED STATES ERISA CONSIDERATIONS

To ensure compliance with U.S. Treasury Department rules, we inform you that this summary was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on any taxpayer. This summary was written to support the promotion or marketing of the transactions addressed by these Listing Particulars. Each taxpayer should seek advice based on such taxpayer's particular circumstances from an independent tax advisor.

The U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA") imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans, pursuant to ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

In addition, Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons") having certain relationships to such Plans, unless a statutory or administrative exemption or exception is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code and the prohibited transaction itself may have to be rescinded.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Notes are acquired by a Plan with respect to which we, the Arrangers or any dealer or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Notes and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Notes, or that, if an exemption is available, it will cover all aspects of any particular transaction.

Accordingly, except as otherwise provided in any Final Terms, by its purchase and holding of any Notes (or any interests therein), the purchaser thereof will be deemed to have represented and agreed either that (i) it is not and for so long as it holds Notes will not be (and is not acquiring the Notes directly or indirectly with the assets of a person who is or, while the Notes are held, will be) an ERISA Plan or other Plan, an entity whose underlying assets include, or are deemed for the purposes of ERISA or the Code to include, the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Notes (or any interests therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, a violation of any substantially similar U.S. federal, state or local law, or non-U.S. law). Similarly, each transferee of any Notes (or any interests therein), by virtue of the transfer of such Notes to such transferee, will be deemed to have represented and agreed either that (i) it is not and for so long as it holds Notes will not be (and is not acquiring the Notes directly or indirectly with the assets of a person who is or while the Notes are held will be) an ERISA Plan or other Plan, an entity whose underlying assets include, or are deemed for the purposes of ERISA or the Code to include, the assets of any such ERISA Plan or other Plan, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially

similar to the provisions of Section 406 of ERISA or Section 4975 of the Code, or (ii) its purchase and holding of the Notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, a violation of any such substantially similar U.S. federal, state or local law, or non-U.S. law).

Governmental plans and certain church and other plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to state, local or other federal or non-U.S. laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Notes.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a non-exempt prohibited transaction or any other violation of an applicable requirement of ERISA or the Code.

In addition, any insurance company proposing to use assets of its general account to purchase Notes should consider the implications of the United States Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86, 114 S. Ct. 517 (1993), which in certain circumstances treats such general account assets as assets of a Plan that owns a policy or other contract with such insurance company, as well as the effect of Section 401(c) of ERISA as interpreted by regulations issued by the United States Department of Labour in January 2000.

The sale of Notes to a Plan is in no respect a representation by us or any dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in a dealer agreement dated December 8, 2010 (the "Dealer Agreement") between the Issuer, the Permanent Dealers and the Arranger, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Final Terms.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Notes in bearer form having a maturity of more than one year are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder. In addition, unless the Purchase Information or the Subscription Agreement relating to one or more Tranches specifies that the applicable TEFRA exemption is either "C Rules" or "not applicable", each Dealer represents and agrees in relation to each Tranche of Notes in bearer form:

(a) except to the extent permitted under the D Rules:

1. it has not offered or sold, and during a 40 day restricted period shall not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person and

2. it has not delivered and shall not deliver within the United States or its possessions definitive Notes in bearer form that are sold during the restricted period;

(b) it has and throughout the restricted period shall have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, it is acquiring the Notes in bearer form for purposes of resale in connection with their original issuance and if it retains Notes in bearer form for its own account, it

shall only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) or the applicable successor regulations under Section 4701 of the Code; and

(d) with respect to each affiliate that acquires from it Notes in bearer form for the purpose of offering or selling such Notes during the restricted period, it either (i) repeats and confirms the representations contained in paragraphs (a), (b) and (c) above on behalf of such affiliate, or (ii) agrees that it shall obtain from such affiliate for the benefit of the Issuer the representations contained in such paragraphs (a), (b) and (c).

Terms used herein have the meanings given to them by Regulation S under the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it has not offered, sold or delivered and will not offer, or sell or, in the case of Notes sold in bearer form, deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

The Notes are being offered and sold outside the United States to non-US persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective US broker-dealer affiliates arrange for the offer and resale of Registered Notes within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

These Listing Particulars have been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. These Listing Particulars do not constitute an offer to any person in the United States or to any U.S. person, other than any QIB to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of these Listing Particulars by any non-U.S. person outside the United States or by any QIB in the United States to any U.S. person or to any other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB and those persons, if any, retained to advise such non-U.S. person or QIB, is prohibited.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Dealer has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes to the public which are the subject of the offering contemplated by these Listing Particulars as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(i) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Non-exempt Offer"), in the period beginning on following the date of publication of a prospectus in relation to such offer such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State, or final terms in relation to such offer, as applicable, and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Non-exempt Offer, all in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable;

(ii) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(iii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(iv) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (ii) to (iv) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such any Notes in, from or otherwise involving the United Kingdom.

The Federative Republic of Brazil

The Notes have not been and will not be issued nor placed, distributed, offered or negotiated in the Brazilian capital markets. Neither we nor the issuance of the Notes have been or will be registered with the CVM. Therefore, each of the Dealers represents, warrants and agrees that it has not offered or sold, and will not offer or sell, the Notes in Brazil, except in circumstances which do not constitute a public offering, placement, distribution or negotiation of securities in the Brazilian capital markets regulated by Brazilian legislation.

Persons wishing to offer or acquire the Notes within Brazil should consult with their own counsel as to the applicability of registration requirements or any exemption therefrom.

Ireland

Each Dealer represents, warrants and agrees in relation to the Notes that it has not and will not do anything in Ireland in connection with the Notes which might constitute a breach of sections 9, 23 (including any advertising restrictions made thereunder) and 50 any Code of Conduct made under section 37 of the Investment Intermediaries Act 1995.

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

Singapore

These Listing Particulars have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, these Listing Particulars and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Chile

Neither the Issuer nor the Notes are registered in the Securities Registry (*Registro de Valores*) or the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the Chilean Securities and Insurance Commission (*Superintendencia de Valores y Seguros de Chile* or "SVS"), or subject to the control and supervision of the SVS.

These Listing Particulars do not constitute a public offer of, or an invitation to subscribe for or purchase, the Notes in the Republic of Chile, other than to individually identified purchasers pursuant to a private offering within the meaning of Article 4 of the Chilean Securities Market Act (*Ley de Mercado de Valores*) (an offer that is not "addressed to the public at large or to a certain sector or specific group of the public").

Colombia

The Notes may not be offered, sold or negotiated in Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations. Furthermore, foreign financial entities must abide by the terms of Decree 2555 of 2010 to offer privately the Notes to their Colombian clients.

Panama

The Notes have not been, and will not be, registered with the Superintendency of Capital Markets of Panama. Accordingly, (i) the Notes cannot be publicly offered or sold in Panama, except in transactions exempted from registration under the securities laws, (ii) the Superintendency of Capital Markets of Panama has not reviewed the information contained in these Listing Particulars, (iii) the Notes and their offer are not subject to the supervision of the Superintendency of Capital Markets of Panama, and (iv) the Notes do not benefit from the tax incentives provided by the Panamanian securities laws and regulations. The Notes have not been, and will not be, registered with the Superintendency of Capital Markets of Panama, and therefore will not offer or sell the Notes in Panama, except in transactions exempted from the registration requirements of the securities laws of Panama.

Peru

The Notes and the information contained in these Listing Particulars are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the Notes and therefore, the disclosure obligations set forth therein will not be applicable to the Issuer or the Dealers of the Notes before or after their acquisition by prospective investors. The Notes and the information contained in these Listing Particulars have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian National Supervisory Commission of Companies and Securities (*Comisión Nacional Supervisora de Empresas y Valores*) nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations.

Accordingly, the Notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the relevant Final Terms, no action has been or will be taken in any jurisdiction by the Dealers or by the Issuer that would permit a

public offering of any of the Notes, or possession or distribution of these Listing Particulars, or any part thereof including any Final Terms, or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells, or delivers Notes or has in its possession or distributes these Listing Particulars, or any part thereof including any Final Terms, or any such other material, in all cases at its own expense. Each Dealer agrees and each further Dealer appointed under the Programme will be required to agree that it will also procure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions (except to the extent that such actions are the Issuer's actions). The Issuer will have no responsibility for, and each Dealer agrees and each further Dealer appointed under the Programme will be required to agree that it will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it may make any acquisition, offer, sale or delivery.

No Dealer is authorised to make any representation or use any information in connection with the issue, offering and sale of the Notes other than as contained in these Listing Particulars, including the applicable Final Terms, and any other information or document supplied.

Selling restrictions may be supplemented or modified with the Issuer's agreement and the agreement of the relevant Dealers. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to these Listing Particulars.

TRANSFER RESTRICTIONS

Restricted Notes

Each purchaser of Restricted Notes, by accepting delivery of these Listing Particulars, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB, (b) acquiring such Restricted Notes for its own account, or for the account of one or more QIBs, and (c) aware, and each beneficial owner of the Restricted Notes has been advised, that the sale of the Restricted Notes to it is being made in reliance on Rule 144A.

2. (i) The Restricted Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) in each case in accordance with any applicable securities laws of any State of the United States and (ii) it will, and each subsequent holder of the Restricted Notes is required to, notify any purchaser of the Restricted Notes from it of the resale restrictions on the Restricted Notes.

3. The Restricted Notes, unless the Issuer determines otherwise in accordance with applicable law, will bear a legend (the ''Rule 144A Legend'') in or substantially in the following form:

   ''THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "QIB") THAT IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBS, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER RULE 144 UNDER THE SECURITIES ACT ("RULE 144"), IF AVAILABLE, OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE NOTES.

   EXCEPT AS OTHERWISE PROVIDED IN A FINAL TERMS, BY ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN), THE PURCHASER OR HOLDER WILL BE DEEMED TO HAVE REPRESENTED AND AGREED THAT EITHER (A) IT IS NOT AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT BE (I) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") THAT IS SUBJECT TO TITLE I OF ERISA, (II) A "PLAN" AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), (III) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE, OR ARE DEEMED FOR PURPOSES OF ERISA OR THE CODE TO INCLUDE, "PLAN ASSETS" BY

REASON OF SUCH EMPLOYEE BENEFIT PLAN'S OR PLAN'S INVESTMENT IN THE ENTITY, OR (IV) A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN WHICH IS SUBJECT TO ANY U.S. FEDERAL, STATE, LOCAL, OR NON-U.S. LAW, THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE, OR (B) ITS PURCHASE AND HOLDING OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF SUCH A GOVERNMENTAL OR OTHER EMPLOYEE BENEFIT PLAN, A VIOLATION OF ANY SUCH SUBSTANTIALLY SIMILAR U.S. FEDERAL, STATE, LOCAL, OR NON-U.S. LAW) FOR WHICH AN EXEMPTION IS NOT AVAILABLE."

4. It understands that the Issuer, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

5. It understands that the Restricted Notes will be represented by a Restricted Global Certificate. Before any interest in a Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate or as the case may be, Global Note, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Unrestricted Notes

Each purchaser of Unrestricted Notes and each subsequent purchaser of such Unrestricted Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of these Listing Particulars and the Unrestricted Notes, will be deemed to have represented, agreed and acknowledged that:

(i) It is, or at the time Unrestricted Notes are purchased will be, the beneficial owner of such Unrestricted Notes and (a) it is not a US person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate.

(ii) It understands that such Unrestricted Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Unrestricted Notes except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believes is a QIB purchasing for its own account, or for the account of one or more QIBs or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(iii) It understands that the Unrestricted Notes, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend in or substantially in the following form:

"THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT."

(iv) It understands that the Issuer, the Registrar, the relevant Dealer(s) and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

(v) It understands that the Unrestricted Notes will be represented by an Unrestricted Global Certificate, or as the case may be, a Global Note. Prior to the expiration of the distribution compliance period, before any interest in an Unrestricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

(vi) Delivery of the Notes may be made against payment therefor on or about a date which will occur more than three business days after the date of pricing of the Notes which date may be specified in the Final Terms. Pursuant to Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes may initially settle on or about a date which will occur more than three business days after the date of pricing of the Notes to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their own advisor.

INDEPENDENT ACCOUNTANTS

Our consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 included in these Listing Particulars have been prepared in accordance with Brazilian accounting practices applicable to entities authorised to operate by Central Bank and audited by Deloitte Touche Tohmatsu Auditores Independentes, independent accountants, in accordance with Brazilian and international audit standards, as stated in its reports included in these Listing Particulars, which reports express an unqualified opinion.

GENERAL INFORMATION

(1) Banco Daycoval S.A. is a corporation incorporated with limited liability (*sociedade anônima*) in accordance with Brazilian corporations law (Law No. 6,404 dated December 15, 1976, as amended). The establishment of the Programme and the execution of all documents in connection therewith was ratified by a resolution of our board of directors (*ata de reunião da diretoria*) passed on January 11, 2011.

(2) The Issuer has obtained all necessary consents, approvals and authorisations under the laws of Brazil and the Cayman Islands for the establishment of the Programme, the issue and performance of the Notes under the Programme and the execution of the Agency Agreement, all of which are in full force and effect, except that the issue of any Series of Notes under the Programme from Brazil (or the substitution of the principal office in Brazil if a Series of Notes is initially issued by the Cayman Islands Branch) requires (i) the approval by the Central Bank of the terms and conditions of the Series of Notes and registration of the Schedule of payments applicable to such Series, which will enable the Issuer to make remittances from Brazil in the relevant currency of the principal of and interest on the Notes in relation to such Series and (ii) the approval of the Central Bank for the Issuer to make any payment in the relevant currency not set forth in the relevant schedule of payments or to make any payment provided for therein earlier than the due date therefor. Reference to the consents, approvals and authorisations obtained by the Issuer in connection with each issue of Notes under the Programme and performance thereunder is included in the Final Terms prepared in connection with such issue.

(3) Application has been made to the Irish Stock Exchange (Global Exchange Market) to list the Programme and application may be made to the Irish Stock Exchange (Global Exchange Market) to list any Notes issued under the Programme. There can be no assurance that listing on the Irish Stock Exchange (Global Exchange Market) will be achieved prior to the issue date of any Notes or otherwise or that, if obtained, such listing will be maintained.

(4) In March 2003 the European Commission published a proposal for a Directive of the European Parliament and of the Council on the harmonisation of transparency requirements with regard to information about issuers whose securities are admitted to trading on a regulated market in the European Union (2003/0045(COD)) (the "Transparency Directive"). While the Irish Stock Exchange (Global Exchange Market) is not a regulated market, if the Transparency Directive (or similar requirements applicable to non-regulated markets) were to be imposed in a form which would require the Issuer to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Issuer would otherwise use to prepare its financial information, the Issuer may seek an alternative admission to listing, trading and/or quotation for the Notes by such other listing authority, stock exchange and/or quotation system outside the European Union. Notice of any such termination and/or alternative listing shall promptly be given to Noteholders in accordance with Condition 19 (*Notices*).

(5) Except as disclosed in these Listing Particulars, there has been no significant change in the financial or trading position of Banco Daycoval S.A. or any of its subsidiaries since December 31, 2013, being the date of its last published annual financial statements, and no material adverse change in the financial position or prospects of Banco Daycoval S.A. or any of its subsidiaries since December 31, 2013, being the date of its last published annual financial statements.

(6) Except as disclosed in these Listing Particulars, neither Banco Daycoval S.A. nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Banco Daycoval S.A. is aware)

during the 12 months preceding the date of these Listing Particulars which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer.

(7) Each Note issued in bearer form having a maturity of more than one year, and each related Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(8) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms.

(9) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. Other than as may be required by applicable law, regulation or stock exchange requirement, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(10) For so long as the Programme remains in effect or any Notes shall be outstanding, physical copies of the following documents may be inspected during normal business hours (i) at the specified offices of any Paying Agent and (ii) at the registered office of Banco Daycoval S.A. in São Paulo, Brazil, namely:

(a) the constitutive documents of Banco Daycoval S.A.;

(b) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of Notes and identity);

(c) the Agency Agreement;

(d) the Deed of Covenant;

(e) the Dealer Agreement; and

(f) the most recent publicly available audited consolidated and non-consolidated annual financial statements of Banco Daycoval S.A. beginning with such financial statements as of and for the years ended December 31, 2013, 2012 and 2011.

In addition, copies of the items listed in (b) and (f) above will be provided free of charge at the Specified Offices of the Paying Agents and the Listing Agent upon oral or written request.

(11) Deloitte Touche Tohmatsu Auditores Independentes is registered with the Brazilian federal accounting council (*Conselho Federal de Contabilidade*) and the CVM.

(12) We estimate that total expenses related to admission to trading will be €2,440.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, are set out below:

[BANCO DAYCOVAL S.A.

Issue of [Aggregate Nominal Amount of Tranche]
[Title of Notes]
under its U.S.$2,000,000,000
Euro Medium-Term Note Programme

FINAL TERMS

The date of these Final Terms is [●]]

This document constitutes the Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Listing Particulars dated [●] [and the supplemental Listing Particulars dated [●]] which [together] constitute[s] base listing particulars for the purposes of the Irish Stock Exchange Guidelines. This document constitutes the Final Terms of the Notes described herein for the purposes of the Irish Stock Exchange Guidelines and must be read in conjunction with such Listing Particulars [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Listing Particulars.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under Listing Particulars with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Listing Particulars dated [●] [and the supplemental Listing Particulars dated [●]]. This document constitutes the Final Terms of the Notes described herein for the purposes of the Irish Stock Exchange Guidelines and must be read in conjunction with the Listing Particulars dated [●] [and the supplemental Listing Particulars dated [●]], which [together] constitute[s] base listing particulars for the purposes of the Irish Stock Exchange Guidelines save in respect of the Conditions which are extracted from the Listing Particulars dated [●] [and the supplemental Listing Particulars dated [●]] and are attached hereto. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Listing Particulars dated [●]and [current date] [and the supplemental Listing Particulars dated [●] and [●]]. [The Listing Particulars [and the supplemental Listing Particulars] are available for viewing at [address] [and] [website] and copies may be obtained from [address].]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing final terms or adding any other final terms or information consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Listing Particulars under Irish Stock Exchange Guidelines.]

1	(i)	Issuer:	Banco Daycoval S.A., acting through its [principal office in the Federative Republic of Brazil] [Cayman Islands Branch]
	(ii)	Substitution of Issuer	[The Issuer may substitute its [principal office in the Federative Republic of Brazil] [Cayman Islands Branch] as Issuer/ Not Applicable]
2	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
		(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).	
3		Specified Currency or Currencies:	[●]

3A	Currency Constraint (Condition 6(h)):	[Applicable/Not Applicable]
4	Aggregate Nominal Amount:	
	[(i)] Series:	[●]
	[(ii) Tranche:	[●]]
5	[(i)] Issue Price:	[●] %. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
	[(ii) Net proceeds:	[●] (Required only for listed issues)]
6	Specified Denominations:	[●][1]
7	[(i)] Issue Date:	[●]
	[(ii) Interest Commencement Date (if different from the Issue Date):	[●]]
8	Maturity Date:	[specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year]
9	Interest Basis:	[[●] %. Fixed Rate] [[*specify reference rate*] +/- [•] %. Floating Rate] [Zero Coupon] [Index Linked Interest] [Other (*specify*)] (further particulars specified below)
10	Redemption/Payment Basis:	[Redemption at par] [Index Linked Redemption] [Dual Currency] [Partly Paid] [Instalment]

[1] Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the FSMA and which have a maturity of less than one year must have a minimum denomination of £100,000 (or its equivalent in other currencies).

		[Other (*specify*)] [(N.B. If the Final Redemption Amount is less than 100% of the nominal value, the Notes will constitute derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation No.809/2004 will apply and the Issuer will prepare and publish a supplement to the Listing Particulars.)]
11	Change of Interest or Redemption/ Payment Basis:	[Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis]
12	Put/Call Options:	[Put] [Call] [(further particulars specified below)]
13	Status of the Notes:	[Senior/[Subordinated/Dated/Perpetual][2]]
14	Listing:	[Ireland/Other (*specify*)/None]
15	Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16	Fixed Rate Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	Rate[(s)] of Interest:	[●] %. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(i) Interest Payment Date(s):	[●] in each year
	(ii) Fixed Coupon Amount[(s)]:	[●] per [●] in nominal amount
	(iii) Broken Amount:	[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)] and the Interest Payment Date(s) to

[2] Please add appropriate provisions to terms and conditions if included

		which they relate]
	(iv) Day Count Fraction (Condition 4(j)):	[●] (Day count fraction should be Actual/Actual-ICMA for all fixed rate issues other than those denominated in U.S. dollars, unless the client requests otherwise)
	(v) Determination Date(s) (Condition 4(j)):	[Insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)] in each year[3]
	(vi) Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
17	Floating Rate Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate for Notes denominated in euro)
	(i) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(ii) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(iii) Additional Business Centre(s) (Condition 4(j)):	[●]
	(iv) Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(v) Interest Period Date(s):	[Not Applicable/*specify dates*]
	(vi) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Calculation Agent]):	[●]
	(vii) Screen Rate Determination (Condition (b)(iii)(B)):	
	– Reference Rate:	[●]

[3] Only to be completed for an issue where Day Count Fraction is Actual/Actual-ICMA

	– Interest Determination Date:	[[●] [TARGET] Business Days in *[specify city]* for *[specify currency]* prior to [the first day in each Interest Accrual Period/each Interest Payment Date]]
	– Relevant Screen Page:	[●]
	– Primary Source for Floating Rate:	[Specify relevant screen page or "Reference Banks"]
	– Reference Banks (if Primary Source is "Reference Banks"):	[Specify four]
	– Benchmark:	[LIBOR, LIBID, LIMEAN, EURIBOR or other benchmark]
	(viii) ISDA Determination (Condition 4(b)(iii)(A)):	
	– Floating Rate Option:	[●]
	– Designated Maturity:	[●]
	– Reset Date:	[●]
	– ISDA Definitions: (if different from those set out in the Conditions)	[●]
	(ix) Margin(s):	[+/-] [●] %. per annum
	(x) Minimum Rate of Interest:	[●] %. per annum
	(xi) Maximum Rate of Interest:	[●] %. per annum
	(xii) Day Count Fraction (Condition 4(j)):	[●]
	(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18	Zero Coupon Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Amortisation Yield (Condition 5(b)):	[●] %. per annum
	(ii) Day Count Fraction (Condition 4(j)):	[●]
	(iii) Any other formula/basis of determining amount payable:	[●]
19	Index Linked Interest Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-

		paragraphs of this paragraph)
	(i) Index/Formula:	[Give or annex details]
	(ii) Calculation Agent responsible for calculating the interest due:	[●]
	(iii) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable:	[●]
	(iv) Specified Period(s)/Specified Interest Payment Dates:	[●]
	(v) Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(vi) Additional Business Centre(s) (Condition 4(j)):	[●]
	(vii) Minimum Rate of Interest:	[●] %. per annum
	(viii) Maximum Rate of Interest:	[●] %. per annum
	(ix) Day Count Fraction (Condition 4(j)):	[●]
20	Dual Currency Note Provisions	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Rate of Exchange/Method of calculating Rate of Exchange:	[Give details]
	(ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[●]
	(iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable:	[●]
	(iv) Person at whose option Specified Currency(ies) is/are payable:	[●]
	(v) Day Count Fraction (Condition 4(j)):	[●]

PROVISIONS RELATING TO REDEMPTION

21	Call Option	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●]
	(iii) If redeemable in part:	
	(a) Minimum nominal amount to be redeemed:	[●]
	(b) Maximum nominal amount to be redeemed:	[●]
	(iv) Option Exercise Date(s):	[●]
	(v) Description of any other Issuer's option:	[●]
	(vi) Notice period (if other than as set out in the Conditions):	[●]
22	Put Option	[Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i) Optional Redemption Date(s):	[●]
	(ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[●]
	(iii) Option Exercise Date(s):	[●]
	(iv) Description of any other Noteholders' option:	[●]
	(v) Notice period (if other than as set out in the Conditions):	[●]
23	Final Redemption Amount	[Nominal amount/Other/See Appendix]
24	Early Redemption Amount	
	(i) Early Redemption Amount(s) payable on redemption for taxation reasons (Condition 5(c)), redemption for change of control of the Issuer (Condition 5(d)) or an event of default (Condition 9) and/or the method of calculating the same (if	[●]

	required or if different from that set out in the Conditions):	
	(ii) Redemption for taxation reasons permitted on days other than Interest Payment Dates (Condition 5(c)):	[Yes/No]
	(iii) Unmatured Coupons to become void upon early redemption (Condition 6(e)):	[Yes/No/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25	Form of Notes:	[Bearer Notes/Registered Notes]
	[(i) Temporary or permanent global Note:]	[temporary Global Note/ permanent Global Note]
	[(ii) Permanent Global Note in respect of Exchanged Notes (Condition 6(h)):]	[Yes/Not Applicable]
	[(iii) Applicable TEFRA exemption:][delete (i) to (iii) if Registered Notes]	[C Rules/D Rules/Not Applicable]
	[Certificate] [delete if Bearer Notes]	[Certificate available on Issue Date]
26	Additional Financial Centre(s) (Condition 6(g)) or other special provisions relating to payment dates:	[Not Applicable/Give details. Note that this paragraph relates to the place of payment, and not interest period end dates, to which paragraph 17(iii) relates]]
27	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, give details]
28	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
29	Details relating to Instalment Notes:	[Not Applicable/*give details*]
	(i) Instalment Amount(s):	[●]
	(ii) Instalment Date(s):	[●]
	(iii) Minimum Instalment Amount:	[●]

	(iv) Maximum Instalment Amount:	[●]
30	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [in Condition [•]] [annexed to these Final Terms] apply]
31	Consolidation provisions:	[Not Applicable/The provisions [in Condition [•]] [annexed to these Final Terms] apply]
32	Other final terms or special conditions:[4]	[Not Applicable/*give details*]

DISTRIBUTION

33	(i) If syndicated, names of Managers	[Not Applicable/*give names*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give name*]
	(iii) Dealer's Commission:	[●]
34	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
35	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

36	ISIN Code:	[●]
37	Common Code:	[●]
38	Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant	[Not Applicable/give name(s) and

[4] If full terms and conditions are to be used, please add the following here:
"The full text of the Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are set out in [the Annex hereto], which Conditions replace in their entirety those appearing in the Listing Particulars for the purposes of these Notes and such Conditions will prevail over any other provision to the contrary".
The first set of bracketed words is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Conditions should be attached to and form part of the final terms.

	identification number(s):	number(s)]
39	Delivery:	Delivery [against/free of] payment
40	The Agents appointed in respect of the Notes are:	[●]

GENERAL

41	Additional steps that may only be taken following approval by an Extraordinary Resolution in accordance with Condition 10(a):	[Not Applicable/*give details*]
42	The aggregate nominal amount of Notes issued has been translated into [U.S. dollars] at the rate of [•], producing a sum of (for Notes not denominated in [U.S. dollars]):	[Not Applicable/[U.S.$][•]]

[RATING

The Notes are expected to be rated "[●]" by [●].

A Note rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.]

[LISTING APPLICATION

Application has been made to the Irish Stock Exchange for any Notes issued under the Programme for the period of 12 months from the date of the Listing Particulars to be listed on the Official List of the Irish Stock Exchange and to be admitted for trading on its Global Exchange Market.

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the U.S.$2,000,000,000 Euro Medium-Term Note Programme of Banco Daycoval S.A.]

[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[*Description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest*][So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer].

[STABILISING

In connection with this issue, [*insert name of Stabilising Manager*] (the "Stabilising Agent") or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there

may be no obligation on the Stabilising Agent or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.]

MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document, there/There][5] has been no significant change in the financial or trading position of the Issuer, or of the Issuer's Group since [*insert date of last audited accounts or interim accounts (if later)*] and no material adverse change in the financial position or prospects of the Issuer, or of the Issuer's Group since [*insert date of last published annual accounts.*]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms which, when read together with the Listing Particulars [and the supplemental Listing Particulars] referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of the Issuer:

By: _____

Duly authorised

By: _____

Duly authorised

[5] If any change is disclosed in the Final Terms, it will require approval by the Stock Exchange(s). Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Listing Particulars rather than in Final Terms.

FINANCIAL STATEMENTS OF THE ISSUER

Financial Statements for the Years Ended December 31, 2013 and 2012

Financial Statements for the Years Ended December 31, 2012 and 2011

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Banco Daycoval S.A.

Financial Statements for the Six-Month Period and for the Year Ended December 31, 2013 and Report of Independent Auditors

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

Deloitte Touche Tohmatsu
Rua Alexandre Dumas, 1.981
04717-906 - São Paulo - SP
Brasil

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

To the Shareholders and Management of
Banco Daycoval S.A.
São Paulo - SP

Introduction

We have audited the accompanying individual and consolidated financial statements of Banco Daycoval S.A. (the "Bank"), its subsidiaries and special purpose entitiy represented by receivables and investment fund ("Consolidated"), which comprise the balance sheet as of December 31, 2013, and the related statements of income, changes in shareholder's equity ("Bank"), and cash flows for the six-month period and for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Brazilian accounting practices applicable to the institutions authorized to operate by the Central Bank of Brazil ("BACEN"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of 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 Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Banco Daycoval S.A. as at December 31, 2013, and its financial performance and its cash flows for the six-month period and for the year then ended in accordance with accounting practices adopted in Brazil, applicable to entities authorized to operate by the Central Bank of Brazil ("BACEN").

Other matters

Statements of value added

In addition, we have audited the individual and consolidated statements of value added (DVA) for the six-month period and for the year ended December 31, 2013, the presentation of which in the financial statements is required in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM). The statements of value added were subject to the same audit procedures described above and, in our opinion is fairly stated in all material respects, for it to be in accordance with the financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 18, 2014

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Francisco Antonio Maldonado Sant'Anna
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

BALANCE SHEETS AS OF DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

		2013		2012	
ASSETS	**Note**	**Bank**	**Consolidated**	**Bank**	**Consolidated**
CURRENT ASSETS		**8,886,317**	**9,001,553**	**8,778,887**	**8,917,391**
Cash		**88,292**	**91,368**	**68,237**	**69,268**
Interbank investments	**Note 5**	**2,021,232**	**2,021,232**	**2,510,871**	**2,510,871**
Money market investments		1,895,978	1,895,978	2,233,028	2,233,028
Interbank deposits		116,002	116,002	198,779	198,779
Foreign currency investments		9,252	9,252	79,064	79,064
Securities and derivatives	**Notes 6**	**186,388**	**301,076**	**536,403**	**639,152**
Own portfolio		172,128	257,697	400,461	477,375
Linked to repurchase commitments		9,020	9,020	-	-
Derivatives		4,061	4,061	41,572	41,572
Linked to Central Bank		-	-	67,705	67,705
Linked to guarantees		1,179	1,179	26,665	26,665
Asset-backed technical reserves		-	29,119	-	25,835
Interbank accounts		**207,245**	**207,245**	**140,383**	**140,383**
Payments and receipts pending settlement		12	12	-	-
Restricted deposits - Central Bank of Brazil		125,412	125,412	88,031	88,031
Correspondents		81,821	81,821	52,352	52,352
Lending operations		**4,477,748**	**4,477,748**	**4,090,143**	**4,125,591**
Lending operations - public sector	Note 7	22,385	22,385	2,510	2,510
Lending operations - private sector	Note 7	4,820,109	4,820,109	4,377,222	4,424,043
(Allowance for loan losses)	Note 9	(364,746)	(364,746)	(289,589)	(300,962)
Other receivables		**1,743,824**	**1,750,888**	**1,292,491**	**1,299,943**
Foreign exchange portfolio	Note 10.a)	365,041	365,041	322,547	322,547
Income receivable		9,421	10,358	8,614	9,844
Insurance premiums	Note 19.a)	-	588	-	546
Trading account	Note 6.f)	1,235	1,235	508	508
Other	Note 10.b)	1,380,194	1,385,733	965,857	971,533
(Allowance for other loan losses)	Note 9	(12,067)	(12,067)	(5,035)	(5,035)
Other assets	**Note 11**	**161,588**	**151,996**	**140,359**	**132,183**
Repossessed assets		48,413	48,413	44,271	44,271
(Allowance for repossessed assets losses)		(4,363)	(4,363)	(5,846)	(5,846)
Prepaid expenses		117,538	107,946	101,934	93,758
NONCURRENT LONG-TERM ASSETS		**5,902,595**	**5,918,160**	**4,025,897**	**4,010,705**
Interbank investments	**Note 5**	**-**	**-**	**30,118**	**30,118**
Interbank deposits		-	-	30,118	30,118
Securities and derivatives	**Notes 6**	**1,084,037**	**1,119,971**	**403,223**	**373,126**
Own portfolio		814,039	849,832	241,939	211,711
Linked to repurchase commitments		62,951	62,951	-	-
Derivatives		170,410	170,410	84,555	84,555
Linked to Central Bank		-	-	-	-
Linked to guarantees		36,637	36,637	76,729	76,729
Asset-backed technical reserves		-	141	-	131
Lending operations		**3,566,392**	**3,566,392**	**2,662,942**	**2,688,456**
Lending operations - public sector	Note 7	46,469	46,469	1,681	1,681
Lending operations - private sector	Note 7	3,624,266	3,624,266	2,749,109	2,774,623
(Allowance for loan losses)	Note 9	(104,343)	(104,343)	(87,848)	(87,848)
Other receivables		**1,063,552**	**1,063,786**	**810,877**	**811,227**
Other	Note 10.b)	1,063,552	1,063,786	810,877	811,227
Other assets	**Note 11**	**188,614**	**168,011**	**118,737**	**107,778**
Prepaid expenses		188,614	168,011	118,737	107,778
PERMANENT ASSETS		**212,041**	**30,235**	**185,235**	**11,123**
Investments		**185,997**	**781**	**178,593**	**783**
Equity in domestic subsidiaries	Note 12	185,351	-	177,947	-
Other investments		646	781	646	783
Property, plant and equipment	**Note 14**	**26,044**	**29,415**	**6,642**	**10,309**
Properties		-	9,629	-	9,629
Other		35,273	36,163	14,349	15,149
(Accumulated depreciation)		(9,229)	(16,377)	(7,707)	(14,469)
Intangible assets		**-**	**39**	**-**	**31**
TOTAL ASSETS		**15,000,953**	**14,949,948**	**12,990,019**	**12,939,219**

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

		2013		2012	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Note**	**Bank**	**Consolidated**	**Bank**	**Consolidated**
CURRENT LIABILITIES		**6,507,424**	**6,542,675**	**5,913,815**	**5,941,756**
Deposits	**Note 15**	**2,666,623**	**2,666,069**	**3,034,273**	**3,025,001**
Demand deposits		389,920	389,366	259,224	255,339
Interbank deposits		125,520	125,520	412,681	412,681
Time deposits		2,147,311	2,147,311	2,360,667	2,355,280
Foreign currency deposit		3,872	3,872	1,701	1,701
Money market funding	**Note 15**	**779,644**	**779,644**	**781,213**	**781,213**
Own portfolio		71,605	71,605	-	-
Third parties		708,039	708,039	781,213	781,213
Funds from acceptance and issuance of securities	**Note 16**	**1,837,344**	**1,836,044**	**658,950**	**658,645**
Mortgage loan notes		182,572	182,572	53,174	53,174
Agribusiness letters of credit		237,591	237,591	211,242	211,242
Financial bills		1,380,550	1,379,599	362,915	362,915
Securities issued abroad		36,631	36,282	31,619	31,314
Interbank accounts		**873**	**873**	**831**	**831**
Interbranch accounts		**22,190**	**22,190**	**7,040**	**7,040**
Borrowings	**Note 17**	**705,206**	**705,206**	**837,896**	**837,896**
Foreign borrowings		705,206	705,206	837,896	837,896
Domestic onlendings - official institutions	**Note 18**	**117,225**	**117,225**	**113,968**	**113,968**
BNDES		40,957	40,957	44,452	44,452
FINAME		76,268	76,268	69,516	69,516
Derivatives	**Note 6.f)**	**3,271**	**3,271**	**2,189**	**2,189**
Technical reserves - insurance	**Note 19.b)**	**-**	**29,107**	**-**	**25,827**
Other payables		**375,048**	**383,046**	**477,455**	**489,146**
Collected taxes and other		3,992	3,992	4,321	4,321
Foreign exchange portfolio	Note 20.a)	9,334	9,334	9,890	9,890
Social and statutory	Note 20.b)	44,162	45,214	42,654	44,204
Tax and social security	Note 20.c)	222,451	226,857	247,405	255,252
Trading account	Note 6.f)	1,407	1,407	469	469
Other	Note 20.d)	93,702	96,242	172,716	175,010
NONCURRENT LONG-TERM LIABILITIES		**6,039,617**	**5,952,587**	**4,863,290**	**4,783,855**
Deposits	**Note 15**	**1,115,362**	**1,042,195**	**1,143,228**	**1,076,759**
Interbank deposits		115,816	115,816	103,264	103,264
Time deposits		999,546	926,379	1,039,964	973,495
Funds from acceptance and issuance of securities	**Note 16**	**2,952,585**	**2,938,558**	**2,630,647**	**2,617,299**
Mortgage loan notes		41,148	41,148	1,191	1,191
Agribusiness letters of credit		9,385	9,385	9,790	9,790
Financial bills		1,523,539	1,523,539	1,430,369	1,429,496
Securities issued abroad		1,378,513	1,364,486	1,189,297	1,176,822
Borrowings	**Note 17**	**770,539**	**770,539**	**59,891**	**59,891**
Foreign borrowings		770,539	770,539	59,891	59,891
Domestic onlendings - official institutions	**Note 18**	**201,305**	**201,305**	**189,478**	**189,478**
BNDES		55,892	55,892	39,033	39,033
FINAME		145,413	145,413	150,445	150,445
Derivatives	**Note 6.f)**	**831**	**831**	**405**	**405**
Other payables		**998,995**	**999,159**	**839,641**	**840,023**
Tax and social security	Note 20.c)	975,801	975,827	783,646	784,028
Other	Note 20.d)	23,194	23,332	55,995	55,995
DEFERRED INCOME		**13,636**	**13,672**	**9,407**	**9,408**
NONCONTROLLING INTERESTS		**-**	**738**	**-**	**693**
SHAREHOLDERS' EQUITY		**2,440,276**	**2,440,276**	**2,203,507**	**2,203,507**
Capital-		**1,868,862**	**1,868,862**	**1,425,726**	**1,425,726**
Residents in Brazil	Note 23.a)	1,797,652	1,797,652	1,359,143	1,359,143
Capital increase	Note 23.b)	71,210	71,210	66,583	66,583
Capital reservers		896	896	1,577	1,577
Revaluation reserves	Note 23.g)	1,058	1,058	1,185	1,185
Earnings reserves	Note 23.g)	594,033	594,033	771,487	771,487
Valuation adjustments to equity					
Available-for-sale securities		(17,080)	(17,080)	4,822	4,822
Treasury shares	Note 23.d.1)	(7,493)	(7,493)	(1,290)	(1,290)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**15,000,953**	**14,949,948**	**12,990,019**	**12,939,219**

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

INCOME STATEMENTS
FOR THE SIX-MONTH PERIODS AND YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$, unless otherwise stated)

		2nd semester of 2013		2013		2012	
	Note	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
INCOME FROM FINANCIAL INTERMEDIATION		**1,235,061**	**1,240,869**	**2,329,448**	**2,344,621**	**2,231,908**	**2,257,553**
Lending operations	Note 24.a)	920,260	920,260	1,736,037	1,743,035	1,550,155	1,576,322
Securities transactions	Note 24.b)	191,062	196,870	311,721	319,896	397,332	396,810
Derivatives	Note 24.c)	44,523	44,523	126,402	126,402	142,154	142,154
Foreign exchange transactions	Note 24.d)	79,216	79,216	155,288	155,288	142,267	142,267
EXPENSES ON FINANCIAL INTERMEDIATION		**(848,635)**	**(844,718)**	**(1,561,574)**	**(1,561,625)**	**(1,393,211)**	**(1,396,910)**
Funding operations	Note 24.e)	(470,810)	(466,893)	(874,721)	(867,774)	(842,956)	(835,737)
Borrowings and onlending	Note 24.f)	(100,826)	(100,826)	(175,336)	(182,334)	(162,628)	(173,546)
Financial assets sale or transfer		(19,887)	(19,887)	(33,028)	(33,028)	(19,958)	(19,958)
Allowance for loan losses	Note 9	(257,112)	(257,112)	(478,489)	(478,489)	(367,669)	(367,669)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION		**386,426**	**396,151**	**767,874**	**782,996**	**838,697**	**860,643**
OTHER OPERATING INCOME (EXPENSES)		**(226,769)**	**(233,223)**	**(412,835)**	**(420,564)**	**(270,565)**	**(282,223)**
Income from services provided		39,407	46,578	73,648	93,946	64,199	77,884
Results of insurance operations	Note 19.d)	-	1,233	-	2,798	-	2,982
Personnel expenses	Note 24.g)	(88,541)	(98,794)	(167,221)	(185,576)	(152,957)	(165,824)
Other administrative expenses	Note 24.h)	(205,598)	(204,509)	(376,086)	(376,116)	(262,334)	(265,363)
Tax expenses	Note 24.i)	(39,995)	(42,579)	(77,845)	(83,691)	(75,577)	(79,732)
Equity in subsidiaries		2,755	-	7,659	-	8,186	-
Other operating income	Note 24.j)	119,354	123,443	209,417	216,931	215,303	220,644
Other operating expenses	Note 24.k)	(54,151)	(58,595)	(82,407)	(88,856)	(67,385)	(72,814)
INCOME FROM OPERATIONS		**159,657**	**162,928**	**355,039**	**362,432**	**568,132**	**578,420**
NONOPERATING INCOME		**1,010**	**1,010**	**(4,450)**	**(4,450)**	**(12,308)**	**(12,298)**
INCOME BEFORE INCOME TAXES		**160,667**	**163,938**	**350,589**	**357,982**	**555,824**	**566,122**
INCOME TAX AND SOCIAL CONTRIBUTION	**Note 21.a)**	**(32,019)**	**(35,035)**	**(79,902)**	**(85,778)**	**(156,893)**	**(164,657)**
Provision for income tax		(52,029)	(54,186)	(127,208)	(131,398)	(142,731)	(148,316)
Provision for social contribution		(33,301)	(34,160)	(78,697)	(80,383)	(87,518)	(89,697)
Deferred tax assets		53,311	53,311	126,003	126,003	73,356	73,356
PROFIT SHARING	**Note 26.1)**	**(21,612)**	**(21,845)**	**(36,883)**	**(38,354)**	**(41,467)**	**(43,959)**
NONCONTROLLING INTERESTS		**-**	**(22)**	**-**	**(46)**	**-**	**(42)**
NET INCOME		**107,036**	**107,036**	**233,804**	**233,804**	**357,464**	**357,464**
Number of shares	Note 23.c)	251,309,937	251,309,937	251,309,937	251,309,937	224,777,741	224,777,741
Earnings per share - R$		0.43	0.43	0.93	0.93	1.59	1.59

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

						Earnings reserves							
	Note	Capital	Capital increase	Capital reserves	Revaluation reserves	Legal	Unrealized earnings	Bylaws	Special earnings reserves	Valuation adjustments to equity	Treasury shares	Retained earnings	Total
BALANCE AS AT DECEMBER 31, 2011		**1,359,143**	**-**	**-**	**1,313**	**59,959**	**12,409**	**495,097**	**32,140**	**(1,840)**	**(5,794)**	**-**	**1,952,427**
Capital increase:													
Capital increase:		-	66,583	-	-	-	-	-	-	-	-	-	66,583
Adjustment to fair value-													
Available-for-sale securities		-	-	-	-	-	-	-	-	6,662	-	-	6,662
Sale of Bank's shares		-		-	-	-	-	(1,308)	-	-	4,504	-	3,196
Grant of options to purchase shares ("vesting period")		-	-	2,928	-	-	-	-	-	-	-	-	2,928
Exercise of options to purchase shares granted		-	-	(1,552)	-	-	-	1,552	-	-	-	-	-
Revaluation of securities		-	-	201	-	-	-	-	-	-	-	-	201
Realization of revaluation reserve		-	-	-	(194)	-	-	-	-	-	-	194	-
Income tax and social contribution on subsidiary's revaluation		-	-	-	66	-	-	-	-	-	-	-	66
Net income		-	-	-	-	-	-	-	-	-	-	357,464	357,464
Allocations:													
Legal reserve		-	-	-	-	17,873	-	-	-	-	-	(17,873)	-
Bylaws reserve		-	-	-	-	-	-	178,928	-	-	-	(178,928)	-
Additional dividends after 12/31/2011	Note 23.f)	-	-	-	-	-	-	-	(32,140)	-	-	-	(32,140)
Additional dividends after 12/31/2012	Note 23.f)	-	-	-	-	-	-	-	6,977	-	-	(6,977)	-
Interim dividends	Note 23.f)	-	-	-	-	-	-	-	-	-	-	(45,132)	(45,132)
Interest on capital	Note 23.f)	-	-	-	-	-	-	-	-	-	-	(108,748)	(108,748)
BALANCE AS AT DECEMBER 31, 2012		**1,359,143**	**66,583**	**1,577**	**1,185**	**77,832**	**12,409**	**674,269**	**6,977**	**4,822**	**(1,290)**	**-**	**2,203,507**
BALANCE AS AT DECEMBER 31, 2012		**1,359,143**	**66,583**	**1,577**	**1,185**	**77,832**	**12,409**	**674,269**	**6,977**	**4,822**	**(1,290)**	**-**	**2,203,507**
Capital increase:													
Ratified		438,509	(438,509)	-	-	-	-	-	-	-	-	-	-
Capital increase		-	443,136	-	-	-	-	-	-	-	-	-	443,136
Adjustment to fair value-													
Available-for-sale securities		-	-	-	-	-	-	-	-	(21,902)	-	-	(21,902)
Buypack of Bank's shares	Note 23.d.1)	-	-	-	-	-	-	-	-	-	(301,660)	-	(301,660)
Sale of Bank's shares	Note 23.d.1)	-	-	-	-	-	-	(1,298)	-	-	3,698	-	2,400
Cancellation of Bank's shares	Note 23.d.1)	-	-	-	-	-	-	(291,759)	-	-	291,759	-	-
Grant of options to purchase shares ("vesting period")		-	-	173	-	-	-	-	-	-	-	-	173
Exercise of options to purchase shares granted		-	-	(854)	-	-	-	854	-	-	-	-	-
Realization of revaluation reserve		-	-	-	(194)	-	-	-	-	-	-	194	-
Income tax and social contribution on subsidiary's revaluation		-	-	-	67	-	-	-	-	-	-	-	67
Net income		-	-	-	-	-	-	-	-	-	-	233,804	233,804
Allocations:													
Legal reserve		-	-	-	-	11,689	-	-	-	-	-	(11,689)	-
Bylaws reserve		-	-	-	-	-	-	110,037	-	-	-	(110,037)	-
Additional dividends after 12/31/2012	Note 23.f)	-	-	-	-	-	-	-	(6,977)	-	-	-	(6,977)
Interest on capital	Note 23.f)	-	-	-	-	-	-	-	-	-	-	(112,272)	(112,272)
BALANCE AS AT DECEMBER 31, 2013		**1,797,652**	**71,210**	**896**	**1,058**	**89,521**	**12,409**	**492,103**	**-**	**(17,080)**	**(7,493)**	**-**	**2,440,276**

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS AND YEAR ENDED DECEMBER 31, 2013
(In thousands of Brazilian reais - R$)

						Earnings reserves							
	Note	Capital	Capital increase	Capital reserves	Revaluation reserves	Legal	Unrealized earnings	Bylaws	Special earnings reserves	Valuation adjustments to equity	Treasury shares	Retained earnings	Total
BALANCE AS AT JUNE 30, 2013		**1,737,409**	**60,243**	**1,173**	**1,082**	**84,170**	**12,409**	**497,448**	**-**	**(13,522)**	**(23,558)**	**66,364**	**2,423,218**
Capital increase:													
Ratified		60,243	(60,243)	-	-	-	-	-	-	-	-	-	-
Capital increase		-	71,210	-	-	-	-	-	-	-	-	-	71,210
Adjustment to fair value-													
Available-for-sale securities		-	-	-	-	-	-	-	-	(3,558)	-	-	(3,558)
Buypack of Bank's shares	Note 23.d.1)	-	-	-	-	-	-	-	-	-	(100,788)	-	(100,788)
Sale of Bank's shares	Note 23.d.1)	-	-	-	-	-	-	(366)	-	-	983	-	617
Cancellation of Bank's shares	Note 23.d.1)	-	-	-	-	-	-	(115,870)	-	-	115,870	-	-
Grant of options to purchase shares ("vesting period")		-	-	67	-	-	-	-	-	-	-	-	67
Exercise of options to purchase shares granted		-	-	(344)	-	-	-	344	-	-	-	-	-
Realization of revaluation reserve		-	-	-	(70)	-	-	-	-	-	-	70	-
Income tax and social contribution on subsidiary's revaluation		-	-	-	46	-	-	-	-	-	-	-	46
Net income		-	-	-	-	-	-	-	-	-	-	107,036	107,036
Allocations:													
Legal reserve		-	-	-	-	5,351	-	-	-	-	-	(5,351)	-
Bylaws reserve		-	-	-	-	-	-	110,547	-	-	-	(110,547)	-
Interest on capital	Note 23.f)	-	-	-	-	-	-	-	-	-	-	(57,572)	(57,572)
BALANCE AS AT DECEMBER 31, 2013		**1,797,652**	**71,210**	**896**	**1,058**	**89,521**	**12,409**	**492,103**	**-**	**(17,080)**	**(7,493)**	**-**	**2,440,276**

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS AND YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

	2nd semester of 2013		2013		2012	
	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES						
NET INCOME	**107,036**	**107,036**	**233,804**	**233,804**	**357,464**	**357,464**
Adjustment to reconcile net income to net cash provided by operating activities						
Depreciation and amortization	921	1,113	1,831	2,215	1,732	2,145
Deferred taxes	(53,311)	(53,311)	(126,003)	(126,003)	(73,356)	(73,356)
Provision for risks	55,769	55,907	183,057	183,195	178,771	178,771
Allowance for loan losses	262,109	262,109	471,457	471,457	362,684	362,684
Allowance for other loan losses	(4,997)	(4,997)	7,032	7,032	4,985	4,985
Allowance for losses on other assets	(1,149)	(1,149)	(1,483)	(1,483)	2,028	2,028
Exercise of stock option	344	344	854	854	1,552	1,552
Equity in subsidiaries	(2,755)	-	(7,659)	-	(8,186)	-
TOTAL RECONCILIATION ADJUSTMENTS	**256,931**	**260,016**	**529,086**	**537,267**	**470,210**	**478,809**
ADJUSTED NET INCOME	**363,967**	**367,052**	**762,890**	**771,071**	**827,674**	**836,273**
CHANGES IN ASSETS AND LIABILITIES	**(577,434)**	**(578,400)**	**(1,217,038)**	**(1,223,174)**	**3,461**	**(4,771)**
(Increase) Decrease in interbank investments	(116,002)	(116,002)	3,141	3,141	(98,491)	(98,491)
Increase in securities and derivates	(268,795)	(318,103)	(351,193)	(429,164)	(281,856)	(304,603)
Increase in interbank and interbranch accounts	(100,450)	(100,450)	(51,670)	(51,670)	(26,036)	(26,036)
Increase in lending operations	(1,496,448)	(1,452,196)	(1,762,511)	(1,701,549)	(128,262)	(35,015)
Increase in other receivables	(421,428)	(422,225)	(571,921)	(571,389)	(173,468)	(171,185)
Increase in other assets	(69,693)	(65,068)	(89,623)	(78,563)	(95,280)	(85,590)
Increase (Decrease) in deposits	323,107	323,990	(395,516)	(393,496)	(438,114)	(440,248)
Increase (Decrease) in money market funding	71,605	71,605	71,605	71,605	(94,005)	(94,005)
Increase in funds from acceptance and issuance of securities	773,697	772,648	1,500,332	1,498,657	1,785,915	1,783,387
Increase (Decrease) in borrowings and onlendings	722,047	722,047	593,042	593,042	(508,002)	(597,079)
Increase (Decrease) in other payables	48,423	47,301	(85,192)	(86,256)	138,644	143,825
Income tax and social contribution paid	(46,693)	(45,143)	(81,761)	(81,761)	(72,851)	(74,939)
Increase (Decrease) in deferred income	3,196	3,196	4,229	4,229	(4,733)	(4,792)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(213,467)**	**(211,348)**	**(454,148)**	**(452,103)**	**831,135**	**831,502**
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of fixed assets	(20,309)	(20,309)	(21,448)	(21,448)	(2,283)	(2,386)
NET CASH USED IN INVESTING ACTIVITIES	**(20,309)**	**(20,309)**	**(21,448)**	**(21,448)**	**(2,283)**	**(2,386)**
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest on capital/dividends paid	(61,501)	(61,501)	(92,964)	(92,964)	(128,504)	(128,504)
Capital increase	71,210	71,210	443,136	443,136	66,583	66,583
Purchase of own shares	(99,806)	(99,806)	(297,963)	(297,963)	4,504	4,504
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(90,097)**	**(90,097)**	**52,209**	**52,209**	**(57,417)**	**(57,417)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(323,873)**	**(321,754)**	**(423,387)**	**(421,342)**	**771,435**	**771,699**
Cash and cash equivalents at beginning of semester / year	1,609,356	1,610,313	1,708,870	1,709,901	937,435	938,202
Cash and cash equivalents at end of semester / year	1,285,483	1,288,559	1,285,483	1,288,559	1,708,870	1,709,901
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(323,873)**	**(321,754)**	**(423,387)**	**(421,342)**	**771,435**	**771,699**

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF VALUE ADDED
FOR THE SIX-MONTH PERIODS AND YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

	2nd semester of 2013		2013		2012	
	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
REVENUES	**1,110,739**	**1,124,596**	**2,094,655**	**2,134,004**	**2,108,354**	**2,150,795**
Income from financial intermediation	1,235,061	1,240,869	2,329,448	2,344,621	2,231,908	2,257,553
Revenue from services	39,407	46,578	73,648	93,946	64,199	77,884
Allowance for loan losses	(257,112)	(257,112)	(478,489)	(478,489)	(367,669)	(367,669)
Other	93,383	94,261	170,048	173,926	179,916	183,027
EXPENSES	**(591,523)**	**(587,606)**	**(1,083,085)**	**(1,083,136)**	**(1,025,542)**	**(1,029,241)**
Expenses on financial intermediation	(591,523)	(587,606)	(1,083,085)	(1,083,136)	(1,025,542)	(1,029,241)
INPUTS PURCHASED FROM THIRD PARTIES	**(197,117)**	**(194,562)**	**(359,822)**	**(356,860)**	**(248,343)**	**(248,616)**
Materials, electric power and other	(28,845)	(31,193)	(50,424)	(55,012)	(42,801)	(47,927)
Outside services	(168,556)	(163,653)	(310,048)	(302,498)	(205,734)	(200,881)
Asset recovery	284	284	650	650	192	192
GROSS VALUE ADDED	**322,099**	**342,428**	**651,748**	**694,008**	**834,469**	**872,938**
DEPRECIATION AND AMORTIZATION	**(921)**	**(1,113)**	**(1,831)**	**(2,215)**	**(1,732)**	**(2,145)**
TOTAL WEALTH CREATED BY THE BANK / CONSOLIDATED	**321,178**	**341,315**	**649,917**	**691,793**	**832,737**	**870,793**
WEALTH RECEIVED IN TRANSFER	**2,755**	**-**	**7,659**	**-**	**8,186**	**-**
Equity in subsidiaries	2,755	-	7,659	-	8,186	-
WEALTH FOR DISTRIBUTION	**323,933**	**341,315**	**657,576**	**691,793**	**840,923**	**870,793**
DISTRIBUTION OF WEALTH	**323,933**	**341,315**	**657,576**	**691,793**	**840,923**	**870,793**
EMPLOYEES	**95,727**	**104,506**	**177,421**	**194,225**	**167,482**	**180,879**
Salaries and wages	59,618	66,184	113,049	124,723	102,405	110,031
Benefits	33,145	34,916	58,714	63,048	60,122	65,349
Severance pay fund (FGTS)	2,964	3,406	5,658	6,454	4,955	5,499
TAXES	**113,895**	**121,202**	**232,569**	**247,328**	**303,910**	**317,998**
Federal	110,863	117,306	225,871	238,765	297,057	309,857
State	906	906	1,775	1,790	1,676	1,683
Municipal	2,126	2,990	4,923	6,773	5,177	6,458
THIRD PARTIES	**7,275**	**8,549**	**13,782**	**16,390**	**12,067**	**14,410**
Rentals	7,275	8,549	13,782	16,390	12,067	14,410
SHAREHOLDERS	**107,036**	**107,036**	**233,804**	**233,804**	**357,464**	**357,464**
Interest on capital	57,572	57,572	112,272	112,272	108,748	108,748
Dividends	-	-	-	-	6,977	6,977
Retained earnings	49,464	49,464	121,532	121,532	241,739	241,739
NONCONTROLLING INTERESTS	**-**	**22**	**-**	**46**	**-**	**42**

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERAL INFORMATION

Banco Daycoval S.A. (the "Bank" or "Daycoval") is a full-service bank authorized to operate commercial, foreign exchange, investment, and lending and financing portfolios, through its direct and indirect subsidiaries, and to provide services including management of assets, life insurance and pension plans. The Bank is part of Daycoval Group and conducts its businesses on an integrated basis.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Bank's financial statements, including its foreign branch, and the consolidated financial statements ("Consolidated") have been prepared in accordance with the Brazilian accounting practices, which include the accounting guidelines a set forth by the Brazilian Corporate Law - Law 6404/76 and the changes introduced by Law 11638/07 and Law 11941/09 for the accounting of operations, together, when applicable, the standards and instructions of the National Monetary Council ("CMN"), the Central Bank of Brazil ("BACEN"), and the Standard Chart of Accounts for Financial Institutions ("COSIF"), the Brazilian Securities and Exchange Commission ("CVM"), the National Private Insurance Council - CNSP, the Private Insurance Authority ("SUSEP"), and Accounting Pronouncements Committee ("CPC").

As part of the process of convergence with the International Financial Reporting Standards (IFRS), the Accounting Pronouncements Committee (CPC) issued several pronouncements related to the international convergence which have been approved by CVM but not all of them have been ratified by BACEN. Accordingly, in preparing the interim financial statements, the Bank adopted the following pronouncements already ratified by BACEN:

a) CPC 01 - Impairment of assets (BACEN Resolution 3566/08);

b) CPC 03 - Statements of cash flows (BACEN Resolution 3604/08);

c) CPC 05 - Related-party disclosures (BACEN Resolution 3750/09);

d) CPC 10 (R1) - Share-based payment (BACEN Resolution 3989/11, effective beginning January 1st, 2012);

e) CPC 23 - Accounting practices, changes in estimates and correction of errors BACEN Resolution 4007/11, effective beginning January 1st, 2012);

f) CPC 24 - Events after the reporting period (BACEN Resolution 3973/11);

g) CPC 25 - Provisions, Contingent Liabilities and Contingent Assets (BACEN Resolution 3823/09); and

h) Basic Conceptual Pronouncement (R1) - Framework for the Preparation and Presentation of Financial Statements (BACEN Resolution 4144/12).

In the consolidated financial statements, the balances and transactions between the Bank, its foreign branch, its direct and indirect subsidiaries and special purpose entity, represented by the receivables investment fund, have been eliminated. Net income and shareholders' equity amounts related to minority interests were disclosed in a separate caption. The financial statements of the foreign branch and indirect subsidiary had the accounting criteria adjusted to the Brazilian accounting practices and translated into Brazilian reais.

The consolidated financial statements include the accounts of the Bank, its foreign branch, and the following direct and indirect subsidiaries and special purpose entity as follows:

	Ownership interest - %	
	2013	**2012**
Financial activity - Foreign branch		
Banco Daycoval S.A. - Cayman Branch	100.00	100.00
Insurance and pension plan activity		
Dayprev Vida e Previdência S.A. ("Dayprev")	97.00	97.00
Non-financial activity		
ACS Participações Ltda. ("ACS")	99.99	99.99
Daycoval Asset Management Administração de Recursos Ltda. ("Daycoval Asset")	99.99	99.99
IFP Promotora de Serviços de Consultoria e Cadastro Ltda. ("IFP")	99.99	99.99
SCC Assessoria em Cadastro e Cobrança Ltda. ("SCC")	99.99	99.99
Treetop Investments Ltd. ("Treetop")	99.99	99.99
Special Purpose Entities – SPE		
Daycoval Veículos Fundo de Investimento em Direitos Creditórios ("Daycoval Veículos FIDC") (1) (2)	100.00	100.00

(1) The ownership percentage refers to the total subordinated quotas held by the Bank in Daycoval Veículos FIDC.

(2) Closing of activities on December 13, 2013.

2.a) Information about of the Daycoval Veículos Fundo de Investimento em Direitos Creditórios ("Daycoval Veículos FIDC")

According General Meeting of Quotaholders held on December 13, 2013, the early settlement of the activities of Daycoval Veículos FIDC was approved, with a total redemption of senior and subordinated shares, the latter held by the Bank.

In preparing of the consolidated financial statements for the year ended December, 31 2013, the consolidation about Daycoval Veículos FIDC, adopted was to add the balances of the receivables portfolio and the allowance for loan losses were incorporated into the Bank's loan portfolio, net of investments in investment fund shares represented by subordinated shares held by the Bank in Daycoval FIDC.

The receivables portfolio and the allowance for loan losses balance, consolidated in the Bank's financial statements, for the year ended December 31, 2012, comprise vehicles financing granted to Daycoval Veículos FIDC through December 31, 2011 (prior to the date when BACEN Resolution 3.533/08 became effective). The assignments to FIDC, effective beginning January 1, 2012, are recognized in the individual and consolidated financial statements on December 31, 2012, in accordance with the accounting policies set out in Note 3.g).

Additionally, income from Daycoval Veículos FIDC receivables was recorded under the caption "Lending operations" in the statement of income, assigned until December 31, 2011 (prior to the effective of BACEN Resolution 3.533/08) and the cost of financing, related to senior shares, was recorded under the caption "Borrowings and Onlendings". The income earned by the Bank from appreciation of its shares in Daycoval Veículos FIDC, which was originally recorded under the caption "Securities transactions", was reclassified to the caption "Lending operations", in order to present fairly the operation in the consolidated financial statements.

As provided for by CVM/SNC-SEP Circular Letter 01/07, of February 14, 2007, the Bank's Management added the balances of receivables and allowance for loan losses, assigned until December 31, 2011, to the consolidated financial statements for the year ended December 31, 2012, as it considers that the control (receiving, onlending and collection) of receivables assigned to Daycoval Veículos FIDC is under its responsibility, which in substance represents the provision of guarantees to Fund investors in relation to the receiving of these receivables.

The following is the main information on Daycoval Veículos FIDC, pursuant to CVM Instruction 408/05:

I. Characteristics of Daycoval Veículos FIDC:

The Daycoval Veículos FIDC was managed by Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A. and was established as a closed-end fund available to qualified investors according to prevailing regulation. Daycoval Veículos FIDC started operations on August 11, 2008, for a term of 10 years from the first payment of 1st series senior shares of the Fund, having been closed its activities on December 13, 2013.

II. Name, type, purpose and activities of Daycoval Veículos FIDC:

The purpose of Daycoval FIDC Veículos was to provide its investors with the appreciation of its shares by investing money principally in the acquisition of receivables from the financial industry, entered into by the Bank (Assignor) and its customers. These receivables were from arise vehicles financing.

The Daycoval Veículos FIDC seeked, but not insure, yield equivalent to 113% of the DI (interbank deposit rate), respectively for Daycoval FIDC and Daycoval Veículos FIDC. This benchmark was applied to Senior Shares and there was no pre-established benchmark for Subordinated Shares.

III. Nature of Bank's involvement with Daycoval Veículos FIDC, and type of exposure to loss, if any, arising from this involvement:

The verification of condition related to the receivables of assignment was in the form of the assignment agreement, it was the solely responsibility of the Assignor (Bank) to ensure that the receivables satisfy assignment conditions, without affecting the assignee's (Daycoval Veículos FIDC) right to do so, directly or by means of third parties.

IV. Amount and nature of receivables and payables between the Bank and Daycoval Veículos FIDC, assets transferred by the Bank and rights of use of Daycoval Veículos FIDC's assets:

During the period from January 1st to December 13, 2013 (date of early settlement of the Daycoval Veículos FIDC) and year ended December 31, 2012, the Bank assigned to Daycoval Veículos FIDC the amounts of R$ 9,946 and R$ 121,356, respectively, in vehicle financing which were performed with the characteristic of substantial retention of risk and benefits, as provided in Resolution No. 3533/08 of the Central Bank as Note 3.g) and Note 8.

The assignment of receivables did not generate results for the Bank.

Additionally, as investments in subordinated shares in Daycoval Veículos FIDC were maintained, during the period of January 1st to December 13, 2013, the Bank recorded in "Securities transactions" the result of the variation quotas the amount of R$ 30,267 (R$31,155 in 2012).

V. On December 31, 2012, the Daycoval Veículos FIDC presented the following financial situation:

	2012
Cash	14
Interbank investments	10,512
Securities	**14,828**
Federal government securities	14,828
Lending operations	**160,313**
Receivables	174,219
(-)Allowance for losses	(13,906)
Other assets	**31**
Other receivables	**7**
Total assets	**185,705**
Liabilities	
Other payables	39
Net assets	**185,666**
Senior shares	115,702
Subordinated shares	69,964
Total liabilities	**185,705**

VI. Guarantees, sureties, mortgages or other collateral in favor of Daycoval Veículos FIDC:

The Bank has provided no guarantee, surety, mortgage or other collateral in favor of Daycoval Veículos FIDC or its investors.

VII. Identification of the principal beneficiary or group of principal beneficiaries of FIDC's securities

The Bank was the holder of all subordinated shares of Daycoval Veículos FIDC, the senior shares are held by qualified investors.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of the financial statements can be summarized as follows:

a) Income and expenses are recorded on the accrual basis, Operations with fixed rates are stated at redemption amount, and income and expenses for future periods are reported as a reduction of the related assets and liabilities. Financial income and expenses are calculated under the exponential method, except when resulting from foreign operations, which are calculated under the straight-line method. Operations with floating rates or indexed to foreign currencies are adjusted through the balance sheet date.

b) Interbank investments and other receivables, except securities and derivatives, are stated at cost, plus monetary and exchange variations and interest earned. When fair value is lower than carrying amount, an allowance is recorded to adjust the asset to realizable.

c) Under BACEN Resolution 3604/08, cash and cash equivalents are represented by cash and deposits in financial institutions, recorded under the captions "Cash", "interbank investments", and "securities" classified in the trading portfolio, whose total application term is 90 days, and the change in their fair value is considered immaterial.

d) Securities are stated at cost plus income earned, as detailed below: (i) fixed-income securities are adjusted at the applicable interest rate through their maturities; (ii) shares are adjusted based on the average price informed by the Stock Exchange which trades more shares; and (iii) investments in investment funds adjusted based on the share value informed by the fund managers.

Securities can be classified in conformity with BACEN Circular Letter 3068/2001 into one of the following three categories:

- Trading securities - securities bought and held principally for the purpose of selling them in the near term and reported at fair value, with unrealized gains and losses included in income for the period;
- Available-for-sale securities - securities not classified as either trading securities or held-to-maturity securities. Unrealized gains and losses are reported in a separate component of shareholders' equity, net of taxes, and are included in income for the year when realized; and
- Held-to-maturity securities - securities that the enterprise has the positive intent and ability to hold to maturity and stated at cost, plus income earned, included in income for the period.

Bonuses resulting from investments in shares of publicly-traded companies are recorded in securities portfolio only according to the respective number, without modifying the value of investments, when the corresponding shares are considered "ex-rights" on the stock exchange.

Dividends and interest on capital from investments in publicly-traded companies are recorded as income when related shares are considered "ex-rights" on the stock exchange.

e) Derivatives consist of option, forward, futures and swap transactions and are reported in conformity with BACEN Circular 3082/02, as described below:

- Option transactions - premiums received or paid are recorded at fair value under the caption "derivatives" in assets or liabilities, respectively, until the exercise of the option, and reported as a decrease or increase in the cost of the asset for the exercise of the option or as income or expense in the event of non-exercise;
- Futures transactions - daily adjustments are recorded at fair value under the caption "Trading account" in assets or liabilities and allocated daily to income or expense;
- Currency swap transactions and non-deliverable forward - differential receivable or payable is recorded at fair value under the caption "Derivatives" in assets or liabilities, respectively, and allocated to income or expense; and
- Forward transactions - are recorded at final contract value, less the difference between that value and the cash price of the asset, with recognition of income and expenses over the contract periods.

Derivative transactions are stated at fair value as of the balance sheet date, with gains and losses reported as described below:

- Derivatives that not qualify as hedge - in income or expense in the statement of income; and
- Derivatives that qualify as hedge - classified as market risk value or cash flow hedges.

Market risk hedges are intended to offset the movement in the fair value of the hedged item, with gains or losses included in income or expenses in the statement of income.

Cash flow hedges are intended to offset the change in estimated future cash flows, with gains or losses, net of taxes, included in a separate component of shareholders' equity, with any other change included in income or expense in the statement of income.

f) Lending operations are classified based on Management's risk assessment, considering the past experience with prior borrowers and guarantors, economic scenario, and specific and overall portfolio risks, pursuant to CMN Resolution 2682/99, which requires a periodic analysis of the portfolio and its classification into nine rating levels from AA (minimum risk) to H (maximum risk - loss).

Income from lending operations past-due for more than 60 days, regardless of the risk level, is only recognized when actually received, H-rated loans remain as such for six months and, thereafter, are written off against the existing allowance and remain controlled in a memorandum account not shown on the balance sheet.

g) As set out by Bacen Resolution 3533/08, a financial asset is derecognized when the contractual rights to the asset's cash flows expire or when the asset is sold or transferred.

The sale or transfer of a financial asset should be classified into the following categories:

- Transactions with substantial transfer of the risks and rewards: the assignor substantially transfers all the risks and rewards of ownership of the financial asset as follows: (i) unconditional sale of the financial asset; (ii) sale of the financial asset with repurchase option at its fair value at the date of repurchase; and (iii) sale of the financial asset with call or put options, whose exercise is improbable;
- Transactions with substantial retention of the risks and rewards: the assignor substantially retains all the risks and rewards of ownership of the financial asset as follows: (i) sale of the financial asset with repurchase commitment at a fixed price or at the selling price plus yields; (ii) securities lending agreements; (iii) sale of the financial assets with total return rate swap agreement, which transfers the market risk exposure back to the assignor; (iv) sale of the financial asset with call or put options whose exercise is probable; and (v) sale of receivables, when the losses incurred by the buyer or assignee, if any, are compensated by the seller or assignor, or when they are made with the acquisition of shares subordinated to the Receivables Investment Fund (FIDC) buyer; and
- Transaction with no substantial transfer or retention of the risks and rewards: transactions in which the assignor neither transfers nor retains, substantially, all the risks and rewards of ownership of the financial asset.

The transfer or retention of the risks and rewards of ownership of the financial asset is analyzed by comparing Daycoval's exposure, before and after the sale or transfer, with the change in the present value of the financial asset's expected cash flows, discounted at the appropriate market interest rate.

The allowance for loan losses is recorded as set out by BACEN Resolution 2682/99.

h) Foreign exchange transactions are stated at realizable values, plus income and exchange variations earned on a pro rata daily basis, and the allowance for doubtful account, pursuant to CMN Resolution 2682/99, when applicable.

i) Insurance premiums are recorded in income when the respective insurance policies and invoices are issued and deferred on a straight-line basis, over the insurance policy effective term, i.e., within the risk coverage period, by recording and reversing the unearned premium reserve and deferred selling expenses.

j) Prepaid expenses related to commissions paid to third parties are controlled by contract and accounted for under the caption “Prepaid expenses”, the recognition of such expenses as “Other administrative expenses” is made on a pro-rata temporis basis, over the term of the respective contracts, or fully recognized, when such contracts are settled in advance.

k) Investments in subsidiaries are stated under the equity method, which is applied to all associated companies in which the Bank has significant influence, that is, in which the Bank holds at least 20% of the voting capital.

l) Other investments are stated at cost, less allowance for loss, when applicable.

m) Property and equipment are stated at acquisition cost, except for real estate held by the subsidiary, which is recorded at acquisition cost plus revaluation at market value. Depreciation is calculated under the straight-line method at the annual rates stated in Note 14, based on the economic useful lives of the assets.

n) Intangible assets correspond to rights acquired in intangible assets that are maintained or used in the operations of the Bank and its subsidiaries or exercised for such purpose; intangible assets with finite lives are amortized on a straight-line basis over the estimated period they will generate economic benefits.

o) The impairment of non-monetary assets is recognized when the carrying amount of an asset or a cash generating unit is higher than its recoverable or realizable value. A cash generating unit is the smallest identifiable group of assets which generates cash flows substantially independent from other assets and groups of assets. Impairment losses are recorded in the statement of income for the period when they are recognized, when applicable.

The amounts of non-monetary items, except those recorded under the captions “Other assets” and “Other receivables - tax credits”, are periodically, at least annually, tested for impairment. On December 31, 2013 and 2012 there is no evidence of impairment of non-financial assets.

p) Known or estimated liabilities, payables and contingencies, including tax charges calculated based on income for the period, include interest and exchange rate change or inflation adjustment accrued through the balance sheet date. Liabilities in foreign currency are translated into local currency at the exchange rates in effect on the balance sheet date, as informed by BACEN, and liabilities subject to indexation are inflation adjusted through the balance sheet date. Hedged liabilities are adjusted to fair value.

q) The provision for income tax is recorded at the rate of 15%, plus 10% surtax when applicable. Social contribution is calculated on net income adjusted under prevailing legislation, at the rate of 15%.

r) Income tax and social contribution credits are recognized on temporary additions and deductions and based on legislation in effect at the date of recognition. These tax credits will be realized when the amounts on which they were recognized are utilized or reversed.

s) Technical reserves - insurances - calculated in accordance with the technical notes approved by SUSEP and the criteria established by CNSP Resolution 162 of December 26, 2006 and subsequent changes introduced by CNSP Resolution 181, of December 19, 2007, as follows:

- Reserve for unsettled claims - is recorded, based on notices of claims, in an amount sufficient to cover future commitments under legal disputes, where the amount is determined by experts and legal counsel that perform the assessments based on insured amount and technical regulations, taking into account the likelihood of unfavorable outcome to the insurance company; and
- Reserve for incurred but not reported losses (IBNR) - recorded to cover insured losses that have occurred but have not been reported.

t) Contingent assets and liabilities and legal, tax and social security obligations

Contingent assets and liabilities and legal, tax and social security obligations are recognized, measured and disclosed, as follows:

- Contingent assets are not recorded in the financial statements, except when there is evidence that they will be realized and are not subject to appeals;
- Contingent liabilities are recorded in the financial statements when the risk of loss on an administrative or judicial proceeding is assessed by the legal counsel and Management as probable, with probable outflow of funds to settle obligations, and when the amounts involved can be reliably measured. Contingent liabilities classified as possible loss by the legal counsel are only disclosed in notes to the financial statements. Those classified as remote loss do not require provision and disclosure; and
- Legal obligations (tax and social security) refer to lawsuits challenging the legality and constitutionality of certain taxes. The amount under litigation is determined, accrued and adjusted monthly.

u) Earnings per share are calculated based on the number of shares at the balance sheet dates.

v) The Bank has a Stock Option Plan, whose main characteristics are described in note 26.2), where it receives the services of its employees or service providers (beneficiaries of the Plan) in contrast to the granting of options to purchase Bank's shares.

In each grant of options to purchase shares is calculated the probable fair value of this service and/or equity instrument for recognition in the income statement under "Personnel expenses" during the period in which specific conditions for acquiring rights to purchase shares of the Bank must be met ("vesting period"), and their credit account in stockholders' equity under the caption "capital reserves", as established by Resolution nº 3989/11 BACEN which endorses the CPC 10 (R1) – Share-based payment.

w) Uses of estimates - The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and other transactions, such as: (i) depreciation rates of property and equipment; (ii) amortization of intangible assets; (iii) allowance for loans losses; (iv) evaluation of financial instruments; and (v) reserves for contingencies. Actual results could differ from those estimates.

x) Asset and liability financial instruments are adjusted to present value by unearned income and unearned expenses, which adjust these instruments to the amounts that would be obtained in case they were cash transactions, as well as floating-rate financial instruments, which are realized at their cash value and are periodically adjusted by their respective transactions rates.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	Bank		Consolidated	
	2013	2012	2013	2012
Cash	88,292	68,237	91,368	69,268
Money market investments (1)	1,187,939	1,451,815	1,187,939	1,451,815
Interbank investments (2)	-	109,754	-	109,754
Foreign-currency short-term investments (2)	9,252	79,064	9,252	79,064
Total cash and cash equivalents	**1,285,483**	**1,708,870**	**1,288,559**	**1,709,901**

(1) Interbank investments included in cash and cash equivalents are stated net of the amount recorded under "Money market investments - third parties funding" which as at December 31, 2013 and 2012, amounted, respectively, R$ 708,039 and R$ 781,213, for the Bank and the Consolidated.

(2) Refers to investments in interbank deposits and foreign currency deposits maturing up to 90 days.

5. INTERBANK INVESTMENTS (Bank and Consolidated)

Interbank investments are as follows:

	2013		2012	
Type	**Maturity**	**Amount**	**Maturity**	**Amount**
Money market investments	Up to 1st business day	1,895,978	Up to 1st business day	2,233,028
Foreign currencies	Up to November 2014	116,002	Up to June 2014	228,897
Interbank deposits	Up to 1st business day	9,252	Up to 1st business day	79,064
Total		**2,021,232**		**2,540,989**

6. SECURITIES AND DERIVATIVES

We present below the composition by type, maturity and type of portfolio of securities and derivatives:

a) By category and type:

	Bank			
	2013		2012	
	Adjusted cost	Fair value (1)	Adjusted cost	Fair value (1)
Trading securities	**-**	**-**	**281,322**	**290,220**
Own portfolio	**-**	**-**	**216,067**	**222,515**
National Treasury Bills (LTN)	-	-	216,067	222,515
Linked to the Central Bank of Brazil ("BACEN")	**-**	**-**	**65,255**	**67,705**
National Treasury Bills (LTN)	-	-	65,255	67,705
Available-for-sale securities	**1,128,635**	**1,095,954**	**519,776**	**523,279**
Own portfolio	**1,017,465**	**986,167**	**416,363**	**419,885**
National Treasury Bills (LTN)	703,462	679,247	198	200
Treasury bills (LFT)	68,779	68,767	114,411	114,360
National Treasury Notes (NTN)	-	-	13,215	13,528
Foreign fixed-income securities	88,541	82,074	74,696	77,919
Investment fund shares	154,569	154,569	212,324	212,324
Shares of publicly-traded companies	2,114	1,510	1,519	1,554
Linked to repurchased commitments	**73,347**	**71,971**	**-**	**-**
National Treasury Bills (LTN)	30,087	28,715	-	-
Treasury bills (LFT)	43,260	43,256		
Linked to guarantees (2)	**37,823**	**37,816**	**103,413**	**103,394**
National Treasury Bills (LFT)	37,750	37,743	102,296	102,250
National Treasury Notes (NTN)	73	73	1,117	1,144
Total securities	**1,128,635**	**1,095,954**	**801,098**	**813,499**

	Consolidated			
	2013		2012	
	Adjusted cost	Fair value (1)	Custo atualizado	Fair value (1)
Trading securities	**29,119**	**29,119**	**307,157**	**316,055**
Own portfolio	**-**	**-**	**216,067**	**222,515**
National Treasury Bills (LTN)	-	-	216,067	222,515
Linked to the Central Bank of Brazil ("BACEN")	**-**	**-**	**65,255**	**67,705**
National Treasury Bills (LTN)	-	-	65,255	67,705
Assets guaranteeing technical reserves (Note 19.c))	**29,119**	**29,119**	**25,835**	**25,835**
Investment fund shares	29,119	29,119	25,835	25,835
Available-for-sale securities	**1,249,575**	**1,217,457**	**566,003**	**570,096**
Own portfolio	**1,138,264**	**1,107,529**	**462,459**	**466,571**
National Treasury Bills (LTN)	703,462	679,247	198	200
Treasury Bills (LFT)	91,894	91,891	135,749	135,702
National Treasury Notes (NTN)	-	-	13,215	13,528
Foreign fixed-income securities	103,858	97,425	86,555	89,347
Investment fund shares	235,322	235,322	223,625	223,625
Shares of publicly-traded companies	3,728	3,644	3,117	4,169
Linked to repurchased commitments	**73,347**	**71,971**	**-**	**-**
National Treasury Bills (LTN)	30,087	28,715	-	-
Treasury bills (LFT)	43,260	43,256		
Linked to guarantees (2)	**37,823**	**37,816**	**103,413**	**103,394**
Treasury bills (LFT)	37,750	37,743	102,296	102,250
National Treasury Notes (NTN)	73	73	1,117	1,144
Assets guaranteeing technical reserves (Note 19.c))	**141**	**141**	**131**	**131**
Treasury Bills (LFT)	141	141	131	131
Total securities	**1,278,694**	**1,246,576**	**873,160**	**886,151**

(1) The securities' market value was calculated based on the prices and rates prevailing at Dezember 31, 2013 and 2012, as disclosed by the Brazilian Financial and Capital Markets Association (ANBIMA), investment fund managed, BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, and other pricing agents for securities acquired abroad.

(2) As at December 3, 2013, securities linked to guarantees refer to securities linked to: (i) transactions conducted at BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias & Futuros, in the amount of R$26,258 (R$92,852 in 2012), (Note 6.m)); and (ii) transactions conducted in Clearing Houses, in the amount of R$11,558 (R$10,542 in 2012).

b) By maturity:

	Bank						
	2013						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**19,153**	**6,945**	**460,936**	**364,611**	**6,156**	**857,801**
National Treasury Bills (LTN)	-	-	-	376,933	331,029	-	707,962
Treasury Bills (LFT)	-	19,153	6,945	83,930	33,582	6,156	149,766
National Treasury Notes (NTN)	-	-	-	73	-	-	73
Foreign securities	**-**	**150**	**-**	**7,081**	**5,025**	**69,818**	**82,074**
Securities of companies and financial institutions							
Eurobonds and similar instruments	-	150	-	7,081	5,025	69,818	82,074
Private-sector securities	**1,510**	**-**	**-**	**-**	**-**	**-**	**1,510**
Shares in listed companies	1,510	-	-	-	-	-	1,510
Investment fund shares	**154,569**	**-**	**-**	**-**	**-**	**-**	**154,569**
Multimarket investment fund	98,841	-	-	-	-	-	98,841
Real estate investment fund	43,267	-	-	-	-	-	43,267
Investment fund fixed rate	12,461	-	-	-	-	-	12,461
Total	**156,079**	**19,303**	**6,945**	**468,017**	**369,636**	**75,974**	**1,095,954**

	Bank						
	2012						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**328,029**	**22,888**	**87,547**	**61,183**	**22,055**	**521,702**
National Treasury Bills (LTN)	-	290,364	1	-	55	-	290,420
Treasury Bills (LFT)	-	37,665	8,215	87,547	61,128	22,055	216,610
National Treasury Notes (NTN)	-	-	14,672	-	-	-	14,672
Foreign securities	**-**	**-**	**-**	**4,711**	**4,129**	**69,079**	**77,919**
Securities of companies and financial institutions							
Eurobonds and similar instruments	-	-	-	4,711	4,129	69,079	77,919
Private-sector securities	**1,554**	**-**	**-**	**-**	**-**	**-**	**1,554**
Shares in publicly-traded companies	1,554	-	-	-	-	-	1,554
Investment fund shares	**142,360**	**-**	**-**	**69,964**	**-**	**-**	**212,324**
Multimarket investment fund	102,027	-	-	-	-	-	102,027
Receivable fund	-	-	-	69,964	-	-	69,964
Real estate investment fund	40,333	-	-	-	-	-	40,333
Total	**143,914**	**328,029**	**22,888**	**162,222**	**65,312**	**91,134**	**813,499**

	Consolidated						
	2013						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**19,153**	**6,945**	**483,535**	**365,277**	**6,156**	**881,066**
National Treasury Bills (LTN)	-	-	-	376,933	331,029	-	707,962
Treasury Bills (LFT)	-	19,153	6,945	106,529	34,248	6,156	173,031
National Treasury Notes (NTN)	-	-	-	73	-	-	73
Foreign securities	**2,364**	**468**	**-**	**10,836**	**5,025**	**78,732**	**97,425**
Securities of companies and financial institutions							
Eurobonds and similar instruments	2,364	468	-	10,836	5,025	78,732	97,425
Private-sector securities	**3,644**	**-**	**-**	**-**	**-**	**-**	**3,644**
Shares in publicly-traded companies	3,644	-	-	-	-	-	3,644
Investment fund shares	**264,441**	**-**	**-**	**-**	**-**	**-**	**264,441**
Multimarket investment fund	147,313	-	-	-	-	-	147,313
Real estate investment fund	43,267	-	-	-	-	-	43,267
Investment fund fixed rate	69,531	-	-	-	-	-	69,531
Investment fund shares	4,330	-	-	-	-	-	4,330
Total	**270,449**	**19,621**	**6,945**	**494,371**	**370,302**	**84,888**	**1,246,576**

	2012						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**328,029**	**22,888**	**97,769**	**72,434**	**22,055**	**543,175**
National Treasury Bills (LTNs)	-	290,364	1	-	55	-	290,420
Treasury Bills (LFT)	-	37,665	8,215	97,769	72,379	22,055	238,083
National Treasury Notes (NTNs)	-	-	14,672	-	-	-	14,672
Foreign securities	**-**	**-**	**2,036**	**9,624**	**4,129**	**73,558**	**89,347**
Securities of companies and financial institutions							
Eurobonds and similar instruments	-	-	2,036	9,624	4,129	73,558	89,347
Private-sector securities	**4,169**	**-**	**-**	**-**	**-**	**-**	**4,169**
Shares in publicly-traded companies	4,169	-	-	-	-	-	4,169
Investment fund shares	**240,458**	**-**	**-**	**9,002**	**-**	**-**	**249,460**
Multimarket investment fund	200,125	-	-	-	-	-	200,125
Real estate investment fund	40,333	-	-	-	-	-	40,333
Receivable fund	-	-	-	9,002	-	-	9,002
Total	**244,627**	**328,029**	**24,924**	**116,395**	**76,563**	**95,613**	**886,151**

c) Derivatives

The Bank conducts operations involving derivative financial instruments recorded in balance sheet and memorandum accounts to meet its own and customers' needs, which are recorded in balance sheet and memorandum accounts.

Derivatives used are properly approved under the product use policy, Pursuant to this policy, prior to the implementation of each product all aspects should be analyzed, such as: objectives, forms of use, risks involved and adequate operational support infrastructure.

The components of credit and market risks involved in derivatives are monitored daily, specific limits are set for derivative transactions, customers and custodians. Such limits are managed by a system that consolidates exposures by counterparty. Any deviations are promptly indicated and addressed for immediate solution.

The market risk of derivatives is managed by a prevailing risk policy, pursuant to which potential risks of price fluctuations in the financial markets are centralized in the Treasury department, which provides hedge for the other areas.

The main derivative financial instruments used by the Bank include: swaps, forward transactions (NDF), US dollar futures (DOL), interest rate (DI) and foreign exchange coupon (DDI). BACEN Circular Letter 3082/02 permitted a specific accounting in the cases derivatives are used to hedge against changes in fair value or cash flow.

During the year ended December 31, 2013 and 2012, no derivative transactions conducted among the consolidated companies.

d) Hedge

The hedging strategy is determined based on the Bank's operation risk exposure limits, Whenever its operations have risk exposures above the established limits, which might result in significant fluctuations in its income, the Bank uses derivatives, contracted in the organized or over-the-counter market to hedge against such risks, according to the hedging rules of the BACEN Circular Letter 3082/02.

The hedge instruments are intended to mitigate market, exchange variation and interest risks. According to the market liquidity, the maturity dates of hedge instruments are the closest possible to the dates of the financial flows of the hedged operation, so as to assure an efficient hedge.

Hedge accounting

As at December 31, 2013, the Bank has a hedge market risk structure designed to offset the fluctuation of the foreign currency (US dollar) and Libor interest rate against payment of interest and the principal amount of foreign borrowings and financing.

The table below summarizes this structure as at December 31, 2013:

	2013			
	Hedging instrument		Hedged asset	
Strategy	Principal	Adjustment to fair value	Carrying amount	Adjustment to fair value
Market risk hedge – Payables due to foreign borrowings (Note 17)	70,654	2,034	70,654	2,034

The accounting hedge structure for this transaction was made by associating a swap cash flow contract for each borrowing repayment, either of interest or the principal plus interest, and the Bank´s long position is identical to the rates the borrowings agreement is subject to.

As at December 31, 2013 and 2012, the Bank did not have derivatives qualified as accounting cash flow hedge.

e) Fair value:

The fair value of financial instruments is determined using available market information, principally prices and rates provided by the Commodities and Futures Exchange (BM&FBOVESPA S.A.). When applicable, mathematical models of rate interpolation for intermediate terms, and rate extrapolation for longer terms, are adopted.

The following pricing methodologies were adopted for calculating the fair value of derivatives:

- Futures transactions - quotations disclosed by BM&FBOVESPA S.A.
- Swap agreements and forward transactions (NDF) - consideration of the future cash flow, discounted to present value by future interest curves obtained from information disclosed by BM&FBOVESPA S.A.

f) Breakdown of balances recorded in balance sheet accounts under the captions “derivatives” and “trading account” (Bank and Consolidated):

	2013		2012	
	Current	Long-term	Current	Long-term
Assets				
Derivatives	**4,061**	**170,410**	**41,572**	**84,555**
Swaps - differential receivable	3,550	170,410	41,572	84,555
Forward currency receivable	511	-	-	-
Trading account	**1,235**	**-**	**508**	**-**
Futures pending settlement	**1,232**	**-**	**504**	**-**
Interest rate (DI)	472	-	406	-
Foreign exchange coupon (DDI)	386	-	-	-
Dollar futures (DOL)	374	-	98	-
Other receivables	**3**	**-**	**4**	**-**
Unsettled account	3	-	4	-
Liabilities				
Derivatives	**3,271**	**831**	**2,189**	**405**
Swaps - differential payable	2,783	831	2,189	405
Forward currency payable	488	-	-	-
Trading account	**1,407**	**-**	**469**	**-**
Futures pending settlement	**1,407**	**-**	**469**	**-**
Dollar futures (DOL)	767	-	-	-
Interest rate (DI)	640	-	113	-
Foreign exchange coupon (DDI)	-	-	356	-

Differentials receivable and payable and daily adjustments paid or received for derivatives are recorded in the respective balance sheet accounts "derivatives" and "trading account" against the corresponding statement of income accounts "derivatives" and, as at December 31, 2013 and 2012, are adjusted to fair value, and the nominal values of these transactions are recorded in memorandum accounts.

g) Segregation by type of contract and counterparty (Bank and Consolidated):

		2013		2012	
		Amounts		Amounts	
Contracts	**Type of counterparty**	**receivable**	**(payable)**	**receivable**	**(payable)**
Future	BM&FBOVESPA S.A.	1,232	(1,407)	504	(469)
Swap	Financial institutions	173,918	(3,431)	126,127	(2,594)
	Companies	42	(183)	-	-
	Total swap operation	**173,960**	**(3,614)**	**126,127**	(2,594)
Forward	Financial institutions	493	(14)	-	-
	Companies	18	(474)	-	-
	Total forward operation	**511**	**(488)**	**-**	**-**

h) Swap contracts (Bank and Consolidated):

	2013					
	Notional value	**Cost**		**Market value**		**Difference receivable (payable)**
		Bank	**Counterparty**	**Bank**	**Counterparty**	
Asset operation						
Hedge Accounting (Note 6.d))	**60,300**	**60,385**	**(59,905)**	**60,385**	**(59,905)**	**480**
Libor x CDI	60,300	60,385	(59,905)	60,385	(59,905)	480
Trading contracts						
Dollar x CDI	742,408	1,190,200	(1,067,089)	1,234,551	(1,083,940)	150,611
Libor x CDI	464,370	483,478	(468,043)	486,411	(470,876)	15,535
Euro x CDI	89,640	99,273	(93,475)	100,324	(94,912)	5,412
Dollar x Pre	159,019	200,759	(199,638)	200,759	(199,638)	1,121
CDI x Dollar	16,158	16,439	(16,135)	16,439	(15,993)	446
Pre x CDI	159,019	159,077	(158,722)	159,077	(158,722)	355
Total trading operations	**1,630,614**	**2,149,226**	**(2,003,102)**	**2,197,561**	**(2,024,081)**	**173,480**
Total asset operations	**1,690,914**	**2,209,611**	**(2,063,006)**	**2,257,946**	**(2,083,986)**	**173,960**
Liability operations						
Trading contracts						
IPCA x CDI	450	476	(479)	476	(479)	(3)
Dollar x CDI	6,584	6,525	(6,729)	6,438	(6,730)	(292)
CDI x Dollar	96,740	99,783	(103,072)	99,783	(103,102)	(3,319)
Total liability operations	**103,774**	**106,784**	**(110,280)**	**106,697**	**(110,311)**	**(3,614)**

	2012					
	Notional value	Cost		Market value		Difference receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Asset operations						
Trading objective						
Dollar x CDI	701,007	942,259	(915,313)	1,008,066	(935,713)	72,353
Libor x CDI	185,695	217,838	(187,012)	222,038	(187,734)	34,304
Shares x CDI	136,787	159,227	(144,688)	159,227	(144,687)	14,540
Euribor x CDI	10,950	13,493	(10,982)	13,627	(11,024)	2,603
Dollar x Pre	159,019	174,763	(173,133)	174,763	(173,133)	1,630
CDI x Dollar	44,526	45,094	(44,436)	45,094	(44,426)	668
Pre x CDI	159,019	159,193	(159,164)	159,193	(159,164)	29
Total asset operations	**1,397,003**	**1,711,867**	**(1,634,728)**	**1,782,008**	**(1,655,881)**	**126,127**
Liability operations						
Trading objective						
Dollar x CDI	37,950	47,670	(47,717)	47,670	(47,718)	(48)
Shares x CDI	22,846	23,608	(24,310)	23,608	(24,310)	(702)
CDI x Dollar	29,699	31,111	(32,971)	31,111	(32,955)	(1,844)
Total liability operations	**90,495**	**102,389**	**(104,998)**	**102,389**	**(104,983)**	**(2,594)**

i) Forward contracts (Bank and Consolidated):

	2013					
	Notional value	Cost		Market value		Difference receivable (payable)
Forward currency		Bank	Counterparty	Bank	Counterparty	
Trading Objective						
Sale currency forward	10,954	11,364	(11,936)	11,858	(11,347)	511
Total asset operations	**10,954**	**11,364**	**(11,936)**	**11,858**	**(11,347)**	**511**
Trading Objective						
Sale currency forward	10,954	11,382	(11,936)	11,370	(11,858)	(488)
Total liability operations	**10,954**	**11,382**	**(11,936)**	**11,370**	**(11,858)**	**(488)**

As at December 31, 2012, the Bank and Consolidated did not have outstanding forward contracts.

j) Future contracts (Bank and Consolidated):

	2013				
	Notional value			Daily adjustments	
Contracts	Long position	Short position	Total exposure	receivable	(payable)
Tradig Objective					
Interest rate (DI)	812,709	487,400	1,300,109	472	(640)
Foreign exchange coupon (DDI)	59,719	-	59,719	386	-
Dollar futures (DOL)	-	53,582	53,582	374	(767)
Total	**872,428**	**540,982**	**1,413,410**	**1,232**	**(1,407)**

	2012				
	Valor de referência			Ajustes diários	
Contracts	Valor comprado	Valor vendido	Total da exposição	a receber	(a pagar)
Tradig Objective					
Interest rate (DI)	753,578	378,318	1,131,896	406	(113)
Dollar futures (DOL)	-	22,077	22,077	98	-
Foreign exchange coupon (DDI)	72,123	-	72,123	-	(356)
Total	**825,701**	**400,395**	**1,226,096**	**504**	**(469)**

k) By maturity (notional amount) (Bank and consolidated):

	2013					
Contracts	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Futures	147,991	79,835	746,745	437,031	1,808	1,413,410
"Swap"	867,369	78,793	845,445	3,081	-	1,794,688
Forward	18,936	2,972	-	-	-	21,908
Total	**1,034,296**	**161,600**	**1,592,190**	**440,112**	**1,808**	**3,230,006**

	2012					
Contracts	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Futures	47,953	27,992	366,343	757,360	26,448	1,226,096
"*Swap*"	25,318	309,630	572,284	580,266	-	1,487,498
Total	**73,271**	**337,622**	**938,627**	**1,337,626**	**26,448**	**2,713,594**

l) Trading location (Bank and Consolidated):

	Notional amount	
	2013	**2012**
Futures		
BM&FBOVESPA S.A - Bolsa de Valores, Mercadorias e Futuros	1,413,410	1,226,096
Swaps		
CETIP S.A. - Balcão Organizado de Ativos e Derivativos	1,794,688	1,487,498
Forward		
CETIP S.A. - Balcão Organizado de Ativos e Derivativos	21,908	-

m) Guarantee margins (Bank and Consolidated):

	2013		2012	
Federal government securities	**Adjusted cost**	**Market value**	**Adjusted cost**	**Market value**
Treasury Bills (LFT)	26,190	26,185	92,893	92,852
National Treasury Notes (NTN)	73	73	-	-
Total	**26,263**	**26,258**	**92,893**	**92,852**

Federal government bonds are pegged to guarantees for futures at BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros and CETIP S.A. - Mercados Organizados as at December 31, 2013 and 2012.

7. LENDING OPERATIONS

a) Breakdown of loan portfolio by type of operation:

	2013	
	Bank and Consolidated	
	Current	Long term
Loans	3,813,393	3,095,144
Discounted trade notes	185,995	1,132
Financing	803,659	574,459
Rural and agro-industrial financing	39,447	-
Total lending operations	**4,842,494**	**3,670,735**
Credit notes receivable (Note 10.b))	8,434	3,809
Other credit notes receivable (Note 10.b))	2,715	-
Financed imports (Note 20.a))	733	-
Advances on foreign exchange contracts (Note 10.a) e 20.a))	338,697	-
Total other operations	**350,579**	**3,809**
Total	**5,193,073**	**3,674,544**

	2012			
	Bank		Consolidated	
	Current	Long term	Current	Long term
Loans	3,516,942	2,221,342	3,516,942	2,221,342
Discounted trade notes	199,005	1,443	199,005	1,443
Financing	537,796	485,858	584,617	511,372
Financing receivables with substantial retention of risks and rewards (Note 8)	62,655	36,590	62,655	36,590
Rural and agro-industrial financing	63,334	5,557	63,334	5,557
Total lending operations	**4,379,732**	**2,750,790**	**4,426,553**	**2,776,304**
Other credit notes receivable (Note 10.b))	5,890	6,315	5,890	6,315
Financed imports (Note 20.a))	2,964	-	2,964	-
Advances on foreign exchange contracts (Note 10.a) e 20.a))	306,185	-	306,185	-
Total other operations	**315,039**	**6,315**	**315,039**	**6,315**
Total	**4,694,771**	**2,757,105**	**4,741,592**	**2,782,619**

b) Breakdown of loan portfolio by risk level:

	2013	
	Bank and Consolidated	
Risk level	**Total portfolio**	**Total allowance**
AA	106,149	-
A	4,006,273	20,031
B	3,876,563	38,766
C	277,818	8,334
D	138,823	13,882
E	64,932	19,480
F	34,977	17,489
G	36,585	25,610
H	325,497	325,497
Total	**8,867,617**	**469,089**

	2012			
	Total Portfolio		Total Allowance	
Risk level	Bank	Consolidated	Bank	Consolidated
AA	1,381	39,222	-	-
A	3,220,606	3,229,287	16,102	16,146
B	3,467,061	3,473,229	34,671	34,733
C	245,311	250,614	7,359	7,518
D	128,049	130,017	12,805	13,001
E	60,732	62,048	18,220	18,614
F	53,242	54,040	26,621	27,020
G	46,117	46,589	32,282	32,613
H	229,377	239,165	229,377	239,165
Total	**7,451,876**	**7,524,211**	**377,437**	**388,810**

c) Breakdown by business sector:

	2013	2012	
	Bank and Consolidated	Bank	Consolidated
Private sector			
Industrial	2,233,973	2,187,351	2,187,351
Commercial	893,028	894,974	894,974
Financial	1,735	8,212	8,212
Other services	1,275,344	1,169,986	1,170,502
Individuals	4,355,237	3,118,271	3,190,090
Rural	39,446	68,891	68,891
Public sector	68,854	4,191	4,191
Total	**8,867,617**	**7,451,876**	**7,524,211**

d) Breakdown by maturity:

	2013	2012	
	Bank and Consolidated	Bank	Consolidated
Current			
Up to 3 months	2,231,789	2,118,424	2,129,723
3 to 12 months	2,648,864	2,331,603	2,357,228
1 to 3 years	2,769,250	2,193,399	2,218,912
3 to 5 years	782,789	514,646	514,647
Over 5 years	122,505	49,060	49,060
Total	**8,555,197**	**7,207,132**	**7,269,570**
Past-due			
Up to 60 days	70,523	76,161	78,269
61 to 90 days	34,479	18,905	19,295
91 to 180 days	52,256	71,829	72,624
181 to 360 days	155,162	77,849	84,453
Total	**312,420**	**244,744**	**254,641**
Total	**8,867,617**	**7,451,876**	**7,524,211**

e) Concentration of credit risk:

Largest debtors	2013 Bank and Consolidated Amount	% of portfolio
10 largest debtors	697,087	7.86
50 next largest debtors	994,875	11.22
100 next largest debtors	800,717	9.03
Other debtors	6,374,938	71.89
Total	**8,867,617**	**100.00**

Largest debtors	2012 Bank Amount	Bank % of portfolio	Consolidated Amount	Consolidated % of portfolio
10 largest debtors	744,989	9.99	744,989	9.90
50 next largest debtors	866,186	11.63	866,186	11.51
100 next largest debtors	811,714	10.89	811,714	10.79
Other debtors	5,028,987	67.49	5,101,322	67.80
Total	**7,451,876**	**100.00**	**7,524,211**	**100.00**

f) Renegotiated loans (Bank and Consolidated):

	2013	2012
Renewal of performing customers' operations	-	89,091
Default customers' debt consolidation	31,884	59,304
	31,884	**148,395**

g) Recovery of receivables written off as loss (Bank and Consolidated):

The Bank recovered receivables that had been written off as loss, recognized in income under "Lending operations", in the following amounts:

	2013	2012
Recovered lending operations (Nota 24.a))	51,525	27,663

8. ASSIGNMENT OF RECEIVABLES (Bank and Consolidation):

Beginning January 1, 2012, the Bank, in compliance with the requirements for classification and accounting for of financial assets sale or transfer, set out by BACEN Resolution 3533/08, classifies the assignments of receivables as described in Note 3.g).

During the year ended December 31, 2013 ant the year ended December 31, 2012, the Bank assigned vehicles financing receivables, in the amount of R$9,946 and R$ 121,356, respectively, with substantial retention of risks and rewards to Daycoval Veículos FIDC and acquired subordinate shares of the Fund, which are described in Note 2.2.a).

On December 31, 2013, the vehicles financing receivables transactions assigned with substantial retention of risks and rewards were recorded in 'Lending operations' (Note 7.a)), in the amount of R$99,245 with the respective obligation assumed by the assignment of these transactions recorded in 'Other payables - Other - Payables for financial assets sale and transfer' (Note 20.d)), in the amount of R$100,590.

On December 31, 2013, there is no credit assignment operations with retention of risks and benefits in open, due the early settlement of the Daycoval Veículos FIDC on December 13, 2013, as mentioned in Note 2a).

9. ALLOWANCE FOR LOAN LOSSES AND OTHER RECEIVABLES

The allowance for loan losses for operations recorded in the individual financial statements was recognized under the criteria described in note 3.f) and is considered sufficient to cover potential losses on lending operations. In addition to the allowances recorded for lending operations, the Bank also recognizes an allowance for other doubtful receivables.

For the years ended December 31, 2013 and 2012, changes in the allowance for losses on loans and other receivables were as follows:

	Lending operations	Other receivables (not featured as lending operations	Allowance for doubtful accounts expenses
2013			
Opening balance	**377,437**	**5,035**	
Allowance recognized	465,348	13,141	478,489
Write-off as loss	(373,696)	(6,109)	
Closing balance	**469,089**	**12,067**	**478,489**
Total current - lending operations	364,746	-	
Total current - other credits (Note 10.b))	-	12,067	
Total long-term - lending operations	104,343	-	
2012			
Opening balance	**198,304**	**3,157**	
Allowance recognized	362,452	5,217	367,669
Write-off as loss	(183,319)	(3,339)	
Closing balance	**377,437**	**5,035**	**367,669**
Total current - lending operations	289,589	-	
Total current - other credits (Note 10.b))	-	5,035	
Total long-term - lending operations	87,848	-	

10. OTHER RECEIVABLES

Other receivables are comprised of the following:

a) Foreign exchange portfolio (Bank and Consolidated):

	2013	2012
Exchange purchased pending settlement	348,904	306,393
Right to foreign exchange sold	7,443	9,860
(-) Advances received in local currency	(2,382)	(3,148)
Income receivable from advances granted (Note 7.a))	11,076	9,442
Total	**365,041**	**322,547**

b) Other:

	Bank			
	2013		2012	
	Current	Long term	Current	Long term
Advances to employees	341	-	474	-
Advances for payment of our account	24,951	-	6,233	-
Tax credits (Note 21.c))	174,312	282,243	88,499	221,009
Debtors for purchase of assets (Note 7.a))	8,434	3,809	5,890	6,315
Debtors for escrow deposits (1)	-	773,499	-	580,323
Recoverable taxes (2)	83,561	-	73,421	-
Payments to be reimbursed	738	-	784	-
Receivables - featured as lending operations (Note 7.a))	2,715	-	-	-
Receivables - not featured as lending operations (3)	1,053,965	4,001	771,565	3,230
Devedores diversos	31,177	-	18,991	-
Total	**1,380,194**	**1,063,552**	**965,857**	**810,877**
(-) Allowance for losses on receivables not featured as lending operations (Note 9)	(12,067)	-	(5,035)	-
Total allowances for losses on other receivables	**(12,067)**	**-**	**(5,035)**	**-**

	Consolidated			
	2013		2012	
	Current	Long term	Current	Long term
Advances to employees	348	-	487	-
Advances for payment of our account	26,209	-	6,800	-
Tax credits (Note 21.c))	174,312	282,243	88,499	221,292
Debtors for purchase of assets (Note 7.a))	8,434	3,809	5,890	6,315
Debtors for escrow deposits (1)	-	773,733	-	580,390
Recoverable taxes (2)	87,471	-	78,172	-
Payments to be reimbursed	738	-	787	-
Receivables - featured as lending operations (Note 7.a))	2,715	-	-	-
Receivables - not featured as lending operations (3)	1,053,965	4,001	771,565	3,230
Sundry debtors	31,541	-	19,333	-
Total	**1,385,733**	**1,063,786**	**971,533**	**811,227**
(-) Allowance for losses on receivables not featured as lending operations (Note 9)	(12,067)	-	(5,035)	-
Total allowances for losses on other receivables	**(12,067)**	**-**	**(5,035)**	**-**

(1) Relates substantially to the record of deposits due to legal requirements, made for appeals relative to taxes and contributions (Note 22.b)).

(2) As at December 31, 2013, "Recoverable taxes" are substantially comprised of prepaid income tax and social contribution in the amount of R$82,761 (R$72,851 in 2012), Bank, and R$83,844 (R$74,939 in 2012), Consolidated.

(3) Refers to the acquisition of receivables without recourse.

11. OTHER ASSETS

	2013		2012	
	Current	**Long term**	**Current**	**Long term**
Repossessed assets (1)	48,413	-	44,271	-
(-) Allowance for valuation of repossessed assets	(4,363)	-	(5,846)	-
Total repossessed assets (Bank and Consolidated)	**44,050**	**-**	**38,425**	**-**
Prepaid expenses (2) (3)	117,538	188,614	101,934	118,737
Total	**161,588**	**188,614**	**140,359**	**118,737**

(1) Refer to assets received as payment for loans.

(2) Refer to commissions paid in advance to correspondents (Note 3.j)).

(3) As at December 31, 2013, prepaid expenses, on a consolidated basis, amount to R$275,957 (R$201,356 in 2012), out of which R$107,946 (R$93,758 in 2012) was recorded in current assets and R$168,011 (R$107,778 in 2012) was recorded in noncurrent assets.

12. INVESTMENTS

Represented substantially by investments in subsidiaries, the principal information on these investments is as follows:

12.1) Direct subsidiaries:

	ACS		Daycoval Asset		Dayprev	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Total Assets	176,005	169,311	24,362	14,674	53,222	49,185
Total Liabilities	5,826	6,142	2,165	2,462	29,315	26,793
Shareholders' Equity	170,179	163,169	22,197	12,212	23,907	22,392
Capital	123,448	123,448	1,554	1,554	15,000	15,000
Number of shares / units held	536,730,077	536,730,077	14,253	14,253	14,550,000	14,550,000
Net income for the year	7,129	10,392	9,985	5,054	1,511	1,368
Ownership interest %	99.99	99.99	99.99	99.99	97.00	97.00
Adjusted investment	140,106	144,016	22,195	12,211	23,050	21,720
Equity in subsidiaries	(3,790)	1,805	9,984	5,054	1,465	1,327

12.2) Indirect subsidiaries:

	Treetop		IFP		SCC	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Total Assets	29,989	25,524	7,104	7,257	11,431	11,379
Total Liabilities	598	1,115	2,055	1,266	82	123
Shareholders' equity	29,391	24,409	5,049	5,991	11,349	11,256
Capital	6,251	5,453	10,020	10,020	10,020	10,020
Number of shares / units held	2,668,585	2,668,585	10,020,000	10,020,000	10,020,000	10,020,000
Net income (expense) for the year	1,590	3,069	(941)	(1,412)	93	222
Ownership interest %	100.00	100.00	99.99	99.99	99.99	99.99
Adjusted investment	29,391	24,409	5,049	5,990	11,348	11,255
Equity in subsidiaries (1)	1,590	3,069	(941)	(1,412)	93	222

(1) As at December 31, 2013, the equity in subsidiaries, in the amount of R$742 (R$1,879 in 2012), was recognized in the financial statements of the company ACS Participações (direct subsidiary), mentioned in item 12.1) above.

13. FOREIGN BRANCH

The balances of the transactions of Banco Daycoval S.A. - Cayman Branch (foreign branch) with third parties and included in the Bank's financial statements as at December 31, 2013 and 2012, are as follows:

	2013		2012	
	US$ thousand	R$ thousand (1)	US$ thousand	R$ thousand (1)
Assets				
Cash and cash equivalents	281	658	311	636
Interbank investments	1,450	3,397	3,000	6,131
Securities	35,219	82,504	38,349	78,366
Lending operations	-	-	280	572
Other credits	192	450	-	-
Total assets	**37,142**	**87,009**	**41,940**	**85,705**
Liabilities				
Demand deposit	719	1,684	665	1,359
Time deposits	299	701	1,399	2,860
Borrowings and onlendings	36,027	84,397	1,017	2,078
Total liabilities	**37,045**	**86,782**	**3,081**	**6,297**

(1) The amounts in US dollars were translated into Brazilian reais - R$, based on the R$/US$2.3426 and R$/US$2.0435 exchange rates disclosed by BACEN, on December 31, 2013 and 2012, respectively.

14. PROPERTY AND EQUIPMENT

	Bank				
	2013				2012
Description	**Annual depreciation %**	**Cost**	**Accumulated depreciation**	**Net book value**	**Net book value**
Facilities	10	895	(646)	249	343
Furniture and equipment	10	4,892	(2,450)	2,442	2,321
Communications equipment	10	349	(114)	235	216
Computers and peripherals	20	8,094	(4,850)	3,244	2,833
Security equipment	10	607	(278)	329	216
Vehicles	20	20,436	(891)	19,545	713
Total assets		**35,273**	**(9,229)**	**26,044**	**6,642**

	Consolidated				
	2013				2012
Description	**Annual depreciation %**	**Cost**	**Accumulated depreciation**	**Net book value**	**Net book value**
Properties (1)	4	9,629	(6,562)	3,067	3,398
Facilities	10	954	(646)	308	397
Furniture and equipment	10	4,977	(2,451)	2,526	2,322
Communications equipment	10	349	(114)	235	216
Computers and peripherals	20	8,094	(4,850)	3,244	2,833
Security equipment	10	607	(278)	329	216
Vehicles	20	21,182	(1,476)	19,706	927
Total assets		**45,792**	**(16,377)**	**29,415**	**10,309**

(1) Real estate held by the direct subsidiary is stated at cost plus revaluation at market value, which will be realized over the remaining useful life of the asset, as established by BACEN Resolution 3565/08.

15. DEPOSITS AND MONEY MARKET FUNDING

Interbank deposits, time deposits and foreign currency deposits and money market funding are traded at market rates. Their maturities are as follows:

	Bank						
	2013						
	Without Maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	389,920	-	-	-	-	-	389,920
Interbank deposits	-	9,868	115,652	115,816	-	-	241,336
Time deposits	-	820,135	1,327,176	824,464	138,080	37,002	3,146,857
Foreign-currency deposits	3,872	-	-	-	-	-	3,872
Total deposits	**393,792**	**830,003**	**1,442,828**	**940,280**	**138,080**	**37,002**	**3,781,985**
Money market funding	-	779,644	-	-	-	-	779,644
Total money market funding	**-**	**779,644**	**-**	**-**	**-**	**-**	**779,644**
Total deposits and money market funding	**393,792**	**1,609,647**	**1,442,828**	**940,280**	**138,080**	**37,002**	**4,561,629**

	2012						
	Without Maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	259,224	-	-	-	-	-	259,224
Interbank deposits	-	389,822	22,859	49,057	54,207	-	515,945
Time deposits	-	942,994	1,417,673	927,077	74,991	37,896	3,400,631
Foreign-currency deposits	1,701	-	-	-	-	-	1,701
Total deposits	**260,925**	**1,332,816**	**1,440,532**	**976,134**	**129,198**	**37,896**	**4,177,501**
Money market funding	-	781,213	-	-	-	-	781,213
Total money market funding	**-**	**781,213**	**-**	**-**	**-**	**-**	**781,213**
Total deposits and money market funding	**260,925**	**2,114,029**	**1,440,532**	**976,134**	**129,198**	**37,896**	**4,958,714**

	Consolidated						
	2013						
	Without Maturiity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	389,366	-	-	-	-	-	389,366
Interbank deposits	-	9,868	115,652	115,816	-	-	241,336
Time deposits	-	820,135	1,327,176	758,614	130,763	37,002	3,073,690
Foreign-currency deposits	3,872	-	-	-	-	-	3,872
Total deposits	**393,238**	**830,003**	**1,442,828**	**874,430**	**130,763**	**37,002**	**3,708,264**
Money market funding	-	779,644	-	-	-	-	779,644
Total money market funding	**-**	**779,644**	**-**	**-**	**-**	**-**	**779,644**
Total deposits and money market funding	**393,238**	**1,609,647**	**1,442,828**	**874,430**	**130,763**	**37,002**	**4,487,908**

	2012						
	Without Maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	255,339	-	-	-	-	-	255,339
Interbank deposits	-	389,822	22,859	49,057	54,207	-	515,945
Time deposits	-	937,606	1,417,674	861,610	73,989	37,896	3,328,775
Foreign-currency deposits	1,701	-	-	-	-	-	1,701
Total deposits	**257,040**	**1,327,428**	**1,440,533**	**910,667**	**128,196**	**37,896**	**4,101,760**
Money market funding	-	781,213	-	-	-	-	781,213
Total money market funding	**-**	**781,213**	**-**	**-**	**-**	**-**	**781,213**
Total deposits and money market funding	**257,040**	**2,108,641**	**1,440,533**	**910,667**	**128,196**	**37,896**	**4,882,973**

16. FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES

16.1) Financial bills and credit notes:

	Bank					
	2013					
	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Mortgage loan notes - LCI	87,778	94,794	41,148	-	-	223,720
Agribusiness credit note - LCA	134,786	102,805	9,158	227	-	246,976
Financial bills- LF	269,013	1,111,537	1,433,633	87,703	2,203	2,904,089
Total	**491,577**	**1,309,136**	**1,483,939**	**87,930**	**2,203**	**3,374,785**

	2012				
	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Total
Mortgage loan notes - LCI	24,814	28,360	1,191	-	54,365
Agribusiness credit note - LCA	99,831	111,411	9,790	-	221,032
Financial bills- LF	5,047	357,868	1,403,849	26,520	1,793,284
Total	**129,692**	**497,639**	**1,414,830**	**26,520**	**2,068,681**

	Consolidated					
	2013					
	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Mortgage loan notes - LCI	87,778	94,794	41,148	-	-	223,720
Agribusiness credit note - LCA	134,786	102,805	9,158	227	-	246,976
Financial bills- LF	269,013	1,110,586	1,433,633	87,703	2,203	2,903,138
Total	**491,577**	**1,308,185**	**1,483,939**	**87,930**	**2,203**	**3,373,834**

	2012				
	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Total
Mortgage loan notes - LCI	24,814	28,360	1,191	-	54,365
Agribusiness credit note - LCA	99,831	111,411	9,790	-	221,032
Financial bills- LF	5,047	357,868	1,402,976	26,520	1,792,411
Total	**129,692**	**497,639**	**1,413,957**	**26,520**	**2,067,808**

Program for Issuance of Financial Bills

Pursuant to a Significant Event Notice published on July 5, 2011, the following information on the Programme for continuous distribution of Financial Bills by Issuance of Banco Daycoval, under articles 13-A to 13-F of CVM Instruction 400, dated December 29, 2003, and subsequent amendments.

Pursuant to notice to the Market published on October 18, 2011, Daycoval completed the public offering of Financial Bills process, with total amount funds raised to R$ 249.9 million, comprising the first series issued within the Financial Bills Program of Daycoval.

Pursuant to notice to the Market published on July 16, 2013, Daycoval completed the second and the third public offering process of Financial Bills, in the amount of R$ 470.1 million, in tranches of R$ 350.1 and R$ 120.0 millions for the second and third issuance respectively, which are part of the R$ 1 billion program (Note 16.1) whose first issue was held on September 15, 2011.

The Program is subject to the following main terms and conditions:

(1) Program's Total Estimated Amount: Up to R$1,000,000,000.00 (one billion Brazilian reais);

(2) Program´s Estimated Term: Up to two (2) years from the date of registration with CVM;

(3) Unit Notional Value: R$300,000.00 (three hundred thousand Brazilian reais);

(4) Maturity: The Financial Bills will mature in 25 (twenty-five) months;

(5) Guarantees: the Financial Bills will be unsecured and will not be collateralized by Daycoval or third parties;

(6) Convertibility: the Financial Bills will not be convertible into shares in Daycoval; and

(7) Form: the Financial Bills are exclusively held in book entry form, without any certificates being issued.

16.2) Payables for securities issued abroad:

Existing program for the issuance of private securities abroad

The Bank has a global program for issuance of private securities abroad: Euro Medium Term Notes (EMTN). This program, initially entered into December 14, 2005, was expanded from US$300 million to US$1 billion on June 16, 2008, and renewed on March 16, 2010, totaling US$300 million raised, as at December 31, 2013 and 2012.

New program for the issuance of private securities abroad

On January 24, 2011, the Bank completed the issuance of debt securities under the format of Euro Medium Term Notes Program (EMTN), amounting to US$300 million, with a five-year maturity, and subject to semiannual interest of 6.25% p.a. The amount raised refers to the first tranche of the Eurobonds program, which totals US$2 billion.

The table below shows the features of these programs and the related balances, in local currency:

Amount Issued	Interest rate	Issuance date	Maturity date	2013 Bank	2013 Consolidated
(US$ thousand)				(R$ thousand)	
Prior program					
300,000	6.50%	03/15/2010	03/15/2015	713,452	712,410
300,000					
New program					
300,000	6.25%	01/28/2011	01/28/2016	701,692	688,358
300,000					
			Total issued	**1,415,144**	**1,400,768**
			Total current	36,631	36,282
			Total long-term	1,378,513	1,364,486

Amount Issued	Interest rate	Issuance date	Maturity date	2012 Bank	2012 Consolidated
(US$ thousand)				(R$ thousand)	
Prior program					
300,000	6.50%	03/15/2010	03/15/2015	624,483	623,566
300,000					
New program					
300,000	6.25%	01/28/2011	01/28/2016	596,433	584,570
300,000					
			Total issued	**1,220,916**	**1,208,136**
			Total current	31,619	31,314
			Total long-term	1,189,297	1,176,822

17. BORROWINGS (Bank and Consolidated)

2013	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Total**
Borrowings					
Foreign-currency payables (1)	301,921	335,455	-	-	637,376
Foreign borrowings (2)	13,606	54,224	696,316	74,223	838,369
Total	**315,527**	**389,679**	**696,316**	**74,223**	**1,475,745**

2012	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**Total**
Borrowings				
Foreign-currency payables (1)	239,347	364,077	-	603,424
Foreign borrowings (2)	18,312	216,160	59,891	294,363
Total	**257,659**	**580,237**	**59,891**	**897,787**

(1) The balance of Liabilities in foreign currency refers to funding for foreign exchange operations related to export and import financing.

(2) On December 31, 2013, includes the foreign borrowing, in the amount of US$30 million, subject to hedge accounting market risk (Note 6.d)), whose book value and fair value are, respectively, R$70,654 and R$72,688. The expense related to the adjustment to fair value for the year ended December 31, 2013 is R$2,034 and was recognized in the income statements under "Borrowings and onlendings".

Syndicated Loan A/B Loan

On July 2013, was carried syndicated loan in the amount of US$275 million maturing in up to five years, performed with International Finance Corporation (IFC). Besides IFC (A Loan), institution of the World Banck Group, twelve banks participated in (B Loan): Itaú BBA International, Standard Chartered, Banco do Brasil AG, Wells Fargo, Banco Bradesco Europa, Commerzbank, ING, Santander, Goldman Sachs, Oberbank, Aka Bank and Israel Discount Bank.

The Bank has certain financial covenants related to the maintenance of certain performance, liquidity and indebtedness levels, linked to loan agreements with the International Finance Corporation - IFC and the Inter-American Investment Corporation - IIC, which, if not fulfilled, may cause the accelerated clause of the agreements between the Company and these institutions to be invoked.

18. ONLENDINGS (Bank and Consolidated)

2013	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Domestic onlendings - official institutions						
BNDES onlendings	7,006	33,951	55,567	325	-	96,849
FINAME onlendings	19,118	57,150	99,105	39,958	6,350	221,681
Total	**26,124**	**91,101**	**154,672**	**40,283**	**6,350**	**318,530**

2012	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Domestic onlendings - official institutions						
BNDES onlendings	12,804	31,648	39,033	-	-	83,485
FINAME onlendings	17,116	52,400	104,100	32,410	13,935	219,961
Total	**29,920**	**84,048**	**143,133**	**32,410**	**13,935**	**303,446**

19. INSURANCE OPERATIONS (Consolidated)

a) Receivables from insurance operations:

Represented by receivables as at December 31, 2013 and 2012, in the amount of R$558 and R$546, respectively, relating to DPVAT (mandatory insurance against personal injury caused by automotive land vehicles) recorded under the caption “Other receivables - insurance premiums”.

b) Technical reserves:

	2013	2012
Unsettled claims	29,107	25,827
Total	**29,107**	**25,827**

c) Assets guaranteeing technical reserves:

	2013	2012
LFT (Treasury Bills)	141	131
Investment fund units	29,119	25,835
Total (Note 6.a.) - Consolidated)	**29,260**	**25,966**

d) Results of insurance operations:

	2013	2012
Revenue from premiums and contributions	28,298	26,090
Claims expenses	(24,702)	(22,671)
Other expenses	(798)	(437)
Total	**2,798**	**2,982**

20. OTHER PAYABLES

a) Foreign exchange portfolio (Bank and Consolidated):

	2013	2012
Foreign exchange sold pending settlement	7,344	9,774
(-) Financed imports (Note 7.a))	(733)	(2,964)
Payable for foreign exchange purchased	330,344	299,823
(-) Advances on foreign exchange contracts (Note 7.a))	(327,665)	(296,788)
Unearned income on advances granted (Note 7.a))	44	45
Total	**9,334**	**9,890**

b) Social and statutory:

	Bank		Consolidated	
	2013	2012	2013	2012
Dividends and bonuses payable (Note 23.f.2))	22,751	21,743	22,751	21,743
Profit sharing program	21,411	20,911	22,463	22,461
Total	**44,162**	**42,654**	**45,214**	**44,204**

c) Tax and social securities:

	Bank			
	2013		2012	
	Current	Long term	Current	Long term
Provision for income tax	126,594	-	142,211	-
Provision for social contribution	78,697	-	87,518	-
Taxes payable	15,907	-	15,309	-
Provision for deferred income tax and social contribution - (Note 21.c))	1,253	83,027	2,367	68,796
Legal obligations - (Note 22.b))	-	892,774	-	714,850
Total	**222,451**	**975,801**	**247,405**	**783,646**

	Consolidated			
	2013		2012	
	Current	Long term	Current	Long term
Provision for income tax	128,807	-	146,894	-
Provision for social contribution	79,521	-	89,366	-
Provision for income tax and social contribution on asset revaluation	508	-	574	-
Taxes payable	16,768	-	16,051	-
Provision for deferred income tax and social contribution - (Note 21.c))	1,253	83,053	2,367	69,178
Legal obligations - (Note 22.b))	-	892,774	-	714,850
Total	**226,857**	**975,827**	**255,252**	**784,028**

d) Other:

	Bank			
	2013		2012	
	Current	Long term	Current	Long term
Cashier´s checks	2,588	-	304	-
Payables for financial assets sale or transfer (Note 8)	-	-	62,655	37,935
Accrued liabilities (1)	53,600	-	36,172	-
Reserve for risks (Note 22.b)) (3)	-	23,194	-	18,060
Sundry creditors (2)	37,514	-	73,585	-
Total	**93,702**	**23,194**	**172,716**	**55,995**

	Consolidado			
	2013		2012	
	Current	Long term	Current	Long term
Cashier´s checks	2,588	-	304	-
Payables for financial assets sale or transfer (Note 8)	-	-	62,655	37,935
Accrued liabilities (1)	56,140		38,458	-
Reserve for risks (Note 22.b)) (3)	-	23,332	-	18,060
Sundry creditors (2)	37,514	-	73,593	-
Total	**96,242**	**23,332**	**175,010**	**55,995**

(1) The "Accrued liabilities" caption (Bank and Consolidated) mainly comprise the following: (i) personnel expenses amounting to R$24,975 (Bank) and R$26,377 (Consolidated) (R$24,135 (Bank) and R$24,968 (Consolidated) in 2012); (ii) expenses on software vendors in the amount of R$6,232 (R$5,086 in 2012), Bank and Consolidated, respectively, and (iii) commissions to pay amounting to R$21,113 (R$5,802 in 2012), respectively for the Bank and Consolidated.

(2) The sundry creditors caption (Bank and Consolidated) mainly comprise the following: collections to be released, in the amount of R$31,239 (R$56,655 in 2012).

(3) On December 31, 2013, includes the amount of R$ 5,500 related to the allowance for losses on Guarantees operations

21. INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution were calculated as follow:

	Bank		Consolidated (1)	
	2013	2012	2013	2012
Profit before taxes on income and profit sharing	**350,589**	**555,824**	**357,982**	**566,122**
(-) Interest on capital	(112,272)	(108,748)	(112,272)	(108,748)
(-) Profit sharing	(36,883)	(41,467)	(38,354)	(43,959)
Profit before taxes on income	**201,434**	**405,609**	**207,356**	**413,415**
Additions	**840,610**	**591,410**	**847,148**	**379,541**
Temporary	823,369	567,767	823,369	363,848
Permanent / other	17,241	23,643	23,779	15,693
Deductions	**(517,403)**	**(412,488)**	**(526,191)**	**(332,703)**
Temporary	(482,877)	(384,431)	(482,877)	(311,287)
Permanent / other	(34,526)	(28,057)	(43,314)	(21,416)
Income tax and social contribution base	**524,641**	**584,531**	**528,313**	**460,253**
Income tax and social contribution at statutory rates	(205,905)	(230,249)	(211,781)	(238,013)
Recognition / reversal of tax credits and or deferred tax liabilities	126,003	73,356	126,003	73,356
Income tax and social contribution expenses	**(79,902)**	**(156,893)**	**(85,778)**	**(164,657)**

(1) On a consolidated basis, income less interest on capital and profit sharing, before income tax and social contribution, does not include elimination of intragroup balances from income, and income tax and social contribution tax rates levied on income vary according to the industry of each company included in the consolidated financial statements.

b) Income tax and social contribution on temporary additions and deductions (assets and liabilities):

As established by Resolution No 3059/02, amended by Resolution No 3355/06, both of BACEN and CVM Instruction No 371/02, deferred tax assets and liabilities ("tax credits" and "deferred taxes") arising from temporary differences must cumulatively meet the following conditions: (i) history of taxable income or profits for income tax and social contribution purposes, for at least three of the last five fiscal years, including the year at issue; and (ii) expected future taxable income or profits for income tax and social contribution purposes, for subsequent periods, based on an internal technical study showing the probability of occurrence of future tax obligations to be offset against the tax credit within a period of ten years.

c) Deferred tax credits and deferred taxes consist of the following:

	Bank			
	2013			
Tax credits:	**2012**	**Recognition**	**Write-off**	**2013**
Deferred income tax and social contribution on:				
Reserve for tax contingencies	132,908	24,631	(7,248)	150,291
Allowance for loan losses	88,043	178,949	(94,789)	172,203
Adjustment to fair value of securities and derivatives	6,494	105,647	(78,546)	33,595
Other temporary additions	82,063	19,837	(1,434)	100,466
Total tax credits on temporary differences	**309,508**	**329,064**	**(182,017)**	**456,555**
Deferred tax liabilities:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	23,316	52,001	(64,017)	11,300
Unrealized profits on derivatives	7,305	52,696	(45,297)	14,704
Other	40,542	17,734	-	58,276
Total deferred tax liabilities on temporary differences	**71,163**	**122,431**	**(109,314)**	**84,280**

	2012			
Tax credits:	**2011**	**Recognition**	**Write-off**	**2012**
Deferred income tax and social contribution on:				
Reserve for tax contingencies	106,179	26,729	-	132,908
Allowance for loan losses	34,301	147,958	(94,216)	88,043
Adjustment to fair value of securities and derivatives	1,199	21,381	(16,086)	6,494
Other temporary additions	60,591	23,572	(2,100)	82,063
Total tax credits on temporary differences	**202,270**	**219,640**	**(112,402)**	**309,508**
Deferred tax liabilities:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	7,884	55,249	(39,817)	23,316
Unrealized profits on derivatives	1,737	13,919	(8,351)	7,305
Other	26,770	13,801	(29)	40,542
Total deferred tax liabilities on temporary differences	**36,391**	**82,969**	**(48,197)**	**71,163**

In Consolidated, as at December 31, 2013, tax credits on temporary differences amount to R$456,555 (R$309,508 in 2012) – R$174,312 (R$88,499 in 2012) as current asset and R$282,243 (R$221,992 in 2012) as noncurrent long-term asset. The deferred tax liabilities on temporary differences amount to R$84,306 (R$71,545 in 2012), and that R$1,253 (R$2,367 in 2012) as current liabilities and R$83,053 (R$69,178 in 2012) as noncurrent long-term liabilities.

d) Estimated realization of tax credits:

	2013		
	Temporary differences		Total
Realization:	Income tax	Social contribution	deferred taxes
Up to 1 year	108,945	65,367	174,312
Up to 2 years	2,033	1,220	3,253
Up to 3 years	122,475	61,819	184,294
Up to 4 years	7,522	4,513	12,035
Up to 5 years	62,208	20,453	82,661
Total	**303,183**	**153,372**	**456,555**

	2012		
	Temporary differences		Total
Realization:	Income tax	Social contribution	deferred taxes
Up to 1 year	55,311	33,187	88,498
Up to 2 years	14	8	22
Up to 3 years	94,662	45,132	139,794
Up to 4 years	63,303	17,891	81,194
Total	**213,290**	**96,218**	**309,508**

The present value of tax credits as at December 31, 2013 and 2012 is R$380,065 and 270,611, respectively, and was calculated based on expected realization of temporary differences, discounted at the average funding rate of the Bank, for related periods.

Taxable income projections consider macroeconomic assumptions, exchange and interest rates, estimates of new financial operations, among others, which may vary in relation to actual results.

22. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS - TAX AND SOCIAL SECURITY (Bank and Consolidated)

a) Contingent assets - in the year ended December 31, 2013 and 2012 the Bank and its subsidiaries did not recognize contingent assets.

b) Contingent liabilities classified as probable losses and legal obligations (tax and social security).

The Bank is a party to various lawsuits involving labor, civil and tax matters. Reserves are recorded based on assessments according to the criteria described in note 3.t). The Bank's management understands that the reserve recorded is sufficient to cover losses on these lawsuits.

Reserve recorded and respective changes for the years ended December 31, 2013 and 2012:

	2013	2012
Reserve for tax contingencies (Note 20.c) and 22.b.1))	892,774	714,850
Labor lawsuits (Note 20.d))	3,491	5,074
Civil lawsuits (Note 20.d))	14,403	12,986
Total	**910,668**	**732,910**

	2013		
	Tax	Labor	Civil
Balance at beginning of year	**714,850**	**5,074**	**12,986**
Inflation adjustment (Note 24.k))	48,139	-	-
Recognition (reversal)	129,785	(1,583)	1,417
Balance at end of year	**892,774**	**3,491**	**14,403**

	2012		
	Tax	Labor	Civil
Balance at beginning of year	**545,950**	**1,535**	**6,654**
Inflation adjustment (Note 24.k))	44,500	-	-
Recognition (reversal)	124,400	3,539	6,332
Balance at end of year	**714,850**	**5,074**	**12,986**

b.1.) The Bank is challenging in court the legality of certain taxes and contributions and the amounts involved are fully accrued and updated.

The main lawsuits are:

Income tax: seeks deduction of social contribution amounts from the income tax basis and challenges the effect of the discontinuation of the inflation adjustment of the balance sheet. The amount provisioned for this question, on December 31, 2013 amounted to R$ 236,927.

Social contribution tax: *(i)* challenges the effect of the discontinuation of the inflation adjustment of the balance sheet, the existence of different tax rates and seeks the recognition of interest on capital as deductible expense for 1996; and *(ii)* challenges the increase of the social contribution rate from 9% to 15%, as established by Provisional Act No 413/08, signed into Law No 11727 of June 23, 2008. The amount provisioned for this question, on December 31, 2013 amounted to R$ 189,096.

COFINS (tax on revenue): challenges application of Law 9718/98. The amount provisioned for this question, on December 31, 2013 amounted to R$ 401,982.

PIS (tax on revenue): challenges application of Law 9718/98 and requirement by tax authorities of determination of the PIS basis in disagreement with Constitutional Amendments 01/94, 10/96 and 17/97. The amount provisioned for this question, on December 31, 2013 amounted to R$ 62,854.

Others tax claims amounting to R$ 1,915.

c) Contingent liabilities classified as possible losses:

These contingent liabilities, represented by civil and labor lawsuits, are not recorded, Civil lawsuits refer principally to claims for compensation for pain and suffering and property damages, with a risk estimate of R$68,368 and R$48,197 as at December 31, 2013 and 2012, respectively.

As at December 31, 2013 and 2012, the risk estimate for labor lawsuits is approximately R$8,569 and R$4,536, respectively.

There are no significant administrative proceedings in progress for noncompliance with the rules of the National Financial System or payment of fines, which might cause a material impact on the financial position of the Bank and its subsidiaries.

23. SHAREHOLDERS' EQUITY (BANK)

a) Capital:

As at December 31, 2013, date prior to the ratification of the capital increase (note 23.b.3)), the Bank's fully subscribed and paid-in capital is R$1,797,652, represented by 160,869,792 registered common shares and 82,181,728 registered preferred shares, without par value.

b) Capital Increase:

The following are related capital increases made during the year ended December 31, 2013:

b.1) The Board of Directors decided and approved at the Meeting held on March 28, 2013 to increase Banco Daycoval's capital by R$311,683. This capital increase was ratified by the BACEN on April 9, 2013, ratification has been published in the official federal gazette on April 11, 2013.

This capital increase was implemented through the issuance of 18,451,613 common and shares 21,765,605 preferred shares, with the same features of the existing preferred shares, arising on the exercise of the rights granted to 18,451,613 Subscription Warrants to common shares and 21,765,605 Subscription Warrants to preferred shares, according to the decision approved at Board of Directors' Meeting held on February 19, 2009.

As a result of this capital increase, Banco Daycoval's capital was represented by 255,844,293 registered shares, of which 160,869,792 are common shares and 94,974,501 preferred shares, without par value.

b.2) The Board of Directors decided and approved at the Meeting held on June 28, 2013 to increase Banco Daycoval's capital by R$60,243. This capital increase was ratified by the BACEN on July 8, 2013, ratification has been published in the official federal gazette on July 10, 2013.

This capital increase was implemented through the issuance of 7,773,326 preferred shares, identical to those previously existing arising from the exercise of the rights assigned 7,773,326 Subscription Bonus of preferred shares as decision made at the Board of Executive Directorsn, held on February 19, 2009.

As a result of this capital increase, Banco Daycoval's capital was represented by 256,497,619 registered shares, of which 160,869,792 are common shares and 95,627,827 preferred shares, without par value.

b.3) The Board of Directors decided and approved at the Meeting held on December 30, 2013 to increase Banco Daycoval's capital by R$71,210. This capital increase was ratified by the BACEN on January 15, 2014, ratification has been published in the official federal gazette on January 17, 2014, as mentioned in Note 31.a).

This capital increase was implemented through the issuance of 9,188,417 preferred shares, identical to those previously existing arising from the exercise of the rights assigned 9,188,417 Subscription Bonus of preferred shares as decision made at the Board of Executive Directors, held on February 19, 2009.

As a result of this capital increase, Banco Daycoval's capital was represented by 252,239,937 registered shares, of which 160,869,792 are common shares and 91,370,145 preferred shares, without par value.

c) Breakdown of common and preferred shares:

	Number of shares	
	2013	**2012**
Common shares	160,869,792	142,418,179
Preferred shares (1)	91,370,145	82,497,660
(-) Preferred shares held in treasury (Note 23.d.1))	(930,000)	(138,098)
Total shares	**251,309,937**	**224,777,741**

(1) On December 31, 2013, includes a total of 9,188,417 preferred shares issued for capital increase, due to the exercise of subscription rights in the same amount of Subscription Bonus of preferred shares, as mentioned in Note 23.b.3)

d) Changes in capital:

	Number of shares		
	Common	**Preferred**	**Total**
Number of shares as at December 31, 2011	**142,418,179**	**73,285,870**	**215,704,049**
Issuance of shares	-	8,591,327	8,591,327
Sale of treasury shares during the year	-	482,365	482,365
Number of shares as at December 31, 2012	**142,418,179**	**82,359,562**	**224,777,741**
Issuance of shares (Note 23.b))	18,451,613	38,727,348	57,178,961
Sale of treasury shares during the year	-	374,535	374,535
Preferred share buyback (Note 23.e))	-	(31,021,300)	(31,021,300)
Number of shares as at December 31, 2013	**160,869,792**	**90,440,145**	**251,309,937**

d.1) Treasury shares:

The table below shows the changes in preferred shares – treasury shares during the years ended December 31, 2013 and 2012:

	Opening balance	**Buypack**	**Sale**	**Cancellation**	**Closing balance**
2013	**138,098**	31,021,300	(374,535)	(29,854,863)	**930,000**
2012	**620,463**	-	(482,365)	-	**138,098**

The table below shows information on the Banks shares as at December 31, 2013 and 2012:

Type	Number of treasury shares	Book value	Buyback trading prices minimum	average	maximum	Market value	Market mercado
2013							
Preferred	930,000	7,493	7.97	8.06	8.08	8.00	7.440
2012							
Preferred	138,098	1,290	8.87	9.35	10.14	10.15	1.402

(1) Quoted price published by BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, for the Bank´s preferred shares traded under the ticker symbol DAYC4, based on the closing price for the last business day of December 2013 and 2012.

e) Share buyback plan:

e.1) According to the Bank's Board of Directors' meeting held on December 17, 2013, it was resolved and approved a new Share Buyback Plan, to be held in treasury and subsequently sold or cancelled, without capital reduction, using existing reserves, in conformity with Law 6404/76 and subsequent amendments, CVM Instruction 10/80, and the Bank's bylaws, whose main features are described below:

Purpose and term of the share buyback plan:

I - Purpose: the Bank will buy back into treasury and subsequent sale or cancellation up to 930,000 registered preferred shares.

II - Term: the share buyback plan will be effective until December 17, 2014.

Until December 31, 2013, the total amount repurchased was 930,000 preferred shares of this program.

According the Board of Executive Directors Meeting held on January 22, 2014, this program was concluded and a new share buyback plan was approved this same date, as described in Note 31.b).

e.2) During the years ended December 31, 2013, were approved and closed the following share buyback programs:

Date of RCA	Number of shares to be acquired	Deadline for realization of acquisitions	Number of shares effectively acquired	Closing date of the program
01/18/2013	6,246,000	01/17/2014	6,246,000	02/20/2013
02/20/2013	3,153,000	02/20/2014	3,153,000	03/20/2013
03/20/2013	840,000	03/20/2014	840,000	04/29/2013
04/29/2013	6,852,300	04/29/2014	6,852,300	06/13/2013
06/13/2013	3,000,000	06/13/2014	3,000,000	06/13/2013
07/16/2013	6,500,000	07/16/2014	6,500,000	09/04/2013
09/04/2013	3,500,000	09/04/2014	3,500,000	12/17/2013
12/17/2013 (Note 31.b))	930,000	12/17/2015	930,000	01/22/2014
		Total shares effectively acquired	**31,021,300**	

f) Interest on capital and/or dividends:

According to the bylaws, the shareholders are entitled to dividends and/or interest on capital equivalent to not less than 25% of net income for the year adjusted according to Brazilian corporate law.

Interest on capital is calculated on shareholders' equity, limited to the variation of the TJLP (long-term interest rate), contingent upon the existence of income before its deduction or retained earnings and earnings reserves.

f.1) Demonstration of the Dividends and interest on capital calculation

The calculation of dividends and interest on capital for years ended December 31, 2013 and 2012 is as follows:

	2013	% (a)	2012	% (a)
Net income for the years (controlling company)	233,804		357,464	
(-) Legal Reserve	(11,689)		(17,873)	
Adjusted calculation base	**222,115**		**339,591**	
Additional dividendos (b)	-		6,977	
Gross interest on capital	112,272		108,748	
(-) Withholding income tax on interest on capital	(15,564)		(15,509)	
Interim dividends (c)	-		45,132	
Net interest on capital and dividends for the year	**96,708**	**43.54**	**145,348**	**42.80**

(a) Refers to the percentage corresponding to the sum of the net interest on capital and dividends and the adjusted calculation basis for the quarter and six-month period ended June 30, 2013.

(b) Refers to additional dividends declared after the year ended December 31, 2012, classified in compliance with Circular Letter No. 3.516/11 of the Central Bank.

(c) Interim dividends based on net income for the quarter ended March 31, 2013. In the amount of R$ 15,122 and six month ended June 30, 2012, in the amount of R$ 30,010.

f.2) Dividends and interest on capital paid or declared for the current year

Dividends and interest on capital paid or declared are as follows:

	2013				
	Value per share				
Description	Common shares	Preferred shares	Gross amount	income tax (IRRF)	Net amount
Interest on capital paid			**85,987**	**(12,030)**	**73,957**
Interest on capital (1)	0.1140	0.1140	24,486	(3,513)	20,973
Interest on capital (2)	0.1224	0.1224	30,214	(4,309)	25,905
Interest on capital (3)	0.1272	0.1272	31,287	(4,208)	27,079
Interest on capital declared			**26,285**	**(3,534)**	**22,751**
Interest on capital (4)	0.1086	0.1086	26,285	(3,534)	22,751
Total declared/paid for the year			**112,272**	**(15,564)**	**96,708**

	2012				
	Value per share				
Description	Common shares	Preferred shares	Gross amount	income tax (IRRF)	Net amount
Interest on capital paid			**83,372**	**(11,876)**	**71,496**
Interest on capital (5)	0.1313	0.1313	28,322	(3,992)	24,330
Interest on capital (6)	0.1334	0.1334	28,780	(4,100)	24,680
Interest on capital (7)	0.1216	0.1216	26,270	(3,784)	22,486
Dividends paid			**45,132**	**-**	**45,132**
Interim dividends (6)	0.1391	0.1391	30,010	-	30,010
Interim dividends (7)	0.0700	0.0700	15,122	-	15,122
Interest on capital declared			**25,376**	**(3,633)**	**21,743**
Interest on capital (8)	0.1174	0.1174	25,376	(3,633)	21,743
Dividends declareds after December 31, 2012			**6,977**	**-**	**6,977**
Additional dividends (9)	0.0319	0.0319	6,977	-	6,977
Total declared/paid for the year			**160,857**	**(15,509)**	**145,348**

(1) The Bank's Board of Directors' meeting held on March 27, 2013 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the period January 1st to March 27, 2013. The related amount were made available to shareholders on April 15, 2013.

(2) The Bank's Board of Directors' meeting held on June 27, 2013 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the period March 28 to June 27, 2013. The related amount were made available to shareholders on July 15, 2013.

(3) The Bank's Board of Directors' meeting held on September 30, 2013 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the period June 28 to September 30, 2013. The related amount were made available to shareholders on October 15, 2013.

(4) The Bank's Board of Directors' meeting held on December 27, 2013 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the year ended 2013. The related amount were made available to shareholders on January 15, 2014.

(5) The Bank's Board of Directors' meeting held on March 29, 2012 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the period January 1st to March 29, 2012. The related amount were made available to shareholders on April 16, 2012.

(6) The Bank's Board of Directors' meeting held on June 29, 2012 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the period March 30 to June 29, 2012. The payment of interim dividends based on net income for the quarter ended March 31, 2012 it was approved at this same meeting. The related amount were made available to shareholders on July 16, 2012.

(7) The Bank's Board of Directors' meeting held on September 28, 2012 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the period June 30 to September 28, 2012. The payment of interim dividends based on net income for the quarter ended June 30, 2012 it was approved at this same meeting. The related amount were made available to shareholders on October 15, 2012.

(8) The Bank's Board of Directors' meeting held on December 27, 2012 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the yeard ended 2012. The related amount were made available to shareholders on January 15, 2013.

(9) The Bank's Board Directors' meeting held on February 18, 2013, approved the distribution of additional dividends in the amount of R$ 6,977 in the Shareholders Meeting's for the year ended 31 December 2012. The payments were made available to shareholders starting in April 29, 2013. The amounts previously mentioned are-recognized in the statements of changes in Shareholders equity, under the caption "Earnings Reserves" in compliance with circular letter No. 3,526/11 of the Central Bank.

g) Revaluation and earnings reserves:

	2013	2012
Revaluation reserves (1)	**1,058**	**1,185**
Earnings reserves	**594,033**	**771,487**
Legal reserve (2)	89,521	77,832
Bylaws reserves (3)	492,103	674,269
Unrealized earnings reserve (4)	12,409	12,409
Special reserves (5)	-	6,977
Treasury shares (Not2 23.d.1))	**(7,493)**	**(1,290)**

(1) Refers to the revaluation of properties of subsidiary, which is depreciated and reversed to retained earnings over the estimated useful life of the revalued asset.

(2) 5% of net income for the year must be allocated to this reserve until it equals 20% of capital, according to prevailing legislation.

(3) Reserve recorded according to the bylaws.

(4) Reserve related to the net income of the indirect subsidiary Treetop Investments Ltda.

(5) Refers to additional dividends declared after the year ended December 2012, in compliance with circular letter No. 3,516/11 of the Central Bank.

24. INCOME STATEMENT

INCOME FROM FINANCIAL INTERMEDIATION -

a) Lending operations:

	Bank		Consolidated	
	2013	2012	2013	2012
Advances on deposits	7,892	8,246	7,892	8,246
Overdraft account/ Secured account	261,896	281,718	261,896	281,718
Discounted notes	79,838	78,097	79,838	78,097
Onlending - Resolution 3844	13,202	15,946	13,202	15,946
Working capital	322,676	371,165	322,676	371,165
Export Credit Notes – CCE	27,704	28,775	27,704	28,775
Onlending – BNDES	8,699	10,314	8,699	10,314
Onlending – FINAME	15,414	17,405	15,414	17,405
Rural credit	2,912	3,518	2,912	3,518
Loans in foreign currency	10,424	12,342	10,424	12,342
Consumer credit - Store owners	17,424	13,183	17,424	13,183
Payroll loans	698,389	511,555	698,389	511,555
Vehicle financing	202,945	156,374	209,943	182,541
Daypag - discount of forwarding agents' checks	4,294	4,257	4,294	4,257
Other lending operations	10,803	9,597	10,803	9,597
Recovery of receivables previously written off as loss (Note 7.g))	51,525	27,663	51,525	27,663
Total	**1,736,037**	**1,550,155**	**1,743,035**	**1,576,322**

b) Securities transactions:

	Bank		Consolidated	
	2013	2012	2013	2012
Repurchase agreements	226,939	237,373	226,939	237,373
Interbank deposits	2,638	15,529	2,638	15,529
Fixed rate securities	62,228	56,201	64,782	62,465
Foreign securities	-	-	1,313	610
Floating rate securities	123	133	960	187
Investments in investment fund units	31,277	43,527	34,748	37,896
Gains on sale of securities	268	21,630	268	21,630
Adjustment to fair value	(14,962)	8,898	(14,962)	8,898
Foreign investments	5,993	14,470	5,993	14,470
Loss on investments in investment fund units	(2,773)	(429)	(2,773)	(2,248)
Other gains (losses) on securities operations	(10)	-	(10)	-
Investments in investment fund units	**311,721**	**397,332**	**319,896**	**396,810**

c) Derivatives (Bank and Consolidated):

	2013			2012		
Derivatives	Gain	Loss	Net gain (loss)	Gain	Loss	Net gain (loss)
Forward currency	1,707,920	(1,565,481)	142,439	1,023,482	(873,584)	149,898
Futures	4,137	(4,010)	127	359	(349)	10
Total	328,890	(345,054)	(16,164)	212,653	(220,407)	(7,754)
Forward currency (NDF)	**2,040,947**	**(1,914,545)**	**126,402**	**1,236,494**	**(1,094,340)**	**142,154**

d) Foreign exchange operations (Bank and Consolidated):

	2013	2012
Income from foreign exchange operations	43,137	57,929
Expenses on foreign exchange operations	(1,633)	(516)
Exchange rate changes	113,784	84,854
Gains on foreign exchange operations	**155,288**	**142,267**

EXPENSES ON FINANCIAL INTERMEDIATION

e) Funding operations:

	Bank		Consolidated	
	2013	2012	2013	2012
Interbank deposits	(17,052)	(66,141)	(17,052)	(66,141)
Time deposits	(243,894)	(313,610)	(237,847)	(307,137)
Repurchase agreements	(92,362)	(107,092)	(92,362)	(107,092)
Securities issued abroad	(276,562)	(237,521)	(275,738)	(236,798)
Agribusiness letter of credit	(15,487)	(14,883)	(15,487)	(14,883)
Mortgage loan notes	(13,790)	(941)	(13,790)	(941)
Financial bills	(210,393)	(97,080)	(210,317)	(97,057)
Contributions to the Loan Guarantee Fund - FGC	(5,181)	(5,688)	(5,181)	(5,688)
Total on funding operations	**(874,721)**	**(842,956)**	**(867,774)**	**(835,737)**

f) Borrowings and onlendings:

	Bank		Consolidated	
	2013	2012	2013	2012
Foreign borrowings	(80,410)	(58,195)	(87,408)	(69,113)
Onlending - BNDES	(5,906)	(7,832)	(5,906)	(7,832)
Onlendings - FINAME	(9,307)	(10,985)	(9,307)	(10,985)
Obligations with foreign banks	(79,713)	(85,616)	(79,713)	(85,616)
Total on borrowings and onlendings	**(175,336)**	**(162,628)**	**(182,334)**	**(173,546)**

OTHER OPERATING INCOME (EXPENSES) -

g) Personnel expenses:

	Bank		Consolidated	
	2013	2012	2013	2012
Executive Committee's and Board of Directors´ compensation	(31,988)	(29,661)	(32,709)	(29,661)
Benefits	(21,814)	(18,568)	(24,669)	(21,303)
Social security charges	(32,342)	(31,956)	(36,158)	(34,462)
Compensation	(80,630)	(72,397)	(91,554)	(79,997)
Training	(17)	(29)	(25)	(30)
Interns´ compensation	(430)	(346)	(461)	(371)
Total personnel expenses	**(167,221)**	**(152,957)**	**(185,576)**	**(165,824)**

h) Other administrative expenses:

	Bank		Consolidated	
	2013	2012	2013	2012
Public utilities (water, power and gas)	(1,034)	(1,105)	(1,325)	(1,391)
Rent and insurance	(15,257)	(13,671)	(17,878)	(16,028)
Lease expenses	(4,101)	(4,176)	(4,101)	(4,176)
Communication	(6,081)	(5,302)	(7,534)	(6,981)
Membership fees	(4,825)	(4,183)	(4,825)	(4,183)
Maintenance and upkeep of assets	(3,291)	(1,959)	(3,447)	(2,066)
Consumables	(2,702)	(2,032)	(2,813)	(2,101)
Data processing	(25,360)	(18,332)	(25,525)	(18,490)
Promotions, advertising and publications	(9,284)	(7,352)	(9,862)	(7,973)
Outside, technical and specialized services (1)	(279,833)	(184,612)	(271,873)	(179,358)
Depreciation and amortization	(1,831)	(1,732)	(2,216)	(2,145)
Other administrative expenses	(22,487)	(17,878)	(24,717)	(20,471)
Total	**(376,086)**	**(262,334)**	**(376,116)**	**(265,363)**

(1) In the individual financial statements of the Bank, Includes commission's expenses paid by the Bank during the year ended December 31, 2013, in the amount of R$192,275 (R$113,683 in 2012). The amount of R$13,731 (R$8,180 in 2012), paid by the bank to the company IFP (indirect subsidiary – Note 12.2)), was eliminated in the consolidated financial statements (Note 2). So, the amount of commission's expenses, in the Consolidated, is R$178,544 (R$105,503 in 2012).

i) Tax expenses:

	Bank		Consolidated	
	2013	2012	2013	2012
Tax expenses	(3,285)	(3,206)	(3,435)	(3,363)
Services tax (ISS)	(3,646)	(3,811)	(5,372)	(4,957)
Tax on revenue (COFINS)	(61,001)	(56,461)	(64,292)	(58,831)
Tax on revenue (PIS/PASEP)	(9,913)	(12,099)	(10,592)	(12,581)
Total	**(77,845)**	**(75,577)**	**(83,691)**	**(79,732)**

j) Other operating income:

	Bank		Consolidated	
	2013	2012	2013	2012
Exchange rate changes on borrowings	919	44,154	1,378	44,759
Inflation adjustment of escrow deposits	44,328	34,514	44,328	34,504
Other operating income (1)	163,519	136,453	170,574	141,189
Recovery of charges and expenses	651	192	651	192
Total	**209,417**	**215,303**	**216,931**	**220,644**

(1) The total of other operating income both for the Bank and Consolidated is mainly comprised income from receivable not featured as lending operations in the amount of R$147,466, for the year ended December 31, 2013 (R$128,598 in 2012).

k) Other operating expenses:

	Bank		Consolidated	
	2013	2012	2013	2012
Inflation adjustment of taxes (Note 22.b))	(48,139)	(44,500)	(48,155)	(44,704)
Exchange rate changes	(2,589)	(4,882)	(6,926)	(7,912)
Other operating expenses (1)	(31,656)	(16,678)	(31,664)	(16,678)
Interest expenses	(23)	(1,325)	(2,111)	(3,520)
Total	**(82,407)**	**(67,385)**	**(88,856)**	**(72,814)**

(1) On December 31, 2013, the total of other operating expenses, both for the Bank and Consolidated is composed mainly of: (i) expenses of civil contingencies in the amount of R$ 1,417 (R$ 6,332 in 2012); (ii) expenses of provision for guarantees and sureties in the amount of R$ 5,500, and (iii) discounts granted loans amounting to R$ 17,500 (R$ 3,039 in 2012).

25. CAPITAL MANAGEMENT AND BASEL ACCORD

Capital management

Daycoval carefully manages its capital base to cover the risks inherited to its business. Daycoval's capital adequacy is monitored, amongst others, by the rules and proportions established by the Based Committee on Banking Supervision and adopted by the Central Bank of Brazil.

The main purpose of Daycoval's capital management is to ensure the compliance with the foreign capital requirements to maintain a solid credit rating and proper capital structure to support its business and increase the share value to the shareholders.

BASEL ACCORD

BACEN has issued, beginning March 1, 2013, whose validity was given from October 1, 2013, a set of standards that govern the Basel Committee recommendations relating to the capital structure of the financial institutions. Known as Basel III, these new standards improve the capacity of these institutions to absorb the impacts from eventual crises, by strengthening the financial stability and increasing the amount and quality of the regulatory capital.

These standards address the following issues:

- new regulatory capital calculation methodology (Regulatory Capital - PR), which remains divided in levels I and II;
- new required capital calculation methodology, by adopting the minimum requirements of PR, Level I and Principal Capital, and inclusion of the Principal Capital Addition; and
- new optional methodology to determine the minimum capital requirements for the credit cooperatives that adhered to the Protective Simplified Regime (RPS), and inclusion of the Principal Capital Addition specifically to these cooperatives.

In addition to the issues above, the CMN established a new method to prepare and submit the information through a new document called Analytic Trial Balance – Protective Group, to be used as the basis to calculate the Regulatory Capital (PR) beginning January 1, 2014.

The Basel III rules improve the capital quality of the financial institutions, by restricting the use of financial instruments that are not able to absorb the losses and deduction of assets that could impact the capital value due to their low liquidity, their dependency of future earnings for realization purposes or whose value cannot be determined accurately. These instruments comprise tax credits, intangible assets and investments in non-controlled companies, specifically those operating in the insurance market.

The new minimum capital requirements establish the amount percentage of the risk-weighted assets and set forth the following requirements of capital to be complied by the financial institutions, and follow the schedule given below:

	2013	2014	2015	2016	2017	2018	2019
Principal capital (a) (minimum + additional)	4.5%	4.5%	4.5%	5.125 to 5.75%	5.75 to 7.0%	6.375 to 8.28%	7.0 to 9.5%
Tier I (b) (minimum + additional)	5.5%	5.5%	5.5%	6.625 to 7.25%	7.25 to 8.5%	7.875 to 9.75%	8.5 to 11.0%
PR (c) (minimum + additional)	11.0%	11.0%	11.0%	10.5 to 11.125%	10.5 to 11.75%	10.5 to 12.375%	10.5 to 13.0%

a) *Principal Capital* - comprised of shares, reserves and retained earnings;

b) *Tier I - comprised of Principal Capital and other instruments to absorb the losses from the company as a going concern; and*

c) *PR (Regulatory Capital) - comprised of Tier I and other underlying instruments to absorb the losses upon company termination.*

The Principal Capital Addition, which represents the maintenance (fixed) and cyclic (variable) supplementary capital, was created, and at the end of the transition period, it must represent a minimum of 2.5% and a maximum of 5% of the risk-weighted assets, whose percentage is established by BACEN according to current macroeconomic conditions.

These new Basel III standards are effective beginning October 1, 2013, according to the international schedule, whose effective implementation is scheduled for January 1, 2022.

In the table below are shown the determination of the liabilities of regulatory equity index and Basel index:

	2013	2012
Regulatory Capital Level I	**2,369,066**	**2,197,500**
Equity	2,440,276	2,203,507
Capital Increase in the approval process	(71,210)	-
Deduction from the reference equity of Level I I	-	(6,007)
Regulatory Capital Level II	**-**	**6,007**
Regulatory Capital for comparison with risk-weighted assets (RWAs)	**2,369,066**	**2,203,507**
Risk-Weighted Assets (RWA)	**13,519,193**	**12,664,699**
Exposure to credit risk - RWAcpad (previously named Pepr)	11,558,183	9,230,245
Asset exchange - RWAcam (previously named Pcam)	175,107	642,627
Assets linked to fixed interest - RWAjur1 (previously named Pjur 1)	757,462	768,618
Assets linked to foreign exchange coupon - RWAjur2 (previously named Pjur 2)	349,840	508,373
Assets indexed to inflation - RWAjur3 (previously named Pjur 3)	55,312	1,145
Shares - RWApacs (previously named Pacs)	65,862	256,636
Operacional Risk - RWAopad (previously named Popr) (a)	557,427	1,257,055
Minimun Required of Regulatory Capital - (RWA x 11%) (b)	**1,487,111**	**1,393,117**
Basel Index	**17,52%**	**17,40%**
Portion of the interest rate in the Banking Book (P*banking*)	59,981	35,670

On December 31, 2013 and 2012, the minimun of Regulatory Equity by the Daycoval was exceed 59.31% and 58.17% respectively, the minimun regulatory capital by the Central Bank

a) As of July 1st , 2013, Daycoval began to adopt "*Simplified Alternative Standardized Approach – SASA II"* (Abordagem Padronizada Alternativa Simplificada – ASA II) to calculate the operacional risk portion ("Popr") that comprise the Regulatory Capital Required ("PRE"). The adoption of this new approach allowed the reduction of amounts of regulatory capital required and the portion of this Popr and also the capital allocation for operational risk, segregated by lines of business. Until the six months ended June 30, 2013, the Bank used the "Abordagem do Indicador Básico – BIA".

b) The values *of risk-weighted assets (RWAs) for the year 2012 were adjusted for comparative purposes* with *the values presented* in *the year 2013.*

26. EMPLOYEE BENEFIT

26.1.) Education Incentive Programs and Profit sharing program

As part of its strategy of being ranked among the best companies to work in Brazil, the Bank has invested in welfare and empowering programs involving university students and MBA and postgraduate programs, adhered to the federal government's Underage Apprentice initiative, and implemented its own internship programs.

The Bank has a profit sharing program for all its employees. This program is prepared together with the Union of Bank Employees and is tied to performance targets evaluated annually, using the criteria according to the Performance Assessment program.

26.2.) Stock option plan

The Extraordinary Shareholders' Meeting approved on May 21, 2008 a Stock Option Plan under which the Bank will grant to its officers, employees and individuals who render services to the Bank and its subsidiaries options to purchase its shares. The stock option programs were approved by the Board of Directors on July 25, 2008 (First and Second Plan), on December 12, 2008 (Third Plan) and on September 11, 2009 (Forth Plan).

I. Purpose of the Plan

The Plan is designed primarily to: (i) boost the Bank's expansion by creating incentives for better integration of employees as shareholders of the Bank; (ii) allow the Bank to retain its professionals, granting them as additional advantage and incentive the opportunity to become shareholders of the Bank under the terms and conditions of the Plan; and (iii) foster good performance of the Bank and the interests of its shareholders by means of its executives', officers' and employees' long-term commitment.

II. Plan management and option shares

The plan will be managed by the Board of Directors and all decisions related to the Plan shall be approved by the Board.

The Options granted under the Plan cannot exceed, during the period the Plan is effective, a maximum limit of 5% of the total shares of the subscribed and paid-up capital, at any time, and the shares subject to the Options granted under the Plan will derive, as resolved by the Board of Directors: (i) from the issuance of new preferred shares, within the authorized capital limit; and/or (ii) from treasury shares.

III. Beneficiaries

Executives, officers and employees of the Bank and its direct and indirect subsidiaries, and individuals who render services to the Bank or its subsidiaries are eligible to participate in this Plan.

The beneficiaries will have no right as shareholders of the Bank (including the right to receive dividends), with respect to any shares subject to the Options, until such shares are fully subscribed/acquired and paid up by the beneficiaries.

IV. Price and vesting period

1st Program

The exercise price per share will be equivalent to the weighted average of the last 30 trading sessions immediately prior to the option exercise notice, with a discount of 30%.

The vesting period for the 1st Program is determined as follows:

Vesting period	Exercisable option percentage
At the end of the 2nd year	50%
At the end of the 3rd year	25%
At the end of the 4th year	25%

2nd Program

The exercise price per share will be R$15.00, adjusted by the variation of the IPCA (extended consumer price index) published by the IBGE (Brazilian Institute of Geography and Statistics) or one that may replace it, from the date of approval of the Program to the date of exercise of the Stock Option.

The vesting period for the 2nd Program is determined as follows:

Vesting period	Exercisable option percentage
At the end of the 1st year	25%
At the end of the 2nd year	25%
At the end of the 3rd year	25%
At the end of the 4th year	25%

3rd Program

The price per share for exercising options (“Exercise Price”) will be defined on the stock option grant date, adjusted by the fluctuation of the Extended Consumer Price Index disclosed by the Brazilian Institute of Geography and Statistics (“IPC-A”), or any index that replaces it, from the date the beneficiaries join the Program up to the date the stock option is exercised.

The vesting period of the 3rd stock option program is 180 days, starting on the date of adherence to the Program.

4th Program

The exercise price per share will be equivalent to the weighted average of the last 30 trading sessions immediately prior to the option exercise notice, with a discount of 30%. The vesting period for the 4th Program is determined as follows:

Vesting period	Exercisable option percentage
At the end of the 3rd year	50%
At the end of the 4th year	25%
At the end of the 5th year	25%

V. Options granted

Below are the changes in the quantity of options granted, exercised and cancelled through December 31,2013:

Share grant		Vesting		Options			To be
Number	Date	period	Maturity	Granted	Exercised	Cancelled	exercised
1st Program							
1st Grant	07/25/2008	07/25/2010	07/25/2018	864,290	(864,290)	-	
2nd Grant	12/12/2008	12/12/2010	12/12/2018	42,857	(42,857)	-	-
3rd Grant	11/05/2009	11/05/2011	11/05/2019	125,001	(62,501)	(62,500)	-
4th Grant	08/30/2010	08/30/2012	08/30/2020	175,439	(131,580)	-	43,859
5th Grant	09/29/2010	09/29/2012	09/29/2020	30,305	-	-	30,305
6th Grant	11/30/2010	11/30/2012	11/30/2020	141,667	(70,834)	-	70,833
7th Grant	01/13/2011	01/13/2013	01/15/2021	80,000	(40,000)	-	40,000
8th Grant	01/15/2011	01/15/2013	01/15/2021	416,667	(208,334)	-	208,333
9th Grant	03/16/2011	03/16/2013	03/16/2021	17,095	(8,548)	-	8,547
10th Grant	07/04/2011	07/04/2013	07/04/2021	416,667	-	-	416,667
			Total	**2,309,988**	**(1,428,944)**	**(62,500)**	**818,544**
3rd Program							
1st Grant	12/12/2008	06/12/2009	12/12/2018	303,000	(303,000)	-	-
			Total	**303,000**	**(303,000)**	**-**	**-**
4th Program							
1st Grant	04/26/2010	04/26/2013	04/26/2020	146,045	(45,222)	-	100,823
2nd Grant	07/01/2010	07/01/2013	07/01/2020	33,333	(16,666)-	-	16,667
3rd Grant	03/28/2011	03/28/2014	03/28/2021	41,667	-	-	41,667
4th Grant	08/03/2011	08/03/2014	08/03/2021	83,334	-	-	83,334
5th Grant	11/03/2011	11/03/2014	11/03/2021	33,334	-	-	33,334
6th Grant	03/15/2012	03/15/2015	03/15/2022	140,017	-	(16,667)	123,350
7th Grant	10/31/2012	10/31/2015	10/31/2022	15,152	-	-	15,152
8th Grant	04/10/2013	04/10/2016	04/10/2023	17,700	-	-	17,700
9th Grant	06/06/2013	06/06/2016	06/06/2023	27,300	-	-	27,300
10th Grant	10/22/2013	10/22/2016	10/22/2023	26,667			26,667
			Total	**564,549**	**(61,688)**	**(16,667)**	**485,994**
			Total stock options	**3,177,537**	**(1,793,832)**	**(79,167)**	**1,304,538**

Until the date of publication of these financial statements, there were no grants for the 2nd Stock Option Programs.

VI. Exercised options

During the years ended December 31, 2013 and 2012, the Bank's stock options were exercised as follows:

Program	Grant	Exercise date	Exercise price (R$)	Fair value (1) (R$)
2013				
1st Program	7th Grant	02/19/2013	6.86	10.65
1st Program	8th Grant	02/28/2013	6.78	11.00
1st Program	9th Grant	04/23/2013	7.92	10.65
4th Program	1st Grant	05/24/2013	7.94	10.00
4th Program	2nd Grant	09/26/2013	5.40	8.75
4th Program	1st Grant	09/27/2013	5.40	8.78
1st Program	4rd Grant	10/14/2013	5.40	9.08
1st Program	1st Grant	10/16/2013	5.40	9.06
2012				
1st Program	3rd Grant	06/13/2012	6.35	9.00
1st Program	2nd Grant	07/12/2012	6.29	8.98
1st Program	1st Grant	08/09/2012	6.21	10.00
1st Program	1st Grant	08/14/2012	6.21	9.90
1st Program	4rd Grant	08/21/2012	6.74	10.25
1st Program	1st Grant	08/24/2012	6.21	10.27
1st Program	1st Grant	09/12/2012	7.09	10.40
1st Program	1st Grant	10/25/2012	7.20	10.34
1st Program	3th Grant	11/07/2012	7.53	10.32
1st Program	2nd Grant	12/18/2012	6.80	9.91
1st Program	6th Grant	12/19/2012	6.80	9.95

(1) Market value of DAYC4 share based on the closing quotation on the business day the Bank stock option was exercised.

VII. Effects arising from the exercise of options

	2013	2012
Amounts received from the granted option's beneficiary	2,400	3,196
(-) Cost of treasury shares	(3,697)	(4,504)
Loss on the sale of treasury shares (1)	**(1,297)**	**(1,308)**

(1) The loss on the sale of treasury shares arising from the exercise of the options by the beneficiary(ies) was directly recorded in "Retained earnings", under shareholders' equity.

VIII. Fair value calculation

The fair value of the stock options of the First Stock Option Program was calculated based on statistical modeling that takes into consideration all the main features of this Program, including vesting period, option exercise conditions, and price of the underlying asset.

As a result of the enactment of BACEN Resolution 3989/11 that ratifies CPC 10 (R1) Share-based Payment, effective from January 1, 2012, the Bank recognized in the income statement for years ended December 31, 2013 and 2012 in line item de "Personnel expenses", as a balancing item to line item "Capital reserves" in values of, R$ 854 and R$ 1552, respectively, related to the fair value of the stock option benefit granted to the participants of the Stock Option Plan described in Note 26.2).

27. GUARANTEES PROVIDED ON BEHALF OF THIRD PARTIES (BANK AND CONSOLIDATED)

Guarantees provided on behalf of third parties as at December 31, 2013 and 2012 amount to R$486,250 and R$457,072, respectively, are as follows:

Composition	2013	2012
Import financing	12,075	9,442
Collaterals beneficiaries	461,854	416,220
Receivables assignment co-obligations	12,321	31,410
Total guarantees and collaterals provided and third-party liability	**486,250**	**457,072**

Bank guarantees and collaterals and third-party liability are subject to financial charges and counter-guarantees provided by beneficiaries.

The table below shows guarantees provided on behalf of third parties, recorded in memorandum accounts, as at December 31, 2013 and 2012:

	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
2013	175,307	155,720	54,830	27	100,366	**486,250**
2012	141,808	191,819	21,967	100,381	1,097	**457,072**

The Bank does not guarantee any transaction of direct and indirect subsidiaries, its directors and their family.

28. RELATED-PARTY TRANSACTIONS

a) The direct and indirect subsidiaries and the shareholders of the Bank enter into transactions with the Bank under usual market conditions. These transactions are contracted at rates consistent with those prevailing in the market on the transaction and settlement dates.

The table below shows the transactions between the Bank and its related parties as at December 31, 2013 and 2012:

	2013		2012	
Transactions	**Assets (liabilities)**	**Income (expense)**	**Assets (liabilities)**	**Income (expense)**
Demand deposits	**(3,352)**	**-**	**(5,752)**	**-**
Direct subsidiaries	**(21)**	**-**	**(51)**	**-**
ACS Participações Ltda.	(10)	-	(11)	-
Daycoval Asset Management Ltda.	-	-	(26)	-
Dayprev Vida e Previdência S.A.	(11)	-	(14)	-
Indirect subsidiaries	**(534)**	**-**	**(3,834)**	**-**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	(448)	-	(1,002)	-
SCC Agência de Turismo Ltda.	(5)	-	(6)	-
Treetop Investments Ltd.	(81)	-	(2,826)	-
Other associates	**(90)**	**-**	**(10)**	**-**
Daycoval Cobr. A. Serv. Ltda.	(1)	-	(1)	-
Daycoval Fomento Comercial Ltda.	(2)	-	(3)	-
Shtar Empreendimentos e Participações S.A.	(80)	-	(1)	-
Parateí Agropecuária e Imob. Ltda.	(3)	-	(2)	-
Valco Adm. Part. e Representações Ltda.	(4)	-	(3)	-
Other related parties - individuals	**(2,707)**	**-**	**(1,857)**	**-**
Time deposits	**(210,062)**	**(20,254)**	**(352,930)**	**(33,039)**
Direct subsidiaries	**(61,418)**	**(5,050)**	**(59,586)**	**(5,307)**
ACS Participações Ltda.	(60,312)	(4,962)	(58,568)	(5,223)
Daycoval Asset Management Ltda.	(1,106)	(88)	(1,018)	(84)
Indirect subsidiaries	**(11,749)**	**(995)**	**(12,269)**	**(1,166)**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	(426)	(31)	(1,001)	(173)
SCC Agência de Turismo Ltda.	(11,323)	(964)	(11,268)	(993)
Other associates	**(509)**	**(49)**	**(591)**	**(50)**
Daycoval Fomento Comercial Ltda.	(509)	(41)	(475)	(39)
Shtar Empreendimentos e Participações S.A.	-	(8)	(105)	(9)
Parateí Agropecuária e Imob. Ltda.	-	-	(11)	(2)
Other related parties - individuals	**(136,386)**	**(14,160)**	**(280,484)**	**(26,516)**
Financial bills	**(3,085)**	**(226)**	**(1,564)**	**(43)**
Direct subsidiaries	**(950)**	**(78)**	**(873)**	**(23)**
ACS Participações Ltda.	(950)	(78)	(873)	(23)
Other related parties – individuals	**(2,135)**	**(148)**	**(691)**	**(20)**
Agri business letter of credit	**(1,291)**	**(122)**	**(935)**	**(41)**
Other related parties - individuals	(1,291)	(122)	(935)	(41)
Mortgage Loan Notes	**(836)**	**(38)**	**(62)**	**(2)**
Other related parties - individuals	(836)	(38)	(62)	(2)
Securities issued abroad	**(14,376)**	**(844)**	**(12,779)**	**(722)**
Direct subsidiaries	**(1,866)**	**(107)**	**(1,677)**	**(83)**
ACS Participações Ltda.	(1,866)	(107)	(1,677)	(83)
Indirect subsidiaries	**(12,510)**	**(737)**	**(11,102)**	**(639)**
Treetop Investments Ltd.	(12,510)	(737)	(11,102)	(639)
Investment fund shares (Note 6.b))	**-**	**-**	**69,964**	**31,155**
Other related parties - companies	**-**	**-**	**69,964**	**31,155**
Daycoval Classic	-	-	69,964	31,155
Prepaid Expenses	**30,318**	**(13,731)**	**19,548**	**(8,180)**
Indirect subsidiaries	**30,318**	**(13,731)**	**19,548**	**(8,180)**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	30,318	(13,731)	19,548	(8,180)

The table below shows the interest rates and respective periods of transactions between the Bank and its related parties as at December 31, 2013:

		Assets (Liabilities)					
Description	**Yield rate**	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Time deposits		**(87,163)**	**(531)**	**(75,847)**	**(45,509)**	**(1,012)**	**(210,062)**
Direct subsidiaries		**-**	**-**	**(54,527)**	**(6,891)**	**-**	**(61,418)**
ACS Participações Ltda,	100% a 110% CDI	-	-	(53,421)	(6,891)	-	(60,312)
Daycoval Asset Management Ltda,	107% CDI	-	-	(1,106)	-	-	(1,106)
Indirect subsidiaries		**-**	**-**	**(11,323)**	**(426)**	**-**	**(11,749)**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda,	110% CDI	-	-	-	(426)	-	(426)
SCC Agência de Turismo Ltda,	110% CDI	-	-	(11,323)	-	-	(11,323)
Other associates		**(509)**	**-**	**-**	**-**	**-**	**(509)**
Daycoval Fomento Comercial Ltda,	107% CDI	**(509)**	-	-	-	-	**(509)**
Shtar Empreendimentos e Participações S,A,	107% a 110% CDI						
Parateí Agropecuária e Imob, Ltda,	107% CDI						
Other related parties – individuals	103% a 112% CDI	**(86,654)**	**(531)**	**(9,997)**	**(38,192)**	**(1,012)**	**(136,386)**
Financial bills		**-**	**(1,702)**	**(1,383)**	**-**	**-**	**(3,085)**
Direct subsidiaries		**-**	**(950)**	**-**	**-**	**-**	**(950)**
ACS Participações Ltda,	110% CDI	-	(950)	-	-	-	(950)
Other related parties – individuals	110% CDI	**-**	**(752)**	(1,383)	**-**	**-**	**(2,135)**
Agribusiness letter of credit		**(125)**	**(813)**	**(255)**	**(98)**	**-**	**(1,291)**
Other related parties – individuals	100% CDI	(125)	(813)	(255)	(98)	-	(1,291)
Mortgage Loan Notes		**(144)**	**(220)**	**(472)**	**-**	**-**	**(836)**
Other related parties – individuals	100% CDI	(144)	(220)	(472)	-	-	(836)
Securities issued abroad		**(350)**	**-**	**(14,026)**	**-**	**-**	**(14,376)**
Indirect subsidiaries		**(43)**	**-**	**(1,823)**	**-**	**-**	**(1,866)**
ACS Participações Ltda,	6.5% e 6.25%	(43)	-	(1,823)	-	-	(1,866)
Indirect subsidiaries		**(307)**	**-**	**(12,203)**	**-**	**-**	**(12,510)**
Treetop Investments Ltd,	6.5% e 6.25%	(307)	-	(12,203)	-	-	(12,510)
Prepaid Expended							
Indirect subsidiaries		**2,696**	**6,897**	**9,025**	**10,462**	**1,238**	**30,318**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	n.a.	2,696	6,897	9,025	10,462	1,238	**30,318**

Pursuant to Brazilian legislation, the financial institutions cannot grant loans or advances and cannot guarantee operations of their controlling shareholders, affiliates, directors or their second-degree relatives. Accordingly, the Bank does not grant loans or advances and does not guarantee any operation of its direct and indirect subsidiaries, their directors or family.

b) Compensation of key management personnel:

The Annual Shareholders' Meeting sets the overall compensation of management, as established by the Bank's bylaws.

The Annual Shareholders' Meeting of April 29, 2013, sets an overall compensation of up to R$40 million for the year ended December 31, 2013 (R$30 million for the year ended December 31, 2012).

	2013	2012
Fixed compensation	31,988	29,661
Direct and indirect benefits (medical assistance)	444	339
Short-term benefits to granted to Management	**Number**	**Number**
Balance of stock options granted	494,195	506,099

The Bank does not grant other short or long-term post-employment or employment contract termination benefits to the key management personnel.

c) Ownership interest:

As at December 31, 2013 and 2012, the members of the Board of Directors and the Executive Committee hold jointly the following interest in the Bank's capital:

	Ownership interest to share class	
	2013	2012
Common shares (ON)	100.00%	100.00%
Preferred shares (PN)	22.41%	22.44%

29. OTHER INFORMATION

a) Third-party asset administration and management:

Daycoval Asset Management is responsible for administrate and managing third-party assets through investment funds, whose net assets as at December 31, 2013 and 2012 are R$1,8 billion and R$1,9 billion, respectively.

b) Insurance coverage against operational risks:

Despite the low risk exposure as a result of their assets not being physically concentrated, the Bank and its subsidiaries have insurance for their assets in amounts considered sufficient to cover potential losses.

c) Relationship with Auditors:

In accordance with CVM Instruction 381, of January 14, 2003, we inform that the firm engaged to perform an audit of the Bank's financial statements for the years ended on December 31, 2013, was not engaged to provide any services other than the independent audit services.

d) Audit Committee:

As required by CMN Resolution 3198/04, and with a view to adopting the industry best practices in conducting its businesses, the Bank's Board of Directors, at a meeting held on March 26, 2009, decided to establish an Audit Committee, which will be comprised of at least 3 board members. The establishment of this committee was submitted to the Central Bank of Brazil for approval.

e) Investment Agreements and issuance of share subscription bonus:

The Bank signed an Investment Agreement (the "Agreement" or "transaction") with institutional investors, whereby funds of approximately R$410 million were raised in the march 2009. The following take part in the Agreement: Cartesian Capital Group, Wolfensohn Capital Partners, International Finance Corporation (IFC) and controlling shareholders, Minority shareholders could also take part in the agreement, under the same conditions as the other participants.

The primary objectives of said Agreement for the Bank include:

- Increase liquidity and reinforce the capital structure before today's economic scenario;
- Strengthen the Bank's fundraising basis to make it possible to expand its lending operations for the middle market segment; and
- Diversify fundraising sources and extend the average term.

The transaction has a pioneering structure, as it consists of a private offering of bonus for subscription of common and preferred shares. Only the subscription type under which the bonus underwriter opted for the share subscription in a later period was exercised.

Under this option, underwriters invested in Bank Certificates of Deposit (CDB) issued by the Bank, with the following features:

- Average yield of 99% of DI-CETIP Over rate, as follows: 110% of DI-CETIP Over rate in the period from the investment date through March 31, 2013 and, from March 31, 2013 to March 31, 2014, yielding 55% of DI-CETIP Over rate, as calculated and disclosed by Cetip.
- Bonuses may be early redeemed, either in part or in whole, by underwriters, exclusively for share subscription purposes, as a result of the bonus being exercised (which may occur beginning March 31, 2011) at a fixed price of R$7.75 per share.

e.1) The Board of Directors approved at the meeting held on October 21, 2010, the possible early redemption of Bank Certificates of Deposits ("CDBs") issued by the Bank as set out in the Board of Directors' Meeting Minutes and the Notice to Shareholders, both dated February 19, 2009. The possible early redemption of CDBs will be submitted to the approval of the Executive Committee after the negotiation with their holders under terms favorable to the Bank, in light of the economic scenario and financial market liquidity, and (i) shall not consist of Case of Early Redemption of CDBs, as set out in item 16 of the Board of Directors' Meeting Minutes and the Notice to Shareholders, both dated February 19, 2009, (ii) shall not affect the terms and conditions of the unredeemed CDBs, and (iii) shall not affect the other provisions of the Board of Directors' Meeting Minutes and the Notice to Shareholders, both dated February 19, 2009, including, without exceptions, the terms and conditions for the exercise of the Subscription Warrants issued by the Bank.

e.2) According to the Significant Event Notice disclosed on April 1st, 2011, shareholders and the market in general were informed that, since April 4, 2011, the preferred share subscription bonuses of Daycoval ("Bonus PN"), referred to in previous Notices to the Market dated April 19 and June 16, 2010, have been traded at BM&FBOVESPA S.A. trading session under the ticker symbol "DAY11".

e.3) As disclosed in the Note to the Market published on December 28, 2012, the Bank informed the shareholders and the market in general that its Board of Directors approved at the meeting held on December 28, 2012, the increase of the Bank's company ("Capital Increase"), within the authorized capital limit, as a result of the exercise of the rights granted under subscription warrants to preferred shares issued by the Bank ("Subscription Warrants"), as approved at the Board of Directors' Meeting held on February 19, 2009.

The share issue price was R$7.75 per preferred share, according to the Subscription Warrants approved at the Board of Directors' Meeting held on February 19, 2009. A total of 8,591,327 preferred shares were issued, resulting in an increase of the Bank's capital amounting to R$66,583, from R$1,359,143, to R$1,425,726, since then represented by 224,915,839 book-entry registered shares, of which 142,418,179 are common shares and 82,497,660 are preferred shares, without par value. This capital increase was ratified by the BACEN on January 10, 2013.

e.4) As disclosed in the Note to the Market published on March 28, 2013, the Bank informed the shareholders and the market in general that its Board of Directors approved at the meeting held on March 28, 2013, the increase of the Bank's company ("Capital Increase"), within the authorized capital limit, as a result of the exercise of the rights granted under subscription warrants to preferred shares issued by the Bank ("Subscription warrants for preferred and common shares"), as approved at the Board of Directors' Meeting held on February 19, 2009.

The share issue price was R$7.75 per common and preferred shares, according to the Subscription Warrants approved at the Board of Directors' Meeting held on February 19, 2009. A total of 18,451,613 common shares and 21,765,605 preferred shares were issued, resulting in an increase of the Bank's capital amounting to R$311,683, from R$1,425,726 to R$1,737,409, since then represented by 255,844,293 book-entry registered shares, of which 160,869,792 are common shares and 94,974,501 are preferred shares, without par value. This capital increase was ratified by the BACEN on April 9, 2013.

e.5) As disclosed in the Note to the Market published on June 28, 2013, the Bank informed the shareholders and the market in general that its Board of Directors approved at the meeting held on June 28, 2013, the increase of the Bank's company ("Capital Increase"), within the authorized capital limit, as a result of the exercise of the rights granted under subscription warrants to ordinary and preferred shares issued by the Bank ("Subscription warrants for preferred and common shares"), as approved at the Board of Directors' Meeting held on February 19, 2009.

The share issue price was R$7.75 per common and preferred shares, according to the Subscription Warrants approved at the Board of Directors' Meeting held on February 19, 2009. A total of 7,773,326 preferred shares were issued, resulting in an increase of the Bank's capital amounting to R$60,243, from R$1,737,409 to R$1,737,653, since then represented by 256,497,619 book-entry registered shares, of which 160,869,792 are common shares and 95,627,827 are preferred shares, without par value. This capital increase was ratified by the BACEN on July 8, 2013.

e.6) As disclosed in the Note to the Market published on December 30, 2013, the Bank informed the shareholders and the market in general that its Board of Directors approved at the meeting held on December 30, 2013, the increase of the Bank's company ("Capital Increase"), within the authorized capital limit, as a result of the exercise of the rights granted under subscription warrants to preferred shares issued by the Bank ("Subscription warrants for preferred and common shares"), as approved at the Board of Directors' Meeting held on February 19, 2009.

The share issue price was R$7.75 per common and preferred shares, according to the Subscription Warrants approved at the Board of Directors' Meeting held on February 19, 2009. A total of 9,188,417 preferred shares were issued, resulting in an increase of the Bank's capital amounting to R$71,210, from R$1,797,653 to R$1,868,862, since then represented by 252,239,937 book-entry registered shares, of which 160,869,792 are common shares and 91,370,145 are preferred shares, without par value. This capital increase was ratified by the BACEN on January 15, 2014, as referred to in Note 31.a).

f) Level 2 of Corporate Governance:

The Extraordinary shareholders Meeting of December 19, 2011, the following subjects were discussed and approved: (1) Bank's adhesion to the special listing segment of BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, so-called Level 2 of Corporate Governance; and (2) amendment to the Bank´s articles of incorporation, which should include: (i) changes to the wording of articles; and (ii) adjustment of the articles to the provisions of BM&FBOVESPA's Listing Regulation for the Level 2 of Corporate Governance.

Through the reporting date, the process of adhesion to the Level 2 of Corporate Governance was approved by the Central Bank of Brazil on March 22, 2013 and approved to the BM&FBOVESPA S.A. on May 15, 2013.

30. RISK MANAGEMENT

The risk management is essential for the generation of value to Daycoval, its shareholders, employees and customers. Accordingly, Daycoval establish rules and goals to ensure the proper balance between the expansion and investment return goals and the associated risks, efficiently allocating its resources to meet the organization's goals.

The Corporate Risk Management structuring, in addition to comply with the regulatory body requirements, improves the Corporate Governance, which is one of the Daycoval's strategic goals, developed based on the purposes, demands and institutional culture.

The identification of risks allows mapping the internal and external risk events that could affect the business unit purposes. In this regard, the Risk Committees and the risk managers have an important role in the Bank's several areas to ensure its continuous expansion.

The Risk Managers identify measure, control, evaluate and manage the risks, ensuring the consistency between the risks assumed and the acceptable risk level defined by the Institution, as well as report the exposure to the senior management, business areas and regulatory bodies.

Main risk categories and respective management structures:

a) Market risk

Market risk is the risk of incurring losses due to fluctuations in the market prices of positions held by a financial institution, including the risks to which transactions subject to exchange rate changes, interest rates, option prices, and commodity prices are exposed.

- **Main market risks to which Daycoval is exposed:**

Interest rate risk

Possible interest rate changes that could adversely affect the value of the financial instruments. This risk is classified as follows:

- Parallel risk changes: exposure of profit and loss to parallel changes in the yield curve, resulting in equal differentials to all terms.
- Risk changes in curve slop: exposure of profit or loss to the changes in the timeframe structure of the yield curve, representing changes in pending or curve form.

Exchange price risk

The exposure to the foreign currency positions to the changes in the exchange type.

Price risk

The exposure of outstanding securities to adverse market prices. This risk is classified as follows:

- Generic or systematic risk: exposure of the position value to the changes in prices in general;
- Specific risk: exposure not related to the changes in general prices but based on the issuer's own characteristics.

Commodity price risk

The risk related to the effects from the potential changes in the portfolio commodity prices.

- **Market Risk management methodologies**

Value-at-Risk (VaR)

The Value-at-Risk or VaR is the standard used in the market and a measure that properly summaries the market risk exposure from the trading activities (trading portfolio). It represents the potential maximum loss on the market value that, under normal market conditions, of a certain position or portfolio, considering defined confidence level and timeframe.

Amongst the different methodologies available to calculate the VaR (parametric, historical simulation and Montecarlo simulation), Daycoval understands that the parametric methodology is the most adequate to the characteristics of the positions of its trading portfolio.

Parametric methodology

It is based on the normality statistics in the distribution of probabilities related to the risk factor changes, based on the volatilities and correlations to determine the potential change of a position. Accordingly, the risk factors are identified and the positions are allocated to the defined vertices. Subsequently, the volatilities of each risk factor and the correlations to the positions are applied.

- **Stress test**

It is a supplementary tool to the VaR measures and scenario analysis used to determine and evaluate the risk to which the Institution is exposed. It is based on the definition of a set of changes in certain market variations and the determination of the effects from the changes on the portfolio value. The stress test findings are periodically evaluated by the Market Risk Committee.

- **Scenario analysis**

The purpose of the scenario analysis is to support the senior management to determine the effects from certain events against the Institution through a risk analysis tool that defines the long-term scenarios that affect the parameters or variables defined for risk measurement.

Differently from the stress tests, which consider the effects from the changes in the market risk factors on the short-term portfolio, the scenario analysis determines the effects from more complex events on the Institution as a whole.

In the definition of the scenarios, the following factors are considered:

- the experience and expertise of the persons responsible for the areas involved;
- the proper number of relevant variables and the explanation power in order to avoid unnecessary complications in the analysis and interpretation of the findings.

As a risk management governance practice, Daycoval and its subsidiaries have a continuous risk management process that involves control of all the positions exposed to market risk. The market risk limits are determined according to the characteristics of the operations, segregated in the following portfolios:

- Trading portfolio: refers to transactions with financial instruments and commodities, including derivatives, held for trading or to hedge other financial instruments comprising the trading portfolio. These transactions encompass resale transactions and transactions intended to obtain gains from actual or expected price fluctuations, or arbitrage.

- Banking portfolio: refers to all transactions that are not classified in the trading portfolio and are represented by transactions arising from the Bank’s business lines.

The segregation above is related to the way Management manages the business and its exposure to the market risks, in conformity with the best market practices, the transactions classification criteria set out in BACEN Resolution 3464/07 and BACEN Circular 3354/07 and in the New Capital Accord - Basel II. Therefore, according to the nature of the activities, the sensitivity analysis, as prescribed by CVM Instruction 475/08, was performed for the trading and banking portfolio operations, as they significantly affect Daycoval's profit or loss.

The sensibility analysis of the trading and banking portfolios as at December 31, 2013 and 2012 is as follows:

Financial exposures	2013		
	Scenarios		
Risk factors	1	2	3
Fixed rate	(45,529)	(104,970)	(158,703)
Foreign currencies	(5,403)	(7,775)	(12,001)
Price indices	(13)	(30)	(45)
Variable income	(5,832)	(15,589)	(25,346)
Borrowings	(3,393)	(11,672)	(19,508)
Other	(576)	(1,376)	(2,154)
Total *Trading*	**(60,746)**	**(141,412)**	**(217,757)**
Total *Banking*	**(203,717)**	**(469,388)**	**(708,949)**
Total	**(264,463)**	**(610,800)**	**(926,706)**

Financial exposures	2012		
	Scenarios		
Risk factors	1	2	3
Fixed rate	(32,396)	(61,235)	(92,516)
Foreign currencies	(1,290)	(3,070)	(5,328)
Price indices	(95)	(119)	(142)
Variable income	(22,878)	(57,708)	(97,134)
Borrowings	(9,772)	(16,754)	(22,346)
Other	(903)	(1,761)	(2,754)
Fixed rate	**(67,334)**	**(140,647)**	**(220,220)**
Total *Banking*	**(138,846)**	**(264,246)**	**(402,783)**
Total	**(206,180)**	**(404,893)**	**(623,003)**

The sensitivity analysis was conducted considering the following scenarios:

- Scenario 1: refers to the probable scenario for risk factors, and available market information (BM&FBOVESPA, ANBIMA, etc,) was used as basis for the preparation of this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 2.48 (R$/US$2.17 in 2012); (ii) fixed interest rate - 12.83% p.a. (9.14% p.a. in 2012); (iii) foreign exchange coupon - 7.47% p.a. (7.06% p.a. in 2012); and (iv) Ibovespa - 44,811 points (53,028 points in 2012).

- Scenario 2: As established by CVM Instruction 475/08, we considered a deterioration of the risk factors of approximately 25% for this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate – 3.11 (R$/US$2.71 in 2012); (ii) fixed interest rate – 16.04% p.a. (11.43% p.a. in 2012); (iii) foreign exchange coupon 9.34% p.a. (8.83% p.a. in 2012); and (iv) Ibovespa – 33,608 points (39,771 points in 2012).

- Scenario 3: As established by CVM Instruction 475/08, we considered a deterioration of the risk factors of approximately 50% for this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 3.73 (R$/US$3.25 in 2012); (ii) fixed interest rate - 19.25% p.a. (13.71% p.a. in 2012); (iii) foreign exchange coupon - 11.21% p.a. (10.59% p.a. in 2012); and (iv) Ibovespa - 22,405 points (26,514 points in 2012).

It is important to mention that the results shown in the table reflect the impacts for each scenario projected on a static position of the portfolio as of December 31, 2013 and 2012. The market dynamics changes this position continually and does not necessary reflect the actual position on these financial statements' reporting date. Additionally, as mentioned above, there is a continuous management of the Trading and banking portfolio positions to mitigate the risks associated to such portfolio, according to the strategy defined by Management and, when there are indications of deterioration of a certain position, proactive actions are taken to minimize possible adverse impacts and maximize the risk/return ratio for the Bank.

- Backtesting

Backtesting is the comparison between the former estimated gain/loss and the effective gain/loss. The purpose is to evaluate the model adequacy. For purposes of backtesting, effective gains/losses are adopted for each business unit.

b) Liquidity risk

Liquidity risk is the risk of unbalances between tradable assets and liabilities — payables and receivables mismatches — that might affect the payment ability of the Bank, taking into consideration the different currencies and settlement terms of its assets and liabilities.

The liquidity risk, both of individual instruments and portfolios, may result from one or a number of these factors. Amongst them, the model risk is not included, defined as the potential loss for incorrect estimates and calculation of the parameters and assumptions included in the liquidity risk management methodologies. This risk is more related to the operations rather than liquidity.

c) Credit risk

The credit risk is the risk of incurring losses due to borrower or counterparty default of agreed financial obligations, the depreciation of a credit agreement due to the downgrading of the borrowers' risk ratings, the decrease in gains or returns, the advantages granted in restructurings, and the recovery costs.

Classification of operations

For the classification of the credit operations, Daycoval adopts consistent and verifiable criteria that combine the borrower's economic, financial, personal and market information with the accessory guarantees provided to the operation. Based on this information, the minimum provision will be recognized to cover the risks assumed, as prescribed by BACEN Resolution 2682/99.

Daycoval credit scoring models

These are statistical models developed and used for risk rating in the credit assignment following the adoption of the credit policies previously analyzed and approved.

Treasury, financing of government bonds, over-the-counter derivatives and brokers

Low risk strategies are adopted in the structuring of the operations based on the exposure limit analysis against the counterparties' equity, trading agreements previously agreed and according to the evaluation technical conditions of the counterparties' credit risk and strict selection of brokers related to first class banks to deal with the positions allocated.

d) Operational risk

Operational risk is the possibility of an entity incurring losses due to failure, deficiency or ineffectiveness of internal processes, people and systems, or external events. The concept includes legal risk associated to inadequacy or weaknesses in contracts entered into by the Bank, as well as penalties due to noncompliance with statutes, and compensation paid for damages caused to third parties as a result of the activities conducted by the Bank.

31. EVENTS AFTER THE REPORTING PERIOD

a) Capital increase – ratification

On January 15, 2014 the BACEN ratified the capital increase of Banco Daycoval, referred to in Note 23.b.3), amounting to R$71,210, and this ratification was published on the Federal Official Gazette on January 17, 2014.

b) New share buyback plan

The Bank's Board of Directors approved at the Meeting held on January 22, 2014 the the implementation of the New Share Buyback Program. The new program authorized the purchase of 6,359,800 preferred shares issued by the company, into treasury for subsequent sale or cancellation, equivalent to 9.09% of the preferred shares on the market. The authorization is valid for a period of 365 days, ending on January 22, 2015. At the same meeting were approved the closure of the Share Buyback Program, started on December 17, 2013 and cancellation without capital reduction, 930,00 preferred shares held in treasury.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

Banco Daycoval S.A.

Financial Statements for the Year Ended December 31, 2012 and Report of Independent Auditors

Deloitte Touche Tohmatsu Auditores Independentes

Deloitte.

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

To the Shareholders and Management of
Banco Daycoval S.A.
São Paulo, SP

Introduction

We have audited the accompanying individual and consolidated financial statements of Banco Daycoval S.A. (the "Bank"), its subsidiaries and special purpose entities represented by receivables and balanced investment fund ("Consolidated"), which comprise the balance sheet as of December 31, 2012, and the related statements of income, changes in shareholder's equity ("Bank"), and cash flows for the six month period and the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Brazilian accounting practices applicable to the institutions authorized to operate by the Central Bank of Brazil ("BACEN"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of 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 Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Banco Daycoval S.A. as at December 31, 2012, and its financial performance and its cash flows for the six-month period and year then ended in accordance with accounting practices adopted in Brazil, applicable to entities authorized to operate by the Central Bank of Brazil ("BACEN").

Other matters

Statements of value added

In addition, we have reviewed the individual and consolidated statements of value added (DVA) for the six-month period and year ended December 31, 2012, the presentation of which in the financial statements is required in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM). This information was subject to the same review procedures described above and, based on our review, we are not aware of any significant modifications that should be made to this information, in all material respects, for it to be in accordance with the interim financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, February 15, 2013

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Francisco Antonio Maldonado Sant'Anna
Engagement Partner

2012-2678

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

		2012		2011	
ASSETS	Note	Bank	Consolidated	Bank	Consolidated
CURRENT ASSETS		8,778,887	8,917,391	8,290,066	8,475,097
Cash and cash equivalents		68,237	69,268	26,376	26,795
Interbank investments	Note 5	2,510,871	2,510,871	2,086,753	2,086,753
Money market investments		2,233,028	2,233,028	1,955,032	1,955,032
Interbank deposits		198,779	198,779	123,093	123,093
Foreign currency investments		79,064	79,064	8,628	8,628
Securities and derivatives	Notes 6 and 7.II.a)	536,403	639,152	70,847	152,401
Own portfolio		400,461	477,375	63,925	123,265
Derivatives		41,572	41,572	6,922	6,922
Linked to the Central Bank of Brazil ("BACEN")		67,705	67,705	-	-
Linked to guarantees		26,665	26,665	-	-
Asset-backed technical reserves		-	25,835	-	22,214
Interbank accounts		140,383	140,383	124,737	124,737
Payments and receipts pending settlement		-	-	97	97
Restricted deposits-					
Central Bank of Brazil		88,031	88,031	107,941	107,941
Correspondents		52,352	52,352	16,699	16,699
Lending operations		4,090,143	4,125,591	4,678,630	4,776,489
Lending operations - public sector	Note 8	2,510	2,510	14,629	14,629
Lending operations - private sector	Note 8	4,377,222	4,424,043	4,801,834	4,907,208
(Allowance for loan losses)	Note 10	(289,589)	(300,962)	(137,833)	(145,348)
Other receivables		1,292,491	1,299,943	1,219,198	1,227,264
Foreign exchange portfolio	Note 11.a)	322,547	322,547	435,823	435,823
Income receivable		8,614	9,844	9,467	10,431
Insurance premiums	Note 19.a)	-	546	-	535
Trading account	Note 7.II.a)	508	508	159	159
Other	Note 11.b)	965,857	971,533	776,906	783,473
(Allowance for other loan losses)	Note 10	(5,035)	(5,035)	(3,157)	(3,157)
Other assets	Note 12	140,359	132,183	83,525	80,658
Repossessed assets		44,271	44,271	25,892	25,892
(Allowance for repossessed assets losses)		(5,846)	(5,846)	(3,818)	(3,818)
Prepaid expenses		101,934	93,758	61,451	58,584
NONCURRENT LONG-TERM ASSETS		4,025,897	4,010,705	3,601,111	3,618,057
Interbank investments	Note 5	30,118	30,118	20,652	20,652
Interbank deposits		30,118	30,118	20,652	20,652
Securities and derivatives	Notes 6 and 7.II.a)	403,223	373,126	620,746	589,097
Own portfolio		241,939	211,711	436,232	404,462
Linked to repurchase commitments		-	-	95,369	95,369
Derivatives		84,555	84,555	45,109	45,109
Linked to guarantees		76,729	76,729	44,036	44,036
Asset-backed technical reserves		-	131	-	121
Lending operations		2,662,942	2,688,456	2,309,245	2,365,275
Lending operations - public sector	Note 8	1,681	1,681	10,835	10,835
Lending operations - private sector	Note 8	2,749,109	2,774,623	2,358,881	2,414,911
(Allowance for loan losses)	Note 10	(87,848)	(87,848)	(60,471)	(60,471)
Other receivables		810,877	811,227	568,149	568,414
Other	Note 11.b)	810,877	811,227	568,149	568,414
Other assets	Note 12	118,737	107,778	82,319	74,619
Prepaid expenses		118,737	107,778	82,319	74,619
PERMANENT ASSETS		185,235	11,123	175,039	11,561
Investments		178,593	783	168,858	581
Equity in domestic subsidiaries	Note 13	177,947	-	168,414	-
Other investments		646	783	444	581
Property, plant and equipment	Note 15	6,642	10,309	6,181	10,959
Properties		-	9,629	-	10,929
Other		14,349	15,149	12,347	13,015
(Accumulated depreciation)		(7,707)	(14,469)	(6,166)	(12,985)
Intangible assets		-	31	-	21
Intangible assets		-	31	-	21
TOTAL ASSETS		12,990,019	12,939,219	12,066,216	12,104,715

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

BALANCE SHEETS AS AT DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

		2012		2011	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Bank	Consolidated	Bank	Consolidated
CURRENT LIABILITIES		5,913,815	5,941,756	5,982,920	6,012,897
Deposits	Note 16	3,034,273	3,025,001	2,897,704	2,894,787
Demand deposits		259,224	255,339	308,374	305,457
Interbank deposits		412,681	412,681	495,502	495,502
Time deposits		2,360,667	2,355,280	2,092,006	2,092,006
Foreign currency deposit		1,701	1,701	1,822	1,822
Money market funding	Note 16	781,213	781,213	1,269,879	1,269,531
Own portfolio		-	-	94,005	94,005
Third parties		781,213	781,213	1,175,874	1,175,526
Funds from acceptance and issuance of securities	Note 17	658,950	658,645	121,505	121,225
Mortgage loan notes		53,174	53,174	-	-
Agribusiness letters of credit		211,242	211,242	89,827	89,827
Financial bills		362,915	362,915	3,633	3,633
Securities issued abroad		31,619	31,314	28,045	27,765
Interbank accounts		831	831	583	583
Receipts and payments pending settlement		831	831	583	583
Interbranch accounts		7,040	7,040	17,678	17,678
Third-party funds in transit		7,040	7,040	17,678	17,678
Borrowings and onlendings	Note 18	951,864	951,864	1,323,907	1,323,907
Foreign borrowings		837,896	837,896	1,209,435	1,209,435
Domestic onlendings - official institutions					
BNDES		44,452	44,452	56,519	56,519
FINAME		69,516	69,516	57,953	57,953
Derivatives	Note 7.II.a)	2,189	2,189	29,782	29,782
Derivatives		2,189	2,189	29,782	29,782
Technical reserves - insurance	Note 19.b)	-	25,827	-	22,207
Other payables		477,455	489,146	321,882	333,197
Collected taxes and other		4,321	4,321	5,908	5,908
Foreign exchange portfolio	Note 20.a)	9,890	9,890	50,274	50,274
Social and statutory	Note 20.b)	42,654	44,204	49,047	49,712
Tax and social security	Note 20.c)	247,405	255,252	151,737	159,377
Trading account	Note 7.II.a)	469	469	250	256
Other	Note 20.d)	172,716	175,010	64,666	67,670
NONCURRENT LONG-TERM LIABILITIES		4,863,290	4,783,855	4,116,729	4,124,558
Deposits	Note 16	1,143,228	1,076,759	1,717,911	1,647,221
Interbank deposits		103,264	103,264	8,365	8,365
Time deposits		1,039,964	973,495	1,709,546	1,638,856
Funds from acceptance and issuance of securities	Note 17	2,630,647	2,617,299	1,382,177	1,371,332
Mortgage loan notes		1,191	1,191	-	-
Agribusiness letters of credit		9,790	9,790	521	521
Financial bills		1,430,369	1,429,496	330,580	330,580
Securities issued abroad		1,189,297	1,176,822	1,051,076	1,040,231
Borrowings and onlendings	Note 18	249,369	249,369	413,649	502,727
Domestic borrowings		-	-	-	89,078
Foreign borrowings		59,891	59,891	212,692	212,692
Domestic onlendings - official institutions					
BNDES		39,033	39,033	33,309	33,309
FINAME		150,445	150,445	167,648	167,648
Derivatives	Note 7.II.a)	405	405	13,117	13,117
Derivatives		405	405	13,117	13,117
Other payables		839,641	840,023	589,875	590,161
Tax and social security	Note 20.c)	783,646	784,028	581,686	581,972
Other	Note 20.d)	55,995	55,995	8,189	8,189
DEFERRED INCOME		9,407	9,408	14,140	14,200
NONCONTROLLING INTERESTS		-	693	-	633
SHAREHOLDERS' EQUITY		2,203,507	2,203,507	1,952,427	1,952,427
Capital-					
Residents in Brazil	Note 23.a)	1,359,143	1,359,143	1,359,143	1,359,143
Capital increase	Note 23.b)	66,583	66,583	-	-
Capital reserves		1,577	1,577	-	-
Revaluation reserves	Note 23.f)	1,185	1,185	1,313	1,313
Earnings reserves	Note 23.f)	771,487	771,487	599,605	599,605
Valuation adjustments to equity					
Available-for-sale securities		4,822	4,822	(1,840)	(1,840)
Treasury shares		(1,290)	(1,290)	(5,794)	(5,794)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,990,019	12,939,219	12,066,216	12,104,715

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

INCOME STATEMENTS
FOR THE SIX-MONTH PERIODS ENDED DECEMBER 31, 2012 AND
YEAR ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$, unless otherwise stated)

		2nd half of 2012		2012		2011	
	Note	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
INCOME FROM FINANCIAL INTERMEDIATION		1,072,231	1,089,572	2,231,908	2,257,553	1,895,689	1,923,903
Lending operations	Note 24.a)	777,479	787,889	1,550,155	1,576,322	1,397,441	1,427,704
Securities transactions	Note 24.b)	168,505	175,436	397,332	396,810	373,646	371,597
Derivatives	Note 24.c)	65,201	65,201	142,154	142,154	21,930	21,930
Foreign exchange transactions	Note 24.d)	61,046	61,046	142,267	142,267	102,672	102,672
EXPENSES ON FINANCIAL INTERMEDIATION		(647,067)	(654,151)	(1,393,211)	(1,396,910)	(1,288,306)	(1,299,488)
Funding operations	Note 24.e)	(385,758)	(382,431)	(842,956)	(835,737)	(872,585)	(868,298)
Borrowings and onlending	Note 24.f)	(40,135)	(50,546)	(162,628)	(173,546)	(243,805)	(259,274)
Financial assets sale or transfer		(12,608)	(12,608)	(19,958)	(19,958)	-	-
Allowance for loan losses	Note 10	(208,566)	(208,566)	(367,669)	(367,669)	(171,916)	(171,916)
GROSS PROFIT FROM FINANCIAL INTERMEDIATION		425,164	435,421	838,697	860,643	607,383	624,415
OTHER OPERATING INCOME (EXPENSES)		(138,922)	(143,362)	(270,565)	(282,223)	(147,551)	(156,646)
Income from services provided		34,214	41,761	64,199	77,884	51,677	62,019
Results of insurance operations	Note 19.d)	-	1,295	-	2,982	-	3,085
Personnel expenses	Note 24.g)	(81,785)	(88,465)	(152,957)	(165,824)	(122,974)	(134,058)
Other administrative expenses	Note 24.h)	(151,085)	(152,131)	(262,334)	(265,363)	(177,510)	(183,499)
Tax expenses	Note 24.i)	(41,398)	(43,463)	(75,577)	(79,732)	(51,467)	(55,551)
Equity in subsidiaries		3,108	-	8,186	-	990	-
Other operating income	Note 24.j)	131,897	133,574	215,303	220,644	238,128	244,271
Other operating expenses	Note 24.k)	(33,873)	(35,933)	(67,385)	(72,814)	(86,395)	(92,913)
INCOME FROM OPERATIONS		286,242	292,059	568,132	578,420	459,832	467,769
NONOPERATING INCOME		(6,867)	(6,857)	(12,308)	(12,298)	(7,217)	(7,198)
INCOME BEFORE INCOME TAXES		279,375	285,202	555,824	566,122	452,615	460,571
INCOME TAX AND SOCIAL CONTRIBUTION	Note 21.a)	(81,525)	(85,322)	(156,893)	(164,657)	(115,717)	(122,088)
Provision for income tax		(62,297)	(65,034)	(142,731)	(148,316)	(85,349)	(89,892)
Provision for social contribution		(39,064)	(40,124)	(87,518)	(89,697)	(52,478)	(54,306)
Deferred tax assets		19,836	19,836	73,356	73,356	22,110	22,110
PROFIT SHARING		(16,944)	(18,955)	(41,467)	(43,959)	(31,838)	(33,375)
NONCONTROLLING INTERESTS		-	(19)	-	(42)	-	(48)
NET INCOME		180,906	180,906	357,464	357,464	305,060	305,060
Number of shares	Note 23.c)	224,777,741	224,777,741	224,777,741	224,777,741	215,704,049	215,704,049
Earnings per share - R$		0.80	0.80	1.59030	1.59030	1.41425	1.41425

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED DECEMBER 31, 2012 AND
YEAR ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

						Earnings reserves							
	Note	Capital	Capital increase	Capital reserves	Revaluation reserves	Legal	Unrealized earnings	Bylaws	Special earnings reserves	Valuation adjustments to equity	Treasury shares	Retained earnings	Total
BALANCE AS AT DECEMBER 31, 2010		1,359,143	-	-	1,441	44,706	12,409	369,887	-	356	(7,900)	-	1,780,042
Adjustment to fair value-													
Securities and derivates		-	-	-	-	-	-	-	-	(2,196)	-	-	(2,196)
Sale of Bank's shares		-		-	-	-	-	(649)	-	-	2,106	-	1,457
Realization of revaluation reserve		-	-	-	(195)	-	-	-	-	-	-	195	-
Income tax and social contribution on subsidiary's revaluation		-	-	-	67	-	-	-	-	-	-	(67)	-
Net income		-	-	-	-	-	-	-	-	-	-	305,060	305,060
Allocations:													
Legal reserve		-	-	-	-	15,253	-	-	-	-	-	(15,253)	-
Bylaws reserve		-	-	-	-	-	-	152,883	-	-	-	(152,883)	-
Additional dividends	Note 23.e)	-	-	-	-	-	-	-	32,140	-	-	(32,140)	-
Interim dividends	Note 23.e)	-			-	-	-	(27,024)	-	-	-	-	(27,024)
Interest on capital	Note 23.e)	-	-	-	-	-	-	-	-	-	-	(104,912)	(104,912)
BALANCE AS AT DECEMBER 31, 2011		1,359,143	-	-	1,313	59,959	12,409	495,097	32,140	(1,840)	(5,794)	-	1,952,427
BALANCE AS AT DECEMBER 31, 2011		1,359,143	-	-	1,313	59,959	12,409	495,097	32,140	(1,840)	(5,794)	-	1,952,427
Capital increase:													
Capital increase		-	66,583	-	-	-	-	-		-	-	-	66,583
Adjustment to fair value-													
Securities and derivates		-	-	-	-	-	-	-	-	6,662	-	-	6,662
Sale of Bank's shares		-		-	-	-	-	(1,308)	-	-	4,504	-	3,196
Granting of options to purchase shares recognized ("vesting period")		-	-	2,928	-	-	-	-	-	-	-	-	2,928
Exercise of options to purchase shares granted		-	-	(1,552)	-	-	-	1,552	-	-	-	-	-
Other comprehensive income		-	-	201	-	-	-	-	-	-	-	-	201
Realization of revaluation reserve		-	-	-	(194)	-	-	-	-	-	-	194	-
Income tax and social contribution on subsidiary's revaluation		-	-	-	66	-	-	-	-	-	-	-	66
Net income		-	-	-	-	-	-	-	-	-	-	357,464	357,464
Allocations:													
Legal reserve		-	-	-	-	17,873	-	-	-	-	-	(17,873)	-
Bylaws reserve		-	-	-	-	-	-	178,928	-	-	-	(178,928)	-
Additional dividends after 31.12.2011	Note 23.e)								(32,140)				(32,140)
Additional dividends after 31.12.2012	Note 23.e)	-	-	-	-	-	-	-	6,977	-	-	(6,977)	-
Interim dividends	Note 23.e)	-			-	-	-	-	-	-	-	(45,132)	(45,132)
Interest on capital	Note 23.e)	-	-	-	-	-	-	-	-	-	-	(108,748)	(108,748)
BALANCE AS AT DECEMBER 31, 2012		1,359,143	66,583	1,577	1,185	77,832	12,409	674,269	6,977	4,822	(1,290)	-	2,203,507

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED DECEMBER 31, 2012 AND
YEAR ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

						Earnings reserves							
	Note	Capital	Capital increase	Capital reserves	Revaluation reserves	Legal	Unrealized earnings	Bylaws	Special earnings reserves	Valuation adjustments to equity	Treasury shares	Retained earnings	Total
BALANCE AS AT JUNE 30, 2012		1,359,143	-	-	1,237	68,787	12,409	495,097	-	1,514	(5,405)	80,579	2,013,361
Capital increase:													
Capital increase		-	66,583	-	-	-	-	-		-	-	-	66,583
Adjustment to fair value-													
Securities and derivates		-	-	-	-	-	-	-	-	3,308	-	-	3,308
Sale of Bank's shares		-		-	-	-	-	(1,171)	-	-	4,115	-	2,944
Granting of options to purchase shares recognized ("vesting period")		-	-	2,928	-	-	-	-	-	-	-	-	2,928
Exercise of options to purchase shares granted		-	-	(1,552)	-	-	-	1,552	-	-	-	-	-
Other comprehensive income		-	-	201	-	-	-	-	-	-	-	-	201
Realization of revaluation reserve		-	-	-	(97)	-	-	-	-	-	-	97	-
Income tax and social contribution on subsidiary's revaluation		-	-	-	45	-	-	-	-	-	-	-	45
Net income		-	-	-	-	-	-	-	-	-	-	180,906	180,906
Allocations:													
Legal reserve		-	-	-	-	9,045	-	-	-	-	-	(9,045)	-
Bylaws reserve		-	-	-	-	-	-	178,791	-	-	-	(178,791)	-
Additional dividends after 31.12.2012	Note 23.e)	-	-	-	-	-	-	-	6,977	-	-	(6,977)	-
Interim dividends	Note 23.e)	-			-	-	-	-	-	-	-	(15,123)	(15,123)
Interest on capital	Note 23.e)	-	-	-	-	-	-	-	-	-	-	(51,646)	(51,646)
BALANCE AS AT DECEMBER 31, 2012		1,359,143	66,583	1,577	1,185	77,832	12,409	674,269	6,977	4,822	(1,290)	-	2,203,507

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED DECEMBER 31, 2012 AND
YEAR ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	2nd half of 2012		2012		2011	
	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES						
NET INCOME	**180,906**	**180,906**	**357,464**	**357,464**	**305,060**	**305,060**
Adjustment to reconcile net income to						
net cash provided by operating activities						
Depreciation and amortization	875	1,070	1,732	2,145	1,523	1,972
Deferred taxes	(19,836)	(19,836)	(73,356)	(73,356)	(22,110)	(22,110)
Provision for risks	67,736	67,736	178,771	178,771	139,933	139,933
Allowance for loan losses	205,186	205,186	362,684	362,684	169,188	169,188
Allowance for other loan losses	3,380	3,380	4,985	4,985	2,728	2,728
Allowance for losses on other assets	243	243	2,028	2,028	(48)	(48)
Exercise of options to purchase shares granted	1,552	1,552	1,552	1,552	-	-
Equity in subsidiaries	(3,108)	-	(8,186)	-	(990)	-
TOTAL RECONCILIATION ADJUSTMENTS	256,028	259,331	470,210	478,809	290,224	291,663
ADJUSTED NET INCOME	436,934	440,237	827,674	836,273	595,284	596,723
CHANGES IN ASSETS AND LIABILITIES	(810,898)	(814,013)	3,461	(4,771)	(3,521)	(3,313)
(Increase) decrease in interbank investments	136,776	136,776	(98,491)	(98,491)	222,183	222,181
(Increase) decrease in securities and derivates	(478,349)	(502,971)	(281,856)	(304,603)	340,551	324,149
(Increase) in interbank and interbranch accounts	(62,214)	(62,214)	(26,036)	(26,036)	(26,999)	(26,999)
(Decrease) in lending operations	(307,777)	(281,010)	(128,262)	(35,015)	(2,155,344)	(2,151,776)
Increase in other receivables	(18,479)	(19,114)	(173,468)	(171,185)	(859,712)	(858,104)
Increase in other assets	(45,619)	(39,912)	(95,280)	(85,590)	(70,146)	(61,801)
Increase (decrease) in deposits	(338,124)	(340,005)	(438,114)	(440,248)	1,352,505	1,348,144
(Decrease) in money market funding	(56,106)	(56,106)	(94,005)	(94,005)	(110,441)	(97,642)
Increase in funds from acceptance and issuance of securities	624,001	622,491	1,785,915	1,783,387	833,616	825,154
Increase (decrease) in borrowings and onlendings	(367,703)	(375,373)	(508,002)	(597,079)	445,551	446,992
Increase in other payables	144,439	146,242	138,644	143,825	67,194	72,026
Income tax and social contribution paid	(40,164)	(41,164)	(72,851)	(74,939)	(50,258)	(53,477)
Increase (decrease) in deferred income	(1,579)	(1,653)	(4,733)	(4,792)	7,779	7,840
NET CASH PROVIDED BY OPERATING ACTIVITIES	(373,964)	(373,776)	831,135	831,502	591,763	593,410
CASH FLOWS FROM INVESTING ACTIVITIES						
Disposal of fixed assets	-	-	-	-	134	299
Purchase of fixed assets	(1,291)	(1,291)	(2,283)	(2,386)	(2,814)	(3,870)
NET CASH USED IN INVESTING ACTIVITIES	(1,291)	(1,291)	(2,283)	(2,386)	(2,680)	(3,571)
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest on capital/dividends paid	(100,182)	(100,182)	(128,504)	(128,504)	(92,268)	(92,268)
Capital increase	66,583	66,583	66,583	66,583	-	-
Purchase/sale of Bank's shares	4,115	4,115	4,504	4,504	2,106	2,106
NET CASH USED IN FINANCING ACTIVITIES	(29,484)	(29,484)	(57,417)	(57,417)	(90,162)	(90,162)
INCREASE IN CASH AND CASH EQUIVALENTS	(404,739)	(404,551)	771,435	771,699	498,921	499,677
Cash and cash equivalents at beginning of six-month period	2,113,609	2,114,452	937,435	938,202	438,514	438,525
Cash and cash equivalents at end of six-month period	1,708,870	1,709,901	1,708,870	1,709,901	937,435	938,202
INCREASE IN CASH AND CASH EQUIVALENTS	(404,739)	(404,551)	771,435	771,699	498,921	499,677

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

STATEMENTS OF VALUE ADDED
FOR THE SIX-MONTH PERIODS ENDED DECEMBER 31, 2012 AND
YEAR ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$)

	2nd half of 2012		2012		2011	
	Bank	Consolidated	Bank	Consolidated	Bank	Consolidated
REVENUES	1,011,381	1,037,252	2,108,354	2,150,795	1,961,459	2,003,120
Income from financial intermediation	1,072,231	1,089,572	2,231,908	2,257,553	1,895,689	1,923,903
Revenue from services	34,214	41,761	64,199	77,884	51,677	62,019
Allowance for loan losses	(208,566)	(208,566)	(367,669)	(367,669)	(171,916)	(171,916)
Other	113,502	114,485	179,916	183,027	186,009	189,114
EXPENSES	(438,501)	(445,585)	(1,025,542)	(1,029,241)	(1,116,390)	(1,127,572)
Expenses on financial intermediation	(438,501)	(445,585)	(1,025,542)	(1,029,241)	(1,116,390)	(1,127,572)
INPUTS PURCHASED FROM THIRD PARTIES	(144,118)	(143,828)	(248,343)	(248,616)	(165,618)	(169,073)
Materials, electric power and other	(25,066)	(27,544)	(42,801)	(47,927)	(39,242)	(44,199)
Outside services	(119,052)	(116,284)	(205,734)	(200,881)	(126,436)	(124,934)
Asset recovery	-	-	192	192	60	60
GROSS VALUE ADDED	428,762	447,839	834,469	872,938	679,451	706,475
DEPRECIATION AND AMORTIZATION	(875)	(1,070)	(1,732)	(2,145)	(1,523)	(1,972)
TOTAL WEALTH CREATED BY THE BANK / CONSOLIDATED	427,887	446,769	832,737	870,793	677,928	704,503
WEALTH RECEIVED IN TRANSFER	3,108	-	8,186	-	990	-
Equity in subsidiaries	3,108	-	8,186	-	990	-
WEALTH FOR DISTRIBUTION	430,995	446,769	840,923	870,793	678,918	704,503
DISTRIBUTION OF WEALTH	430,995	446,769	840,923	870,793	678,918	704,503
EMPLOYEES	83,848	91,521	167,482	180,879	136,474	147,268
Salaries and wages	54,232	58,221	102,405	110,031	82,936	89,783
Benefits	26,977	30,385	60,122	65,349	49,209	52,650
Severance pay fund (FGTS)	2,639	2,915	4,955	5,499	4,329	4,835
TAXES	160,149	167,090	303,910	317,998	227,076	239,733
Federal	155,963	162,213	297,057	309,857	222,715	234,246
State	1,042	1,042	1,676	1,683	933	942
Municipal	3,144	3,835	5,177	6,458	3,428	4,545
THIRD PARTIES	6,092	7,233	12,067	14,410	10,308	12,394
Rentals	6,092	7,233	12,067	14,410	10,308	12,394
SHAREHOLDERS	180,906	180,906	357,464	357,464	305,060	305,060
Interest on capital	51,646	51,646	108,748	108,748	104,912	104,912
Dividends	22,100	22,100	6,977	6,977	32,140	32,140
Retained earnings	107,160	107,160	241,739	241,739	168,008	168,008
NONCONTROLLING INTERESTS	-	19	-	42	-	48

The accompanying notes are an integral part of these financial statements.

(Convenience Translation into English from the Original Previously Issued in Portuguese)

BANCO DAYCOVAL S.A.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011
(In thousands of Brazilian reais - R$, unless otherwise stated)

1. GENERAL INFORMATION

Banco Daycoval S.A. (the "Bank" or "Daycoval") is a full-service bank authorized to operate commercial, foreign exchange, investment, and lending and financing portfolios, through its direct and indirect subsidiaries, and to provide services including management of assets, life insurance and pension plans. The Bank is part of Daycoval Group and conducts its businesses on an integrated basis.

2. PRESENTATION OF FINANCIAL STATEMENTS

The Bank's financial statements, including its foreign branch, and the consolidated financial statements ("Consolidated") have been prepared in accordance with the Brazilian accounting practices, which include the accounting guidelines a set forth by the Brazilian Corporate Law - Law 6404/76 and the changes introduced by Law 11638/07 and Law 11941/09 for the accounting of operations, together, when applicable, the standards and instructions of the National Monetary Council ("CMN"), the Central Bank of Brazil ("BACEN"), and the Standard Chart of Accounts for Financial Institutions ("COSIF"), the Brazilian Securities and Exchange Commission ("CVM"), the National Private Insurance Council – CNSP, the Private Insurance Authority ("SUSEP"), and Accounting Pronouncements Committee ("CPC").

As part of the process of convergence with the International Financial Reporting Standards (IFRS), the Accounting Pronouncements Committee (CPC) issued several pronouncements related to the international convergence which have been approved by CVM but not all of them have been ratified by BACEN. Accordingly, in preparing the interim financial statements, the Bank adopted the following pronouncements already ratified by BACEN:

a) CPC 01 - Impairment of assets (BACEN Resolution 3566/08);

b) CPC 03 - Statements of cash flows (BACEN Resolution 3604/08);

c) CPC 05 - Related-party disclosures (BACEN Resolution 3750/09);

d) CPC 10 (R1) - Share-based payment (BACEN Resolution 3989/11, effective beginning January 1, 2012);

e) CPC 23 - Accounting practices, changes in estimates and correction of errors BACEN Resolution 4007/11, effective beginning January 1, 2012);

f) CPC 24 - Events after the reporting period (BACEN Resolution 3973/11);

g) CPC 25 - Provisions, Contingent Liabilities and Contingent Assets (BACEN Resolution 3823/09); and

h) Basic Conceptual Pronouncement (R1) - Framework for the Preparation and Presentation of Financial Statements (BACEN Resolution 4144/12).

In the consolidated financial statements, the balances and transactions between the Bank, its foreign branch, its direct and indirect subsidiaries and special purpose entity, represented by the receivables investment fund, have been eliminated. Net income and shareholders' equity amounts related to minority interests were disclosed in a separate caption. One of those investment funds, Daycoval Classic Fundo de Investimento Crédito Privado, was consolidated to the financial statements of the Bank until the year ended December 31, 2011. The financial statements of the foreign branch and indirect subsidiary had the accounting criteria adjusted to the Brazilian accounting practices and translated into Brazilian reais.

The consolidated financial statements include the accounts of the Bank, its foreign branch, and the following direct and indirect subsidiaries and special purpose entities as follows:

	Ownership interest - %	
	2012	**2011**
Financial activity - Foreign branch		
Banco Daycoval S.A. - Cayman Branch	100.00	100.00
Insurance and pension plan activity		
Dayprev Vida e Previdência S.A. ("Dayprev")	97.00	97.00
Non-financial activity		
ACS Participações Ltda. ("ACS")	99.99	99.99
Daycoval Asset Management Administração de Recursos Ltda.	99.99	99.99
IFP Promotora de Serviços de Consultoria e Cadastro Ltda. ("IFP")	99.99	99.99
SCC Assessoria em Cadastro e Cobrança Ltda. ("SCC")	99.99	99.99
Treetop Investments Ltd. ("Treetop")	99.99	99.99
Special Purpose Entities – SPE		
Daycoval Veículos Fundo de Investimento em Direitos Creditórios ("Daycoval Veículos FIDC") (1)	100.00	100.00
Daycoval Classic Fundo de Investimento Multimercado Crédito Privado ("Daycoval Classic") (2)	-	13.08

(1) The ownership percentage refers to the total subordinated quotas held by the Bank in Daycoval Veículos FIDC.

(2) From the year ended December 31, 2012, Daycoval Classic is no longer consolidated in the Bank's financial statements, since it is open for other investors, and not only for the consolidated companies and also due to the complete redemption of shares of the fund by the Bank during the period mentioned.

2.a) Consolidation of Daycoval Veículos Fundo de Investimento em Direitos Creditórios ("Daycoval Veículos FIDC")

In the consolidation of Daycoval Veículos FIDC, the balances of the receivables portfolio and the allowance for loan losses were incorporated into the Bank's loan portfolio, with recording of the financing under the caption "Borrowings and onlendings - domestic borrowings", net of investments in investment fund shares represented by subordinated shares held by the Bank in Daycoval FIDC.

The receivables portfolio and the allowance for loan losses balance, consolidated in the Bank's financial statements, comprise vehicles financing granted to Daycoval Veículos FIDC through December 31, 2011 (prior to the date when BACEN Resolution 3533/08 became effective). The assignments to FIDC, effective beginning January 1, 2012, are recognized in the individual and consolidated financial statements in accordance with the accounting policies set out in Note 3.g).

Additionally, income from Daycoval Veículos FIDC receivables was recorded under the caption "Lending operations" in the statement of income, and the cost of financing, related to senior shares, was recorded under the caption "Borrowings and Onlendings". The income earned by the Bank from appreciation of its shares in Daycoval Veículos FIDC, which was originally recorded under the caption "Securities transactions", was reclassified to the caption "Lending operations", in order to present fairly the operation in the consolidated financial statements.

As provided for by CVM/SNC-SEP Circular Letter 01/07, of February 14, 2007, the Bank's Management added the balances of receivables and allowance for loan losses to the consolidated financial statements for the years ended December 31, 2012 and 2011, as it considers that the control (receiving, onlending and collection) of receivables assigned to Daycoval Veículos FIDC is under its responsibility, which in substance represents the provision of guarantees to Fund investors in relation to the receiving of these receivables.

The following is the main information on Daycoval Veículos FIDC, pursuant to CVM Instruction 408/05:

I. Characteristics of Daycoval Veículos FIDC:

Daycoval Veículos FIDC is managed by Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A. and was established as a closed-end fund available to qualified investors according to prevailing regulation. Daycoval Veículos FIDC started operations on August 11, 2008, for a term of 10 years from the first payment of 1st series senior shares of the Fund.

II. Name, type, purpose and activities of Daycoval Veículos FIDC:

The purpose of Daycoval FIDC Veículos is to provide its investors with the appreciation of its shares by investing money principally in the acquisition of receivables from the financial industry, entered into by the Bank (Assignor) and its customers. These receivables arise from vehicles financing.

The Daycoval Veículos FIDC will seek to achieve, but will not guarantee, yield equivalent to 113% of the DI (interbank deposit rate), respectively for Daycoval FIDC and Daycoval Veículos FIDC. This benchmark is applicable to Senior Shares. There is no preestablished benchmark for Subordinated Shares.

III. Share of Daycoval Veículos FIDC's net assets and profits:

According to article 24, item XV, of CVM Instruction 356, as amended by CVM Instruction 393, Daycoval Veículos FIDC should maintain a minimum ratio between the senior shares' value and net equity. This ratio shall be daily determined and monthly reported to the Fund's investors.

The table below shows minimum ratios between senior and subordinated share's value to Daycoval Veículos FIDC net equity:

	% to FIDC's net equity (1)
Senior shares	74.00
Subordinated shares	26.00

(1) Pursuant to Chapter 11, item 12 of the Fund Regulations.

IV. Nature of Bank's involvement with Daycoval Veículos FIDC, and type of exposure to loss, if any, arising from this involvement:

It is solely the responsibility of the Assignor (Bank) to ensure that the receivables satisfy assignment conditions, without affecting the assignee's (Daycoval Veículos FIDC) right to do so, directly or by means of third parties.

V. Amount and nature of receivables and payables between the Bank and Daycoval Veículos FIDC, assets transferred by the Bank and rights of use of Daycoval Veículos FIDC's assets:

During the years ended December 31, 2012 and 2011, the Bank assigned to Daycoval Veículos FIDC, with no co-obligation, the following receivables from vehicle financing operations:

	2012	2011
Assignment of receivables (1)	121,356	140,243

(1) In the year ended December 31, 2012, the receivables were assigned to Daycoval Veículos FIDC with substantial retention of risks and rewards characteristics, as set out by BACEN Resolution 3533/08. See Note 3.g) and note 9.

The assignment of receivables did not generate results for the Bank.

Additionally, as investments in subordinated shares in Daycoval Veículos FIDC were maintained, during the years ended December 31, 2012 and 2011, the Bank recorded in "Securities transactions" the following gains on these shares:

	2012	2011
Gains on subordinated shares	31,155	14,807

VI. The balance sheets of Daycoval Veículos FIDC as at December 31, 2012 and 2011 were as follows:

	2012	2011
Assets		
Cash	14	743
Interbank investments	10,512	41,432
Securities and derivatives	**14,828**	**13,934**
Federal government securities	14,828	13,934
Lending operations	**160,313**	**153,888**
Receivables	174,219	161,403
(-)Allowance for losses	(13,906)	(7,515)
Other assets	**31**	33
Other receivables	**7**	2
Total assets	**185,705**	**210,032**
Liabilities		
Other payables	39	49
Net assets	**185,666**	**209,983**
Senior shares	115,702	145,174
Subordinated shares	69,964	64,809
Total liabilities	**185,705**	**210,032**

VII. Guarantees, sureties, mortgages or other collateral in favor of Daycoval Veículos FIDC:

The Bank has provided no guarantee, surety, mortgage or other collateral in favor of Daycoval Veículos FIDC or its investors.

VIII. Identification of the principal beneficiary or group of principal beneficiaries of FIDC's securities

The Bank holds all subordinated shares of Daycoval Veículos FIDC, the senior shares are held by qualified investors.

2.b) Information of Daycoval Classic Investment Fund Multimarket

From the year ended December 31, 2012, Daycoval Classic is no longer consolidated in the Bank's financial statements, since it is open for other investors, and not only for the consolidated companies and also due to the complete redemption of shares of the fund by the Bank during the period mentioned.

In the consolidation of Daycoval Classic Fundo de Investimento Multimercado Crédito Privado ("Daycoval Classic"), through December 31, 2011, the balance of the securities portfolio was incorporated into the Bank's respective portfolio, while the balance of investments in fund shares, represented by the shares maintained by the Bank in Daycoval Classic, was eliminated.

Income from Daycoval Classic share was maintained in the caption where it had been originally recorded ("Securities transactions"), with no reclassification being required.

Following is the main information on Daycoval Classic, pursuant to CVM Instruction 408/05:

I. Characteristics of Daycoval Classic

Managed by Daycoval Asset Management Administração de Recursos Ltda, Daycoval Classic was structured as an open-end fund. Daycoval Classic started operations on April 28, 2009 and shall remain active for an indeterminate term.

II. Name, type, purpose and activities of Daycoval Classic:

The purpose of Daycoval Classic is to provide its investors with the appreciation of its shares by investing money in low, medium and high credit-risk, fixed-income securities that expose its portfolio to the fluctuations in domestic interest rates and/or price indices, according to Fund regulations.

III. Share of Daycoval Classic's net assets and profits:

The Bank's interest was proportional to the number of shares held in Daycoval Classic.

IV. Nature of Bank's involvement with Daycoval Classic and type of exposure to loss, if any, arising from this involvement:

Daycoval Classic's investment portfolio is subject to the fluctuations in price and/or market quotations, credit and liquidity risks and to the fluctuations in prices and quotations relating to its assets, securities and operation, which may result in loss for Daycoval Classic, the investors, or even negative equity, in which case investors, upon the fund manager's request, are called to make contributions to cover losses.

V. Gains (losses) on shares held in Daycoval Classic:

As investments in shares in Daycoval classic were maintained, during the year ended December 31, 2011 the Bank recorded in "Securities transactions" the following gains on these shares:

	2011
Gains on investment units	12,952

VI. As at December 31, 2011 the financial position of Daycoval Classic was as follows:

	2011
Assets	
Cash and cash equivalents	5
Interbank investments	2,660
Securities	151,337
Other amounts	1
Total assets	**154,003**
Liabilities	
Other payables	135
Shareholders' equity	**153,868**
Investment shares	127,743
Accumulated income	26,125
Total liabilities	**154,003**

VII. Guarantees, sureties, mortgages or other collateral in favor of Daycoval Classic:

The Bank has provided no guarantee, surety, mortgage or other collateral in favor of Daycoval Classic or its investors.

VIII. Identification of the principal beneficiary or group of principal beneficiaries of Daycoval Classic's activities:

The Bank was the holder of part of the total shares in Daycoval Classic's net assets.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of the financial statements can be summarized as follows:

a) Income and expenses are recorded on the accrual basis, Operations with fixed rates are stated at redemption amount, and income and expenses for future periods are reported as a reduction of the related assets and liabilities. Financial income and expenses are calculated under the exponential method, except when resulting from foreign operations, which are calculated under the straight-line method. Operations with floating rates or indexed to foreign currencies are adjusted through the balance sheet date.

b) Interbank investments and other receivables, except securities and derivatives, are stated at cost, plus monetary and exchange variations and interest earned. When fair value is lower than carrying amount, an allowance is recorded to adjust the asset to realizable.

c) Under BACEN Resolution 3604/08, cash and cash equivalents are represented by cash and deposits in financial institutions, recorded under the captions "Cash", "interbank investments", and "securities" classified in the trading portfolio, whose total application term is 90 days, and the change in their fair value is considered immaterial.

d) Securities are stated at cost plus income earned, as detailed below: (i) fixed-income securities are adjusted at the applicable interest rate through their maturities; (ii) shares are adjusted based on the average price informed by the Stock Exchange which trades more shares; and (iii) investments in investment funds adjusted based on the share value informed by the fund managers.

Securities can be classified in conformity with BACEN Circular Letter 3068/2001 into one of the following three categories:

- Trading securities - securities bought and held principally for the purpose of selling them in the near term and reported at fair value, with unrealized gains and losses included in income for the period;
- Available-for-sale securities - securities not classified as either trading securities or held-to-maturity securities. Unrealized gains and losses are reported in a separate component of shareholders' equity, net of taxes, and are included in income for the year when realized; and
- Held-to-maturity securities - securities that the enterprise has the positive intent and ability to hold to maturity and stated at cost, plus income earned, included in income for the period.

Bonuses resulting from investments in shares of publicly-traded companies are recorded in securities portfolio only according to the respective number, without modifying the value of investments, when the corresponding shares are considered “ex-rights” on the stock exchange.

Dividends and interest on capital from investments in publicly-traded companies are recorded as income when related shares are considered “ex-rights” on the stock exchange.

e) Derivatives consist of option, forward, futures and swap transactions and are reported in conformity with BACEN Circular Letter 3082/02, as described below:

- Option transactions - premiums received or paid are recorded at fair value under the caption “derivatives” in assets or liabilities, respectively, until the exercise of the option, and reported as a decrease or increase in the cost of the asset for the exercise of the option or as income or expense in the event of non-exercise;
- Futures transactions - daily adjustments are recorded at fair value under the caption “Trading account” in assets or liabilities and allocated daily to income or expense;
- Currency swap transactions - differential receivable or payable is recorded at fair value under the caption “Derivatives” in assets or liabilities, respectively, and allocated to income or expense; and
- Forward transactions - are recorded at final contract value, less the difference between that value and the cash price of the asset, with recognition of income and expenses over the contract periods.

Derivative transactions are stated at fair value as of the balance sheet date, with gains and losses reported as described below:

- Derivatives that not qualify as hedge - in income or expense in the statement of income; and
- Derivatives that qualify as hedge - classified as market risk value or cash flow hedges.

Market risk hedges are intended to offset the movement in the fair value of the hedged item, with gains or losses included in income or expenses in the statement of income.

Cash flow hedges are intended to offset the change in estimated future cash flows, with gains or losses, net of taxes, included in a separate component of shareholders’ equity, with any other change included in income or expense in the statement of income.

f) Lending operations are classified based on Management’s risk assessment, considering the past experience with prior borrowers and guarantors, economic scenario, and specific and overall portfolio risks, pursuant to CMN Resolution 2682/99, which requires a periodic analysis of the portfolio and its classification into nine rating levels from AA (minimum risk) to H (maximum risk - loss).

Income from lending operations past-due for more than 60 days, regardless of the risk level, is only recognized when actually received, H-rated loans remain as such for six months and, thereafter, are written off against the existing allowance and remain controlled in a memorandum account not shown on the balance sheet.

g) As set out by Bacen Resolution 3533/08, a financial asset is derecognized when the contractual rights to the asset's cash flows expire or when the asset is sold or transferred.

The sale or transfer of a financial asset should be classified into the following categories:

- Transactions with substantial transfer of the risks and rewards: the assignor substantially transfers all the risks and rewards of ownership of the financial asset as follows: (i) unconditional sale of the financial asset; (ii) sale of the financial asset with repurchase option at its fair value at the date of repurchase; and (iii) sale of the financial asset with call or put options, whose exercise is improbable;

- Transactions with substantial retention of the risks and rewards: the assignor substantially retains all the risks and rewards of ownership of the financial asset as follows: (i) sale of the financial asset with repurchase commitment at a fixed price or at the selling price plus yields; (ii) securities lending agreements; (iii) sale of the financial assets with total return rate swap agreement, which transfers the market risk exposure back to the assignor; (iv) sale of the financial asset with call or put options whose exercise is probable; and (v) sale of receivables, when the losses incurred by the buyer or assignee, if any, are compensated by the seller or assignor, or when they are made with the acquisition of shares subordinated to the Receivables Investment Fund (FIDC) compror; and

- Transaction with no substantial transfer or retention of the risks and rewards: transactions in which the assignor neither transfers nor retains, substantially, all the risks and rewards of ownership of the financial asset.

The transfer or retention of the risks and rewards of ownership of the financial asset is analyzed by comparing Daycoval's exposure, before and after the sale or transfer, with the change in the present value of the financial asset's expected cash flows, discounted at the appropriate market interest rate.

The allowance for loan losses is recorded as set out by BACEN Resolution 2682/99.

h) Foreign exchange transactions are stated at realizable values, plus income and exchange variations earned on a pro rata daily basis, and the allowance for doubtful account, pursuant to CMN Resolution 2682/99, when applicable.

i) Insurance premiums are recorded in income when the respective insurance policies and invoices are issued and deferred on a straight-line basis, over the insurance policy effective term, i.e., within the risk coverage period, by recording and reversing the unearned premium reserve and deferred selling expenses.

j) Prepaid expenses related to commissions paid to third parties are controlled by contract and accounted for under the caption "Prepaid expenses", the recognition of such expenses as "Other administrative expenses" is made on a pro-rata temporis basis, over the term of the respective contracts, or fully recognized, when such contracts are settled in advance.

k) Investments in subsidiaries are stated under the equity method, which is applied to all associated companies in which the Bank has significant influence, that is, in which the Bank holds at least 20% of the voting capital.

l) Other investments are stated at cost, less allowance for loss, when applicable.

m) Property and equipment are stated at acquisition cost, except for real estate held by the subsidiary, which is recorded at acquisition cost plus revaluation at market value. Depreciation is calculated under the straight-line method at the annual rates stated in note 15, based on the economic useful lives of the assets.

n) Intangible assets correspond to rights acquired in intangible assets that are maintained or used in the operations of the Bank and its subsidiaries or exercised for such purpose; intangible assets with finite lives are amortized on a straight-line basis over the estimated period they will generate economic benefits.

o) The impairment of non-monetary assets is recognized when the carrying amount of an asset or a cash generating unit is higher than its recoverable or realizable value. A cash generating unit is the smallest identifiable group of assets which generates cash flows substantially independent from other assets and groups of assets. Impairment losses are recorded in the statement of income for the period when they are recognized, when applicable.

The amounts of non-monetary items, except those recorded under the captions “Other assets” and “Other receivables - tax credits”, are periodically, at least annually, tested for impairment. As at December 30, 2012 and 2011, there is no evidence of impairment of non-financial assets.

p) Known or estimated liabilities, payables and contingencies, including tax charges calculated based on income for the period, include interest and exchange rate change or inflation adjustment accrued through the balance sheet date. Liabilities in foreign currency are translated into local currency at the exchange rates in effect on the balance sheet date, as informed by BACEN, and liabilities subject to indexation are inflation adjusted through the balance sheet date. Hedged liabilities are adjusted to fair value.

q) The provision for income tax is recorded at the rate of 15%, plus a 10% surtax when applicable. Social contribution is calculated on net income adjusted under prevailing legislation, at the rate of 15%.

r) Income tax and social contribution credits are recognized on temporary additions and deductions and based on legislation in effect at the date of recognition. These tax credits will be realized when the amounts on which they were recognized are utilized or reversed.

s) Technical reserves - insurances - calculated in accordance with the technical notes approved by SUSEP and the criteria established by CNSP Resolution 162 of December 26, 2006 and subsequent changes introduced by CNSP Resolution 181, of December 19, 2007, as follows:

- Reserve for unsettled claims - is recorded, based on notices of claims, in an amount sufficient to cover future commitments under legal disputes, where the amount is determined by experts and legal counsel that perform the assessments based on insured amount and technical regulations, taking into account the likelihood of unfavorable outcome to the insurance company; and

- Reserve for incurred but not reported losses (IBNR) - recorded to cover insured losses that have occurred but have not been reported.

t) Contingent assets and liabilities and legal, tax and social security obligations

Contingent assets and liabilities and legal, tax and social security obligations are recognized, measured and disclosed, as follows:

- Contingent assets are not recorded in the financial statements, except when there is evidence that they will be realized and are not subject to appeals;

- Contingent liabilities are recorded in the financial statements when the risk of loss on an administrative or judicial proceeding is assessed by the legal counsel and Management as probable, with probable outflow of funds to settle obligations, and when the amounts involved can be reliably measured. Contingent liabilities classified as possible loss by the legal counsel are only disclosed in notes to the financial statements. Those classified as remote loss do not require provision and disclosure; and

- Legal obligations (tax and social security) refer to lawsuits challenging the legality and constitutionality of certain taxes. The amount under litigation is determined, accrued and adjusted monthly.

u) Earnings per share are calculated based on the number of shares at the balance sheet dates.

v) The Bank has a Stock Option Plan, whose main characteristics are described in note 26.2), where it receives the services of its employees or service providers (beneficiaries of the Plan) in contrast to the granting of options to purchase Bank's shares.

In each grant of options to purchase shares is calculated the probable fair value of this service and/or equity instrument for recognition in the income statement under "Personnel expenses" during the period in which specific conditions for acquiring rights to purchase shares of the Bank must be met ("vesting period"), and their credit account in stockholders' equity under the caption "capital reserves", as established by Resolution nº 3.989/11 BACEN which endorses the CPC 10 (R1) – Share-based payment, effective beginning January 1, 2012.

w) Uses of estimates - The preparation of financial statements requires Management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenses and other transactions, such as: (i) depreciation rates of property and equipment; (ii) amortization of intangible assets; (iii) allowance for loans losses; (iv) evaluation of financial instruments; and (v) reserves for contingencies. Actual results could differ from those estimates.

x) Asset and liability financial instruments are adjusted to present value by unearned income and unearned expenses, which adjust these instruments to the amounts that would be obtained in case they were cash transactions, as well as floating-rate financial instruments, which are realized at their cash value and are periodically adjusted by their respective transactions rates.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are as follows:

	Bank		Consolidated	
	2012	**2011**	**2012**	**2011**
Cash	68,237	26,376	69,268	26,795
Money market investments (1)	1,451,815	779,158	1,451,815	779,506
Interbank investments (2)	109,754	123,093	109,754	123,093
Foreign-currency short-term investments (2)	79,064	8,628	79,064	8,628
Securities	-	180	-	180
Total cash and cash equivalents	**1,708,870**	**937,435**	**1,709,901**	**938,202**

(1) Interbank investments included in cash and cash equivalents are stated net of the amount recorded under "Money market investments - third parties funding" which as at December 31, 2012 and 2011, total R$781,213 and R$1,175,874, for the Bank, and R$781,213 and R$1,175,526, for the Consolidated.

(2) Refers to investments in interbank deposits and foreign currency deposits maturing up to 90 days.

5. INTERBANK INVESTMENTS (Bank and Consolidated)

Interbank investments are as follows:

	2012		2011	
Type	**Maturity**	**Amount**	**Maturity**	**Amount**
Money market investments	Up to 1 business day	2,233,028	Up to 1 business day	1,955,032
Interbank deposits	Up to June 2015	228,897	Up to March 2015	143,745
Foreign currencies	Up to 1 business day	79,064	Up to 1 business day	8,628
Total		**2,540,989**		**2,107,405**

6. SECURITIES

a) By category and type:

	Bank			
	2012		2011	
	Adjusted cost	Fair value (1)	Adjusted cost	Fair value (1)
Trading securities	**281,322**	**290,220**	**-**	**-**
Own portfolio	**216,067**	**222,515**	**-**	**-**
National Treasury Bills (LTN)	216,067	222,515	-	-
Linked to the Central Bank of Brazil ("BACEN")	**65,255**	**67,705**	**-**	**-**
National Treasury Bills (LTN)	65,255	67,705	-	-
Available-for-sale securities	**519,776**	**523,279**	**642,804**	**639,562**
Own portfolio	**416,363**	**419,885**	**502,804**	**500,157**
National Treasury Bills (LTN)	198	200	309,859	307,852
Treasury bills (LFT)	114,411	114,360	22,983	22,982
National Treasury Notes (NTN)	13,215	13,528	24,332	24,816
Foreign fixed-income securities	74,696	77,919	28,793	27,891
Investment fund shares	212,324	212,324	114,912	114,912
Shares of publicly-traded companies	1,519	1,554	1,925	1,704
Held under repurchase agreements	**-**	**-**	**95,991**	**95,369**
National Treasury Bills (LTN)	-	-	95,991	95,369
Linked to guarantees (2)	**103,413**	**103,394**	**44,009**	**44,036**
National Treasury Bills (LFT)	102,296	102,250	42,957	42,954
National Treasury Notes (NTN)	1,117	1,144	1,052	1,082
Total securities	**801,098**	**813,499**	**642,804**	**639,562**

	Consolidated			
	2012		2011	
	Adjusted cost	Fair value (1)	Adjusted cost	Fair value (1)
Trading securities	**307,157**	**316,055**	**22,214**	**22,214**
Own portfolio	**216,067**	**222,515**	**-**	**-**
National Treasury Bills (LTN)	216,067	222,515	-	-
Linked to the Central Bank of Brazil ("BACEN")	**65,255**	**67,705**	**-**	**-**
National Treasury Bills (LTN)	65,255	67,705	-	-
Assets guaranteeing technical reserves (Note 19.c))	**25,835**	**25,835**	**22,214**	**22,214**
Investment fund shares	25,835	25,835	22,214	22,214
Available-for-sale securities	**566,003**	**570,096**	**670,982**	**667,253**
Own portfolio	**462,459**	**466,571**	**530,862**	**527,727**
National Treasury Bills (LTN)	198	200	309,859	307,852
Treasury Bills (LFT)	135,749	135,702	45,501	45,503
National Treasury Notes (NTN)	13,215	13,528	24,331	24,816
Foreign fixed-income securities	86,555	89,347	38,979	36,921
Bank certificates of deposit (CDBs)	-	-	11,993	11,993
Fixed rate time deposits (RDB)	-	-	338	346
Debentures	-	-	422	422
Private financial bills	-	-	1,343	1,343
Investment fund shares	223,625	223,625	94,688	94,688
Shares of publicly-traded companies	3,117	4,169	3,408	3,843
Held under repurchase agreements	**-**	**-**	**95,991**	**95,369**
National Treasury Bills (LTN)	-	-	95,991	95,369
Linked to guarantees (2)	**103,413**	**103,394**	**44,009**	**44,036**
Treasury Bills (LFT)	102,296	102,250	42,957	42,954
National Treasury Notes (NTN)	1,117	1,144	1,052	1,082
Assets guaranteeing technical reserves (Note 19.c))	**131**	**131**	**120**	**121**
Treasury Bills (LFT)	131	131	120	121
Total securities	**873,160**	**886,151**	**693,196**	**689,467**

(1) The securities' market value was calculated based on the prices and rates prevailing at December 31, 2012 and 2011, as disclosed by the Brazilian Financial and Capital Markets Association (ANBIMA), investment fund managed, BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, and other pricing agents for securities acquired abroad.

(2) As at December 31, 2012 and 2011, securities linked to guarantees refer to securities linked to: (i) transactions conducted at BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias & Futuros, in the amount of R$92,852 and R$31,556, respectively (Note 7.II.a); and (ii) transactions conducted in Clearing Houses, in the amount of R$10,542 and R$12,480, respectively.

b) By maturity:

	Bank						
	2012						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**328,029**	**22,888**	**87,547**	**61,183**	**22,055**	**521,702**
National Treasury Bills (LTNs)	-	290,364	1	-	55	-	290,420
Treasury Bills (LFT)	-	37,665	8,215	87,547	61,128	22,055	216,610
National Treasury Notes (NTNs)	-	-	14,672	-	-	-	14,672
Foreign securities	**-**	**-**	**-**	**4,711**	**4,129**	**69,079**	**77,919**
Securities of companies and financial institutions							
Eurobonds and similar instruments	-	-	-	4,711	4,129	69,079	77,919
Private-sector securities	**1,554**	**-**	**-**	**-**	**-**	**-**	**1,554**
Shares in publicly-traded companies	1,554	-	-	-	-	-	1,554
Investment fund shares	**142,360**	**-**	**-**	**69,964**	**-**	**-**	**212,324**
Receivables fund	-	-	-	69,964	-	-	69,964
Real estate investment fund	40,333	-	-	-	-	-	40,333
Multimarket investment fund	102,027	-	-	-	-	-	102,027
Total	**143,914**	**328,029**	**22,888**	**162,222**	**65,312**	**91,134**	**813,499**

	2011						
	Without Maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**180**	**11,938**	**58,902**	**409,954**	**14,081**	**495,055**
National Treasury Bills (LTNs)	-	-	-	132	403,089	-	403,221
Treasury Bills (LFT)	-	100	-	44,890	6,865	14,081	65,936
National Treasury Notes (NTNs)	-	80	11,938	13,880	-	-	25,898
Foreign securities	**-**	**-**	**-**	**282**	**7,161**	**20,448**	**27,891**
Securities of companies and financial institutions							
Eurobonds and similar instruments	-	-	-	282	7,161	20,448	27,891
Private-sector securities	**1,704**	**-**	**-**	**-**	**-**	**-**	**1,704**
Shares in publicly-traded companies	1,704	-	-	-	-	-	1,704
Investment fund shares	**50,103**	**-**	**-**	**-**	**64,809**	**-**	**114,912**
Receivables fund	-	-	-	-	64,809	-	64,809
Real estate investment fund	29,973	-	-	-	-	-	29,973
Multimarket investment fund	20,130	-	-	-	-	-	20,130
Total	**51,807**	**180**	**11,938**	**59,184**	**481,924**	**34,529**	**639,562**

	Consolidated						
	2012						
	Without Maturity	Up to 3 months	3 to 12 months	1 to 3 Years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**328,029**	**22,888**	**97,769**	**72,434**	**22,055**	**543,175**
National Treasury Bills (LTNs)	-	290,364	1	-	55	-	290,420
Treasury Bills (LFT)	-	37,665	8,215	97,769	72,379	22,055	238,083
National Treasury Notes (NTNs)	-	-	14,672	-	-	-	14,672
Foreign securities	**-**	**-**	**2,036**	**9,624**	**4,129**	**73,558**	**89,347**
Securities of companies and financial institutions							
Eurobonds and similar instruments	-	-	2,036	9,624	4,129	73,558	89,347
Private-sector securities	**4,169**	**-**	**-**	**-**	**-**	**-**	**4,169**
Shares in publicly-traded companies	4,169	-	-	-	-	-	4,169
Investment fund shares	**240,458**	**-**	**-**	**9,002**	**-**	**-**	**249,460**
Receivables fund	-	-	-	9,002	-	-	9,002
Real estate investment fund	40,333	-	-	-	-	-	40,333
Multimarket investment fund	200,125	-	-	-	-	-	200,125
Total	**244,627**	**328,029**	**24,924**	**116,395**	**76,563**	**95,613**	**886,151**

	Consolidated						
	2011						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Federal government securities	**-**	**180**	**11,938**	**58,902**	**430,099**	**16,578**	**517,697**
National Treasury Bills (LTNs)	-	-	-	132	403,089	-	403,221
Treasury Bills (LFT)	-	100	-	44,890	27,010	16,578	88,578
National Treasury Notes (NTNs)	-	80	11,938	13,880	-	-	25,898
Foreign securities	**-**	**1,311**	**-**	**5,504**	**7,161**	**22,945**	**36,921**
Securities of companies and financial institutions							
Eurobonds and similar instruments	-	1,311	-	5,504	7,161	22,945	36,921
Private-sector securities	**3,843**	**2,330**	**8,975**	**2,797**	**2**	**-**	**17,947**
Bank Certificates of Deposit (CDBs)	-	2,285	8,845	863	-	-	11,993
Receipts for Bank Deposit (RDBs)	-	45	114	185	2	-	346
Private Financial Bills	-	-	-	1,343	-	-	1,343
Debentures	-	-	16	406	-	-	422
Shares in publicly-traded companies	3,843	-	-	-	-	-	3,843
Investment fund shares	**116,902**	**-**	**-**	**-**	**-**	**-**	**116,902**
Receivables fund	1,793	-	-	-	-	-	1,793
Real estate investment fund	29,973	-	-	-	-	-	29,973
Multimarket investment fund	85,136	-	-	-	-	-	85,136
Total	**120,745**	**3,821**	**20,913**	**67,203**	**437,262**	**39,523**	**689,467**

7. DERIVATIVES

I. Qualitative information

The Bank conducts operations involving derivative financial instruments recorded in balance sheet and memorandum accounts to meet its own and customers' needs, which are recorded in balance sheet and memorandum accounts.

Derivatives used are properly approved under the product use policy, Pursuant to this policy, prior to the implementation of each product all aspects should be analyzed, such as: objectives, forms of use, risks involved and adequate operational support infrastructure.

The components of credit and market risks involved in derivatives are monitored daily, specific limits are set for derivative transactions, customers and custodians. Such limits are managed by a system that consolidates exposures by counterparty. Any deviations are promptly indicated and addressed for immediate solution.

The market risk of derivatives is managed by a prevailing risk policy, pursuant to which potential risks of price fluctuations in the financial markets are centralized in the Treasury department, which provides hedge for the other areas.

During the years ended December 31, 2012 and 2011, no derivative transactions were conducted between the Group companies.

a) Derivatives:

The main derivative financial instruments used by the Bank include: swaps, US dollar futures (DOL), interest rate (DI) and foreign exchange coupon (DDI). BACEN Circular Letter 3082/02 permitted a specific accounting in the cases derivatives are used to hedge against changes in fair value or cash flow.

b) Risk management:

Market risk

The Bank uses value at risk (V@R) to measure the market risk of all products and markets, providing a basis for risk comparison of various portfolios. The Bank uses the parametric V@R model for a ten-day time horizon at the 99% confidence level. At the close of the day, said method is applied to the outstanding operations base. The Risk Management department manager analyzes and approves daily the calculated figures.

The reports containing the results are made available on the Bank's intranet for authorized persons. The accuracy of the V@R model is determined through backtesting that consists of comparing the actual results to estimates generated from the V@R model.

To measure the possible effects of unexpected market movements, which are not predicted by V@R, the Bank uses scenario analysis techniques. The models include projected scenario analyses and stress testing, whose ultimate objective is to assure that the Bank and the companies included in the consolidated financial statements have capacity to respond to extreme market conditions.

Liquidity risk

Liquidity risk is related to the mismatching of assets and liabilities in relation to dates for inflows and outflows. The liquidity risk is controlled daily through an analysis of the Bank and its subsidiaries' mismatch, principally in the short term. In addition, simulations with estimates of portfolio index changes are performed, liquidity indicators from balance sheet accounts are analyzed on a monthly basis. Finally, liquidity stress testing is carried out.

Risk factors

The main risk factors of the individual and consolidated financial statements are: fixed interest rate, interest rate linked to exchange variation, interest rate linked to SELIC (Central Bank overnight rate), DI (interbank deposit rate), Libor and foreign currency exposure.

c) Sensitivity analyses:

As risk management governance practice, the Bank and its subsidiaries have a continuous risk management process that involves controlling all their positions exposed to market risks.

Market risk limits are proposed by a specific Committee, within the limits established by the Board of Directors, based on the features of the transactions, which are segregated into the following portfolios:

c.1.) Trading portfolio: refers to transactions with financial instruments and commodities, including derivatives, held for trading or intended to hedge other financial instruments included in the trading portfolio. Transactions held for trading are those intended for resale, obtainment of benefits from fluctuations in actual or expected prices, or used in arbitration.

c.2.) Banking portfolio: refers to transactions that are not classified into the trading portfolio and that are not represented by transactions arising from the Bank's business lines. The lending operations in this portfolio are partially financed by demand and time deposits and funds raised abroad, which are used as a natural hedge against fluctuations in interest rates. Interest rate fluctuations do not represent a material impact on the Bank's profit (loss), as Management´s intent is to hold these operations to maturity. The banking operations, all related to the trading portfolio, are not hedged by derivative instruments.

The segregation described above relates to the way Management manages the Bank's business and the Bank's exposure to market risks, and are in conformity with the best market practices, the classification criteria set forth in BACEN Resolution 3464/07 and Circular 3354/07, and the New Capital Accord - Basel II. Thus, according to the nature of our business and in compliance with CVM Instruction 475/08, the sensitivity analysis was applied to transactions classified into the Trading and Banking portfolios.

The table below shows the sensitivity analysis of the Trading and Banking portfolio as at December 31, 2012 and 2011:

Financial exposures	2012		
	Scenarios		
Risk factors	1	2	3
Fixed rate	(32,396)	(61,235)	(92,516)
Foreign currencies	(1,290)	(3,070)	(5,328)
Price indices	(95)	(119)	(142)
Variable income	(22,878)	(57,708)	(97,134)
Borrowings	(9,772)	(16,754)	(22,346)
Other	(903)	(1,761)	(2,754)
Total trading	**(67,334)**	**(140,647)**	**(220,220)**
Total banking	**(138,846)**	**(264,246)**	**(402,783)**
Grand total	**(206,180)**	**(404,893)**	**(623,003)**

Financial exposures	2011		
	Scenarios		
Risk factors	1	2	3
Fixed rate	(2,888)	(5,953)	(8,486)
Foreign currencies	(5,502)	(25,165)	(44,848)
Price indices	(363)	(453)	(540)
Variable income	(15,857)	(42,382)	(68,909)
Borrowings	(14,001)	(30,733)	(47,168)
Other	(98)	(221)	(339)
Total trading	**(38,709)**	**(104,907)**	**(170,290)**
Total banking	**(137,316)**	**(294,838)**	**(438,184)**
Grand total	**(176,025)**	**(399,745)**	**(608,474)**

The sensitivity analysis was conducted considering the following scenarios:

- Scenario 1: refers to the probable scenario for risk factors, and available market information (BM&FBOVESPA, ANBIMA, etc,) was used as basis for the preparation of this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 2.17 (R$/US$2.02 in 2011); (ii) fixed interest rate - 9.14% p.a. (12.54% p.a. in 2011); (iii) foreign exchange coupon - 7.06% p.a. (8.82% p.a. in 2011) ; and (iv) Ibovespa - 53,028 points (49,375 points in 2011).

- Scenario 2: As established by CVM Instruction 475/08, we considered a deterioration of the risk factors of approximately 25% for this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate – 2.71 (R$/US$2.53 in 2011); (ii) fixed interest rate – 11.43% p.a. (15.67% p.a. in 2011); (iii) foreign exchange coupon 8.83% p.a. (11.03% p.a. in 2011); and (iv) Ibovespa – 39,771 points (37,031 points in 2011).

- Scenario 3: As established by CVM Instruction 475/08, we considered a deterioration of the risk factors of approximately 50% for this scenario. Accordingly, the risk factors considered were as follows: (i) R$/US$ exchange rate - 3.25 (R$/US$3.03 in 2011); (ii) fixed interest rate - 13.71% p.a. (18.80% p.a. in 2011); (iii) foreign exchange coupon - 10.59% p.a. (13.23% p.a. in 2011); and (iv) Ibovespa - 26,514 points (24,688 points in 2011).

It is important to mention that the results shown in the table reflect the impacts for each scenario projected on a static position of the portfolio as of December 31, 2012 and 2011.

The market dynamics changes this position continually and does not necessary reflect the actual position on these financial statements' reporting date. Additionally, as mentioned above, there is a continuous management of the Trading portfolio positions to mitigate the risks associated to such portfolio, according to the strategy defined by Management and, when there are indications of deterioration of a certain position, proactive actions are taken to minimize possible adverse impacts and maximize the risk/return ratio for the Bank.

d) Hedging policy:

The hedging policy is determined based on the Bank's operation risk exposure limits, Whenever its operations have risk exposures above the established limits, which might result in significant fluctuations in its income, the Bank uses derivatives, contracted in the organized or over-the-counter market to hedge against such risks, according to the hedging rules of the BACEN Circular Letter 3082/02.

The hedge instruments are intended to mitigate market, exchange variation and interest risks. According to the market liquidity, the maturity dates of hedge instruments are the closest possible to the dates of the financial flows of the hedged operation, so as to assure an efficient hedge.

Monthly monitoring is performed to evaluate the effectiveness of derivatives to hedge against market price fluctuations. The effectiveness of each hedge is between 80% and 125%, which refers to the range established by BACEN Circular Letter 3082/02.

As at December 31, 2012 and 2011, the Bank does not have derivatives for cash flow hedge.

e) Fair value:

The estimated fair value of financial instruments is determined using available market information, principally prices and rates provided by the Commodities and Futures Exchange (BM&FBOVESPA S.A.). When applicable, mathematical models of rate interpolation for intermediate terms, and rate extrapolation for longer terms, are adopted.

The following pricing methodologies were adopted for calculating the fair value of derivatives:

- Futures transactions - quotations disclosed by BM&FBOVESPA S.A.
- Swap agreements - consideration of the future cash flow, discounted to present value by future interest curves obtained from information disclosed by BM&FBOVESPA S.A.

II. Quantitative information

Differentials receivable and payable and daily adjustments paid or received for derivatives are recorded in the respective balance sheet accounts “derivatives” and “trading account” against the corresponding statement of income accounts “derivatives” and, as at December 31, 2012 and 2011, are adjusted to fair value, and the nominal values of these transactions are recorded in memorandum accounts, as shown below:

a) Breakdown of balances recorded in balance sheet accounts under the captions “derivatives” and “trading account” (Bank and Consolidated):

	2012		2011	
	Current	Long-term	Current	Long-term
Assets				
Derivatives	**41,572**	**84,555**	**6,922**	**45,109**
Swaps - differential receivable	41,572	84,555	6,922	45,109
Trading account	**508**	**-**	**159**	**-**
Futures pending settlement	**504**	**-**	**155**	**-**
Interest rate (DI)	406	-	42	-
Dollar futures (DOL)	98	-	77	-
Foreign exchange coupon (DDI)	-	-	36	-
Other receivables	**4**	**-**	**4**	**-**
Unsettled account	4	-	4	-

	2012		2011	
	Current	Long-term	Current	Long-term
Liabilities				
Derivatives	**2,189**	**405**	**29,782**	**13,117**
Swaps - differential receivable	2,189	405	29,782	13,117
Trading account	**469**	**-**	**250**	**-**
Futures pending settlement	**469**	**-**	**250**	**-**
Interest rate (DI)	113	-	221	-
Foreign exchange coupon (DDI)	356	-	27	-
Dollar futures (DOL)	-	-	2	-

On a consolidated basis, as of December 31, 2011, the total "Trading account" amount, recorded in current liabilities, totals R$256, comprised of the following: (i) unsettled futures in the amount of R$250; (ii) creditors due to outstanding settlement, in the amount of R$1; and (iii) shares to be redeemed and issued, in the amount of R$5.

b) Segregation by type of contract and counterparty (Bank and Consolidated):

		2012		2011	
		Amounts		Amounts	
Contract	Type of counterparty	receivable	(payable)	receivable	(payable)
Future	BM&FBOVESPA S.A.	504	(469)	155	(250)
Swap	Financial institutions	126,127	(2,594)	52,031	(42,899)

c) Swap contracts (Bank and Consolidated):

	Notional value	Cost		Market value		Difference receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Asset operations						
Trading contracts						
Dollar x CDI	701,007	942,259	(915,313)	1,008,066	(935,713)	72.353
Libor x CDI	185,695	217,838	(187,012)	222,038	(187,734)	34.304
Bank's stocks x CDI	136,787	159,227	(144,688)	159,227	(144,687)	14.540
Euribor x CDI	10,950	13,493	(10,982)	13,627	(11,024)	2.603
Dollar x Pré	159,019	174,763	(173,133)	174,763	(173,133)	1.630
CDI x Dollar	44,526	45,094	(44,436)	45,094	(44,426)	668
Pré x CDI	159,019	159,193	(159,164)	159,193	(159,164)	29
Total asset operations	**1,397,003**	**1,711,867**	**(1,634,728)**	**1,782,008**	**(1,655,881)**	**126,127**
Liability operations						
Trading contracts						
Dollar x CDI	37,950	47,670	(47,717)	47,670	(47,718)	(48)
Bank's stocks x CDI	22,846	23,608	(24,310)	23,608	(24,310)	(702)
CDI x Dollar	29,699	31,111	(32,971)	31,111	(32,955)	(1.844)
Total liability operations	**90,495**	**102,389**	**(104,998)**	**102,389**	**(104,983)**	**(2,594)**

	2011					
	Notional value	Cost		Market value		Difference Receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Asset operations						
Trading contracts						
Libor x CDI	405,637	432,831	(410,019)	446,012	(413,538)	32,474
Dollar x CDI	457,623	525,910	(516,716)	538,900	(528,669)	10,231
Euribor x CDI	51,525	57,349	(51,813)	58,229	(52,234)	5,995
Bank's stocks x CDI	35,715	38,827	(36,392)	38,827	(36,392)	2,435
CDI x Dollar	10,804	12,861	(11,936)	12,861	(11,965)	896
Total asset operations	**961,304**	**1,067,778**	**(1,026,876)**	**1,094,829**	**(1,042,798)**	**52,031**
Liability operations						
Trading contracts						
IPCA x CDI	1,500	1,627	(1,630)	1,627	(1,631)	(4)
Libor x CDI	22,282	23,095	(23,497)	23,354	(23,612)	(258)
CDI x Dollar	104,144	107,981	(117,331)	107,981	(117,164)	(9,183)
Dollar x CDI	426,548	506,386	(526,874)	537,427	(550,544)	(13,117)
Bank's stocks x CDI	89,972	78,008	(98,345)	78,008	(98,345)	(20,337)
Total liability operations	**644,446**	**717,097**	**(767,677)**	**748,397**	**(791,296)**	**(42,899)**

d) Future contracts (Bank and Consolidated):

	2012				
	Notional value				
Contracts	**Long position**	**Short position**	**Total exposure**	**Daily adjustments receivable**	**(payable)**
Trading'					
Interest rate (DI)	753,578	378,318	1,131,896	406	(113)
Dollar futures (DOL)	-	22,077	22,077	98	-
Foreign exchange coupon (DDI)	72,123	-	72,123	-	(356)
Total	**825,701**	**400,395**	**1,226,096**	**504**	**(469)**

	2011				
	Notional value				
Contracts	**Long position**	**Short position**	**Total exposure**	**Daily adjustments receivable**	**(payable)**
Trading					
Dollar futures (DOL)	5,627	23,958	29,585	77	(2)
Interest rate (DI)	211,198	297,801	508,999	42	(221)
Foreign exchange coupon (DDI)	76,153	937	77,090	36	(27)
Total	**292,978**	**322,696**	**615,674**	**155**	**(250)**

e) By maturity (notional amount) (Bank and consolidated):

	2012					
Contracts	**Up to 3 months**	**From 3 to 12 months**	**From 1 to 3 years**	**From 3 to 5 years**	**Over 5 years**	**Total**
Futures	47,953	27,992	366,343	757,360	26,448	1,226,096
"Swap"	25,318	309,630	572,284	580,266	-	1,487,498
Total	**73,271**	**337,622**	**938,627**	**1,337,626**	**26,448**	**2,713,594**

Contracts	2011 Up to 3 months	From 3 to 12 months	From 1 to 3 years	From 3 to 5 years	Total
Futures	44,887	101,604	135,104	334,079	**615,674**
"Swap"	85,446	250,895	412,151	857,258	**1,605,750**
Total	**130,333**	**352,499**	**547,255**	**1,191,337**	**2,221,424**

f) Trading location (Bank and Consolidated):

	Notional amount 2012	2011
Futures		
BM&FBOVESPA S.A - Bolsa de Valores, Mercadorias e Futuros	1,226,096	615,674
Swaps		
CETIP S.A. - Mercados Organizados	1,487,498	1,605,750

g) Guarantee margins (Bank and Consolidated):

Federal government securities	2012 Adjusted cost	2012 Market value	2011 Adjusted cost	2011 Market value
Treasury bills (LFT)	92,893	92,852	31,559	31,556
Total	**92,893**	**92,852**	**31,559**	**31,556**

Federal government bonds are pegged to guarantees for futures at BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros and CETIP S.A. - Mercados Organizados as at December 31, 2012 and 2011.

8. LENDING OPERATIONS

a) Breakdown of loan portfolio by type of operation:

	2012 Bank Current	Bank Long-Term	Consolidated Current	Consolidated Long-term
Loans	3,516,942	2,221,342	3,516,942	2,221,342
Discounted trade notes	199,005	1,443	199,005	1,443
Financing	537,796	485,858	584,617	511,372
Financing receivables with substantial retention of risks and rewards (Note 9)	62,655	36,590	62,655	36,590
Rural and agro-industrial financing	63,334	5,557	63,334	5,557
Total lending operations	**4,379,732**	**2,750,790**	**4,426,553**	**2,776,304**
Other credit notes receivable (Note 11.b))	5,890	6,315	5,890	6,315
Financed imports (Note 20.a))	2,964	-	2,964	-
Advances on foreign exchange contracts (Notes 11.a) and 20.a))	306,185	-	306,185	-
Total other operations	**315,039**	**6,315**	**315,039**	**6,315**
Total	**4,694,771**	**2,757,105**	**4,741,592**	**2,782,619**

	2011			
	Bank		Consolidated	
	Current	Long-Term	Current	Long-term
Loans	3,871,643	1,908,006	3,871,643	1,908,006
Discounted trade notes	162,466	129	162,466	129
Financing	749,689	458,450	855,063	514,480
Rural and agro-industrial financing	32,665	3,131	32,665	3,131
Total lending operations	**4,816,463**	**2,369,716**	**4,921,837**	**2,425,746**
Other credit notes receivable (Note 11.b))	6,465	8,895	6,465	8,895
Advances on foreign exchange contracts (Notes 11.a) and 20.a))	361,881	-	361,881	-
Total other operations	**368,346**	**8,895**	**368,346**	**8,895**
Total	**5,184,809**	**2,378,611**	**5,290,183**	**2,434,641**

b) Breakdown of loan portfolio by risk level:

	2012			
	Total portfolio		Allowance	
Risk level	**Bank**	**Consolidated**	**Bank**	**Consolidated**
AA	1,381	39,222	-	-
A	3,220,606	3,229,287	16,102	16,146
B	3,467,061	3,473,229	34,671	34,733
C	245,311	250,614	7,359	7,518
D	128,049	130,017	12,805	13,001
E	60,732	62,048	18,220	18,614
F	53,242	54,040	26,621	27,020
G	46,117	46,589	32,282	32,613
H	229,377	239,165	229,377	239,165
Total	**7,451,876**	**7,524,211**	**377,437**	**388,810**

	2011			
	Total portfolio		Allowance	
Risk level	**Bank**	**Consolidated**	**Bank**	**Consolidated**
AA	192,884	309,392	-	-
A	3,338,135	3,354,100	16,690	16,770
B	3,525,554	3,533,258	35,256	35,333
C	262,077	270,319	7,862	8,109
D	72,880	77,497	7,288	7,750
E	25,061	26,349	7,518	7,904
F	33,255	34,379	16,628	17,190
G	21,708	22,556	15,196	15,790
H	91,866	96,974	91,866	96,973
Total	**7,563,420**	**7,724,824**	**198,304**	**205,819**

c) Breakdown by business sector:

	2012		2011	
	Bank	Consolidated	Bank	Consolidated
Private sector				
Industrial	2,187,351	2,187,351	2,502,467	2,502,467
Commercial	894,974	894,974	1,187,833	1,187,833
Financial	8,212	8,212	32,532	32,532
Other services	1,169,986	1,170,502	1,427,715	1,429,049
Individuals	3,118,271	3,190,090	2,351,613	2,511,683
Rural	68,891	68,891	35,796	35,796
Public sector	4,191	4,191	25,464	25,464
Total	**7,451,876**	**7,524,211**	**7,563,420**	**7,724,824**

d) Breakdown by maturity:

	2012		2011	
	Bank	Consolidated	Bank	Consolidated
Current				
Up to 3 months	2,118,424	2,129,723	2,506,233	2,545,317
3 to 12 months	2,331,603	2,357,228	2,573,628	2,629,297
1 to 3 years	2,193,399	2,218,912	1,838,257	1,889,850
3 to 5 years	514,646	514,647	494,854	499,291
Over 5 years	49,060	49,060	45,500	45,500
Total	**7,207,132**	**7,269,570**	**7,458,472**	**7,609,255**
Past-due				
Up to 60 days	76,161	78,269	38,457	44,544
61 to 90 days	18,905	19,295	10,184	11,485
91 to 180 days	71,829	72,624	30,291	31,999
181 to 360 days	77,849	84,453	26,016	27,541
Total	**244,744**	**254,641**	**104,948**	**115,569**
Total	**7,451,876**	**7,524,211**	**7,563,420**	**7,724,824**

e) Concentration of credit risk:

	2012			
	Bank		Consolidated	
Largest debtors	**Amount**	**% of portfolio**	**Amount**	**% of portfolio**
10 largest debtors	744,989	9.99	744,989	9.90
50 next largest debtors	866,186	11.63	866,186	11.51
100 next largest debtors	811,714	10.89	811,714	10.79
Other debtors	5,028,987	67.49	5,101,322	67.80
Total	**7,451,876**	**100.00**	**7,524,211**	**100.00**

	2011			
	Bank		Consolidated	
Largest debtors	**Amount**	**% of portfolio**	**Amount**	**% of Portfolio**
10 largest debtors	1,067,420	14.11	1,067,420	13.82
50 next largest debtors	1,062,855	14.05	1,062,855	13.76
100 next largest debtors	936,112	12.38	936,112	12.12
Other debtors	4,497,033	59.46	4,658,437	60.30
Total	**7,563,420**	**100.00**	**7,724,824**	**100.00**

f) Renegotiated loans (Bank and Consolidated):

	2012	2011
Renewal of performing customers' operations	89,091	481,256
Default customers' debt consolidation	59,304	107,726
	148,395	**588,982**

g) Recovery of receivables written off as loss (Bank and Consolidated):

The Bank recovered receivables that had been written off as loss, recognized in income under "Lending operations", in the following amounts:

	2012	2011
Recovered lending operations (Note 24.a))	27,663	34,712

9. ASSIGNMENT OF RECEIVABLES (Bank and Consolidation):

Beginning January 1, 2012, the Bank, in compliance with the requirements for classification and accounting for of financial assets sale or transfer, set out by BACEN Resolution 3533/08, classifies the assignments of receivables as described in Note 3.g).

In the year ended December 31, 2012, the Bank assigned vehicles financing receivables, in the amount of R$121,356, with substantial retention of risks and rewards to Daycoval Veículos FIDC, with the acquisition of shares subordinated to the Fund, which are described in Note 2.a).

On December 31, 2012, the vehicles financing receivables transactions assigned with substantial retention of risks and rewards were recorded in 'Lending operations', in the amount of R$86,608 (Note 8.a)) in the amount of R$99,245, with the respective obligation assumed by the assignment of these transactions recorded in 'Other payables - Other - Payables for financial assets sale and transfer', in the amount of R$100,590 (Note 20.d)).

The assignment of receivables to Daycoval Veículos FIDC through December 31, 2011, was recorded in the consolidated financial statements for the year ended December 31, 2011, in accordance with the criteria stated in Note 2.a).

10. ALLOWANCE FOR LOAN LOSSES AND OTHER RECEIVABLES

The allowance for loan losses for operations recorded in the individual financial statements was recognized under the criteria described in note 3.f) and is considered sufficient to cover potential losses on lending operations. In addition to the allowances recorded for lending operations, the Bank also recognizes an allowance for other doubtful receivables.

In the year ended December 31, 2012 and 2011, changes in the allowance for losses on loans and other receivables were as follows:

	Lending operations	Other receivables (not featured as lending operations	Allowance for doubtful accounts Expenses
2012			
Opening balance	**198,304**	**3,157**	
Allowance recognized	362,452	5,217	367,669
Write-off as loss	(183,319)	(3,339)	
Closing balance	**377,437**	**5,035**	**367,669**
Total current - lending operations	289,589	-	
Total current - other credits (Note 11.b))	-	5,035	
Total long-term - lending operations	87,848	-	
2011			
Opening balance	**169,780**	**-**	
Allowance recognized	168,759	3,757	172,516
Reversal	-	(600)	(600)
Write-off as loss	(140,235)	-	
Closing balance	**198,304**	**3,157**	**171,916**
Total current - lending operations	137,833	-	
Total current - other credits (Note 11.b))	-	3,157	
Total long-term - lending operations	60,471	-	

11. OTHER RECEIVABLES

Other receivables are comprised of the following:

a) Foreign exchange portfolio (Bank and Consolidated):

	2012	2011
Exchange purchased pending settlement	306,393	406,880
Right to foreign exchange sold	9,860	30,618
(-) Advances received in local currency	(3,148)	(13,643)
Income receivable from advances granted (Note 8.a))	9,442	11,968
Total	**322,547**	**435,823**

b) Other:

	Bank			
	2012		2011	
	Current	Long-term	Current	Long-term
Advances to employees	474	-	625	-
Advances for payment of our account	6,233	-	8,882	-
Tax credits (Note 21.c))	88,499	221,009	34,445	167,825
Debtors for purchase of assets (Note 8.a))	5,890	6,315	6,465	8,895
Debtors for escrow deposits (1)	-	580,323	-	390,675
Recoverable taxes (2)	73,421	-	50,489	-
Payments to be reimbursed	784	-	704	-
Receivables - not featured as lending operations (3)	771,565	3,230	664,280	754
Sundry debtors	18,991	-	11,016	-
Total	**965,857**	**810,877**	**776,906**	**568,149**
(-) Allowance for losses on receivables not featured as lending operations (Note 10)	(5,035)	-	(3,157)	-
Total allowances for losses on other receivables	**(5,035)**	**-**	**(3,157)**	**-**

	Consolidated			
	2012		2011	
	Current	Long-term	Current	Long-term
Advances to employees	487	-	676	-
Advances for payment of our account	6,800	-	9,735	-
Tax credits (Note 21.c))	88,499	221,292	34,445	168,090
Debtors for purchase of assets (Note 8.a))	5,890	6,315	6,465	8,895
Debtors for escrow deposits (1)	-	580,390	-	390,675
Recoverable taxes (2)	78,172	-	55,803	
Payments to be reimbursed	787	-	704	-
Receivables - not featured as lending operations (3)	771,565	3,230	664,280	754
Sundry debtors	19,333	-	11,365	-
Total	**971,533**	**811,227**	**783,473**	**568,414**
(-) Allowance for losses on receivables not featured as lending operations (Note 10)	(5,035)	-	(3,157)	-
Total allowances for losses on other receivables	**(5,035)**	**-**	**(3,157)**	**-**

(1) Relates substantially to the record of deposits due to legal requirements, made for appeals relative to taxes and contributions (Note 22.b)).

(2) As at December 31, 2012, "Recoverable taxes" are substantially comprised of prepaid income tax and social contribution in the amount of R$72,851 (R$50,258 at 2011), Bank, and R$74,939 (R$53,477 at 2011), Consolidated.

(3) Refers to the acquisition of receivables without recourse.

12. OTHER ASSETS

	2012		2011	
	Current	**Long-term**	**Current**	**Long-term**
Repossessed assets (1)	44,271	-	25,892	-
(-) Allowance for valuation of repossessed assets	(5,846)	-	(3,818)	-
Total repossessed assets (Bank and Consolidated)	**38,425**	**-**	**22,074**	**-**
Prepaid expenses (2) (3)	101,934	118,737	61,451	82,319
Total	**140,359**	**118,737**	**83,525**	**82,319**

(1) Refer to assets received as payment for loans.

(2) Refer to commissions paid in advance to correspondents (Note 3.j)).

(3) As at December 31, 2012, prepaid expenses, on a consolidated basis, amount to R$201,536 (R$133,203 in 2011), out of which R$93,758 (R$58,584 in 2011) was recorded in current assets and R$107,778 (R$74,619 in 2011) was recorded in noncurrent assets.

13. INVESTMENTS

Represented substantially by investments in subsidiaries, the principal information on these investments is as follows:

13.1) Direct subsidiaries:

	ACS Participações		Daycoval Asset Management		Dayprev	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Total Assets	169,311	159,163	14,674	9,960	49,185	44,346
Total Liabilities	6,142	7,733	2,462	2,802	26,793	23,322
Shareholders' Equity	163,169	151,430	12,212	7,158	22,392	21,024
Capital	123,448	123,448	1,554	1,554	15,000	15,000
Number of shares / units held	536,730,077	536,730,077	14,253	14,253	14,550,000	14,550,000
Net income for the year	10,392	6,767	5,054	3,223	1,368	1,600
Ownership interest %	99.99	99.99	99.99	99.99	97.00	97.00
Adjusted investment	144,016	140,864	12,211	7,157	21,720	20,393
Equity in subsidiaries	1,805	(3,785)	5,054	3,223	1,327	1,552

13.2) Indirect subsidiaries:

	Treetop Investments		IFP Promotora de Serviços		SCC Agência de Turismo	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
Total Assets	25,524	20,421	7,257	8,509	11,379	11,404
Total Liabilities	1,115	1,880	1,266	1,106	123	370
Shareholders' equity	24,409	18,541	5,991	7,403	11,256	11,034
Capital	5,453	5,006	10,020	10,020	10,020	10,020
Number of shares / units held	2,668,585	2,668,585	10,020,000	10,020,000	10,020,000	10,020,000
Net income for the year	3,069	(1,396)	(1,412)	(1,310)	222	754
Ownership interest %	100.00	100.00	99.99	99.99	99.99	99.99
Adjusted investment	24,409	18,541	5,990	7,402	11,255	11,033
Equity in subsidiaries (1)	5,453	(1,396)	(1,412)	(1,310)	222	754

(1) As at December 31, 2012, the equity in subsidiaries, in the amount of R$4,263 (R$(1,952) in 2011), was recognized in the financial statements of the company ACS Participações (direct subsidiary), mentioned in item 13.1) above.

14. FOREIGN BRANCH

The balances of the transactions of Banco Daycoval S.A. - Cayman Branch (foreign branch) with third parties and included in the Bank's financial statements as at December 31, 2012 and 2011, are as follows:

	2012		2011	
	US$ thousand	R$ thousand (1)	US$ thousand	R$ thousand (1)
Assets				
Cash and cash equivalents	311	636	254	477
Interbank investments	3,000	6,131	3,000	5,627
Securities	38,349	78,366	15,114	28,351
Lending operations	280	572	1,029	1,930
Other assets	-	-	629	1,180
Total assets	**41,940**	**85,705**	**20,026**	**37,565**
Liabilities				
Demand deposit	665	1,359	169	317
Time deposits	1,399	2,860	-	-
Borrowings and onlendings	1,017	2,078	61,736	115,804
Total liabilities	**3,081**	**6,297**	**61,905**	**116,121**

(1) The amounts in US dollars were translated into Brazilian reais - R$, based on the R$/US$2.0435 and R$/US$1.8758 exchange rates disclosed by BACEN, on December 31, 2012 and 2011, respectively.

15. PROPERTY AND EQUIPMENT

	Bank				
	2012				2011
Description	**Annual depreciation %**	**Cost**	**Accumulated depreciation**	**Net book value**	**Net book value**
Facilities	10	919	(576)	343	437
Furniture and equipment	10	4,375	(2,054)	2,321	2,228
Communications equipment	10	297	(81)	216	87
Computers and peripherals	20	6,726	(3,893)	2,833	2,640
Security equipment	10	443	(227)	216	168
Vehicles	20	1,589	(876)	713	621
Total assets		**14,349**	**(7,707)**	**6,642**	**6,181**

	Consolidated				
	2012				2011
Description	**Annual depreciation %**	**Cost**	**Accumulated depreciation**	**Net book value**	**Net book value**
Properties (1)	4	9,629	(6,231)	3,398	4,590
Facilities	10	973	(576)	397	452
Furniture and equipment	10	4,375	(2,053)	2,322	2,238
Communications equipment	10	297	(81)	216	87
Computers and peripherals	20	6,726	(3,893)	2,833	2,666
Security equipment	10	443	(227)	216	168
Vehicles	20	2,335	(1,408)	927	758
Total assets		**24,778**	**(14,469)**	**10,309**	**10,959**

(1) Real estate held by the direct subsidiary is stated at cost plus revaluation at market value, which will be realized over the remaining useful life of the asset, as established by BACEN Resolution 3565/08.

16. DEPOSITS AND MONEY MARKET FUNDING

Interbank deposits, time deposits and foreign currency deposits and money market funding are traded at market rates. Their maturities are as follows:

	Bank						
	2012						
	Without Maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	259,224	-	-	-	-	-	259,224
Interbank deposits	-	389,822	22,859	49,057	54,207	-	515,945
Time deposits	-	942,994	1,417,673	927,077	74,991	37,896	3,400,631
Foreign-currency deposits	1,701	-	-	-	-	-	1,701
Total deposits	**260,925**	**1,332,816**	**1,440,532**	**976,134**	**129,198**	**37,896**	**4,177,501**
Money market funding	-	781,213	-	-	-	-	781,213
Total money market funding	**-**	**781,213**	**-**	**-**	**-**	**-**	**781,213**
Total deposits and money market funding	**260,925**	**2,114,029**	**1,440,532**	**976,134**	**129,198**	**37,896**	**4,958,714**

	2011						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	308,374	-	-	-	-	-	308,374
Interbank deposits	-	126,078	369,424	8,365	-	-	503,867
Time deposits	-	877,935	1,214,071	1,534,600	142,062	32,884	3,801,552
Foreign-currency deposits	1,822	-	-	-	-	-	1,822
Total deposits	**310,196**	**1,004,013**	**1,583,495**	**1,542,965**	**142,062**	**32,884**	**4,615,615**
Money market funding	-	1,269,879	-	-	-	-	1,269,879
Total money market funding	**-**	**1,269,879**	**-**	**-**	**-**	**-**	**1,269,879**
Total deposits and money market funding	**310,196**	**2,273,892**	**1,583,495**	**1,542,965**	**142,062**	**32,884**	**5,885,494**

	Consolidated						
	2012						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	255,339	-	-	-	-	-	255,339
Interbank deposits	-	389,822	22,859	49,057	54,207	-	515,945
Time deposits	-	937,606	1,417,674	861,610	73,989	37,896	3,328,775
Foreign-currency deposits	1,701	-	-	-	-	-	1,701
Total deposits	**257,040**	**1,327,428**	**1,440,533**	**910,667**	**128,196**	**37,896**	**4,101,760**
Money market funding	-	781,213	-	-	-	-	781,213
Total money market funding	**-**	**781,213**	**-**	**-**	**-**	**-**	**781,213**
Total deposits and money market funding	**257,040**	**2,108,641**	**1,440,533**	**910,667**	**128,196**	**37,896**	**4,882,973**

	2011						
	Without maturity	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Demand deposits	305,457	-	-	-	-	-	305,457
Interbank deposits	-	126,078	369,424	8,365	-	-	503,867
Time deposits	-	877,935	1,214,071	1,529,847	76,125	32,884	3,730,862
Foreign-currency deposits	1,822	-	-	-	-	-	1,822
Total deposits	**307,279**	**1,004,013**	**1,583,495**	**1,538,212**	**76,125**	**32,884**	**4,542,008**
Money market funding	-	1,269,531	-	-	-	-	1,269,531
Total money market funding	**-**	**1,269,531**	**-**	**-**	**-**	**-**	**1,269,531**
Total deposits and money market funding	**307,279**	**2,273,544**	**1,583,495**	**1,538,212**	**76,125**	**32,884**	**5,811,539**

17. FUNDS FROM ACCEPTANCE AND ISSUANCE OF SECURITIES

17.1.) Financial letter and credit notes:

	Bank				
	2012				
	Up to 3 months	3 to 12 Months	1 to 3 Years	3 to 5 years	Total
Mortgage loan notes - LCI	24,814	28,360	1,191	-	54,365
Agribusiness credit note - LCA	99,831	111,411	9,790	-	221,032
Financial bills- LF	5,047	357,868	1,403,849	26,520	1,793,284
	129,692	**497,639**	**1,414,830**	**26,520**	**2,068,681**

	2011			
	Up to 3 months	3 to 12 Months	1 to 3 years	Total
Agribusiness credit note – LCA	59,890	29,937	521	90,348
Financial bills- LF	-	3,633	330,580	334,213
	59,890	**33,570**	**331,101**	**424,561**

	Consolidated				
	2012				
	Up to 3 months	3 to 12 Months	1 to 3 Years	3 to 5 years	Total
Mortgage loan notes – LCI	24,814	28,360	1,191	-	54,365
Agribusiness credit note - LCA	99,831	111,411	9,790	-	221,032
Financial bills- LF	5,047	357,868	1,402,976	26,520	1,792,411
	129,692	**497,639**	**1,413,957**	**26,520**	**2,067,808**

	2011			
	Up to 3 months	3 to 12 Months	1 to 3 years	Total
Agribusiness credit note – LCA	59,890	29,937	521	90,348
Financial bills- LF	-	3,633	330,580	334,213
	59,890	**33,570**	**331,101**	**424,561**

Program for Issuance of Financial Bills

Pursuant to a Significant Event Notice published on July 5, 2011, the following information relating to the registration with the Brazilian Exchange and Securities Commission (CVM) was disclosed to shareholders and the market: (i) application for registration of the program for continuous distribution of Financial Bills by Daycoval ("Program" and "Financial Bills"), under articles 13-A to 13-F of CVM Instruction 400, dated December 29, 2003, and subsequent amendments ("CVM Instruction 400"), and (ii) application for registration of the public offering for the distribution of the Financial Bills under the Program, in conformity with CVM Instruction 400 ("Offering"), intended for the public distribution of Daycoval's 1st issue Financial Bills (the "1st issue Financial Bills").

The Program is subject to the following main terms and conditions:

(1) Program's Total Estimated Amount: Up to R$1,000,000,000.00 (one billion Brazilian reais);

(2) Program´s Estimated Term: Up to two (2) years from the date of registration with CVM;

(3) Unit Notional Value: R$300,000.00 (three hundred thousand Brazilian reais);

(4) Maturity: The Financial Bills will mature in 25 (twenty-five) months;

(5) Guarantees: the Financial Bills will be unsecured and will not be collateralized by Daycoval or third parties;

(6) Convertibility: the Financial Bills will not be convertible into shares in Daycoval; and

(7) Form: the Financial Bills are exclusively held in book entry form, without any certificates being issued.

On October 18, 2011, as disclosed in the Notice to the Market published on that same date, the Bank completed the issue of Financial Bills as part of the 1st series issued under the Financial Bills Program of Banco Daycoval S.A., registered with CVM in the total amount of R$1 billion Brazilian reais. The proceeds from this issue of financial bills amounted to R$249.9 million.

17.2.) Payables for securities issued abroad:

Existing program for the issuance of private securities abroad

The Bank has a global program for issuance of private securities abroad: Euro Medium Term Notes (EMTN). This program, initially entered into December 14, 2005, was expanded from US$300 million to US$1 billion on June 16, 2008, and renewed on March 16, 2010, totaling US$300 million raised, as at December 31, 2012 and 2011.

New program for the issuance of private securities abroad

On January 24, 2011, the Bank completed the issuance of debt securities under the format of Euro Medium Term Notes Program (EMTN), amounting to US$300 million, with a five-year maturity, and subject to semiannual interest of 6.25% p.a. The amount raised refers to the first tranche of the Eurobonds program, which totals US$2 billion.

The table below shows the features of these programs and the related balances, in local currency:

Amount Issued	Interest rate	Issuance date	Maturity date	2012 Bank	2012 Consolidated
(US$ thousand)				(R$ thousand)	
Prior program					
300,000	6.50%	03/16/2010	03/15/2015	624,483	623,566
300,000				**624,483**	**623,566**
New program					
300,000	6.25%	01/28/2011	01/28/2016	596,433	584,570
300,000				**596,433**	**584,570**
			Total issued	**1,220,916**	**1,208,136**
			Total current	31,619	31,314
			Total long-term	1,189,297	1,176,822

Amount Issued	Interest rate	Issuance date	Maturity date	2011 Bank	2011 Consolidated
(US$ thousand)				(R$ thousand)	
Prior program					
300,000	6.50%	03/16/2010	03/15/2015	563,623	562,809
300,000				**563,623**	**562,809**
New program					
300,000	6,25%	01/28/2011	01/28/2016	515,498	505,187
300,000				**515,498**	**505,187**
			Total issued	**1,079,121**	**1,067,996**
			Total current	28,045	27,765
			Total long-term	1,051,076	1,040,231

18. BORROWINGS AND ONLENDINGS

	Bank					
2012	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Borrowings and onlendings	**257,659**	**580,237**	**59,891**	**-**	**-**	**897,787**
Foreign-currency payables (1)	239,347	364,077	-	-	-	603,424
Foreign borrowings	18,312	216,160	59,891	-	-	294,363
Domestic onlendings - official institutions	**29,920**	**84,048**	**143,133**	**32,410**	**13,935**	**303,446**
BNDES onlendings	12,804	31,648	39,033	-	-	83,485
FINAME onlendings	17,116	52,400	104,100	32,410	13,935	219,961
Total	**287,579**	**664,285**	**203,024**	**32,410**	**13,935**	**1,201,233**

2011	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Borrowings and onlendings	**316,699**	**892,736**	**205,658**	**7,034**	**-**	**1,422,127**
Foreign-currency payables(1)	297,114	567,117	-	-	-	864,231
Foreign borrowings	19,585	325,619	205,658	7,034	-	557,896
Domestic onlendings - official institutions	**29,016**	**85,456**	**135,659**	**43,118**	**22,180**	**315,429**
BNDES onlendings	14,719	41,800	33,306	3	-	89,828
FINAME onlendings	14,297	43,656	102,353	43,115	22,180	225,601
Total	**345,715**	**978,192**	**341,317**	**50,152**	**22,180**	**1,737,556**

	Consolidated					
2012	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Borrowings and onlendings	**257,659**	**580,237**	**59,891**	**-**	**-**	**897,787**
Foreign-currency obligations (1)	239,347	364,077	-	-	-	603,424
Foreign borrowings	18,312	216,160	59,891	-	-	294,363
Domestic onlendings - official institutions	**29,920**	**84,048**	**143,133**	**32,410**	**13,935**	**303,446**
BNDES onlendings	12,804	31,648	39,033	-	-	83,485
FINAME onlendings	17,116	52,400	104,100	32,410	13,935	219,961
Total	**287,579**	**664,285**	**203,024**	**32,410**	**13,935**	**1,201,233**

2011	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Borrowings and onlendings	**316,699**	**892,736**	**205,658**	**96,112**	**-**	**1,511,205**
Domestic borrowings (2)	-	-	-	89,078	-	89,078
Foreign-currency obligations (1)	297,114	567,117	-	-	-	864,231
Foreign borrowings	19,585	325,619	205,658	7,034	-	557,896
Domestic onlendings - official institutions	**29,016**	**85,456**	**135,659**	**43,118**	**22,180**	**315,429**
BNDES onlendings	14,719	41,800	33,306	3	-	89,828
FINAME onlendings	14,297	43,656	102,353	43,115	22,180	225,601
Total	**345,715**	**978,192**	**341,317**	**139,230**	**22,180**	**1,826,634**

(1) The balance of Liabilities in foreign currency refers to funding for foreign exchange operations related to export and import financing.

(2) The balance of domestic Loans, included in the consolidated financial statements, refers to the amount of senior units, less the amount maintained by the Bank, represented by subordinated shares in Daycoval Veículos FIDC as at September 30, 2012 and December 31, 2011, as described in Note 2.a).

The Bank has certain financial covenants related to the maintenance of certain performance, liquidity and indebtedness levels, linked to loan agreements with the International Finance Corporation - IFC and the Inter-American Investment Corporation - IIC, which, if not fulfilled, may cause the accelerated clause of the agreements between the Company and these institutions to be invoked.

19. INSURANCE OPERATIONS (CONSOLIDATED)

a) Receivables from insurance operations:

Represented by receivables as at December 31, 2012 and 2011, in the amount of R$546 and R$535, respectively, relating to DPVAT (mandatory insurance against personal injury caused by automotive land vehicles) recorded under the caption “Other receivables - insurance premiums”.

b) Technical reserves:

	2012	**2011**
Unsettled claims	25,827	22,206
Other reserves	-	1
Total	**25,827**	**22,207**

c) Assets guaranteeing technical reserves:

	2012	2011
LFT (Treasury Bills)	131	121
Investment fund units	25,835	22,214
Total (Note 6.a.) - Consolidated)	**25,966**	**22,335**

d) Results of insurance operations:

	2012	2011
Revenue from premiums and contributions	26,090	25,325
Claims expenses	(22,671)	(22,027)
Other expenses	(437)	(213)
Total	**2,982**	**3,085**

20. OTHER PAYABLES

a) Foreign exchange portfolio (Bank and Consolidated):

	2012	2011
Foreign exchange sold pending settlement	9,774	31,254
(-) Financed imports (Note 8.a))	(2,964)	-
Payable for foreign exchange purchased	299,823	368,933
(-) Advances on foreign exchange contracts (Note 8.a))	(296,788)	(350,081)
Unearned income on advances granted (Note 8.a))	45	168
Total	**9,890**	**50,274**

b) Social and statutory:

	Bank		Consolidated	
	2012	2011	2012	2011
Dividends and bonuses payable (Note 23.e.))	21,743	34,164	21,743	34,164
Profit sharing program	20,911	14,883	22,461	15,548
Total	**42,654**	**49,047**	**44,204**	**49,712**

c) Tax and social securities:

	Bank			
	2012		2011	
	Current	Long-term	Current	Long-term
Taxes on income	-	-	284	-
Provision for income tax	142,211	-	85,349	-
Provision for social contribution	87,518	-	52,479	-
Taxes payable	15,309	-	12,970	-
Provision for deferred income tax and social contribution - (Note 21.c))	2,367	68,796	655	35,736
Legal obligations - (Note 22.b))	-	714,850	-	545,950
Total	**247,405**	**783,646**	**151,737**	**581,686**

	Consolidated			
	2012		2011	
	Current	Long-term	Current	Long-term
Taxes on income	-	-	284	-
Provision for income tax	146,894	-	89,891	-
Provision for social contribution	89,366	-	54,306	-
Provision for income tax and social contribution on asset revaluation	574	-	640	-
Taxes payable	16,051	-	13,601	-
Provision for deferred income tax and social contribution - (Note 21.c))	2,367	69,178	655	36,022
Legal obligations - (Note 22.b))	-	714,850	-	545,950
Total	**255,252**	**784,028**	**159,377**	**581,972**

d) Other:

	Bank			
	2012		2011	
	Current	Long-term	Current	Long-term
Cashier´s checks	304	-	238	-
Payables for financial assets sale or transfer (Note 9)	62,655	37,935	-	-
Accrued liabilities (1)	36,172	-	25,553	-
Reserve for risks (Note 22.b))	-	18,060	-	8,189
Sundry creditors (2)	73,585	-	38,875	-
Total	**172,716**	**55,995**	**64,666**	**8,189**

	Consolidated			
	2012		2011	
	Current	Long-term	Current	Long-term
Cashier´s checks	304	-	238	-
Payables for financial assets sale or transfer (Note 9)	62,655	37,935	-	-
Accrued liabilities (1)	38,458	-	28,556	-
Reserve for risks (Note 22.b))	-	18,060	-	8,189
Sundry creditors (2)	73,593	-	38,876	-
Total	**175,010**	**55,995**	**67,670**	**8,189**

(1) The "Accrued liabilities" caption (Bank and Consolidated) mainly comprise the following: (i) personnel expenses amounting to R$24,135 (Bank) and R$24,968 (Consolidated) (R$20,102 (Bank) and R$20,874 (Consolidated) in 2011); and (ii) expenses on software vendors in the amount of R$5,086 (R$4,501 in 2011), Bank and Consolidated, respectively.

(2) The sundry creditors caption (Bank and Consolidated) mainly comprise the following: collections to be released, in the amount of R$36,630 (R$10,755 in 2011), (ii) receivables from assigned operations, in the amount of R$3,816 (R$14,332 on December 31, 2011).

21. INCOME TAX AND SOCIAL CONTRIBUTION

a) Income tax and social contribution were calculated as follow:

	Bank		Consolidated (1)	
	2012	2011	2012	2011
Profit before taxes on income and profit sharing	**555,824**	**452,615**	**566,122**	**460,571**
(-) Interest on capital	(108,748)	(104,912)	(108,748)	(104,912)
(-) Profit sharing	(41,467)	(31,838)	(43,959)	(33,375)
Profit before taxes on income	**405,609**	**315,865**	**413,415**	**322,284**
Additions	**591,410**	**371,048**	**379,541**	**379,541**
Temporary	567,767	363,848	363,848	363,848
Permanent / other	23,643	7,200	15,693	15,693
Deductions	**(412,488)**	**(335,061)**	**(332,703)**	**(332,703)**
Temporary	(384,431)	(322,272)	(311,287)	(311,287)
Permanent / other	(28,057)	(12,789)	(21,416)	(21,416)
Income tax and social contribution base	**584,531**	**351,852**	**460,253**	**369,122**
Income tax and social contribution at statutory rates	(230,249)	(137,827)	(238,013)	(144,198)
Recognition / reversal of tax credits and or deferred tax liabilities	73,356	22,110	73,356	22,110
Income tax and social contribution expenses	**(156,893)**	**(115,717)**	**(164,657)**	**(122,088)**

(1) On a consolidated basis, income less interest on capital and profit sharing, before income tax and social contribution, does not include elimination of intragroup balances from income, and income tax and social contribution tax rates levied on income vary according to the industry of each company included in the consolidated financial statements.

b) Income tax and social contribution on temporary additions and deductions (assets and liabilities):

As established by Resolution No 3059/02, amended by Resolution No 3355/06, both of BACEN and CVM Instruction No 371/02, deferred tax assets and liabilities ("tax credits" and "deferred taxes") arising from temporary differences must cumulatively meet the following conditions: (i) history of taxable income or profits for income tax and social contribution purposes, for at least three of the last five fiscal years, including the year at issue; and (ii) expected future taxable income or profits for income tax and social contribution purposes, for subsequent periods, based on an internal technical study showing the probability of occurrence of future tax obligations to be offset against the tax credit within a period of 10 years.

c) Deferred tax credits and deferred taxes consist of the following:

	Bank			
	2012			
Tax credits:	**2011**	**Recognition**	**Write-off**	**2012**
Deferred income tax and social contribution on:				
Reserve for tax contingencies	106,179	26,729	-	132,908
Allowance for loan losses	34,301	147,958	(94,216)	88,043
Adjustment to fair value of securities and derivatives	1,199	21,381	(16,086)	6,494
Other temporary additions	60,591	23,572	(2,100)	82,063
Total tax credits on temporary differences	**202,270**	**219,640**	**(112,402)**	**309,508**
Deferred tax liabilities:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	7,884	55,249	(39,817)	23,316
Unrealized profits on derivatives	1,737	13,919	(8,351)	7,305
Other	26,770	13,801	(29)	40,542
Total deferred tax liabilities on temporary differences	**36,391**	**82,969**	**(48,197)**	**71,163**

	Bank			
	2011			
Tax credits:	**2010**	**Recognition**	**Write-off**	**2011**
Deferred income tax and social contribution on:				
Reserve for tax contingencies	78,589	28,072	(482)	106,179
Allowance for loan losses	39,075	69,533	(74,307)	34,301
Adjustment to fair value of securities and derivatives	6,815	1,199	(6,815)	1,199
Other temporary additions	45,800	22,478	(7,687)	60,591
Total tax credits on temporary differences	**170,279**	**121,282**	**(89,291)**	**202,270**
Deferred tax liabilities:				
Deferred income tax and social contribution on:				
Adjustment to fair value of securities and derivatives	7,999	7,884	(7,999)	7,884
Unrealized profits on derivatives	1,294	1,737	(1,294)	1,737
Other	16,890	9,880	-	26,770
Total deferred tax liabilities on temporary differences	**26,183**	**19,501**	**(9,293)**	**36,391**

In Consolidated, as at December 31, 2012, tax credits on temporary differences amount to R$309,791 (R$202,535 in 2011) whereas deferred tax liabilities on temporary differences amount to R$71,545 (R$36,677 in 2011).

d) Estimated realization of tax credits:

	2012		
	Temporary differences		Total deferred taxes
Realization:	**Income tax**	**Social contribution**	
Up to 1 year	55,311	33,187	88,498
Up to 2 years	14	8	22
Up to 3 years	94,662	45,132	139,794
Up to 4 years	63,303	17,891	81,194
Total	**213,290**	**96,218**	**309,508**

	2011		
	Temporary differences		Total
Realization:	Income tax	Social contribution	deferred taxes
Up to 1 year	21,528	12,917	34,445
Up to 3 years	54,388	32,634	87,022
Up to 4 years	658	395	1,053
Up to 5 years	69,691	10,059	79,750
Total	**146,265**	**56,005**	**202,270**

The present value of tax credits as at December 31, 2012, is R$270,611 (R$161,513 in 2011) and was calculated based on expected realization of temporary differences, discounted at the average funding rate of the Bank, for related periods.

Taxable income projections consider macroeconomic assumptions, exchange and interest rates, estimates of new financial operations, among others, which may vary in relation to actual results.

22. CONTINGENT ASSETS AND LIABILITIES AND LEGAL OBLIGATIONS - TAX AND SOCIAL SECURITY (BANK AND CONSOLIDATED)

a) Contingent assets - in the years ended December 31, 2012 and 2011 the Bank and its subsidiaries did not recognize contingent assets.

b) Contingent liabilities classified as probable losses and legal obligations (tax and social security).

The Bank is a party to various lawsuits involving labor, civil and tax matters. Reserves are recorded based on assessments according to the criteria described in note 3.t). The Bank's management understands that the reserve recorded is sufficient to cover losses on these lawsuits.

Reserve recorded and respective changes for years ended December 31, 2012 and 2011:

	2012	2011
Reserve for tax contingencies (Note 20.c) and 22.b.1))	714,850	545,950
Labor lawsuits (Note 20.d))	5,074	1,535
Civil lawsuits (Note 20.d))	12,986	6,654
Total	**732,910**	**554,139**

	2012		
	Tax	Labor	Civil
Balance at beginning of year	**545,950**	**1,535**	**6,654**
Inflation adjustment (Note 24.k))	44,500	-	-
Recognition (reversal)	124,400	3,539	6,332
Balance at end of year	**714,850**	**5,074**	**12,986**

	2011		
	Tax	Labor	Civil
Balance at beginning of year	**404,484**	**1,324**	**8,398**
Inflation adjustment (Note 24.k))	39,469	-	-
Recognition (reversal)	101,997	211	(1,744)
Balance at end of year	**545,950**	**1,535**	**6,654**

b.1.) The Bank is challenging in court the legality of certain taxes and contributions and the amounts involved are fully accrued and updated.

The main lawsuits are:

Income tax: seeks deduction of social contribution amounts from the income tax basis and challenges the effect of the discontinuation of the inflation adjustment of the balance sheet.

Social contribution tax: *(i)* challenges the effect of the discontinuation of the inflation adjustment of the balance sheet, the existence of different tax rates and seeks the recognition of interest on capital as deductible expense for 1996; and *(ii)* challenges the increase of the social contribution rate from 9% to 15%, as established by Provisional Act No 413/08, signed into Law No 11727 of June 23, 2008.

COFINS (tax on revenue): challenges application of Law 9718/98.

PIS (tax on revenue): challenges application of Law 9718/98 and requirement by tax authorities of determination of the PIS basis in disagreement with Constitutional Amendments 01/94, 10/96 and 17/97.

c) Contingent liabilities classified as possible losses:

These contingent liabilities, represented by civil and labor lawsuits, are not recorded, Civil lawsuits refer principally to claims for compensation for pain and suffering and property damages, with a risk estimate of R$48,994 and R$24,245 as at December 31, 2012 and 2011, respectively.

As at December 31, 2012 and 2011, the risk estimate for labor lawsuits is approximately R$3,204 and R$2,264, respectively.

There are no significant administrative proceedings in progress for noncompliance with the rules of the National Financial System or payment of fines, which might cause a material impact on the financial position of the Bank and its subsidiaries.

23. SHAREHOLDERS' EQUITY (BANK)

a) Capital:

As at December 31, 2012, the bank's fully subscribed and paid-in capital is R$1,359,143, represented by 142,418,179 registered common shares and 73,906,333 registered preferred shares, without par value.

b) Capital increase:

The Board of Directors decided and approved at the Meeting held on December 28, 2012 to increase Banco Daycoval's capital by R$66,583. This capital increase was ratified by the BACEN on January 10, 2013, as referred to in Note 30.a).

This capital increase was implemented through the issuance of 8,591,327 preferred shares with the same features of the existing preferred shares, arising on the exercise of the rights granted to 8,591,327 Subscription Warrants to preferred shares, according to the decision approved at Board of Directors' Meeting held on February 19, 2009.

As a result of this capital increase, Banco Daycoval's will be represented by 224,915,839 registered shares, of which 142,418,179 are common shares and 82,497,660 preferred shares, without par value.

c) Breakdown of common and preferred shares:

	Number of shares	
	2012	**2011**
Common shares	142,418,179	142,418,179
Preferred shares	82,497,660	73,906,333
(-) Preferred shares held in treasury (Note 22.d.2))	(138,098)	(620,463)
Total shares	**224,777,741**	**215,704,049**

d) Changes in capital:

	Number of shares		
	Common	**Preferred**	**Total**
Number of shares as at December 31, 2010	**142,418,179**	**73,060,274**	**215,478,453**
Sale of treasury shares during the year	-	225,596	225,596
Number of shares as at December 31, 2011	**142,418,179**	**73,285,870**	**215,704,049**
Issuance of preferred shares (note 23.b) and 30.a))	-	8,591,327	8,591,327
Sale of treasury shares during the year	-	482,365	482,365
Number of shares as at December 31, 2012	**142,418,179**	**82,359,562**	**224,777,741**

d.1) Treasury shares:

The table below shows information on the Banks shares as at September 30, 2012 and December 31, 2011:

Type	Number of treasury Shares	Buyback trading prices			Quoted price (1)	Market value
		minimum	average	maximum		
2012						
Preferred	138,098	8.87	9.35	10.14	10.15	1,402
2011						
Preferred	620,463	8.87	9.35	10.14	9.40	5,832

(1) Quoted price published by BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, for the Bank´s preferred shares traded under the ticker symbol DAYC4, based on the closing price for the last business day of December 2012 and 2011.

e) Interest on capital and/or dividends:

According to the bylaws, the shareholders are entitled to dividends and/or interest on capital equivalent to not less than 25% of net income for the year adjusted according to Brazilian corporate law.

Interest on capital is calculated on shareholders' equity, limited to the variation of the TJLP (long-term interest rate), contingent upon the existence of income before its deduction or retained earnings and earnings reserves.

e.1) Dividends and interest on capital

The calculation of dividends and interest on capital for the years ended December 31, 2012 and 2011 is as follows:

	2012	% (a)	2011	% (a)
Net income for the year (controlling shareholder)	357,464		305,060	
(-) Legal Reserve	(17,873)		(15,253)	
Adjusted calculation base	**339,591**		**289,807**	
Additional dividends (b)	6,977		32,140	
Gross interest on capital	108,748		104,912	
(-) Withholding income tax on interest on capital	(15,509)		(14,550)	
Interim dividends (c)	45,132		-	
Net interest on capital and dividends for the year	**145,348**	**42.80%**	**122,502**	**42.27%**

a) Refers to the percentage corresponding to the sum of the net interest on capital and dividends and the adjusted calculation basis for the years ended December 31, 2012 and 2011.

b) Refers to additional dividends declared after the year ended December 31, 2012, which were classified in conformity with BACEN Circular Letter 3516/2011.

c) Interim dividends based on net income for the quarter ended March 31, 2012, in the amount of R$15,122, and six-month period ended June 30, 2012, in the amount of R$30,010.

e.2) Dividends and interest on capital paid or declared for the current year

Dividends and interest on capital paid or declared are as follows:

	2012				
	Value per share				
Description	Common shares	Preferred shares	Gross amount	Withholding income tax (IRRF)	Net amount
Interest on capital paid					
Interest on capital (1)	0.1313	0.1313	28,322	(3,992)	24,330
Interest on capital (2)	0.1334	0.1334	28,780	(4,100)	24,680
Interest on capital (3)	0.1216	0.1216	26,270	(3,784)	22,486
Total paid in the year			**83,372**	**(11,876)**	**71,496**
Dividends paid					
Interim dividends(1)	0.1391	01391	30,010	-	30,010
Interim dividends(2)	0.0700	0.0700	15,122	-	15,122
Total paid in the year			**45,132**	**-**	**45,132**
Interest on capital declared					
Interest on capital (4)	0.1174	0.1174	25,376	(3,633)	21,743
Total declared in the year			**25,376**	**(3,633)**	**21,743**
Dividends declared after the year ended December 31, 2012					
Additional dividends (5)	0.0319	0.0319	6,977	-	6,977
Total declared in the year			**6,977**	**-**	**6,977**
Total paid or declared in the year			**160,857**	**(15,509)**	**145,348**

	2011				
	Value per share				
Description	Common shares	Preferred shares	Gross amount	Withholding income tax (IRRF)	Net amount
Interest on capital / dividends paid					
Interest on capital (6)	0.1197	0.1197	25,799	(3,584)	22,215
Interim dividends (7)	0.1254	0.1254	27,024	-	27,024
Interest on capital (8)	0.1829	0.1829	39,445	(5,462)	33,983
Total paid in the year			**92,268**	**(9,046)**	**83,222**
Interest on capital / dividends declared					
Interest on capital (9)	0.1839	0.1839	39,668	(5,504)	34,164
Total declared in the year			**39,668**	**(5,504)**	**34,164**
Dividends declared after the year ended December 31, 2012					
Additional dividends (10)	0.1490	0.1490	32,140	-	32,140
Total declared in the year			**32,140**	**-**	**32,140**
Total paid or declared in the year			**164,076**	**(14,550)**	**149,526**

(1) The Bank's Board of Directors' meeting held on March 29, 2012 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the period January 1st to March 29, 2012. The related amount was paid to shareholders on April 16, 2012.

(2) The Bank's Board of Directors' meeting held on June 29, 2012 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the period March 30 to June 29, 2012. At this same meeting was approved the payment of interim dividends related to the quarter ended March 31, 2012. The related amount was paid to shareholders on July 16, 2012.

(3) The Bank's Board of Directors' meeting held on September 28, 2012 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the period June 30 to September 28, 2012. At this same meeting was approved the payment of interim dividends related to the six-month period ended June 30, 2012. The related amount was paid to shareholders on October 15, 2012.

(4) The Bank's Board of Directors' meeting held on December 27, 2012 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the year ended December 31, 2012. The related amount was paid to shareholders on January 15, 2013.

(5) The Bank's Board of Directors' meeting of February 18, 2013 approved the distribution of additional dividends in the amount of R$6,977 for the year ended December 31, 2012, subject to the Shareholders´ Meeting's approval. The related amount was paid to shareholders on April 29, 2013. Such amount is recognized in the statements of equity for the six-month period and year ended December 31, 2012, as "Special earning reserves", under "Earnings reserves", as required by BACEN Circular Letter 3516/11.

(6) The Bank's Board of Directors' meeting held on March 30, 2011 approved the Executive Board's proposal for payment, contingent upon the Shareholders Meeting's approval, of interest on capital for the period January 1 to March 30, 2011. The related amount was paid to shareholders on April 15, 2011.

(7) The Bank's Board of Directors' meeting held on June 9, 2011 approved the payment of interim dividends using the amounts recognized in line item 'Earnings reserve – Bylaws', related to net income for the year ended December 31, 2010, contingent upon the Shareholders Meeting's approval. The related amount was paid to shareholders on June 20, 2011.

(8) The Bank's Board of Directors' meeting of September 30, 2011 approved the Executive Committee's proposal for paying interest on capital for the period March 31 to August 15, 2011, subject to the Shareholders Meeting's approval. The amounts were paid to shareholders on October 17, 2011.

(9) The Bank's Board of Directors' meeting of December 28, 2011 approved the Executive Committee's proposal for paying additional interest on capital for the year ended December 31, 2011, subject to the Shareholders Meeting's approval. The amounts were paid to shareholders on January 16, 2012.

(10) The Bank's Board of Directors' meeting of February 13, 2012 approved the distribution of additional dividends in the amount of R$32,140 for the year ended December 31, 2011, subject to the Shareholders´ Meeting's approval. The related amount was paid to shareholders on April 27, 2012. Such amount is recognized in the statements of equity for the six-month period and year ended December 31, 2011, as "Special earning reserves", under "Earnings reserves", as required by BACEN Circular Letter 3516/11.

f) Revaluation and earnings reserves:

	2012	2011
Revaluation reserves (1)	**1,185**	**1,313**
Earnings reserves	**771,487**	**599,605**
Legal reserve (2)	77,832	59,959
Bylaws reserves (3)	674,269	495,097
Unrealized earnings reserve (4)	12,409	12,409
Special earnings reserves (5)	6,977	32,140

(1) Refers to the revaluation of properties of subsidiary, which is depreciated and reversed to retained earnings over the estimated useful life of the revalued asset.

(2) 5% of net income for the year must be allocated to this reserve until it equals 20% of capital, according to prevailing legislation.

(3) Reserve recorded according to the bylaws.

(4) Partial reversal of the recorded reserve relating to the net income of the indirect subsidiary Treetop Investments Ltd.

(5) Refers to additional dividends declared after the years ended December 31, 2012 and 2011, which were classified as special earnings reserves so as to be compliant with BACEN Circular Letter 3516/11.

24. INCOME STATEMENT

INCOME FROM FINANCIAL INTERMEDIATION -

a) Lending operations:

	Bank		Consolidated	
	2012	2011	2012	2011
Advances on deposits	8,246	11,764	8,246	11,764
Overdraft account/ Secured account	281,718	302,718	281,718	302,718
Discounted notes	78,097	69,157	78,097	69,157
Onlending - Resolution 3844	15,946	17,348	15,946	17,348
Working capital	371,165	398,395	371,165	398,395
Export Credit Notes - CCE	28,775	21,396	28,775	21,396
Onlending - BNDES	10,314	10,610	10,314	10,610
Onlending - FINAME	17,405	15,225	17,405	15,225
Rural credit	3,518	1,309	3,518	1,309
Foreign-currency financing	12,342	53,903	12,342	53,903
Consumer credit - Store owners	13,183	12,988	13,183	12,988
Payroll loans	511,555	336,606	511,555	336,606
Vehicle financing	156,374	97,497	182,541	127,760
Daypag - discount of forwarding agents' checks	4,257	1,691	4,257	1,691
Other lending operations	9,597	12,122	9,597	12,122
Recovery of receivables previously written off as loss (Note 8.g))	27,663	34,712	27,663	34,712
Total	**1,550,155**	**1,397,441**	**1,576,322**	**1,427,704**

b) Securities transactions

	Bank		Consolidated	
	2012	2012	2012	2011
Repurchase agreements	237,373	209,684	237,373	209,684
Interbank deposits	15,529	24,196	15,529	24,196
Fixed rate securities	56,201	86,211	62,465	94,826
Foreign securities	-	-	610	1,348
Floating rate securities	133	194	187	463
Investments in investment fund units	43,527	28,934	37,896	20,294
Gains on sale of securities	21,630	14,263	21,630	14,263
Adjustment to fair value	8,898	-	8,898	-
Foreign investments	14,470	10,273	14,470	10,273
Loss on investments in investment fund units	(429)	(94)	(2,248)	(3,325)
Other losses on securities operations	-	(15)	-	(425)
Total	**397,332**	**373,646**	**396,810**	**371,597**

c) Derivatives (Bank and Consolidated):

	2012			2011		
Derivatives	**Gain**	**Loss**	**Net gain (loss)**	**Gain**	**Loss**	**Net gain (loss)**
"Swap"	1,023,482	(873,584)	149,898	736,189	(722,518)	13,671
Forward currency (NDF)	359	(349)	10	2,148	(1,575)	573
Futures	212,653	(220,407)	(7,754)	169,848	(162,162)	7,686
Total	**1,236,494**	**(1,094,340)**	**142,154**	**908,185**	**(886,255)**	**21,930**

d) Foreign exchange operations (Bank and Consolidated):

	2012	2011
Income from foreign exchange operations	57,929	162,987
Expenses on foreign exchange operations	(516)	(513)
Exchange rate changes	84,854	(59,802)
Gains on foreign exchange operations	**142,267**	**102,672**

EXPENSES ON FINANCIAL INTERMEDIATION -

e) Funding operations:

	Bank		Consolidated	
	2012	2011	2012	2011
Interbank deposits	(66,141)	(38,893)	(66,141)	(38,893)
Time deposits	(313,610)	(393,876)	(307,137)	(389,908)
Repurchase agreements	(107,092)	(137,627)	(107,092)	(137,627)
Securities issued abroad	(237,521)	(283,095)	(236,798)	(282,776)
Agrobusiness letter of credit	(14,883)	(2,988)	(14,883)	(2,988)
Mortgage loan notes	(941)	-	(941)	-
Financial bills	(97,080)	(10,772)	(97,057)	(10,772)
Contributions to the Loan Guarantee Fund - FGC	(5,688)	(5,334)	(5,688)	(5,334)
Total on funding operations	**(842,956)**	**(872,585)**	**(835,737)**	**(868,298)**

f) Borrowings and onlendings:

	Bank		Consolidated	
	2012	2011	2012	2011
Foreign borrowings	(58,195)	(86,487)	(69,113)	(101,956)
Onlending – BNDES	(7,832)	(7,269)	(7,832)	(7,269)
Onlendings - FINAME	(10,985)	(9,439)	(10,985)	(9,439)
Obligations with foreign banks	(85,616)	(140,610)	(85,616)	(140,610)
Total on borrowings and onlendings	**(162,628)**	**(243,805)**	**(173,546)**	**(259,274)**

OTHER OPERATING INCOME (EXPENSES) -

g) Personnel expenses:

	Bank		Consolidated	
	2012	2011	2012	2011
Executive Committee's and Board of Directors´ compensation	(29,661)	(24,726)	(29,661)	(24,726)
Benefits	(18,568)	(15,254)	(21,303)	(17,157)
Social security charges	(31,956)	(24,749)	(34,462)	(27,083)
Compensation	(72,397)	(57,817)	(79,997)	(64,650)
Training	(29)	(35)	(30)	(35)
Interns´ compensation	(346)	(393)	(371)	(407)
Total personnel expenses	**(152,957)**	**(122,974)**	**(165,824)**	**(134,058)**

h) Other administrative expenses:

	Bank		Consolidated	
	2012	2011	2012	2011
Public utilities (water, power and gas)	(1,105)	(983)	(1,391)	(1,245)
Rent and insurance	(13,671)	(12,109)	(16,028)	(14,204)
Lease expenses	(4,176)	(3,497)	(4,176)	(3,497)
Communication	(5,302)	(4,742)	(6,981)	(6,276)
Membership fees	(4,183)	(3,805)	(4,183)	(3,805)
Maintenance and upkeep of assets	(1,959)	(2,207)	(2,066)	(2,465)
Consumables	(2,032)	(1,203)	(2,101)	(1,287)
Data processing	(18,332)	(7,293)	(18,490)	(7,386)
Promotions, advertising and publications	(7,352)	(6,321)	(7,973)	(6,854)
Outside, technical and specialized services	(184,612)	(115,554)	(179,358)	(113,592)
Depreciation and amortization	(1,732)	(1,523)	(2,145)	(1,972)
Other administrative expenses	(17,878)	(18,273)	(20,471)	(20,916)
Total	**(262,334)**	**(177,510)**	**(265,363)**	**(183,499)**

i) Tax expenses:

	Bank		Consolidated	
	2012	2011	2012	2011
Tax expenses	(3,206)	(2,839)	(3,363)	(3,027)
Services tax (ISS)	(3,811)	(2,338)	(4,957)	(3,281)
Tax on revenue (COFINS)	(56,461)	(39,819)	(58,831)	(42,271)
Tax on revenue (PIS/PASEP)	(12,099)	(6,471)	(12,581)	(6,972)
Total	**(75,577)**	**(51,467)**	**(79,732)**	**(55,551)**

j) Other operating income:

	Bank		Consolidated	
	2012	2011	2012	2011
Exchange rate changes on borrowings	44,154	137,810	44,759	138,137
Inflation adjustment of escrow deposits	34,504	24,703	34,504	24,703
Other operating income (1)	136,453	75,555	141,189	81,371
Recovery of charges and expenses	192	60	192	60
Total	**215,303**	**238,128**	**220,644**	**244,271**

(1) As at December 31, 2012 and 2011, for the Bank and Consolidated, "Other operating income" are substantially comprise of income from receivables - not featured as lending operations in the amount of R$128,599 and R$67,173, respectively.

k) Other operating expenses:

	Bank		Consolidated	
	2012	2011	2012	2011
Inflation adjustment of taxes (Note 22.b))	(44,500)	(39,469)	(44,704)	(39,469)
Exchange rate changes	(4,882)	(17,046)	(7,912)	(20,750)
Other operating expenses (1)	(16,678)	(29,699)	(16,678)	(30,078)
Interest expenses	(1,325)	(181)	(3,520)	(2,616)
Total	**(67,385)**	**(86,395)**	**(72,814)**	**(92,913)**

(1) As at December 31, 2012 and 2011, for the Bank and Consolidated, "Other operating expenses" are substantially comprise of: (i) provision for civil risks, in the amount of R$10,743 and R$3,867, respectivel;, and (ii) discounts on loan operations, in the amount of R$5,775 and R$13,368, respectively.

25. OPERATING LIMITS (BASEL ACCORD)

The Central Bank of Brazil disclosed Communications 12746/04 and 16137/07, which address the guidelines and the schedules for implementation of the New Basel Accord (Basel II) requirements. These Communications contain the recommendations of the Basel Banking Supervision Committee, contained in the document "International Convergence of Capital Measurement and Capital Standards" (Basel II), which establish more appropriate criteria for the risk levels associated to financial institutions' operations for the allocation of regulatory capital.

The table below shows the calculation of the capital requirements and the Basel ratio:

	2012	2012
Adjusted shareholders´ equity-	**2,203,507**	**1,952,427**
Decrease in revaluation reserves	(1,185)	(1,313)
Decrease in equity adjustments of securities classified as available for sale	(4,822)	1,840
Tier I regulatory capital	**2,197,500**	**1,952,954**
Increase in revaluation reserves	1,185	1,313
Increase in equity adjustments of securities classified as available for sale	4,822	(1,840)
Tier II regulatory capital	**6,007**	**(527)**
Regulatory capital (PR)	**2,203,507**	**1,952,427**
Capital allocation by risk level		
Credit risk (Pepr)	**1,015,327**	**1,023,353**
Market risk	**239,514**	**166,494**
Foreign exchange portion (Pcam)	70,689	114,526
Fixed interest portion (Pjur 1)	84,548	12,685
Foreign exchange coupon portion (Pjur 2)	55,921	18,533
Inflation portion (Pjur 3)	126	231
Share portion (Pacs)	28,230	20,519
Operational risk (POPR)	**138,276**	**113,357**
Required regulatory capital (PRE)	**1,393,117**	**1,303,204**
Basel ratio	**17.40%**	**16.48%**
Interest rate portion in *Banking Book* (P*banking*)	35,670	33,533

As at December 31, 2012 and 2011, the Bank's shareholders' equity exceed by 58.17% and 49.82%, respectively, BACEN's required regulatory capital.

26. EMPLOYEE BENEFIT

26.1.) Education Incentive Programs and Profit sharing program

As part of its strategy of being ranked among the best companies to work in Brazil, the Bank has invested in welfare and empowering programs involving university students and MBA and postgraduate programs, adhered to the federal government's Underage Apprentice initiative, and implemented its own internship programs.

The Bank has a profit sharing program for all its employees. This program is prepared together with the Union of Bank Employees and is tied to performance targets evaluated annually, using the criteria according to the Performance Assessment program.

26.2.) Stock option plan

The Extraordinary Shareholders' Meeting approved on May 21, 2008 a Stock Option Plan under which the Bank will grant to its officers, employees and individuals who render services to the Bank and its subsidiaries options to purchase its shares. The stock option programs were approved by the Board of Directors on July 25, 2008 (First and Second Plan), on December 12, 2008 (Third Plan) and on September 11, 2009 (Forth Plan).

I. Purpose of the Plan

The Plan is designed primarily to: (i) boost the Bank's expansion by creating incentives for better integration of employees as shareholders of the Bank; (ii) allow the Bank to retain its professionals, granting them as additional advantage and incentive the opportunity to become shareholders of the Bank under the terms and conditions of the Plan; and (iii) foster good performance of the Bank and the interests of its shareholders by means of its executives', officers' and employees' long-term commitment.

II. Plan management and option shares

The plan will be managed by the Board of Directors and all decisions related to the Plan shall be approved by the Board.

The Options granted under the Plan cannot exceed, during the period the Plan is effective, a maximum limit of 5% of the total shares of the subscribed and paid-up capital, at any time, and the shares subject to the Options granted under the Plan will derive, as resolved by the Board of Directors: (i) from the issuance of new preferred shares, within the authorized capital limit; and/or (ii) from treasury shares.

III. Beneficiaries

Executives, officers and employees of the Bank and its direct and indirect subsidiaries, and individuals who render services to the Bank or its subsidiaries are eligible to participate in this Plan.

The beneficiaries will have no right as shareholders of the Bank (including the right to receive dividends), with respect to any shares subject to the Options, until such shares are fully subscribed/acquired and paid up by the beneficiaries.

IV. Price and vesting period

1st Program

The exercise price per share will be equivalent to the weighted average of the last 30 trading sessions immediately prior to the option exercise notice, with a discount of 30%.

The vesting period for the 1st Program is determined as follows:

Vesting period	Exercisable option percentage
At the end of the 2nd year	50%
At the end of the 3rd year	25%
At the end of the 4th year	25%

2nd Program

The exercise price per share will be R$15.00, adjusted by the variation of the IPCA (extended consumer price index) published by the IBGE (Brazilian Institute of Geography and Statistics) or one that may replace it, from the date of approval of the Program to the date of exercise of the Stock Option.

The vesting period for the 2nd Program is determined as follows:

Vesting period	Exercisable option percentage
At the end of the 1st year	25%
At the end of the 2nd year	25%
At the end of the 3rd year	25%
At the end of the 4th year	25%

3rd Program

The price per share for exercising options ("Exercise Price") will be defined on the stock option grant date, adjusted by the fluctuation of the Extended Consumer Price Index disclosed by the Brazilian Institute of Geography and Statistics ("IPC-A"), or any index that replaces it, from the date the beneficiaries join the Program up to the date the stock option is exercised.

The vesting period of the 3rd stock option program is 180 days, starting on the date of adherence to the Program.

4th Program

The exercise price per share will be equivalent to the weighted average of the last 30 trading sessions immediately prior to the option exercise notice, with a discount of 30%. The vesting period for the 4th Program is determined as follows:

Vesting period	Exercisable option percentage
At the end of the 3rd year	50%
At the end of the 4th year	25%
At the end of the 5th year	25%

V. Options granted

Below are the changes in the quantity of options granted, exercised and cancelled through December 31, 2012:

Share grant		Vesting		Options			To be
Number	Date	period	Maturity	Granted	Exercised	Cancelled	exercised
1st Program							
1st Grant	07/25/2008	07/25/2010	07/25/2018	864,290	(852,384)	-	11,906
2nd Grant	12/12/2008	12/12/2010	12/12/2018	42,857	(42,857)	-	-
3rd Grant	11/05/2009	11/05/2011	11/05/2019	125,001	(62,501)	(62,500)	-
4th Grant	08/30/2010	08/30/2012	08/30/2020	175,439	(87,720)	-	87,719
5th Grant	09/29/2010	09/29/2012	09/29/2020	30,305	-	-	30,305
6th Grant	11/30/2010	11/30/2012	11/30/2020	141,667	(141,667)	-	-
7th Grant	01/15/2011	01/15/2013	01/15/2021	416,667	-	-	416,667
8th Grant	03/16/2011	03/16/2013	03/16/2021	17,095	-	-	17,095
9th Grant	07/04/2011	07/04/2013	07/04/2021	416,667	-	-	416,667
			Total	**2,229,988**	**(1,187,129)**	**(62,500)**	**980,359**
3rd Program							
1st Grant	12/12/2008	06/12/2009	12/12/2018	303,000	(303,000)	-	-
			Total	**303,000**	**(303,000)**	**-**	**-**
4th Program							
1st Grant	04/26/2010	04/26/2013	04/26/2020	146,045	-	-	146,045
2nd Grant	07/01/2010	07/01/2013	07/01/2020	33,333	-	-	33,333
3rd Grant	03/28/2011	03/28/2014	03/28/2021	41,667	-	-	41,667
4th Grant	08/03/2011	08/03/2014	08/03/2021	83,334	-	-	83,334
5th Grant	11/03/2011	11/03/2014	11/03/2021	33,334	-	-	33,334
6th Grant	03/15/2012	03/15/2015	03/15/2022	140,017	-	(16,667)	123,350
7th Grant	10/31/2012	10/31/2015	10/31/2022	15,152	-	-	15,152
			Total	**492,882**	**-**	**(16,667)**	**476,215**
			Total stock options	**3,025,870**	**(1,490,129)**	**(79,167)**	**1,456,574**

Until the date of publication of these financial statements, there were no grants for the 2nd Stock Option Programs.

VI. Exercised options

During the years ended December 31, 2012 and 2011, the Bank's stock options were exercised as follows:

Program	Grant	Exercise date	Exercise Price	Fair value (1)
			R$	(R$)
2012				
1st Program	3rd Grant	06/13/2012	6.35	9.00
1st Program	2nd Grant	07/12/2012	6.29	8.98
1st Program	1st Grant	08/09/2012	6.21	10.00
1st Program	1st Grant	08/14/2012	6.21	9.90
1st Program	4th Grant	08/21/2012	6.74	10.25
1st Program	1st Grant	08/24/2012	6.21	10.27
1st Program	1st Grant	09/12/2012	7.09	10.40
1st Program	1st Grant	10/25/2012	7.20	10.34
1st Program	3rd Grant	11/07/2012	7.53	10.32
1st Program	2nd Grant	12/18/2012	6.80	9.91
1st Program	6th Grant	12/19/2012	6.80	9.95
2011				
1st Program	2nd grant	05/06/2011	8.25	11.25
1st Program	1st grant	08/02/2011	6.32	8.48
1st Program	1st grant	09/12/2011	5.83	8.75
1st Program	1st grant	10/31/2011	5.77	8.20

(1) Market value of DAYC4 share based on the closing quotation on the business day the Bank stock option was exercised.

VII. Effects arising from the exercise of options

	2012	2011
Amounts received from the granted option's beneficiary	3,196	1,457
(-) Cost of treasury shares	(4,504)	(2,106)
Gain (loss) on the sale of treasury shares (1)	**(1,308)**	**(649)**

(1) The loss on the sale of treasury shares arising from the exercise of the options by the beneficiary(ies) was directly recorded in "Earnings reserves", under shareholders' equity.

VIII. Fair value measurement

The fair value of the stock options of the First Stock Option Program was calculated based on statistical modeling that takes into consideration all the main features of this Program, including vesting period, option exercise conditions, and price of the underlying asset.

As a result of the enactment of BACEN Resolution 3989/11 that ratifies CPC 10 (R1) *Share-based Payment*, effective from January 1, 2012, the Bank recognized in the income statement for the year ended December 31, 2012, in line item de "Personnel expenses", as a balancing item to line item "Capital reserves" in equity, R$1,552 related to the fair value of the stock option benefit granted to the participants of the Stock Option Plan described in Note 26.2).

27. GUARANTEES PROVIDED ON BEHALF OF THIRD PARTIES (BANK AND CONSOLIDATED)

Guarantees provided on behalf of third parties as at December 31, 2012 and 2011 amount to R$457,072 and R$438,974, respectively, are as follows:

Composition	2012	2011
Import financing	9,442	4,415
Collaterals beneficiaries	416,220	370,039
Receivables assignment co-obligations	31,410	64,520
Total guarantees and collaterals provided and third-party liability	**457,072**	**438,974**

Bank guarantees and collaterals and third-party liability are subject to financial charges and counter-guarantees provided by beneficiaries.

The table below shows guarantees provided on behalf of third parties, recorded in memorandum accounts, as at December 31, 2012 and 2011:

	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
2012	141,808	191,819	21,967	100,381	1,097	**457,072**
2011	60,461	144,867	127,514	5,737	100,395	**438,974**

The Bank does not guarantee any transaction of direct and indirect subsidiaries, its directors and their family.

28. RELATED-PARTY TRANSACTIONS

a) The direct and indirect subsidiaries and the shareholders of the Bank enter into transactions with the Bank under usual market conditions. These transactions are contracted at rates consistent with those prevailing in the market on the transaction and settlement dates.

The table below shows the transactions between the Bank and its related parties as at December 31, 2012 and 2011:

	2012		2011	
Transactions	Assets (liabilities)	Income (expense)	Assets (liabilities)	Income (expense)
Demand deposits	**(5,752)**	**-**	**(4,491)**	**-**
Direct subsidiaries	**(51)**	**-**	**(57)**	**-**
ACS Participações Ltda.	(11)	-	(15)	-
Daycoval Asset Management Ltda.	(26)	-	(26)	-
Dayprev Vida e Previdência S.A.	(14)	-	(16)	-
Indirect subsidiaries	**(3,834)**	**-**	**(2,858)**	**-**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	(1,002)	-	(998)	-
SCC Agência de Turismo Ltda.	(6)	-	(6)	-
Treetop Investments Ltd.	(2,826)	-	(1,854)	-
Other associates	**(10)**	**-**	**(14)**	**-**
Daycoval Cobr. A. Serv. Ltda.	(1)	-	(1)	-
Daycoval Fomento Comercial Ltda.	(3)	-	(2)	-
Shtar Empreendimentos e Participações S.A.	(1)	-	(7)	-
Parateí Agropecuária e Imob. Ltda.	(2)	-	(1)	-
Valco Adm. Part. e Representações Ltda.	(3)	-	(3)	-
Other related parties - individuals	**(1,857)**	**-**	**(1,562)**	**-**

Transactions	2012 Assets (liabilities)	2012 Income (expense)	2011 Assets (liabilities)	2011 Income (expense)
Time deposits	**(352,930)**	**(33,039)**	**(363,202)**	**(43,851)**
Direct subsidiaries	**(59,586)**	**(5,307)**	**(57,352)**	**(6,662)**
ACS Participações Ltda.	(58,568)	(5,223)	(56,418)	(6,558)
Daycoval Asset Management Ltda.	(1,018)	(84)	(934)	(104)
Indirect subsidiaries	**(12,269)**	**(1,166)**	**(13,338)**	**(1,650)**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	(1,001)	(173)	(2,162)	(357)
SCC Agência de Turismo Ltda.	(11,268)	(993)	(11,176)	(1,293)
Other associates	**(591)**	**(50)**	**(470)**	**(53)**
Daycoval Fomento Comercial Ltda.	(475)	(39)	(446)	(50)
Shtar Empreendimentos e Participações S.A.	(105)	(9)	-	-
Parateí Agropecuária e Imob. Ltda.	(11)	(2)	(24)	(3)
Other related parties – individuals	**(280,484)**	**(26,516)**	**(292,042)**	**(35,486)**
Financial letters	**(1,564)**	**(43)**	**-**	**-**
Direct subsidiaries	**(873)**	**(23)**	**-**	**-**
ACS Participações Ltda.	(873)	(23)	-	-
Other related parties – individuals	**(691)**	**(20)**	-	-
Agri business letter of credit	**(935)**	**(41)**	**-**	**-**
Other related parties - individuals	(935)	(41)	-	-
Mortgage Loan Notes	**(62)**	**(2)**	**-**	**-**
Other related parties - individuals	(62)	(2)	-	-
Securities issued abroad	**(12,779)**	**(722)**	**(11,125)**	**(706)**
Direct subsidiaries	**(1,677)**	**(83)**	**(1,459)**	**(139)**
ACS Participações Ltda.	(1,677)	(83)	(1,459)	(139)
Indirect subsidiaries	**(11,102)**	**(639)**	**(9,666)**	**(567)**
Treetop Investments Ltd.	(11,102)	(639)	(9,666)	(567)
Investment fund shares (Note 6.b))	**69,964**	**31,155**	**84,939**	**27,759**
Other related parties - companies	**69,964**	**31,155**	**84,939**	**27,759**
Daycoval Classic	-	-	20,130	12,952
Daycoval Veículos FIDC	69,964	31,155	64,809	14,807

The table below shows the interest rates and respective periods of transactions between the Bank and its related parties as at December 31, 2012:

		Assets (Liabilities)					
Description	**Yield rate**	**Up to 3 months**	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Time deposits		**6,779**	**1,977**	**308,003**	**34,404**	**1,767**	**352,930**
Direct subsidiaries		**5,388**	**-**	**54,198**	**-**	**-**	**59,586**
ACS Participações Ltda.	100% CDI to 110% CDI	5,388	-	53,180	-	-	58,568
Daycoval Asset Management Ltda.	107% CDI	-	-	1,018	-	-	1,018
Indirect subsidiaries		**-**	**-**	**11,268**	**1,001**	**-**	**12,269**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	110% CDI	-	-	-	1,001	-	1,001
SCC Agência de Turismo Ltda.	110% CDI	-	-	11,268	-	-	11,268
Other associates		**-**	**-**	**591**	**-**	**-**	**591**
Daycoval Fomento Comercial Ltda.	107% CDI	-	-	475	-	-	475
Shtar Empreendimentos e Participações S.A.	107% CDI to 110% CDI	-	-	105	-	-	105
Parateí Agropecuária e Imob. Ltda.	107% CDI	-	-	11	-	-	11
Other related parties – individuals	103% CDI to 112% CDI	**1,391**	**1,977**	**241,946**	**33,403**	**1,767**	**280,484**
Financial letters		**-**	**-**	**1,564**	**-**	**-**	**1,564**
Direct subsidiaries		**-**	**-**	**1,564**	**-**	**-**	**1,564**
ACS Participações Ltda.	110% CDI	-	-	873	-	-	873
Other related parties – individuals	110% CDI	-	-	691	-	-	691
Agribusiness letter of credit		**264**	**591**	**80**	**-**	**-**	**935**
Other related parties – individuals	100% CDI	264	591	80	-	-	935
Mortgage Loan Notes		**-**	**62**	-	-	-	**62**
Other related parties – individuals	100% CDI	-	62	-	-	-	62
Securities issued abroad		**306**	**-**	**900**	**11,573**	**-**	**12,779**
Direct subsidiaries		**38**	**-**	**426**	**1,213**	**-**	**1,677**
ACS Participações Ltda.	6.5%	38	-	426	1,213	-	1,677
Indirect subsidiaries		**268**	**-**	**474**	**10,360**	**-**	**11,102**
Treetop Investments Ltd.	6.5%	268	-	474	10,360	-	11,102
Subordinated shares (Note 6.b))							
Other related parties - companies		**-**	**-**	**69,964**	**-**	**-**	**69,964**
Daycoval Veículos FIDC	113% CDI	-	-	69,964	-	-	69,964

Pursuant to Brazilian legislation, the financial institutions cannot grant loans or advances and cannot guarantee operations of their controlling shareholders, affiliates, directors or their second-degree relatives. Accordingly, the Bank does not grant loans or advances and does not guarantee any operation of its direct and indirect subsidiaries, their directors or family.

b) Compensation of key management personnel:

The Annual Shareholders' Meeting sets the overall compensation of management, as established by the Bank's bylaws.

The Annual Shareholders' Meeting of April 26, 2012, sets an overall compensation of up to R$30 million for the year ended December 31, 2012 (R$25 million for 2011).

	2012	2011
Total fixed and variable compensation	29,661	24,726
Direct and indirect benefits (medical assistance)	339	205
Short-term benefits to granted to Management	**Number**	**Number**
Balance of stock options granted	506,099	518,004

The Bank does not grant other short- or long-term post-employment or employment contract termination benefits to the key management personnel.

c) Ownership interest:

As at December 31, 2012 and 2011, the members of the Board of Directors and the Executive Committee hold jointly the following interest in the Bank's capital:

	Ownership interest to share class	
	2012	2011
Common shares (ON)	100.00%	100.00%
Preferred shares (PN)	22.44%	24.97%

(1) As mentioned in the Significant Event Notice published on September 29, 2011, a reorganization of the Bank's indirect shareholders was conducted that ultimately did not result in changes in the shareholding control or in the Bank's administrative structure.

29. OTHER INFORMATION

a) Third-party asset management:

Daycoval Asset Management is responsible for managing third-party assets through investment funds, whose net assets as at December 31, 2012 and 2011 are R$1,345 million and R$1,095 million, respectively.

b) Insurance coverage against operational risks:

Despite the low risk exposure as a result of their assets not being physically concentrated, the Bank and its subsidiaries have insurance for their assets in amounts considered sufficient to cover potential losses.

c) Relationship with Auditors:

In accordance with CVM Instruction 381, of January 14, 2003, we inform that the firm engaged to perform an audit of the Bank's financial statements for the year ended December 31, 2012, was not engaged to provide any services other than the independent audit services.

d) Audit Committee:

As required by CMN Resolution 3198/04, and with a view to adopting the industry best practices in conducting its businesses, the Bank's Board of Directors, at a meeting held on March 26, 2009, decided to establish an Audit Committee, which will be comprised of at least 3 board members. The establishment of this committee was submitted to the Central Bank of Brazil for approval.

e) Investment Agreements and issuance of share subscription bonus:

The Bank signed an Investment Agreement (the "Agreement" or "transaction") with institutional investors, whereby funds of approximately R$410 million were raised in the march 2009. The following take part in the Agreement: Cartesian Capital Group, Wolfensohn Capital Partners, International Finance Corporation (IFC) and controlling shareholders, Minority shareholders could also take part in the agreement, under the same conditions as the other participants.

The primary objectives of said Agreement for the Bank include:

- Increase liquidity and reinforce the capital structure before today's economic scenario;
- Strengthen the Bank's fundraising basis to make it possible to expand its lending operations for the middle market segment; and
- Diversify fundraising sources and extend the average term.

The transaction has a pioneering structure, as it consists of a private offering of bonus for subscription of common and preferred shares. Only the subscription type under which the bonus underwriter opted for the share subscription in a later period was exercised.

Under this option, underwriters invested in Bank Certificates of Deposit (CDB) issued by the Bank, with the following features:

- Average yield of 99% of DI-CETIP Over rate, as follows: 110% of DI-CETIP Over rate in the period from the investment date through March 31, 2013 and, from March 31, 2013 to March 31, 2014, yielding 55% of DI-CETIP Over rate, as calculated and disclosed by Cetip.
- Bonuses may be early redeemed, either in part or in whole, by underwriters, exclusively for share subscription purposes, as a result of the bonus being exercised (which may occur beginning March 31, 2011) at a fixed price of R$7.75 per share.

e.1) The Board of Directors approved at the meeting held on October 21, 2010, the possible early redemption of Bank Certificates of Deposits ("CDBs") issued by the Bank as set out in the Board of Directors' Meeting Minutes and the Notice to Shareholders, both dated February 19, 2009. The possible early redemption of CDBs will be submitted to the approval of the Executive Committee after the negotiation with their holders under terms favorable to the Bank, in light of the economic scenario and financial market liquidity, and (i) shall not consist of Case of Early Redemption of CDBs, as set out in item 16 of the Board of Directors' Meeting Minutes and the Notice to Shareholders, both dated February 19, 2009, (ii) shall not affect the terms and conditions of the unredeemed CDBs, and (iii) shall not affect the other provisions of the Board of Directors' Meeting Minutes and the Notice to Shareholders, both dated February 19, 2009, including, without exceptions, the terms and conditions for the exercise of the Subscription Warrants issued by the Bank.

In 2010, in line with the decision above, out of the R$410,000 raised in 2009, R$74,000 were redeemed in 2009. No early redemptions were made of the CDBs under the Investment Agreement in the years ended December 31, 2012 and 2011. In 2012, out of the R$410,000 raised in 2009, R$56,000 were redeemed in 2009, due to the exercise of the Subscription Warrants for preferred shares held at December 28, 2012.

e.2) According to the Significant Event Notice disclosed on April 1st, 2011, shareholders and the market in general were informed that, since April 4, 2011, the preferred share subscription bonuses of Daycoval ("Bônus PN"), referred to in previous Notices to the Market dated April 19 and June 16, 2010, have been traded at BM&FBOVESPA S.A. trading session under the ticker symbol "DAY11".

e.3) As disclosed in the Note to the Market published on December 28, 2012, the Bank informed the shareholders and the market in general that its Board of Directors approved at the meeting held on December 28, 2012, the increase of the Bank's company ("Capital Increase"), within the authorized capital limit, as a result of the exercise of the rights granted under subscription warrants to preferred shares issued by the Bank ("Subscription Warrants"), as approved at the Board of Directors' Meeting held on February 19, 2009.

The share issue price was R$7.75 per preferred share, according to the Subscription Warrants approved at the Board of Directors' Meeting held on February 19, 2009. A total of 8,591,327 preferred shares were issued, resulting in an increase of the Bank's capital amounting to R$66,583,000, from R$1,359,143,000 to R$1,425,726,000, since then represented by 224,915,839 book-entry registered shares, of which 142,418,179 are common shares and 82,497,660 are preferred shares, without par value. This capital increase was ratified by the BACEN on January 10, 2013, as referred to in Note 30.a).

f) Level 2 of Corporate Governance:

The Extraordinary shareholders Meeting of December 19, 2011, the following subjects were discussed and approved: (1) Bank's adhesion to the special listing segment of BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, so-called Level 2 of Corporate Governance; and (2) amendment to the Bank´s articles of incorporation, which should include: (i) changes to the wording of articles; and (ii) adjustment of the articles to the provisions of BM&FBOVESPA's Listing Regulation for the Level 2 of Corporate Governance.

Through the reporting date, the process of adhesion to the Level 2 of Corporate Governance was under the analysis of the Central Bank of Brazil and BM&FBOVESPA S.A.

30. EVENTS AFTER THE REPORTING PERIOD

a) Capital increase – ratification

The BACEN ratified the capital increase of Banco Daycoval, referred to in Note 23.b), amounting to R$66,583,000, on January 10, 2013, and this ratification was published on the Federal Official Gazette on January 14, 2013.

b) Share buyback plan

The Bank's Board of Directors decided and approved at the Meeting held on January 18, 2013 the Share Buyback Plan, into treasury for subsequent sale or cancellation, without capital reduction, using the existing reserves, in accordance with Law 6404/76, as subsequently amended, CVM Instruction 10/80, and the Bank's bylaws, whose main features are described below:

b.1) Purpose, term and intermediaries of the share buyback plan:

I - Purpose: the Bank will buy back into treasury and subsequent sale or cancellation up 9.78% of the currently outstanding registered preferred shares, represented by up to 6,246,000 registered preferred shares.

II - Period: the share buyback plan will be effective until January 17, 2014.

III - Intermediaries: the share buyback transaction will be carried out on the São Paulo Stock Exchange (BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros), at market price and intermediated by: (i) Santander Corretora de Câmbio e Valores Mobiliários S.A., enrolled with the National Register of Legal Entities (CNPJ) under # 51.014.223/0001-49, with registered head office at Avenida Pres. Juscelino Kubitschek, 2041/2235 - 24º andar - São Paulo, SP; (ii) Goldman Sachs do Brasil CTVM S.A., enrolled with the CNPJ under # 09.605.581/0001-60, with registered head office at Avenida Pres. Juscelino Kubitschek, 510 – 6º Andar - conj. 61 - São Paulo, SP; and (iii) Barclays Corretora de Títulos e Valores Mobiliários S.A., enrolled with the CNPJ under # 11.634.773/0001-46, with registered head office at Avenida Brigadeiro Faria Lima, 4440 – 12º andar - São Paulo, SP.

c) Share buyback

On January 30, 2013, the shares bought back by the Bank under the Share Buyback Plan disclosed in Note 30.b), reached the maximum approved number of 6,246,000 preferred shares.

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