(Convenience Translation into English from the Original Previously Issued in Portuguese)

Banco Daycoval S.A.

Consolidated Financial Statements Prepared in Accordance with International Financial Reporting Standards for the Year Ended December 31, 2013 and Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Management of
Banco Daycoval S.A.
São Paulo - SP

We have audited the consolidated financial statements of Banco Daycoval S.A. and its subsidiaries, including the special purpose entity ("Daycoval"), which comprise the consolidated balance sheet as at December 31, 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing selected procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Daycoval's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Daycoval's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Other Matters

Daycoval has prepared a complete set of individual and consolidated financial statements for the year ended December 31, 2013 in accordance with accounting practices adopted in Brazil, applicable to entities authorized to operate by the Central Bank of Brazil, which was presented separately, on which we issued an independent audit report, which did not have any modification, dated February 18, 2014.

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.

CONSOLIDATED BALANCE SHEETS PREPARED IN ACCORDANCE WITH IFRS
AS AT DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

Assets	Note	12/31/2013	12/31/2012
Cash and cash equivalents	**Note 15**	**1,288,559**	**1,709,901**
Financial assets		**10,214,656**	**8,498,925**
Financial assets measured at fair value		**1,538,283**	**1,131,924**
Held-for-trading financial assets		**320,825**	**561,828**
Investment fund units	Note 16.a)	29,119	25,835
Debt instruments	Note 16.a)	-	290,220
Money market investments	Note 16.a)	116,002	119,142
Derivatives	Note 17.a)	175,704	126,631
Available-for-sale financial assets		**1,217,458**	**570,096**
Investment fund units	Note 16.a)	235,322	223,625
Debt instruments	Note 16.a)	978,492	342,302
Equity securities	Note 16.a)	3,644	4,169
Financial assets measured at amortized cost		**8,676,373**	**7,367,001**
Loans and receivables	**Note 19.a) and 20.a)**	**8,676,373**	**7,367,001**
Granted to:			
Financial institutions		1,735	8,212
Non-financial legal entities		4,441,791	4,321,801
Individuals		4,633,082	3,421,607
Public sector		68,854	4,191
Allowance for impairment losses		(469,089)	(388,810)
Held-to-maturity short-term investments		**781**	**783**
Other assets		**2,582,765**	**1,958,063**
Available-for-sale noncurrent assets	Note 21	44,050	38,425
Other assets	Note 22	2,538,715	1,919,638
Deferred tax assets	**Note 13**	**459,837**	**309,791**
Property, plant and equipment		**27,883**	**9,124**
Property, plant and equipment in use	Note 23.a)	27,883	9,124
Intangible assets		**38**	**31**
Total assets		**14,574,519**	**12,486,618**

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.

CONSOLIDATED BALANCE SHEETS PREPARED IN ACCORDANCE WITH IFRS
AS AT DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

Liabilities	Note	12/31/2013	12/31/2012
Financial liabilities		**10,367,679**	**8,716,966**
Held-for-trading financial liabilities		**5,509**	**3,063**
Derivatives	Note 17.a)	5,509	3,063
Financial liabilities measured at fair value		**640,237**	**280,428**
Other financial liabilities	**Note 25**	**640,237**	**280,428**
Borrowings and onlendings			
Abroad		640,237	280,428
Financial liabilities measured at amortized cost		**9,721,933**	**8,433,475**
Demand and other deposits	**Note 26**	**393,238**	**257,039**
Raised from:			
Financial institutions		1,048	307
Non-financial legal entities		66,457	218,452
Individuals		325,733	38,280
Time and interbank deposits	**Note 27**	**3,313,363**	**3,835,926**
Raised from:			
Financial institutions		1,492,760	612,077
Non-financial legal entities		1,524,176	2,719,367
Individuals		296,427	504,482
Other financial liabilities		**6,015,332**	**4,340,510**
Money market funding	Note 28	71,605	-
Payables from security issues			
Mortgage Loan Bills	Note 29.a)	223,720	54,365
Agribusiness Letters of Credit	Note 29.a)	246,976	221,032
Financial Bills	Note 29.a)	2,901,385	1,792,411
Payables from debt securities issued abroad	Note 29.b)	1,400,768	1,208,136
Payables from financial asset sale or transfer	Note 30	12,321	140,705
Borrowings and onlendings			
Domestic	Note 30	318,530	303,446
Foreign	Note 30	840,027	620,415
Deferred tax liabilities	**Note 13**	**84,307**	**74,142**
Provisions		**1,227,440**	**1,064,741**
Provisions for civil and labor risks	Note 31.b)	17,894	18,060
Accrued commitments and other provisions	Note 32	316,772	331,831
Provision for tax risks	Note 31.b)	892,774	714,850
Other liabilities and payables	**Note 33**	**460,995**	**438,175**
Total liabilities		**12,140,421**	**10,294,024**
Total equity		**2,434,098**	**2,192,594**
Equity attributable to the Controlling		**2,433,360**	**2,191,901**
Capital		**1,868,862**	**1,425,726**
Capital	Note 34.a)	1,797,652	1,359,143
Capital increase	Note 34.b)	71,210	66,583
Capital reserves		896	1,577
Earnings reserves			
Legal reserve	Note 34.f)	89,521	77,832
Unrealized earnings reserve	Note 34.f)	12,409	12,409
Bylaws reserves	Note 34.f)	484,582	633,077
Special earnings reserves - additional dividends	Note 34.f)	-	6,977
Adjustment related to the premium of CDBs tied to share subscription warrants		1,663	30,771
(-) Treasury shares	Note 34.d)	(7,493)	(1,290)
Valuation adjustments to equity of available-for-sale financial instruments		(17,080)	4,822
Equity attributable to noncontrolling interests		**738**	**693**
Noncontrolling interests		738	693
Total liabilities and equity		**14,574,519**	**12,486,618**

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.

CONSOLIDATED INCOME STATEMENTS PREPARED IN ACCORDANCE WITH IFRS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

	Note	12/31/2013	12/31/2012
Interest and similar income	Note 5	1,712,244	1,660,454
Interest and similar expense	Note 6	(933,358)	(886,097)
Interest and similar income, net		**778,886**	**774,357**
Gains on financial assets and liabilities, net	**Note 7**	**348,097**	**507,384**
Financial assets and liabilities for trading		**271,433**	**340,643**
Interbank investments		141,232	151,448
Securities		3,799	47,041
Derivatives		126,402	142,154
Financial assets and liabilities measured at fair value		**(76,388)**	**4,639**
Financial liabilities measured at fair value		(76,388)	4,639
Losses on sale of available-for-sale financial assets		(2,515)	19,382
Gains on foreign exchange operations		155,567	142,720
Fees and commissions	**Note 8**	**45,904**	**37,609**
Other operating income	**Note 9**	**219,875**	**179,501**
Total operating income		**1,392,762**	**1,498,851**
Administrative expenses	**Note 10**	**(502,977)**	**(515,270)**
Personnel expenses		(223,930)	(209,782)
Tax expenses		(83,691)	(79,733)
Other administrative expenses		(195,356)	(225,755)
Expenses on other provisions		**(1,556)**	**(2,227)**
Other operating expenses, net	**Note 11**	**(84,367)**	**(71,837)**
Impairment losses on assets financial assets		**(478,489)**	**(367,669)**
Loans and receivables		(478,489)	(367,669)
Losses on sale of available-for-sale noncurrent financial assets	**Note 12**	**(7,230)**	**(11,048)**
Depreciation and amortization		**(2,216)**	**(2,145)**
Total operating and administrative expenses		**(1,076,835)**	**(970,196)**
Pretax income		**315,927**	**528,655**
Income tax and social contribution expenses, net	**Note 13**	**(84,297)**	**(167,254)**
Income tax		(132,522)	(147,539)
Social contribution		(81,059)	(89,231)
Deferred tax assets		129,284	69,516
Noncontrolling interests		**(46)**	**(42)**
Net Income		**231,584**	**361,359**
Earnings per share	**Note 14**		
Basic earnings per share (R$ - Brazilian reais)			
Common shares		0.94	1.67
Preferred shares		0.94	1.67
Diluted earnings per share (R$ - Brazilian reais)			
Common shares		0.92	1.30
Preferred shares		0.92	1.30
Earnings attributable by class of share			
Common shares		147,835	238,397
Preferred shares		83,749	122,962
Diluted earnings per class of share			
Common shares		145,293	209,473
Preferred shares		86,291	151,886
Weighted average of shares issued - basic and diluted			
Common shares		157,179,469	142,418,179
Preferred shares		89,041,929	73,457,149

The accompanying notes are an integral part of these financial statements.

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BANCO DAYCOVAL S.A.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME PREPARED IN ACCORDANCE WITH IFRS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$, unless otherwise indicated)

	12/31/2013	12/31/2012
Net Income	**231,584**	**361,359**
Other comprehensive income		
Valuation adjustments to equity of available-for-sale financial assets	(36,503)	11,103
Deferred taxes on valuation adjustments to equity of available-for-sale financial assets	14,601	(4,441)
Other comprehensive income (loss), net of taxes	**(21,902)**	**6,662**
Comprehensive income for the year, net of taxes	**209,682**	**368,021**
Attributable to:		
Controlling	209,636	367,979
Other noncontrolling interests	46	42
	209,682	**368,021**

The accompanying notes are an integral part of these financial statements.

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BANCO DAYCOVAL S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY PREPARED IN ACCORDANCE WITH IFRS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

	Paid-in capital	Capital reserves, options granted and treasury shares	Earnings reserves	Retained earnings or accumulated losses	Other comprehensive income (loss)	Equity	Noncontrolling interests	Total equity
At December 31, 2011	**1,359,143**	**(9,159)**	**588,848**	**-**	**(1,840)**	**1,936,992**	**633**	**1,937,625**
Capital transactions	**66,583**	**5,880**	**(24,919)**	**(160,857)**	**-**	**(113,313)**	**-**	**(113,313)**
Capital increases	66,583	-	-	-	-	66,583	-	66,583
Grant of call options recognized ("vesting period")	-	2,928	-	-	-	2,928	-	2,928
Exercise of call options granted	-	(1,552)	1,552	-	-	-	-	-
Treasury shares acquired	-	-	-	-	-	-	-	-
Treasury shares sold	-	4,504	(1,308)	-	-	3,196	-	3,196
Dividends	-	-	(25,163)	(52,109)	-	(77,272)	-	(77,272)
Interest on capital	-	-	-	(108,748)	-	(108,748)	-	(108,748)
Total comprehensive income	**-**	**-**	**-**	**361,359**	**6,662**	**368,021**	**60**	**368,081**
Net Income	-	-	-	361,359	-	361,359	60	361,419
Other comprehensive income	-	-	-	-	6,662	6,662	-	6,662
Adjustments of financial instruments	-	-	-	-	11,103	11,103	-	11,103
Taxes on adjustments of financial instruments	-	-	-	-	(4,441)	(4,441)	-	(4,441)
Internal changes in equity	**-**	**201**	**200,502**	**(200,502)**	**-**	**201**	**-**	**201**
Recognition of reserves	-	201	200,502	(200,502)	-	201	-	201
At December 31, 2012	**1,425,726**	**(3,078)**	**764,431**	**-**	**4,822**	**2,191,901**	**693**	**2,192,594**
At December 31, 2012	**1,425,726**	**(3,078)**	**764,431**	**-**	**4,822**	**2,191,901**	**693**	**2,192,594**
Capital transactions	**443,136**	**(6,884)**	**(299,180)**	**(105,295)**	**-**	**31,777**	**-**	**31,777**
Capital increases	443,136	-	-	-	-	443,136	-	443,136
Grant of call options recognized ("vesting period")	-	173	-	-	-	173	-	173
Exercise of call options granted	-	(854)	854	-	-	-	-	-
Treasury shares acquired	-	(301,660)	-	-	-	(301,660)	-	(301,660)
Treasury shares sold	-	3,698	(1,298)	-	-	2,400	-	2,400
Treasury shares cancelled	-	291,759	(291,759)	-	-	-	-	-
Dividends	-	-	(6,977)	6,977	-	-	-	-
Interest on capital	-	-	-	(112,272)	-	(112,272)	-	(112,272)
Total comprehensive income	**-**	**-**	**-**	**231,584**	**(21,902)**	**209,682**	**45**	**209,727**
Net Income	-	-	-	231,584	-	231,584	45	231,629
Other comprehensive income	-	-	-	-	(21,902)	(21,902)	-	(21,902)
Adjustments of financial instruments	-	-	-	-	(36,503)	(36,503)	-	(36,503)
Taxes on adjustments of financial instruments	-	-	-	-	14,601	14,601	-	14,601
Internal changes in equity	**-**	**-**	**126,289**	**(126,289)**	**-**	**-**	**-**	**-**
Recognition of reserves	-	-	126,289	(126,289)	-	-	-	-
At December 31, 2013	**1,868,862**	**(9,962)**	**591,540**	**-**	**(17,080)**	**2,433,360**	**738**	**2,434,098**

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.

CONSOLIDATED STATEMENTS OF CASH FLOWS PREPARED IN ACCORDANCE WITH IFRS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(In thousands of Brazilian reais - R$)

	2013	2012
Cash flows from operating activities		
Net Income	**231,584**	**361,359**
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,216	2,145
Deferred taxes	(129,284)	(69,516)
Provision for risks	183,195	178,771
Allowance for doubtful debts	471,457	362,684
Allowance for other doubtful debts	7,032	4,985
Allowance for losses on other assets	(1,483)	2,028
Total dos reconciliation adjustments	**533,133**	**481,097**
Adjusted net income	**764,717**	**842,456**
Changes in assets and liabilities	**(1,216,820)**	**(10,954)**
(Increase) decrease in money market investments	3,141	(98,491)
Increase in derivatives	(46,627)	(114,531)
(Increase) decrease in held-for-trading financial assets	277,981	(316,055)
(Increase) decrease in available-for-sale financial assets	(660,309)	119,193
Increase in loans and receivables	(1,778,471)	(20,744)
Increase in other assets	(619,929)	(126,770)
Increases in available-for-sale noncurrent assets	(5,625)	(16,351)
Decrease in deposits	(393,496)	(433,119)
Increase in other financial liabilities	2,171,511	1,124,989
Increase (decrease) in provisions	(90,744)	90,600
Decrease in other liabilities and payables	(74,252)	(219,675)
Net cash provided by (used in) operating activities	**(452,103)**	**831,502**
Cash flows from investing activities		
Acquisition of property, plant and equipment in use	(21,448)	(2,386)
Net cash used in investing activities	**(21,448)**	**(2,386)**
Cash flows from financing activities		
Interest on capital/dividends paid	(92,964)	(128,504)
Capital increase	443,136	66,583
Acquisition of own shares	(297,963)	4,504
Net cash provided by (used in) financing activities	**52,209**	**(57,417)**
Increase (decrease) in cash and cash equivalents, net	**(421,342)**	**771,699**
Cash and cash equivalents at the beginning of the year	**1,709,901**	**938,202**
Cash and cash equivalents at the end of the year	**1,288,559**	**1,709,901**

The accompanying notes are an integral part of these financial statements.

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BANCO DAYCOVAL S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) FOR THE YEARS ENDED DECEMBER 31, 2013 E DE 2012
(Amounts in thousands of Brazilian reais – R$, unless otherwise stated)

1. General Information

Banco Daycoval S.A. ("Daycoval" or "Bank") is a full-service bank, with registered head office at Avenida Paulista, 1793 – Bela Vista – São Paulo, SP, Brazil, authorized to operate commercial, foreign exchange, investment and lending 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.

The individual and consolidated financial statements, approved by the Board of Directors at the meeting held on February 19, 2014 and published in the newspaper "O Estado de São Paulo" and the "Diário Oficial do Estado de São Paulo", issue of February 20, 2014, to comply with the requirements of regulatory agencies in Brazil, have been prepared in accordance with the standards and guidelines 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 Private Insurance Authority (SUSEP), and the Accounting Pronouncements Committee (CPC), when applicable.

2. Adoption of new accounting standards and interpretations:

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

All accounting policies and calculation criteria material for the consolidated financial statements have been applied in their preparation. There were no changes in the accounting policies and estimate during the year ended December 31, 2013. The adoptions, or possible adoptions, of new IFRS standards and interpretations in 2013 had no impact on the comparability with the financial statements for the year ended December 31, 2012.

a) Accounting standards issued in and applicable to the year ended December 31, 2013

- Amendment to IAS 1 *Presentation of Financial Statements*: clarifies that an entity must disclose an other comprehensive income analysis in the statements of changes in equity or notes to the financial statements. It is estimated that the adoption of this revised standard will only have a disclosure impact.

- IFRS 10 *Consolidated Financial Statements*: changes the current definition of control and identifies control as the key factor to decide when an entity must be consolidated in the controlling financial statements. IFRS 10 includes guidance to assist in determining if there is control, when this is difficult due to the complexity in the entities' control structure. This change did not have any impact on Daycoval's financial statements.

- IFRS 11 *Joint Arrangements*: introduces a different approach for the analysis of joint arrangements, focused on the rights and obligations agreed by the entities. (Previously the standard focused on the legal forms elected to form a joint arrangement. IFRS 11 separates the joint arrangements into two forms: joint operations and joint ventures, depending on the rights and obligations of the parties. The proportionate consolidation of investments in joint ventures is no longer allowed. This standard did not have any impact on Daycoval's consolidated financial statements.

- IFRS 12 *Disclosures of Interests in Other Entities*: this standard introduces other disclosure requirements on all types of investments in other entities, such as joint arrangements, associations, and special purpose entities. This standard did not have any impact on Daycoval's financial statements.

- IFRS 13 *Fair Value Measurement*: the purpose of this standard is to achieve a greater alignment between the IFRSs and the USGAAP by increasing the consistency and decreasing the complexity of disclosures, using precise definitions of fair value. This standard did not have any impact on Daycoval's financial statements.

- Amendment to IAS 19 *Employee Benefits*: this standard no longer allows the use of the corridor approach by preventing entities from having the option for the deferred recognition of actuarial gains and losses, and prescribing that all changes must be posted in accumulated other comprehensive income. This change did not have any impact on Daycoval's financial statements.

b) Accounting standards already issued but applicable in future periods

The following is a list of the new standards already issued and that will become effective for annual periods beginning after the date of these consolidated financial statements and that have not been early adopted, even if permitted:

- Amendment to IAS 32 *Financial Instruments: Presentation*: the purpose of this amendment is to clarify the offsetting requirements of financial instruments (presentation of financial assets and financial liabilities on a net basis) in the balance sheet. This amendment is effective for annual periods beginning on or after January 1, 2014. The possible impacts of adopting this amendment will be assessed by the date it becomes effective.

- IFRS 9 *Financial Instruments*: it start the replacement of IAS 39 *Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification and measurement of financial assets and it is expected to affect Daycoval's financial instruments. These amendments are effective for annual periods beginning on or after January 1, 2015 and its earlier adoption is permitted by the IASB. The possible impacts of adopting this amendment will be assessed by the date it becomes effective.

- Investment Entities – amendment to IFRS 10 *Consolidated Financial Statements*, IFRS 12 Disclosures of Interests in Other Entities, IAS 27 *Separate Financial Statements*: creates an exception to the principle that all subsidiaries must be consolidated in the controlling financial statements. This amendment requires that the parent, which must be an investment entity, measure at fair value through profit or loss its investments in certain entities, without the need to consolidate then in its financial statements. This amendment is effective for annual periods beginning on or after January 1, 2014 and its earlier adoption is permitted by the IASB. Daycoval will assess the possible impacts resulting from the adoption of this amendment. The possible impacts of adopting this amendment will be assessed by the date it becomes effective.

- IAS 36 Impairment *of Assets*: this amendment introduces disclosure requirements on the measurement of the recoverable amounts of the assets, as a result of the issue of IFRS 13, beginning January 1, 2014 and its earlier adoption is permitted by the IASB. Daycoval will assess the possible impacts resulting from the adoption of this amendment. The possible impacts of adopting this amendment will be assessed by the date it becomes effective.

- IAS 39 *Financial Instruments: Recognition and Measurement*: this amendment allows entities to continue to use hedge accounting even if a derivative is transferred for a clearing, within certain conditions. Effective for annual periods beginning on or after January 1, 2014. Daycoval will assess the possible impacts resulting from the adoption of this amendment. The possible impacts of adopting this amendment will be assessed by the date it becomes effective.

- IAS 19 (R1) *Employee Benefits*: an entity must consider the contribution of the employees and third parties when accounting for defined benefit plans. Effective for annual periods beginning on or after July 1, 2014 and its earlier adoption is permitted by the IASB. The possible impacts of adopting this amendment will be assessed by the date it becomes effective.

3. Accounting Policies

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

The accounting policies detailed below have been applied to all annual periods presented in the financial statements and have been consistently applied by the Daycoval’s subsidiaries.

3.1. Basis of preparation

The consolidated financial statements have been prepared based on the historical cost except for: (i) available-for-sale investments; (ii) derivatives; (iii) other financial assets and financial liabilities held for trading; and (iv) liabilities arising on share-based payments, which are all measured at fair value.

Basis of consolidation

The IFRS consolidated financial statements include the financial statements of Daycoval, its foreign branch, and its subsidiaries for the years ended December 31, 2013 e de 2012. The financial statements of Daycoval's subsidiaries (including the special purpose entities) have been prepared for the same fiscal year, using consistent accounting policies.

All balances, transactions, revenue and expenses between the consolidated entities have been eliminated.

The subsidiaries are consolidated from the date on which control is transferred to Daycoval. Control is achieved when Daycoval has decision-making power over the financial and operating policies on an entity, so as to obtain the benefits from their activities.

Daycoval sponsors the establishment of special purpose entities (SPEs) mainly to conduct asset securitization transactions. Daycoval consolidates these SPEs since the substance of their relationship indicates that Daycoval holds the control over the latter.

Noncontrolling interests represent, directly or indirectly, the portions of net income and equity that are not attributable to Daycoval and are separately disclosed in the consolidated income statements and in equity, in the consolidated balance sheet. Any loss attributable to noncontrolling interests that exceeds these noncontrolling interests is attributed to Daycoval's equity.

The consolidated financial statements include Daycoval, its foreign branch, its direct and indirect subsidiaries, and the following special purpose entities:

	Equity 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 entities		
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 Agência de Turismo Ltda. ("SCC")	99.99	99.99
Treetop Investments Ltd. ("Treetop")	99.99	99.99
Special Purpose Entities (SPEs)		
Daycoval Veículos Fundo de Investimento em Direitos Creditórios ("Daycoval Veículos FIDC") (1) (2)	-	100.00

(1) The equity interest percentage refers to the total subordinated units held by Daycoval in Daycoval Veículos FIDC.

(2) Activities discontinued on December 13, 2013.

3.2. Critical accounting judgments and key sources of estimation uncertainty

In preparing the Daycoval's IFRS consolidated financial statements, Management made its best judgment and used estimates to calculate certain amounts recognized in these financial statements, applicable in the following situations:

Continuity as a going concern

Management assessed Daycoval's ability to continue as a going concern and is convinced that Daycoval has the resources to allow the continuity of its business in the future. Additionally, Management is not aware of any material uncertainty that could create significant doubts as to its ability to continue as a going concern. The IFRS consolidated financial statements have been prepared taking this principle into consideration.

Fair value of financial instruments

The fair value of assets and financial liabilities accounted for in the balance sheet has been either derived from quoted market prices or determined using mathematical pricing models. The variables of these models are derived from observable market inputs, whenever possible; however, when these inputs are not available or observable, Daycoval uses a company-specific modeling to determine the fair value of its financial instruments. Judgments include liquidity considerations and models of variables such as volatility of long-term derivatives and discount rates, prepayment rates, and default assumptions of asset-guaranteed securities.

Impairment losses on loans and advances

Daycoval tests individually significant loans and advances at the end of each reporting period to determine whether impairment losses should be recognized in the income statement. Management's judgment is required to estimate the future cash flow amount and period and determine impairment losses. In estimating these cash flows, Daycoval makes judgments with respect to a client's financial position and the net realizable value of any collateral. These estimates are based on assumptions involving several factors and for this reason actual results may vary, generating future changes in the allowance for impairment losses on loans and advances.

Loans and receivables that have been individually tested and have not been designed as impaired, and all the loans and receivables that have not been considered individually significant are collectively tested, in groups of assets with similar risk features, to determine whether or not an allowance for impairment losses should be recognized for past events.

The collective impairment test takes into consideration inputs about the lending portfolio (such as credit quality, default levels, credit use, loans to collateral ratio, etc.), risks concentrations, and economic data.

The impairment losses on loans and receivables is disclosed in note 19.

Impairment of available-for-sale financial assets

Daycoval tests its debt instruments classified as investments available for sale at the end of each reporting period to assess if they are impaired. This requires judgment similar to the individual testing of loans and advances.

Daycoval recognizes the impairment of any equity investments classified as available for sale for which there was a significant or prolonged decrease in fair value, below their cost. The determination of what is deemed significant or prolonged requires judgment. To reach this judgment, Daycoval assesses, among others factors, the historical fluctuation of share prices, and the duration and extent to which an investment's fair value is lower than its cost.

Deferred tax assets

Deferred tax assets are recognized on tax losses to the extent that is probable that future taxable income will be available in the period the losses can be utilized. Judgment is required to determine the amount of future deferred tax assets that must be recognized, based on the probable flow of future taxable income and together with tax planning strategies, if any.

Consolidation of the special purpose entities (SPEs)

Daycoval sponsored the establishment of SPEs, which may or may not be controlled—directly or indirectly—by subsidiaries. Up to the year ended December 31, 2012, Daycoval consolidated the SPEs in which it held control over their activities based on the following judgment: (i) the SPE operations were performed on behalf of Daycoval, so that it could obtain benefits from its activities of the SPE; (ii) Daycoval had the power to control or obtain control over the SPEs or their assets; (iii) Daycoval was entitled to obtain most of the benefits from the activities of the SPEs; and (iv) Daycoval retain most the risks related to the SPEs or their assets to obtain the benefits from their activities.

Daycoval's involvement with the SPEs is described in note 36.

3.3. Summary of significant accounting policies

a) Accrual basis

Daycoval prepares its financial statements on an accrual basis.

b) Foreign currency translation

The consolidated financial statements are presented in Brazilian reais (R$), which is the Daycoval's functional and reporting currency. The consolidated entities determine their own functional currency and the items included in their financial statements are measured using the determined functional currency.

Transactions and balances

Foreign currency transactions are originally recorded at the exchange rate prevailing on the transaction date. Foreign currency-denominated monetary assets and liabilities are translated at the exchange rate prevailing at the end of the reporting periods.

Non-monetary items measured at the historical cost in foreign currency are remeasured using the exchange rate prevailing on the date of the transactions. Non-monetary items measured at fair value in foreign currency are remeasured based on the exchange rate prevailing on the date the fair value was determined.

Consolidated entities

At the end of the reporting period, the financial statements of the subsidiaries and the foreign branch were translated into the presentation currency adopted by Daycoval, based on the exchange rate prevailing at the end of the reporting period.

c) Financial instruments - initial recognition and subsequent measurement

Recognition date

All financial assets and financial liabilities are initially recognized on trading date, i.e., the date when Daycoval becomes a party to the contract provisions.

Initial recognition of financial instruments

The classification of the financial instruments on their initial recognition depends on the purpose and goal for which these financial instruments were contracted by Management. All the financial instruments are initially measured at fair value plus the transaction cost, when applicable.

Derivatives recorded at fair value through profit or loss

The derivatives, such as swap and futures contracts, are recorded at fair value and held as assets when the fair value is positive and as a liability when the fair value is negative. The changes in fair value of derivatives are included in 'Gains (losses) on financial assets and liabilities - held-for-trading financial assets and liabilities - derivatives'.

The embedded derivative is a component of a hybrid instrument (compound), which also includes a non-derivative master agreement, with the effect that part of the cash flows of the compound instrument changes similarly to a separate derivative. An embedded derivative causes the whole or part of the cash flows that would otherwise be required by the contract be modified according to a certain interest rates, financial instrument price, commodity price, exchange rate, price index or rates, credit rating or index, or any other variable, provided that in the case of a nonfinancial variable, this variable is not specific for one of the parties of the contract.

The derivative linked to a financial instrument, but that can be contractually transferred regardless of whether such instrument has a different counterparty or not, it is not an embedded derivative but a separate financial instrument.

Held-for-trading financial assets and financial liabilities

Financial assets and financial liabilities held for trading are recognized in the balance sheet at fair value. Changes in fair value are recognized in 'Gains (losses) on financial assets and liabilities - held-for-trading financial assets and liabilities - financial assets and financial liabilities at fair value'. Interest and dividend income or costs are recognized in 'Other operating income' according to the contract terms or when the right to payment is established.

Financial assets and financial liabilities measured at fair value through profit or loss

The financial assets and financial liabilities classified in this category are does designated as such by Management at their initial recognition. Management can only designate a financial instrument at fair value through profit or loss at the initial recognition when the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets and/or financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk or investment management strategy.

The financial assets and financial liabilities at fair value through profit or loss are recognized in the balance sheet at fair value. Changes in fair value are recognized in 'Gains (losses) on financial assets and financial liabilities measured at fair value, net'. Interest earned or incurred is allocated to 'Interest income' or 'Interest expenses', respectively, using the effective interest method, while dividend income is recognized in line item 'Other operating income' when the right to payment is established.

Available–for-sale short-term investments

Available-for-sale investments include equity and debt instruments. Equity classified as available for sale consists of stock that is not classified as held for trading or designated at the fair value through profit and loss. Debt instruments in this category are those to be held for an indefinite period of time and that could be sold in response to need for liquidity or in response to changes in market conditions.

Daycoval did not designate any loan or receivables as available for sale.

After initial recognition, available-for-sale financial instruments are measured at fair value. Unrealized gains or losses are recognized directly in equity, in line item 'Valuation adjustments to equity of available-for-sale financial instruments'. When the investment is settled early, the accumulated gain or loss previously recognized in equity is recognized in the income statement, in line item de 'Gains (losses) on financial assets and financial liabilities, net - gains or losses on the sale available-for-sale financial instruments'.

Interest earned while a financial investment is held for sale is recognized in the income statement, in line item 'Interest and similar income', using the effective interest rate. Dividends earned while a financial investment is held for sale are recognized in the income statement, in line item 'Other operating income' when the right to receive such dividends is established.

Impairment losses on these financial instruments are recognized in the income statement, in line item 'Impairment losses on short-term investments' and derecognized from the 'Mark-to-market of available-for-sale financial instruments reserves'.

a) Reclassification of financial instruments

The classification of the financial instruments, represented by securities, that are part of Daycoval's portfolio, follows the guidelines established by IAS 39 *Financial Instruments: Recognition and Measurement* and also those established by Daycoval's management. The classification of the securities in the portfolio as well as those acquired during the six-month period ended June 30, 2013 are continuously reviewed by Management.

The classification of securities can only be reviewed when six-month balance sheets are prepared. In conformity with said Circular Letter and also based on a review, on June 30, 2013 Daycoval's management decided to transfer the amount of R$447,806 related to National Treasury Bills (LTNs) from the 'Held for trading' to the 'Available for sale' category.

If this reclassification were not made, the adjustment to fair value to be recognized in the income statement for the six-month period ended June 30, 2012 would correspond to an expense of R$8,369, net of taxes.

Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial measurement the amounts of 'Loans and receivables' are measured at amortized cost using the effective interest rate, net of the allowance for impairment losses. The amortized cost is calculated taking into account any discounts or premiums on acquisition and other rates and costs that are an integral part of the effective interest rate. Amortization is included in 'Interest income' in the income statement.

Impairment losses are recognized in the income statement, in line item 'Losses on financial assets – impairment – loans and receivables".

Issued debt and other fundraising

Financial instruments or their components issued by Daycoval, not measured at fair value through profit or loss, are classified as liabilities in 'Financial liabilities measured at amortized cost'. This occurs when the substance of a contractual agreement requires Daycoval to assume an obligation of delivering cash or another financial asset to the holder other than the exchange for a fixed cash amount or any other financial assets for a fixed amount of equity instruments.

After initial measurement, the debt issued and other fundraising are measured at amortized cost using the effective interest rate. The amortized cost is calculated taking into consideration any discount or premium on the issue and costs that are an integral part of the effective interest rate.

A hybrid financial instrument that contains both debt and equity components is separated on the issue date. A portion of the instrument's net income is allocated to the debt component, on the issue date, based on its fair value. The equity component is measured at its residual amount after deducting from the instrument's fair value as a whole valor the amount separated and determined for the debt component. The amount of any derivative feature (such as call options) included in the hybrid financial asset, except the equity component, is included in the debt component.

d) Derecognition of financial assets and financial liabilities

Financial assets

A financial asset or part of a financial asset or a group of similar financial assets is derecognized when, and only when:

- The right to the cash flows from the financial asset expire; or
- Daycoval transferred the right to receive the cash flows of the asset or has assumed the obligation to pay any cash flows received, at the total amount, to a third party due to an agreement where:
    - Daycoval substantially transferred of all the risks and rewards of the asset; or
    - Daycoval has not transferred or retained substantially all the risks and rewards of the asset, but there it has transferred of control over such asset.

When Daycoval transfers the right to receive an asset's cash flows or has entered into an onlending agreement, and has not substantially transferred or retained all the asset's risks and rewards, or has neither transferred the control over such asset, an asset is recognized to the extent of Daycoval's continuing involvement. In this case, Daycoval also recognizes a related liability. The transferred asset and the related liability are measured to reflect the rights and the obligations retained by Daycoval.

The continuing involvement that takes the form of guaranteeing the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of the consideration that Daycoval could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation when the related obligation is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same creditor under substantially different terms, or the terms of the existing liability are substantially modified, the change or modification is treated as a derecognition of the original liability and recognition of a new liability, and the difference in the carrying amount is recognized in profit or loss.

e) Repurchase agreements

Securities sold under agreements for repurchase in a future date are not derecognized from the balance sheet as Daycoval retains substantially all the risks and rewards of ownership. The corresponding cash received is recognized in the balance sheet as an asset with a return obligation, including interest allocated as a liability in 'Repurchase agreements', reflecting the economic substance of the transaction as a Daycoval debt.

The difference between sale and repurchase price is treated as interest expenses and is allocated over the agreement duration, using the effective interest rate.

When the counterparty has the right to sell or reoffer the securities as collateral, Daycoval reclassifies these securities in its balance sheet as 'Held-for-sale financial assets'.

The difference between purchase and resale price is recognized in 'Interest and similar income' and is allocated over the agreement duration, using the effective interest rate.

f) Fair value measurement

The best fair value evidence is the quoted price in an active market. If the market for a certain financial instrument is not active, Daycoval measured the fair value of such instrument using entity-specific pricing models. The purpose of using entity-specific pricing models to measure fair value is to establish what would be the transaction price on measurement date is an exchange conducted under market conditions, justified by regular market considerations.

These pricing models include the use of transactions conducted under usual market terms agreed between knowing and willing parties, if available, the current fair value of a similar instrument, a discounted cash flow analysis, and option pricing models. If a pricing model is usually used by market participants to price an instrument and it has been evidenced that such model provides reasonable estimates of prices obtained in actual market transactions, Daycoval could use such pricing model.

The pricing models used to measure the fair value of financial instruments adopted by Daycoval make the maximum use of market inputs and rely as little as possible on Daycoval-specific inputs. These pricing models incorporate all the factors that market participants would take into consideration to set prices and are consistent with generally accepted economic financial instrument pricing approaches.

Periodically, Daycoval reviews the fair value measurement pricing models, testing their validity, using the prices arising from any observable current market transactions involving the same instrument or based on any observable market inputs.

g) Impairment of financial assets

A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset, and if the loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

It might not be possible to identify a single, discrete event that caused the impairment of a financial asset or group of financial assets. Rather the combined effect of several events may have caused the impairment. Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    i. adverse changes in the payment status of borrowers in the group;
    ii. national or local economic conditions that correlate with defaults on the assets in the group.

Daycoval evaluates, at the end of each reporting period, if there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, Daycoval applies the following criteria:

- **Financial assets measured at amortized cost**

    For financial assets accounted for at amortized cost, such as: (i) receivables from banks; (ii) loans and receivables; and (iii) held-to-maturity short-term investments, Daycoval first assesses individually if there is evidence of impairment of individually significant financial assets, or collectively for financial assets that are not individually significant. If Daycoval determines that this evidence does not exist for an individually assessed asset, the asset is included in a group of financial assets with similar credit risk characteristics and collectively tests the group for impairment. Assets that are individually tested for impairment and for which an impairment loss is and continues to be recognized are not included in a collective impairment test.

    If there is objective evidence that an impairment loss was incurred, the loss amount is measured as the difference between the carrying amount of the asset and the present amount of the estimated future cash flows, except for future expected loan losses that have not yet been incurred. The carrying amount of the asset is written down using an allowance account and the loss amount is recognized in profit or loss.

    The interest income continues to be allocated to the net carrying amount of the allowance and is calculated based on the interest rate used to discount the future cash flows using to measure the impairment loss. The interest income is recognized as part of the 'Interest and similar income'.

Loans and the corresponding allowances are derecognized when recovery is no longer probable and the entire collateral was realized or transferred to Daycoval. If, in a subsequent time, the estimated impairment loss amount increasing or decreases due to an event that occurred after the impairment loss was recognized, the previously recognized impairment loss amount is increased or decreased by the adjustment to the allowance account.

The present value of the estimated future cash flows is discounted by the original effective interest rate of the financial assets. If a loan has a variable interest rate, the discount rate to measure any impairment loss is the current effective interest rate. If Daycoval reclassified its trading assets to loans and receivables, the discount rate used to measure any impairment loss becomes the new effective rate determined at the reclassification date. The calculation of the financial asset's estimated future cash flows pledged collateral reflects the cash flows that can result from the settlement less the costs incurred to obtain and sell the collateral, even if the settlement is not probable.

For collective impairment testing purposes, financial assets are grouped based on Daycoval's internal credit rating system, which takes into account the credit risk characteristics such as: (i) type of assets; (ii) industry; (iii) geography; (iv) type of collateral; (v) late payment status; and (vi) other material factors.

Future cash flows of a group of financial assets that are collectively tested for impairment are estimated based on the historical loss experience for assets with credit risk characteristics similar to those in the group. The historical loss experience is adjusted on the basis of observable data to reflect the effects of the current conditions on which historical loss experience is based and based remove the effects of the conditions in the historical period that do not currently exist.

Future cash flow estimates reflect and are directionally consistent with changes in the observable data from year to year (such as changes in unemployment, property prices, commodity quotations, payment status, and other factors that serve as indicators of losses incurred in the group or their magnitude). The terms and assumptions used in the future cash flow estimate are regularly reviewed to reduce any difference between estimated and actual losses.

See note 19 for details on impairment losses on financial assets held at amortized cost, to analyze the allowance for impairment losses on loans and receivables per type of financial instrument.

Available-for-sale short-term investments

For available-for-sale short-term investments, Daycoval evaluates if at the end of each reporting period there is objective evidence that an investment is impaired.

In the case debt instruments classified as available for sale, Daycoval tests them individually to determine if there is objective evidence of impairment based on the same criterion used for financial assets measured at amortized cost. The recognized impairment loss amount, however, is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss.

Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized as part of the 'Interest and similar income'. If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit or loss itself.

When there is evidence of an impairment loss, the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss is reversed to equity and recognized in profit or loss. Impairment losses on equity investments are not revered through profit or loss; increases in the fair value after impairment are recognized directly in equity.

h) Leasing

Determining whether an arrangement is, or at least contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Daycoval as the lessor

Leases that do not transfer to Daycoval substantially all the risks and rewards incidental to ownership of the leased asset are operating leases. Operating lease payments are recognized as expenses in the income statement using the straight-line method linear during the agreement term.

i) Revenue and expense recognition

Revenue is recognized when it is probable that future economic benefits will flow to Daycoval and the revenue can be reliably measured. The specific recognition criteria described below must also be met before revenue is recognized:

Interest income and expenses

For all financial instruments measured at amortized cost, financial assets classified as available for sale and financial instruments measured at fair value through profit or loss, interest income or expenses are recognized using the effective interest rate, which is the rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability.

The calculation of the effective interest rate takes into account all the contractual terms of the financial instrument, including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective rate, but not future credit losses.

The carrying amount of the financial asset is adjusted if Daycoval revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original interest rate and adjustment to the carrying amount is recognized in ‘Other operating income’. However, for a reclassified financial asset for which Daycoval subsequently increases its estimate of future cash receipt as a result of increased probability of recovery of future cash receipts, the effect of the increase is recognized as an adjustment in the effective rate as from the date of change in the estimate.

Once the recorded value of a financial asset or a group of similar financial assets is derecognized due to an impairment loss, interest income continues to be recognized using the interest rate used to discount the future cash flow used to measure the impairment loss.

Fees and commissions

Daycoval earns revenue from fees and commissions charged on several types of services it provides to its customers. Revenues from fees are segregated into the following categories:

Service fees without a determined period

Fees earned on the provision of services throughout a given period are recorded over the same period. These fees include commission and asset management income, custody and other management and advisory fees.

Transaction service fees

Fees earned on trading or participation in trading with third parties, for example, contract for the purchase of shares or other securities or the purchase or sale of a business, are recognized at the end of the transaction that generated the fees. Fees or fee components that are probably related to specific performance are recognized after meeting the specific criteria.

Income from dividends

Income from dividends is recognized when Daycoval has the right to receive the payment.

Net trading income

Net trading income includes all the gains and losses arising on changes in the fair value and interest income or expenses de interest, and dividends from held-for-trading financial assets and financial liabilities.

j) Cash and cash equivalents

Cash and cash equivalents as referred to in the statements of cash flows include cash on hand, unrestricted bank accounts and receivables from banks available or with original maturities of three months or less, subject to an immaterial risk of change in market value.

k) Property, plant and equipment

Property, plant and equipment is accounted for at cost excluding maintenance cost, less accumulated depreciation and accumulated impairment losses, when applicable. Changes in the estimated useful lives are accounted for as changes in amortization method or period, and appropriately treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual value over their estimated useful lives. Land is not depreciated. The estimated useful lives of property, plant and equipment items are as follows:

- Buildings 25 years
- Computer hardware and vehicles 5 years
- Other furniture and equipment 10 year

A property, plant and equipment item is derecognized upon its disposal or when no further economic benefit is expected from its continued use. Any gain or loss arising on disposal (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in ‘Other operating income', in the income statement for the year the item was sold.

At the end of each reporting period, Daycoval assess whether there is indication that its tangible assets might be impaired, i.e., whether the carrying amount of an asset exceeds its probable realizable value, either through use or sale. Properties are tested for impairment based on reports prepared by independent companies.

Once an impaired tangible asset is identified, its carrying amount is written down to the realizable value by recognizing an impairment loss, in losses on other assets. In addition, this asset's depreciation amount is recalculated to adjust it useful life.

When there is evidence or indication that a tangible asset has been recovered, Daycoval reverses the impairment loss recognized in previous periods and adjusted the future depreciation expenses according to the asset’s useful life. In no circumstance can a reversal increase its carrying amount above the amount that the asset would have if no impairment loss had been recognized in previous periods.

l) Intangible assets

Daycoval’s intangible assets include the amount of computer software. An intangible asset is recognized only when its cost may be reliably measured and it is probable that expected future economic benefits will flow to Daycoval.

Following initial recognition, intangibles are stated at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets can have either finite or indefinite useful lives.

Intangible assets with finite useful lives are amortized over their useful lives. The amortization period and method de amortization of an intangible asset with finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of profit and loss in the expense category consistent with the function of the intangible assets.

Amortization is calculated using the straight-line method to write down the cost of the intangible assets to their residual values over their useful lives. For computer software, Daycoval uses a two-year period as its useful life.

m) Impairment of nonfinancial assets

At the end of each reporting period Daycoval conducts a test to determine whether or not an asset might be impaired. When such indication exists, or an impairment test is required, Daycoval estimates the recoverable amount of its assets. The recoverable amount of an asset is the higher of the fair value of the asset of its cash-generating unit less the costs to sell and its current value in use.

When the carrying amount of the asset of cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable value. Estimated future cash flows are discounted to present value to determine the value-in-use using a discount rate that reflects a current market valuation rate of the present value and the specific risks for the asset.

An appropriate valuation model is used to determine the fair value less the sales price. These calculations are made using valuation multiples and other available fair value indicators.

All assets, except goodwill, are valuated at the end of each reporting period to assess if there is any indication that previously recognized impairment losses no longer exist or might have decreased. if such indications exist, Daycoval recalculates the recoverable amounts of the assets of cash-generating units.

Previously recognized impairment losses are reversed only if there have been changes in the assumptions used to determine a asset’s recoverable amount since the last time the impairment losses value were recognized.

The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset in prior years. Such reversal is recognized in the income statement.

n) Financial guarantees

Daycoval provides its customers financial guarantees, through credit letter, collaterals, and forward exchange bills. Financial guarantees are initially recognized in the financial statements as ‘Other liabilities’ at fair value, when the premium is received. After initial recognition, Daycoval’s liabilities arising on each guarantee are measured as the greater of the amount initially recognized less the value of accumulated amortization recognized in the profit or loss, when appropriate, and the best estimate of the costs required to settle any financial obligation generated by this guarantee.

The premium received is recognized in profit or loss, in ‘Fees and commissions’ using the straight-line method, based on the agreement term.

o) Provisions

Provisions are recognized when Daycoval has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources incorporating economic benefits will be required to settle the obligation. The expense related to any provision is disclosed in the income statement, net of any reimbursement.

p) Contingent assets, provision for contingencies and legal obligations

Contingent assets, the provision for contingencies, and any legal, tax or social security obligations are recognized, measured and disclosed as follows:

- Contingent assets - are not recognized in the financial statements, except when there is evidence that they will materialize and when they are no longer subject to appeals.
- Provisions - are recognized in the financial statements when, based on the opinion of the legal counsel and management, the risk of loss in an administrative or judicial proceeding is considered probable, with a probable disbursement of resources to settle the obligations, and whenever the amounts involved can be reliably measured. Contingent liabilities classified by the legal counsel as possible loss are disclosed in notes to the financial statements whereas those classified as remote loss are not provided a reserve nor disclosed.
- Legal obligations (tax and social security) - refer to lawsuits challenging the legality and constitutionality of certain taxes and contributions. The amount under litigation is quantified, accrued and adjusted on a monthly basis.

q) Share-based payment transactions

The main purposes of the Stock Option Plan are: (i) stimulate Daycoval's expansion, by creating incentives aimed at a better integration of its employees as Daycoval shareholders; (ii) allow Daycoval to retain its staff by offering them an additional advantage and incentive, the opportunity to become Daycoval shareholders, under the terms, conditions and formats provided for in the Plan; and (iii) promote Daycoval's good performance and the interests of its shareholders under the long-term commitment of its executives, managers, and employees.

Those eligible to the Plan are the executives, managers, employees of Daycoval and its direct or indirect subsidiaries, and individuals who provide services to Daycoval or its subsidiaries.

Equity-settled transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Daycoval uses a statistical pricing model to determine this fair value. For more detail on this determination see note 38.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at the end of each reporting period, until the vesting date, reflects the extent to which the vesting period has expired and Daycoval's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition (condition linked to the Daycoval stock price), which are treated as vested. This occurs irrespective of whether or not the market conditions are satisfied, provided that all other vesting conditions are satisfied.

Similarly, awards of equity instruments with non-vesting conditions are treated as vesting if all vesting conditions that are not market conditions are met, irrespective of whether the non-vesting conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense is the expense recognized in 'Personnel expenses' as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

r) Taxes

Current tax

The tax rates and the tax laws used to compute the liability are those that are enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax arises on temporary differences at the end of the reporting period between asset and liability tax bases and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all temporary differences, except:

- When the deferred tax liability arises on the initial recognition of goodwill or an asset or a liability in a transaction other than a business combination and that, at the transaction date, does not affect the accounting income or the tax income or loss; and
- It is related to differences arising on investments in subsidiaries, where the timing of the temporary difference reversal can be controlled and it is probable that this will not be reversed in the near future.

Deferred tax assets are recognized for all deductible temporary differences, and unutilized tax credits and tax losses, to the extent that it is probable that sufficient taxable income will be available against which temporary deductible differences can be utilized, except:

- Where the deferred tax asset related to a deductible temporary difference arises on the initial recognition of an asset or a liability in a transaction other than a business combination and that, at the transaction date, does not affect the accounting income or the tax income or loss; and
- With respect to deductible temporary differences associated to investments in subsidiaries, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the near future and that taxable income will be available against which temporary deductible differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and derecognized to the extent that it is no longer probable that taxable income will be available to allow the utilization of all or part of the deferred tax asset. Deferred tax assets that are derecognized are revalued at the end of each reporting period and recognized to the extent that its becomes probable that future taxable income will be available to allow the recovery of deferred tax assets.

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

Current tax and deferred tax related to items recognized directly in equity is also recognized in equity and not in the income statement.

Deferred tax assets and liabilities are stated on a net basis if there is a legal or contractual right to offset the current tax asset against the current tax liability, and deferred taxes are related to the same taxable entity and subject to the same tax authority.

s) Treasury shares and arrangements with own shares

Daycoval’s own equity instruments that are bought back or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for using the weighted average cost. Amounts paid or received on the purchase, sale, issue or cancellation of own equity instruments are recognized directly in equity.

No gain or loss arising on the purchase, sale, issue or cancellation of own equity instruments is recognized in the income statements or statements of comprehensive income.

t) Dividends

Dividends are recognized as a liability and deducted from equity when approved by the Daycoval’s shareholders. Dividends on equity at interim dates are deducted from equity when declared and are not subject to a future decision by Daycoval.

Dividends for the year approved after at the end of the reporting period are disclosed as an event after at the end of the reporting period.

u) Capital reserves

Reserves accounted for in equity Daycoval include:

- ‘Mark-to-market of available-for-sale financial instruments reserves’ - comprises the changes in the fair value of investments classified as available for sale.
- “Other earnings reserves’ (note 34.g)) - comprise the following reserves: (i) legal – mandatorily set up as 5% of net income until it reaches 20% of the realized capital, as per prevailing law; (ii) unrealized earnings: recognized based on unrealized profits of indirect subsidiary; and (iii) bylaws – recognized as provided for by Daycoval’s bylaws.

v) Reporting segments

Daycoval’s segment reporting is based on the followings operating segments: (i) financial segment; (ii) asset management segment; (iii) insurance and pension fund segment; and (iv) other segments.

w) Earnings per share

Daycoval reports basic and diluted earnings per common share and preferred share. Basic earnings per share are calculated by dividing the profit or loss attributable to holders of Daycoval common and preferred shares by the weighted average number of common and preferred shares outstanding during the year. Diluted earnings per common and preferred share are calculated by adjusting the profit or loss attributable to holders of Daycoval common and preferred shares and the weighted average number of outstanding common and preferred shares for the effects of all potentially dilutive common and preferred shares.

4. Segment information

For management purposes, Daycoval is organized into four operating segments based on products and services, as follows:

- Financial segment - handles individual customer deposits and provides loan, overdraft, credit card, and wire transfer services, and performs treasury, finance and other core functions;
- Asset management segment - services to institutional investors and intermediaries by providing financial asset management through investment funds; and
- Insurance and pension fund segment - offers life insurance and open-end supplementary pension funds, by operating lump-sum and annuity plans, consisting of the plans' participants’ contributions.

Management manages the results of business units’ operations separately in order to make decisions about fund allocation and performance assessment. Segment performance is assessed based on the profit or loss of the operation, which is certain cases is measured differently for operating income or loss in the IFRS consolidated financial statements.

The table shows the information on the income statements and total assets and liabilities related to Daycoval’s operating segments, for the years ended December 31, 2013 e de 2012:

Income statements by segment:	Financial segment	Assets management	Insurance and pension fund (1)	Other (2)	Total
			2013		
Interest and similar income	1,707,055	1,500	1,791	1,898	1,712,244
Interest and similar expenses	(933,358)	-	-	-	(933,358)
Interest and similar income, net	**773,697**	**1,500**	**1,791**	**1,898**	**778,886**
Gains (losses) on financial assets and financial liabilities	**192,982**	**-**	**2,063**	**-**	**195,045**
Assets and liabilities for trading	**269,370**	**-**	**2,063**	**-**	**271,433**
Interbank investments	141,232	-	-	-	141,232
Securities	1,736	-	2,063	-	3,799
Derivatives	126,402	-	-	-	126,402
Liabilities measured at fair value	**(76,388)**	**-**	**-**	**-**	**(76,388)**
Losses on sale of available-for-sale financial assets	**(2,515)**	**-**	**-**	**-**	**(2,515)**
Gains on foreign exchange operations	**155,567**	**-**	**-**	**-**	**155,567**
Fees and commissions	**25,605**	**17,618**	**-**	**2,681**	**45,904**
Other operating income	**208,730**	**2**	**2,996**	**8,147**	**219,875**
Total operating income	**1,354,066**	**19,120**	**6,850**	**12,726**	**1,392,762**
Administrative expenses	**(463,923)**	**(6,790)**	**(2,301)**	**(29,963)**	**(502,977)**
Personnel expenses	(204,105)	(5,333)	-	(14,492)	(223,930)
Tax expenses	(77,845)	(996)	(749)	(4,101)	(83,691)
Other administrative expenses	(181,973)	(461)	(1,552)	(11,370)	(195,356)
Expenses on other provisions	**(1,556)**	**-**	**-**	**-**	**(1,556)**
Other operating income (expenses)	**(77,924)**	**-**	**(2,074)**	**(4,369)**	**(84,367)**
Impairment losses on assets financial assets	**(478,489)**	**-**	**-**	**-**	**(478,489)**
Loans and receivables	(478,489)	-	-	-	(478,489)
Losses on sale of available-for-sale noncurrent financial assets	**(7,230)**	**-**	**-**	**-**	**(7,230)**
Depreciation and amortization	**(1,831)**	**-**	**-**	**(385)**	**(2,216)**
Total operating and administrative expenses	**(1,030,953)**	**(6,790)**	**(4,375)**	**(34,717)**	**(1,076,835)**
Pretax income	**323,113**	**12,330**	**2,475**	**(21,991)**	**315,927**
Income tax and social contribution expenses	**(78,422)**	**(2,433)**	**(965)**	**(2,477)**	**(84,297)**
Income tax	(128,333)	(1,783)	(594)	(1,812)	(132,522)
Social contribution	(79,373)	(650)	(371)	(665)	(81,059)
Deferred tax assets	129,284	-	-	-	129,284
Noncontrolling interests	**-**	**-**	**(46)**	**-**	**(46)**
Net Income	**244,691**	**9,897**	**1,464**	**(24,468)**	**231,584**
Intersegment profit (loss) (3)	**(31,686)**	**88**	**-**	**31,598**	**-**
Total assets	14,413,274	23,256	53,211	84,778	**14,574,519**
Total liabilities	12,103,152	2,165	29,315	5,789	**12,140,421**
Intersegment transactions (3)	(89,031)	1,106	11	87,914	**-**

Income statements by segment:	2012 Financial segment	Assets management	Insurance and pension fund (1)	Other (2)	Total
Interest and similar income	1,645,223	783	1,716	11,732	1,660,454
Interest and similar expenses	(886,097)	-	-	-	(886,097)
Interest and similar income, net	**759,126**	**783**	**1,716**	**11,732**	**774,357**
Gains (losses) on financial assets and financial liabilities	**507,026**	**-**	**2,178**	**(1,820)**	**507,384**
Assets and liabilities for trading	**338,465**	**-**	**2,178**	**-**	**340,643**
Interbank investments	151,448	-	-	-	151,448
Securities	44,863	-	2,178		47,041
Derivatives	142,154	-	-	-	142,154
Assets measured at fair value	**4,639**				**4,639**
Gain (loss) on the sale of available-for-sale financial assets	**21,202**	**-**	**-**	**(1,820)**	**19,382**
Gain on foreign exchange transactions	**142,720**	**-**	**-**	**-**	**142,720**
Fees and commissions	**23,923**	**12,675**	**-**	**1,011**	**37,609**
Other operating income	**146,373**	**4**	**27,892**	**4,727**	**179,501**
Total operating income	**1,437,448**	**13,462**	**31,786**	**16,155**	**1,498,851**
Administrative expenses	**(484,963)**	**(6,840)**	**(2,528)**	**(20,939)**	**(515,270)**
Personnel expenses	(194,422)	(5,463)	-	(9,897)	(209,782)
Tax expenses	(75,579)	(717)	(695)	(2,742)	(79,733)
Other administrative expenses	(214,962)	(660)	(1,833)	(8,300)	(225,755)
Expenses on other provisions	**(2,227)**	**-**	**-**	**-**	**(2,227)**
Other operating income (expenses)	**(41,579)**	**-**	**(27,021)**	**(3,237)**	**(71,837)**
Impairment losses on financial assets	**(367,669)**	**-**	**-**	**-**	**(367,669)**
Loans and receivables	(367,669)	-	-	-	(367,669)
Gain (loss) on the sale of available-for-sale noncurrent financial assets	**(11,058)**	**-**	**-**	**10**	**(11,048)**
Depreciation and amortization	**(1,732)**	**-**	**-**	**(413)**	**(2,145)**
Total operating and administrative expenses	**(909,228)**	**(6,840)**	**(29,549)**	**(24,579)**	**(970,196)**
Pretax income	**528,221**	**6,622**	**2,237**	**(8,424)**	**528,655**
Income tax and social contribution expenses	**(159,491)**	**(1,651)**	**(869)**	**(5,243)**	**(167,254)**
Income tax	(141,954)	(1,208)	(534)	(3,843)	(147,539)
Social contribution	(87,053)	(443)	(335)	(1,400)	(89,231)
Deferred tax assets	69,516	-	-	-	69,516
Noncontrolling interests	**-**	**-**	**(42)**	**-**	**(42)**
Net Income	**368,729**	**4,971**	**1,326**	**(13,667)**	**361,359**
Intersegment profit (loss) (3)	**(24,147)**	**84**	**-**	**24,063**	**-**
Total assets	12,344,460	13,630	49,171	79,580	**12,486,618**
Total liabilities	10,254,036	2,462	26,793	8,646	**10,291,937**
Intersegment transactions (3)	(89,683)	1,044	14	88,625	**-**

(1) Total other operating income (expenses) of the Insurance and pension fund segment refers to result of its operations.

(2) The operating segment called 'Other' includes the operations of the companies ACS Participações Ltda., and its subsidiaries Treetop Investments Ltd., IFP Promotora de Serviços de Intermediação Financeira Ltda., and SCC Assessoria em Cadastro e Cobrança Ltda.

(3) Total intersegment transactions and intersegment profit (loss) refers to short-term investments of the consolidated companies, in debt issued by Daycoval and the related income from these transactions. As described in note 3.1., all the balances related to the transactions and the corresponding income and losses are eliminated on the consolidation of these financial statements.

Geographical information

Daycoval concentrates its operations in Brazil and uses its foreign branch, headquartered in the Cayman Islands, as an important source in the fundraising and funding diversification process.

The table shows the distribution of Daycoval's net operating revenue based on its place of operation for the year ended December 31, 2013 e de 2012:

	2013		
Income statement	**Cayman Island**	**Brazil**	**Total**
Net interest income (expense)	3,626	775,220	778,886
Gains (losses) on financial assets and financial liabilities	-	348,097	348,097
Fees and commissions	-	45,905	45,905
Other operating income	371	219,504	219,875
Total operating income (expenses)	**3,997**	**1,388,726**	**1,392,763**
Administrative expenses	(671)	(502,306)	(502,977)
Expenses on nonoperating provisions	-	(1,556)	(1,556)
Other operating income (expenses)	(153)	(84,214)	(84,367)
Impairment losses on financial assets	-	(478,489)	(478,489)
Gain (loss) on the sale of available-for-sale noncurrent financial assets	-	(7,230)	(7,230)
Depreciation expenses	-	(2,216)	(2,216)
Total operating and administrative expenses	**(824)**	**(1,076,011)**	**(1,076,835)**
Pretax income	**3,173**	**312,754**	**315,927**
Income tax and social contribution expenses	-	(84,297)	(84,297)
Noncontrolling interests	-	(46)	(46)
Net Income	**3,173**	**228,411**	**231,584**

	2012		
Income statement	**Cayman Island**	**Brazil**	**Total**
Net interest income (expense)	4,179	770,178	774,357
Gains (losses) on financial assets and financial liabilities	(2,153)	509,537	507,384
Fees and commissions	-	37,609	37,609
Other operating income	313	179,188	179,501
Total operating income (expenses)	**2,339**	**1,496,512**	**1,498,851**
Administrative expenses	(175)	(515,095)	(515,270)
Expenses on nonoperating provisions	-	(2,227)	(2,227)
Other operating income (expenses)	-	(71,837)	(71,837)
Impairment losses on financial assets	-	(367,669)	(367,669)
Gain (loss) on the sale of available-for-sale noncurrent financial assets	-	(11,048)	(11,048)
Depreciation expenses	-	(2,145)	(2,145)
Total operating and administrative expenses	**(175)**	**(970,021)**	**(970,196)**
Pretax income	**2,164**	**526,491**	**528,655**
Income tax and social contribution expenses	-	(167,254)	(167,254)
Noncontrolling interests	-	(42)	(42)
Net Income	**2,164**	**359,195**	**361,359**

5. Interest and similar income

	2013	2012
Income from loans and receivables	1,624,170	1,583,156
Income from available-for-sale financial assets	88,074	77,298
Total interest income	**1,712,244**	**1,660,454**

6. Interest and similar expenses

	2013	2012
Deposits from financial institutions and customers	(262,029)	(380,409)
Money market funding – repurchase agreements	(4,018)	(5,638)
Payables from debt securities issued (1)	(515,331)	(315,418)
Borrowings and onlendings	(113,769)	(158,986)
Contribution to the Loan Guarantee Fund	(5,182)	(5,688)
Other	(33,029)	(19,958)
Total interest expenses	**(933,358)**	**(886,097)**

(1) In 2012, includes gains on changes in foreign exchange rates amounting to R$34,260.

7. Gains (losses) on financial assets and financial liabilities

	2013	2012
Trading financial assets and financial liabilities	**271,433**	**340,643**
Interbank investments	**141,232**	**151,448**
Securities	**3,799**	**47,041**
Derivatives	**126,402**	**142,154**
Swap transactions	142,439	149,898
Forwards transactions	127	10
Futures transactions	(16,164)	(7,754)
Financial assets and financial liabilities measured at fair value	**(76,388)**	**4,639**
Financial liabilities		
Foreign borrowings and onlendings (1)	(76,388)	4,639
Gain on the sale of available-for-sale financial assets	**(2,515)**	**19,382**
Gain on the sale of financial assets	268	21,630
Losses on the sale of financial assets	(2,783)	(2,248)
Gain on foreign exchange transactions	**155,567**	**142,720**
Gain on foreign exchange transactions	212,640	243,579
Losses on foreign exchange transactions	(57,073)	(100,859)
Total gains (losses) on financial assets and financial liabilities	**348,097**	**507,384**

(1) Payables from borrowings and onlendings as at December 31, 2013 are broken down as follows: (i) interest expenses amounting to R$12,201 (R$14,560 in 2012); (ii) expenses on changes in foreign exchange rates amounting to R$55,982 (gains of R$9,598 in 2012); and (iii) losses on valuation at fair value amounting to R$8,205 (gains of R$9,601 in 2012).

8. Fees and commissions

	2013	2012
Income from fees and commissions from services provided		
Investment fund management	17,618	12,675
Brokerage income	718	546
Banking fee income	20,718	17,945
Total income from fees and commissions from services provided	**39,054**	**31,166**
Income from guarantees provided	6,850	6,443
Total fees and commissions	**45,904**	**37,609**

9. Other operating income

	2013	2012
Income from securities and credits receivable – without loan characteristics	147,466	128,598
Adjustments to escrow deposits – linked to contingent liabilities	44,890	34,503
Interest charged on late payments	2,551	2,523
Gains (losses) on insurance transactions	2,798	2,982
Exchange differences on translating investment in foreign branch	11,356	6,461
Reversal of operating provisions	5,388	668
Other operating income	5,426	3,766
Total other operating income	**219,875**	**179,501**

10. Administrative expenses

	2013	2012
Personnel expenses		
Salaries and fees	(123,409)	(108,106)
Benefits	(24,670)	(21,302)
Payroll taxes	(36,158)	(34,463)
Profit sharing program	(38,354)	(43,959)
Share-based compensation	(854)	(1,552)
Other personnel expenses	(485)	(400)
Total personnel expenses	**(223,930)**	**(209,782)**
Tax expenses		
Sundry tax expenses	(3,435)	(3,363)
ISS (service tax) expenses	(5,372)	(4,958)
COFINS (tax on revenue)	(64,292)	(58,831)
PIS/PASEP (tax on revenue)	(10,592)	(12,581)
Total personnel expenses	**(83,691)**	**(79,733)**
Other administrative expenses		
Public utilities (water, power and gas)	(1,325)	(1,391)
Rentals and insurance	(17,878)	(16,028)
Lease expenses	(4,102)	(4,176)
Communication	(7,534)	(6,981)
Membership fees	(4,825)	(4,183)
Asset maintenance and upkeep cost	(3,447)	(2,066)
Consumables	(2,813)	(2,101)
Data processing expenses	(25,525)	(18,490)
Promotions, advertising and publications	(9,862)	(7,973)
Outside, technical and specialized services	(93,328)	(141,895)
Other administrative expenses	(24,717)	(20,471)
Total other administrative expenses	**(195,356)**	**(225,755)**

11. Other operating expenses, net

	2013	2012
Expenses on adjustments to taxes	(48,155)	(44,704)
Other operating expenses (1)	(36,212)	(27,133)
Total other operating expenses	**(84,367)**	**(71,837)**

(1) Other operating expenses consist basically of: (i) set up of provision for civil and labor contingencies amounting to R$8,382 (R$10,792 in 2012); (ii) discounts granted in loan transactions amounting to R$17,500 (R$5,775 in 2012); and (iii) changes in foreign exchange rates amounting to R$6,718 (R$4,338 in 2012).

12. Gain (loss) on the sale of available-for-sale noncurrent financial assets

	2013	2012
Profit on the sale of repossessed assets – available for sale	6,184	522
Loss on the sale of repossessed assets – available for sale	(13,414)	(11,570)
Loss on the sale of available-for-sale noncurrent financial assets	**(7,230)**	**(11,048)**

13. Income tax

Reconciliation of income tax and social contribution expenses

The reconciliation of income tax and social contribution expenses and the accounting profit calculated at the tax rates prevailing for the years ended December 31, 2013 and 2012 is as follows:

	2013	2012
Profit before taxes on income and profit sharing	**357,982**	**566,122**
(-) Interest on capital	(112,272)	(108,748)
(-) Profit sharing	(38,354)	(43,959)
Pretax income	**207,356**	**413,415**
Add-backs	**852,287**	**379,541**
Temporary	828,508	363,848
Permanent/other	23,779	15,693
Deductions	**(526,191)**	**(332,703)**
Temporary	(482,877)	(311,287)
Permanent/other	(43,314)	(21,416)
Income tax and social contribution base	**533,452**	**460,253**
Income tax and social contribution at statutory rates (1)	(213,581)	(238,013)
Recognition/reversal of tax credits and or deferred tax liabilities	129,284	70,760
Income tax and social contribution expenses	**(84,297)**	**(167,253)**

(1) The income tax and the social contribution are calculated based on the BRGAAP net income and any possible tax adjustments arising from the adoption of IFRS are recognized as temporary differences.

Deferred taxes

The table below shows the origin of the deferred tax assets and liabilities:

		2013		
	2012	Recognition	Realization	2013
Tax assets:				
Deferred income tax and social contribution on:				
Provision for tax contingencies	132,908	24,631	(7,248)	150,291
Allowance for doubtful debts	88,043	178,949	(94,789)	172,203
Mark-to-market of securities and derivatives	10,532	104,891	(78,546)	36,877
Other temporary additions	78,308	23,592	(1,434)	100,466
Total tax assets on temporary differences	**309,791**	**332,063**	**(182,017)**	**459,837**
Deferred tax liabilities:				
Deferred income tax and social contribution on:				
Mark-to-market of securities and derivatives	23,316	52,001	(64,017)	11,300
Unrealized gains (losses) on derivatives	7,305	52,696	(45,297)	14,704
Other	40,542	17,761	-	58,303
Total deferred tax liabilities on temporary differences	**71,163**	**122,458**	**(109,314)**	**84,307**

		2012		
	2011	Recognition	Realization	2012
Tax credits:				
Deferred income tax and social contribution on:				
Provision for tax contingencies	106,179	26,729	-	132,908
Allowance for doubtful debts	34,301	147,958	(94,216)	88,043
Mark-to-market of securities and derivatives	10,810	21,664	(21,942)	10,532
Other temporary additions	56,836	23,572	(2,100)	78,308
Total tax assets on temporary differences	**208,126**	**219,923**	**(118,258)**	**309,791**
Deferred tax liabilities:				
Deferred income tax and social contribution on:				
Mark-to-market of securities and derivatives	8,750	59,186	(39,817)	28,119
Unrealized gains (losses) on derivatives	1,156	13,919	(8,351)	6,724
Other	26,770	12,558	(29)	39,299
Total deferred tax liabilities on temporary differences	**36,676**	**85,663**	**(48,197)**	**74,142**

Realization forecast of deferred tax assets:

	2013		
	Temporary differences		Total deferred taxes
Realization within:	Income tax	Social contribution	
1 year	110,914	66,680	177,594
2 years	2,033	1,220	3,253
3 years	122,475	61,819	184,294
4 years	7,522	4,513	12,035
5 years	62,208	20,453	82,661
Total	**305,152**	**154,685**	**459,837**

	2012		
	Temporary differences		Total
Realization within:	Income tax	Social contribution	deferred taxes
1 year	55,488	33,294	88,782
2 years	14	8	22
3 years	94,662	45,131	139,793
4 years	63,303	17,891	81,194
Total	**213,467**	**96,324**	**309,791**

The present value of the total tax assets by Daycoval as at December 31, 2013 is R$383,144 (R$270,882 in 2012) and was calculated based on the expected realization of temporary differences, discounted at Daycoval's average borrowing rate, projected for the five subsequent annual periods.

The earnings projections that allow generating a tax basis take into consideration macroeconomic assumptions, foreign exchange and interest rates, and the forecast of new financial and other transactions. Actual results could differ from those estimates.

14. Earnings per share

Basic earnings per share are calculated by dividing profit attributable to the holders of Daycoval common and preferred shares by the weighted average number of common and preferred shares outstanding during the year. The weighted average number of preferred shares is calculated net of treasury shares.

Diluted earnings per share are calculated by dividing net income attributed to the holders of Daycoval common and preferred shares, after the adjustment related to interest on capital, by the weighted average number of common and preferred shares outstanding during the year.

The table below shows the profit or loss and share data used to calculate basic and diluted earnings per share:

	2013	2012
Net Income	**231,584**	**361,359**
Weighted average number of common and preferred shares used to calculate basic earnings per share		
Average number of shares		
Common	157,179,469	142,418,179
Preferred	89,041,929	73,457,149
Basic earnings per share in Brazilian reais (R$)		
Common	0.94	1.67
Preferred	0.94	1.67
Diluted earnings per share in Brazilian reais (R$)		
Common	0.92	1.30
Preferred	0.92	1.30
Net Income attributable to each type of share		
Common	147,835	238,397
Preferred	83,749	122,962
Net Income per type of share (1)		
Common	145,293	209,473
Preferred	86,291	151,886

(1) *Net Income per type of share was calculated by adding to the average number of preferred shares as at December 31, 2013 and 2012: (i) total Daycoval stock options granted to be exercised of 1,304,538 stock options (1,456,574 stock options in 2012), as described in note 38.V.; and (ii) 3,003,905 preferred shares (41,731,253 preferred shares and 18,451,163 common shares in 2012) to be issued as a result of the exercise of the convertible subscription warrants linked to Bank Certificates of Deposit (CDBs), as described in note 27, on the Investment and subscription warrant issue agreement.*

15. Cash and cash equivalents

	2013	2012
Cash	28,108	17,792
Deposits with other banks	350	61
Free reserves with the Central Bank of Brazil	-	6,371
Cash in foreign currency abroad	7,371	4,033
Cash in foreign currency in Brazil	55,539	41,011
Repurchase agreements (1)	1,187,939	1,451,815
Financial assets maturing within 90 days	-	109,754
Foreign-currency short-term investments	9,252	79,064
Total	**1,288,559**	**1,709,901**

(1) Money market investments included in 'Cash and cash equivalents' are stated on a net basis, recorded in line item 'Money market investments - third-party portfolios", which as at December 31, 2013 amounts to R$708,039 (R$781,213 in 2012).

16. Financial assets measured at fair value

a) Per instrument classification and type

	2013	
	Curve value	**Fair value**
Classification		
Held-for-trading financial assets	145,121	145,121
Available-for-sale financial assets	1,249,575	1,217,458
Type of instrument		
Held-for-trading financial assets		
Investment units	29,119	29,119
Money market investments (with maturities exceeding 90 days)	116,002	116,002
Total	**145,121**	**145,121**
Type of instrument		
Available-for-sale financial assets		
Federal government securities	906,667	881,067
Debt securities issued by private sector entities abroad	103,858	97,425
Equity instruments	3,728	3,644
Investment fund units	235,322	235,322
Total	**1,249,575**	**1,217,458**
Total financial assets measured at fair value	**1,394,696**	**1,362,579**

	2012	
	Curve value	Fair value
Classification		
Held-for-trading financial assets	426,299	435,197
Available-for-sale financial assets	566,004	570,096
Type of instrument		
Held-for-trading financial assets		
Investment units	25,835	25,835
Federal government securities	281,322	290,220
Interbank deposits (with maturities exceeding 90 days)	119,142	119,142
Total	**426,299**	**435,197**
Type of instrument		
Available-for-sale financial assets		
Federal government securities	252,707	252,955
Debt securities issued by private sector entities abroad	86,555	89,347
Equity instruments	3,117	4,169
Investment fund units	223,625	223,625
Total	**566,004**	**570,096**
Total financial assets measured at fair value	**992,303**	**1,005,293**

17. Derivatives (held-for-trading assets and liabilities)

At their inception derivatives involve only a mutual exchange of promises with little or no transfer of cash. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of Daycoval.

Over-the-counter derivatives may expose Daycoval to the associated with the absence of an exchange market on which to close out an open position.

Daycoval exposure under derivative contracts is closely monitored as part of the overall management of Daycoval's market risk (note 42).

Futures and forwards

Futures and forwards are contractual agreements to either buy or sell a specific a financial instrument at a specific price and date in the future. Forward contracts are customized contracts trade in an over-the-counter market. Futures are traded in standardized amounts on organized exchanges and are subject to daily cash margining.

The main differences in risk associated with forward contracts and futures are the credit and liquidity risks. Daycoval is exposed to credit risk with regard to the consideration in forward contracts. The credit risk associated with futures is considered minimal due to the cash margining requirements for transactions that help to guarantee that the contracts will always be honored.

Forward contracts are settled on a gross basis and, therefore, they carry a higher liquidity risk than the futures, which are settled on a net basis. Both types of contracts result in exposure to market risks.

Swaps

Swaps are contractual agreements between two parties to exchange payments flows over time based on based on a specific notional amounts, related to changes in a specified rate from which it is derived, such as for example, an interest rate, foreign exchange fluctuations, or an equity ratio.

Interest rate swaps are contracts entered into by Daycoval with other financial institutions where Daycoval receives or pays a fixed or floating interest rate in exchange from the receipt or payment a floating or fixed interest rate, respectively. The payment flows are generally netted against each other with the difference being paid by one party to the other.

In a currency swap, Daycoval pays a specified amount of a type of currency and receives a specified amount in another type of currency. Currency swaps are generally settled on a gross basis.

Derivatives held or issued for trading purposes

A substantial portion of Daycoval's derivative trading activities is associated with agreements with customers, which are eliminated by transactions with other counterparties. Daycoval can also take positions in which it seeks to profit from favorable movements in prices, rates or indices.

The derivative agreements also include the positions taken by Daycoval for hedge accounting purposes, especially the issues abroad and other foreign currency-denominated funding, as also other exposures to market risks that other financial assets and financial liabilities might have material impacts for Daycoval, even if such derivatives do not meet the hedge accounting criteria of IAS 39.

The table below shows the fair value of derivatives, recognized as assets and liabilities, with their corresponding notional amounts. The notional amount, recognized on a gross basis, is the amount that represents the derivative, benchmark rate or index, and the basis by which movements in the derivative amounts are measured. The notional amounts indicate the transaction volume outstanding at the end of the reporting period, but do not provide inputs on market risk or credit risk.

The differences receivable and payable and daily adjustments paid or received for derivatives are recorded in the respective balance sheet accounts 'Derivatives' as a balancing item to the corresponding profit or loss accounts 'Gains (losses) on financial assets and liabilities - held-for-trading financial assets and liabilities - derivatives' and, as at December 31, 2013 and 2012, they are adjusted to their fair values and the nominal amounts of these transactions are recorded in memorandum accounts, as follows:

a) Breakdown of the balances recorded in assets and liabilities, in line item 'Derivatives':

	2013		2012	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Derivatives	**175,704**	**(5,509)**	**126,631**	**(3,063)**
Swap and forward transactions	174,471	(4,102)	126,127	(2,594)
Futures pending settlement	**1,233**	**(1,407)**	**504**	**(469)**
Interest rate (DI)	472	(640)	406	(113)
Dollar futures (DOL)	375	(767)	98	-
Foreign exchange coupon (DDI)	386	-	-	(356)

b) Segregation by type of contract and counterparty:

Contracts	Type of counterparty	2013 Amounts receivable	2013 Amounts (payable)	2012 Amounts receivable	2012 Amounts (payable)
Futures	BM&FBOVESPA S.A.	1,233	(1,407)	504	(469)
Swap	Financial institutions	173,918	(3,431)	126,127	(2,594)
	Legal entities	42	(183)	-	-
	Total swap transactions	**173,960**	**(3,614)**	**126,127**	**(2,594)**
Forward	Financial institutions	493	(14)	-	-
	Legal entities	18	(474)	-	-
	Total forward transactions	**511**	**(488)**	**-**	**-**
		175,704	**(5,509)**	**126,631**	**(3,063)**

c) Swap contracts:

	2013					
	Notional amount	Cost Bank	Cost Counterparty	Market value Bank	Market value Counterparty	Difference receivable (payable)
Asset transactions						
Hedge accounting purpose	**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 purpose						
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 Fixed rate	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
Fixed rate x CDI	159,019	159,077	(158,722)	159,077	(158,722)	355
Total trading transactions	**1,630,614**	**2,149,226**	**(2,003,102)**	**2,197,561**	**(2,024,081)**	**173,480**
Total asset transactions	**1,690,914**	**2,209,611**	**(2,063,007)**	**2,257,946**	**(2,083,986)**	**173,960**
Liability transactions						
Trading purpose						
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 transactions	**103,774**	**106,784**	**(110,280)**	**106,697**	**(110,311)**	**(3,614)**

	2012					
	Notional amount	Cost		Market value		Difference receivable (payable)
		Bank	Counterparty	Bank	Counterparty	
Asset transactions						
Trading purpose						
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
Stock 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 Fixed rate	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
Fixed rate x CDI	159,019	159,193	(159,164)	159,193	(159,164)	29
Total asset transactions	**1,397,003**	**1,711,867**	**(1,634,728)**	**1,782,008**	**(1,655,881)**	**126,127**
Liability transactions						
Trading purpose						
Dollar x CDI	37,950	47,670	(47,717)	47,670	(47,718)	(48)
Stock 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 transactions	**90,495**	**102,389**	**(104,998)**	**102,389**	**(104,983)**	**(2,594)**

d) Futures contracts:

	2013				
	Notional amount				
Contracts	Long position	Short position	Total exposure	Daily adjustments receivable	(payable)
Trading purpose					
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	375	(767)
Total	**872,428**	**540,982**	**1,413,410**	**1,233**	**(1,407)**

	2012				
	Notional amount				
Contracts	Long position	Short position	Total exposure	Daily adjustments receivable	(payable)
Trading purpose					
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)**

e) Transactions by maturity notional amount:

	2013					
Contracts	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Futures	147,991	79,835	746,745	437,031	1,808	1,413,410
Swaps	867,369	78,793	845,445	3,081	-	1,794,688
Forwards	18,936	2,972	-	-	-	21,908
Total	**1,034,296**	**161,600**	**1,592,190**	**440,112**	**1,808**	**3,230,006**

Contracts	2012 Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Futures	47,953	27,992	366,343	757,360	26,448	1,226,096
Swaps	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**

f) Trading location:

	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
Forwards		
CETIP S.A. - Balcão Organizado de Ativos e Derivativos	21,908	-

18. Accounting hedge

The hedging strategy is determined based on the risk exposure limits inherent to Daycoval's operation. Whenever these operations generate risk exposures above the established limits, which could result in significant fluctuations in Daycoval's profit or loss, Daycoval uses derivative financial instruments, contracted in an organized or over-the-counter market to hedge against such risks, in compliance with the relevant statutory hedging rules.

The hedging instruments are intended to mitigate market, foreign exchange fluctuation and interest risk. Depending on the market's liquidity, the maturity dates of hedging instruments are the closest possible to the dates of the financial flows of the hedged transaction, so as to ensure the desired effectiveness.

Accounting hedge

As at December 31, 2013, Daycoval has a market risk accounting hedge structure designed to offset the foreign currency fluctuation (US dollar) and Libor variance market risks against the payment of interest and principal of foreign borrowings.

The table below summarizes this structure as at December 31, 2013:

	2013			
	Hedging instrument		Hedged item	
Strategy	**Principal**	**Mark to market**	**Carrying amount**	**Mark to market**
Market risk hedge – payables from foreign borrowings	70,654	2,034	70,654	(2,034)

The accounting hedge structure for this transaction was designed by associating a cash flow swap contract for each borrowing repayment, whether of interest or principal plus interest, and Daycoval´s long position is identical to the interest on the loan agreement.

As at December 31, 2013 and 2012, Daycoval did not have derivative transactions qualified as cash flow accounting hedge.

19. Loans and receivables

As referred to in note 3.3.c), 'Loans and receivables' include financial assets with fixed or determinable payments that are not quoted in an active market, and which are measured at amortized cost using the effective interest rate, net of the allowance or impairment losses.

The effective interest method is used to calculate the amortized cost of a loan or receivable and allows the allocation of the related interest income in the period. This method is used on future receipts estimated over the period of a financial instrument, resulting in its carrying amount. When calculating the effective interest rate, Daycoval estimates cash flows taking into consideration all contractual terms that have an impact on the cash flows of the financial instrument, but does not consider future credit losses.

The method and, consequently, determining the effective interest rate of a financial asset classified in 'Loans and receivables' takes into account all the commissions paid on the origination of the financial instrument, its transaction costs and potential premiums or discounts directly attributable to the financial instrument.

Loans and receivables are broken down as follows:

a) Breakdown and diversification per industry:

	2013	2012
Breakdown of the loans and receivables portfolio		
Loans and receivables	9,145,462	7,755,811
Allowance for impairment losses	(469,089)	(388,810)
Total loans and receivables	**8,676,373**	**7,367,001**
Diversification per industry		
Financial institutions		
Financial institutions	1,735	8,212
Other industries		
Manufacturing	2,233,973	2,187,351
Trading	893,028	894,974
Farming	39,446	68,891
Other services	1,275,344	1,170,585
Individuals	4,633,082	3,421,607
Public sector	68,854	4,191
Allowance for impairment losses	(469,089)	(388,810)
Total other industries	**8,674,638**	**7,358,789**
Total loans and receivables	**8,676,373**	**7,367,001**

b) Breakdown of loan portfolio by type of transaction:

	2013	
	Carrying amount	Impairment
Loans	2,103,364	(178,274)
Factoring	187,127	(11,370)
Overdraft account	1,266,592	(125,277)
Personal loans	3,816,426	(84,179)
Direct Consumer Credit (DCC)	810,979	(46,929)
Advances on Foreign Exchange Contracts (ACC/ACE)	338,697	(9,181)
Farming and agribusiness financing	39,446	(330)
Other types of financing	567,872	(12,228)
Other sundry loans	14,959	(1,321)
Total	**9,145,462**	**(469,089)**

	2012	
	Carrying amount	Impairment
Loans	2,055,057	(194,372)
Factoring	200,448	(6,565)
Overdraft account	1,286,761	(53,837)
Personal loans	2,589,863	(54,946)
Direct Consumer Credit (DCC)	1,014,161	(63,722)
Advances on Foreign Exchange Contracts (ACC/ACE)	306,186	(9,254)
Farming and agribusiness financing	68,891	(988)
Other types of financing	222,239	(4,352)
Other sundry loans	12,205	(774)
Total	**7,755,811**	**(388,810)**

c) Concentration of credit risk:

	2013		2012	
Largest debtors	**Amount**	**% of portfolio**	**Amount**	**% of portfolio**
10 largest debtors	697,087	7.62	744,989	9.61
50 next largest debtors	994,875	10.88	866,186	11.17
100 next largest debtors	800,717	8.75	811,714	10.46
Other debtors	6,652,783	72.75	5,332,922	68.76
Total	**9,145,462**	**100.00**	**7,755,811**	**100.00**

d) Restructured transactions:

During the years ended December 31, 2013 a total of R$31,884 (R$148,395 in 2012) in loan agreements were renegotiated and restructured, of which R$31,884 (R$59,304 in 2012) refer to the restructuring of nonperforming loans and R$89,091, for the year ended December 31, 2012, refer to the renewal of performing loans.

e) Recovery of receivables written off as losses:

During the year ended December 31, 2013, Daycoval recovered receivables that had been written off as losses amounting to R$51,525 (R$27,663 in 2012) recognized in profit, in line item 'Interest income'.

20. Allowance for impairment losses on loans and advances to customers

a) Assets with allowance for impairment losses

	2013
Loans and receivables	**Total loan portfolio**
Transaction with evidence of impairment (analysis individual)	
Total transaction with evidence of impairment	1,852,981
Allowance for impairment	(148,773)
Total	**1,704,208**
Transaction with evidence of impairment (collective analysis)	
Total transaction with evidence of impairment	7,292,481
Allowance for impairment	(320,316)
Total	**6,972,165**
Carrying amount – net of allowance for impairment	**8,676,373**
Carrying amount – of loans and receivables	**9,145,462**

	2012
Loans and receivables	**Total loan portfolio**
Transaction with evidence of impairment (analysis individual)	
Total transaction with evidence of impairment	1,525,667
Allowance for impairment	(90,965)
Total	**1,434,702**
Transaction with evidence of impairment (collective analysis)	
Total transaction with evidence of impairment	6,230,144
Allowance for impairment	(297,845)
Total	**5,932,299**
Carrying amount – net of allowance for impairment	**7,367,001**
Carrying amount – of loans and receivables	**7,755,811**

b) Reconciliation of the allowance for impairment losses with the recoverable value of loans and advances, per class:

The allowance for impairment losses related to loan transactions recorded in the separate financial statements has been set up according to the criteria described in note 3.3.g), and is considered sufficient to offset potential losses in loan transactions.

In the years ended December 31, 2013 and 2012, the allowance for loan impairment losses was as follows:

	2013	2012
Opening balance	**377,437**	**205,819**
Additions (1)	465,348	362,452
Write-offs as losses	(373,696)	(179,461)
Closing balance	**469,089**	**388,810**

(1) In the year ended December 31, 2013 an allowance for impairment losses was set up for assets related to the acquisition of receivables without recourse, recognized in line item 'Other assets - Receivables – without loan characteristics' (see note 22), amounting to R$13,141 (R$5,217 in 2012), which when added to the total allowance for impairment losses of the loans and receivables portfolio amounts to R$478,489 (R$367,669 in 2012), recognized directly in the income statement for the year, in line item 'Losses on financial assets – impairment – Loans and receivables'.

Financial assets assigned while retaining substantially all the risks and rewards

In the period January 1 to December 13, 2013 (winding-up date of Daycoval Veículos FIDC activities), Daycoval assigned loans and receivables, related to vehicle financing, while retaining substantially all the risks and rewards, amounting to R$9,946 (R$121,356 in 2012) to Daycoval Veículos FIDC.

As at December 31, 2013 there are no outstanding loan assignment transactions with retention of risks and rewards due to the discontinuation of Daycoval Veículos FIDC activities on December 13, 2013, as referred to in note 36.

The receivable assignments carried out by Daycoval to Daycoval Veículos FIDC did not generate any gains or losses for Daycoval.

21. Available-for-sale noncurrent assets

Available-for-sale noncurrent assets refer exclusively to assets owned by Daycoval that are not used in its operations, including those received as payment and consist basically of properties and vehicles.

	2013	2012
Repossessed assets	48,413	44,271
Allowance for impairment losses	(4,363)	(5,846)
Total	**44,050**	**38,425**

Daycoval sells these assets periodically in public auctions.

In the year ended December 31, 2013, the loss on sales conducted by Daycoval, recognized directly in the income statement, in line item 'Loss on sales of available-for-sale nonrecurring assets' was R$7,230 (loss of R$11,048 in 2012).

22. Other assets

	2013	2012
Rights on clearing system participants	12	-
interbank transactions with banking correspondents	81,821	52,352
Reserves with the Central Bank of Brazil (1)	125,412	88,031
Foreign exchange transactions	353,965	313,105
Income receivable	10,946	10,391
Trading account - unsettled amounts	3	4
Sundry assets		
Salary advances	348	487
Other advances	26,209	6,800
Escrow deposits (2)	773,733	580,390
Recoverable taxes (3)	87,471	78,172
Refundable payments	738	787
Receivables – without loan characteristics (4)	1,057,966	774,795
Sundry debtors – Brazil	32,158	19,359
(-) (Allowance for losses on other receivables	(12,067)	(5,035)
Total	**2,538,715**	**1,919,638**

(1) The reserves with the Central Bank of Brazil refer basically to reserve requirements;

(2) Refer basically to the recognition of deposits arising on statutory requirements on filing tax-related appeals;

(3) Includes prepaid income tax and social contribution amounting to R$82,761 in 2013 (R$74,939 in 2012); and

(4) Refers to the acquisition of receivables without recourse.

23. Property, plant and equipment

a) Breakdown of the carrying amount and accumulated depreciation:

	2013			
Description	**Annual depreciation - %**	**Cost**	**Accumulated depreciation**	**Net**
Properties	4	4,273	(2,738)	1,535
Facilities	10	954	(646)	308
Furniture and equipment	10	4,977	(2,451)	2,526
Communication equipment	10	349	(114)	235
Computers and peripherals	20	8,094	(4,850)	3,244
Security equipment	10	607	(278)	329
Vehicles and aircraft	20	21,182	(1,476)	19,706
Total assets		**40,436**	**(12,553)**	**27,883**

	2012			
Description	**Annual depreciation - %**	**Cost**	**Accumulated depreciation**	**Net**
Properties	4	4,814	(2,601)	2,213
Facilities	10	973	(576)	397
Furniture and equipment	10	4,375	(2,053)	2,322
Communication equipment	10	297	(81)	216
Computers and peripherals	20	6,726	(3,893)	2,833
Security equipment	10	443	(227)	216
Vehicles	20	2,335	(1,408)	927
Total assets		**19,963**	**(10,839)**	**9,124**

b) Changes in property, plant and equipment:

Description	2013 Opening balance	Add-backs	Depreciation	Write-offs	Closing balance
Properties	2,213	-	(137)	(541)	1,535
Facilities	397	-	(89)	-	308
Furniture and equipment	2,322	866	(609)	(53)	2,526
Communication equipment	216	52	(33)	-	235
Computers and peripherals	2,833	1,477	(1,059)	(7)	3,244
Security equipment	216	162	(49)	-	329
Vehicles	927	19,173	(240)	(154)	19,706
Total	**9,124**	**21,730**	**(2,216)**	**(755)**	**27,883**

Description	2012 Opening balance	Add-backs	Depreciation	Write-offs	Closing balance
Properties	3,277	-	(364)	(700)	2,213
Facilities	452	-	(49)	(6)	397
Furniture and equipment	2,238	510	(405)	(21)	2,322
Communication equipment	87	168	(39)	-	216
Computers and peripherals	2,666	1,143	(971)	(5)	2,833
Security equipment	168	89	(41)	-	216
Vehicles	758	485	(276)	(40)	927
Total	**9,646**	**2,395**	**(2,145)**	**(772)**	**9,124**

24. Foreign branch

The balances of Banco Daycoval S.A. - Cayman Branch's transactions (foreign branch), conducted with third parties and disclosed in Daycoval's financial statements or the year December 31, 2013 and de 2012 are as follows:

	2013		2012	
	US$ Thounsand	R$ Thounsand (1)	US$ Thounsand	R$ Thounsand (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 assets	192	450	-	-
Total assets	**37,142**	**87,009**	**41,940**	**85,705**
Liabilities				
Demand deposit	719	1,684	665	1,359
Time deposit	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 have been translated into Brazilian reais (R$) at the following exchange rates US$1.00=R$2.3426 US$1.00=R$2.0435, disclosed by the Central Bank of Brazil (BACEN), for December 31, 2013 and 2012, respectively.

25. Financial liabilities measured at fair value

Daycoval measured certain financial liabilities at fair value have because this way it reduces, in whole or in part, the accounting mismatch generated by the recognition, at fair value, of derivatives contracted exclusively to hedge these financial liabilities against fluctuations in market indicators, especially exchange fluctuations.

The table below shows the breakdown of financial liabilities measured at fair value as at December 31, 2013 and 2012:

	2013	2012
Classification		
Financial liabilities measured at fair value	640,237	280,428
Breakdown		
Borrowings and onlendings	640,237	280,428
Total	**640,237**	**280,428**

26. Demand and other deposits

	2013	2012
Classification		
Financial liabilities measured at amortized cost	393,238	257,039
Breakdown		
Demand and other deposits		
Made by:		
Financial institutions	1,048	307
Nonfinancial legal entities	66,457	218,452
Individuals	325,733	38,280
Total	**393,238**	**257,039**

27. Time and interbank deposits

	2013	2012
Classification		
Financial liabilities measured at amortized cost	3,313,363	3,835,926
Time and interbank deposits		
Made by:		
Financial institutions	1,492,760	612,077
Nonfinancial legal entities	1,524,176	2,719,367
Individuals	296,427	504,482
Total	**3,313,363**	**3,835,926**

CDBs linked to Daycoval subscription warrants

Investment agreement and issue of share subscription warrants

Daycoval entered into an Investment Agreement ("agreement" or "transaction") with institutional investors, raising R$410 million in2009. The parties to the agreement are: Cartesian Capital Group, Wolfensohn Capital Partners, International Finance Corporation (IFC), and the controlling shareholders. The noncontrolling shareholders were able to tag along, under the same terms and conditions of the other parties.

The primary purposes of the agreement for Daycoval are as follows:

- Increase liquidity and reinforce the capital structure;
- Strengthen the funding basis to allow the expansion of the lending operations for the middle market segment; and
- Diversify funding sources and extend the average loan term.

The transaction has a pioneering structure since it consists of a private offering of warrants for subscription of common and preferred shares. Only the subscription method where a warrant underwriter could opt for share subscription in a later period was exercised.

Under this option, underwriters invested in Bank Certificates of Deposit (CDBs) issued by Daycoval, with the following features:

- Average yield of 99% of the rate DI-CETIP Over, where 110% of DI-CETIP Over in the period from the actual proceeds investment date to March 31, 2013 and, from March 31, 2013 to March 31, 2014, yield of 55% of DI-CETIP Over, as calculated and disclosed by Cetip.
- Warrants may be early redeemed, either in part or in whole, by underwriters, exclusively for share subscription purposes, as a result of a warrant being exercised (which may occur beginning March 31, 2011) at a fixed price of R$7.75 per share.

a.1) The Board of Directors approved at the meeting held on October 21, 2010, the possible early redemption of the Bank Certificates of Deposits ("CDBs") issued by Daycoval 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 Daycoval, 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 Daycoval.

a.2) As disclosed in the Material Event Notice of April 1, 2011, shareholders and the market in general were informed that the Daycoval preferred share subscription warrants (“PN Warrants”), referred to in previous Notices to the Market dated April 19 and June 16, 2010, started to be traded on BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros (São Paulo Stock and Mercantile Exchange) since April 4, 2011, under the ticker symbol “DAYC11”.

a.3) As disclosed in the Notice to the Market of December 28, 2012, Daycoval informed its shareholders and the market in general that its Board of Directors approved at the meeting held on December 28, 2012, the increase of Daycoval’s capital (“Capital Increase”), within the authorized capital ceiling, as a result of the exercise of the rights granted under preferred share subscription warrants issued by Daycoval (“PN 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 PN 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 Daycoval’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.

a.4) As disclosed in the Notice to the Market of March 28, 2013, Daycoval informed its shareholders and the market in general that its Board of Directors approved at the meeting held on March 28, 2013, the increase of Daycoval’s capital (“Capital Increase”), within the authorized capital ceiling, as a result of the exercise of the rights granted under common and preferred share subscription warrants issued by Daycoval (“ON Warrants” and “PN Warrants”), 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 share, pursuant to the ON Warrants and the PN 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 Daycoval’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.

a.5) As disclosed in the Notice to the Market of June 28, 2013, Daycoval informed its shareholders and the market in general that its Board of Directors approved at the meeting held on June 28, 2013, the increase of Daycoval’s capital (“Capital Increase”), within the authorized capital ceiling, as a result of the exercise of the rights granted under common and preferred share subscription warrants issued by Daycoval (“ON Warrants” and “PN 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 PN 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 Daycoval's capital amounting to R$60,243, from R$1,737,409 to R$1,797,653, 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.

a.6) As disclosed in the Notice to the Market of December 30, 2013, Daycoval informed its shareholders and the market in general that its Board of Directors approved at the meeting held on December 30, 2013, the increase of Daycoval's capital ("Capital Increase"), within the authorized capital ceiling, as a result of the exercise of the rights granted under preferred share subscription warrants issued by Daycoval ("PN 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 PN 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 Daycoval'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 45).

28. Money market funding

These transactions are classified as 'Financial liabilities measured at amortized cost' and consist exclusively of sale transactions under repurchase agreements ("repurchase agreements"), maturing within one (1) business day, backed by federal government securities included in the 'Available-for-sale financial assets' portfolio. As at December 31, 2013, these transactions total R$71,605. The counterparties to these transactions are financial institutions based in Brazil.

29. Securities payable

a) Agribusiness letters of credit and financial bills

	2013					
	Up to 3 months	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Over 5 years**	**Total**
Mortgage Loan Bills (LCIs)	87,778	94,794	41,148	-	-	223,720
Agribusiness Letters of Credit (LCAs)	134,786	102,805	9,158	227	-	246,976
Financial Bills (LFs)	268,764	1,109,839	1,432,876	87,703	2,203	2,901,385
Total	**491,328**	**1,307,438**	**1,483,182**	**87,930**	**2,203**	**3,372,081**

	2012				
	Up to 3 months	**3 to 12 months**	**1 to 3 years**	**3 to 5 years**	**Total**
Mortgage Loan Bills (LCIs)	24,814	28,360	1,191	-	54,365
Agribusiness Letters of Credit (LCAs)	99,831	111,411	9,790	-	221,032
Financial Bills (LFs)	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

The Material Event Notice of July 5, 2011 disclosed information related to the Continuous Distribution of Daycoval Financial Bills Program, conducted pursuant to Articles 13-A-13-F of CVM Instruction 400, of December 29, 2003, as subsequently amended.

As disclosed in the Notice to the Market of October 18, 2011, Daycoval completed the public issue of Financial Bills as part of the 1st series issued under the Financial Bills Program of Banco Daycoval S.A. The proceeds from this issue of financial bills totaled R$249.9 million.

As disclosed in the Notice to the Market of July 16, 2013, Banco Daycoval completed the 2nd and 3rd issues of Financial Bills, totaling R$470.1 million, in tranches of R$350.1 million for the 2nd issue and R$120.0 million for the 3rd issue, under the 1 billion Brazilian reais program, the first issue of which was conducted 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 the CVM;*

(3) *Unit Notional Amount: R$300,000.00 (three hundred thousand Brazilian reais);*

(4) *Term: the Financial Bills' regular maturity is twenty-five (25) months;*

(5) *Collaterals: the Financial Bills are unsecured and are collateralized by Daycoval or third parties;*

(6) *Conversion: the Financial Bills are convertible into Daycoval shares; and*

(7) *Form: the Financial Bills are exclusively held in book-entry form, without any certificates being issued.*

b) Payables for securities issued abroad

Issue of securities abroad program

Daycoval has a global program for issue of private securities abroad under a Euro Medium Term Notes Programme (EMTN). This program, initially entered into on December 14, 2005, was expanded from US$300 million to US$1 billion on June 16, 2008, and renewed on March 16, 2010; US$300 million were outstanding as at December 31, 2013 and 2012.

New issue of private securities abroad program

On January 24, 2011, Daycoval completed the issuance of debt securities under a Euro Medium Term Notes Programme (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 (US$ thousands)	Interest rate	Issue date	Maturity date	2013 (R$ thousand)
Prior program				
300,000	6.50%	3/15/2010	3/15/2015	712,410
300,000				**712,410**
New program				
300,000	6.25%	1/28/2011	1/15/2016	688,358
300,000				**688,358**
			Total issued	**1,400,768**

Amount issued (US$ thousands)	Interest rate	Issue date	Maturity date	2012 (R$ thousand)
Prior program				
300,000	6.50%	3/15/2010	3/15/2015	623,566
300,000				**623,566**
New program				
300,000	6.25%	1/28/2011	1/15/2016	584,570
300,000				**584,570**
			Total issued	**1,208,136**

Debt securities issued abroad are classified in the category 'Financial liabilities measured at amortized cost'.

30. Payables for the sale or transfer of financial assets and borrowings and onlendings

	2013	2012
Classification		
Financial liabilities measured at amortized cost	1,170,878	1,064,566
Breakdown		
Payables for sale or transfer of financial assets	**12,321**	**140,705**
Foreign borrowings and onlendings	**840,027**	**620,415**
Foreign currency payables	637,376	603,424
Foreign borrowings	202,651	16,991
Domestic onlendings - official institutions	**318,530**	**303,446**
BNDES onlendings	96,849	83,485
FINAME onlendings	221,681	219,961
Total	**1,170,878**	**1,064,566**

31. Provisions

Lawsuits

a) Contingent assets - in the years ended December 31, 2013 and 2012 Daycoval did not recognize contingent assets.

b) Contingent liabilities classified as probable losses and legal obligations - tax and social security

Daycoval is a party to labor, civil and tax lawsuits. The provisions are recognized based on the criteria described in note 3.3.p). Daycoval's management understands that the provisions are sufficient to cover losses arising from the related lawsuits.

Recognized provisions and the related movements in the years ended December 31, 2013 and 2012:

	2013	2012
Legal obligations - tax risks b.1)	892,774	714,850
Labor lawsuits	3,491	5,074
Civil lawsuits	14,403	12,986
Total	**910,668**	**732,910**

	2013		
	Tax	**Labor**	**Civil**
Opening balance	**714,850**	**5,074**	**12,986**
Inflation adjustment	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**
Opening balance	**545,950**	**1,535**	**6,654**
Inflation adjustment	44,500	-	-
Recognition	124,400	3,539	6,332
Balance at end of year	**714,850**	**5,074**	**12,986**

b.1) Daycoval 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 provided for this lawsuit as at December 31, 2013 is R$236,927 (R$200,126 in 2012).

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 provided for this lawsuit as at December 31, 2013 is R$189,096 (R$135,566 in 2012).

COFINS (tax on revenue): challenges constitutionality of Law 9718/98. The amount provided for this lawsuit as at December 31, 2013 is R$401,982 (R$323,372 in 2012).

PIS (tax on revenue): challenges enforcement of Law 9718/98 and requirement by tax authorities to determinate the PIS tax basis in disagreement with Constitutional Amendments 01/94, 10/96 and 17/97. The amount provided for this lawsuit as at December 31, 2013 is R$62,854 (R$50,416 in 2012).

Other tax challenges amount to R$1,915 (R$5,370 in 2012).

c) Contingent liabilities classified as possible losses:

These contingent liabilities, represented by civil and labor lawsuits, are not recognized in the financial statements. Civil lawsuits refer primarily 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 that could have a material impact on the financial position of Daycoval or the consolidated companies.

32. Accrued commitments and other provisions

	2013	2012
Social and statutory obligations	**45,214**	**44,204**
Dividends and bonuses payable	22,751	21,743
Profit sharing program	22,463	22,461
Provision for income tax and social contribution	**210,638**	**236,834**
Provision for income tax	130,976	147,310
Provision for social contribution	79,662	89,524
Personnel expenses	**26,314**	**24,968**
Technical provisions for insurance and social security transactions	**29,106**	**25,825**
Provisions for credit risk in guarantee provision transactions	**5,500**	**-**
Total	**316,772**	**331,831**

33. Other liabilities an payables

	2013	2012
Interbranch and interbank accounts	23,063	7,871
Collected taxes and similar amounts	3,992	4,321
Foreign exchange	337,689	309,598
Taxes and contributions payable	16,768	16,051
Sundry creditors	2,600	77,131
Sundry payments	29,751	13,485
Deferred income	13,672	9,408
Other sundry liabilities	33,460	310
Total	**460,995**	**438,175**

34. Capital and reserves

a) Issued capital:

As at December 31, 2013, a date before the ratification of the capital increase (note 45), Daycoval's issued capital amounts to R$1,797,652, fully subscribed, paid-in, and represented by 160,869,792 registered, book-entry common shares and 82,181,728 registered, book-entry preferred shares, both types without par value.

b) Capital increase:

The following is a description of the capital increases undertaken 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, and the ratification was published on the Federal Official Gazette on April 11, 2013.

This capital increase was implemented through the issuance of 18,451,613 common shares and 21,765,605 preferred shares, with the same features of the outstanding shares, due to the exercise of the rights granted to 18,451,613 ON Subscription Warrants and 21,765,605 PN Subscription Warrants, as approved at the 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 without par value, of which 160,869,792 are common shares and 94,974,501 are preferred shares.

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, and the ratification was published on the Federal Official Gazette on July 10, 2013.

This capital increase was implemented through the issuance of 7,773,326 preferred shares, with the same features of the outstanding shares, due to the exercise of the rights granted to 7,773,326 PN Subscription Warrants, as approved at the Board of Directors' Meeting held on February 19, 2009.

As a result of this capital increase, Banco Daycoval's capital was represented by 256,497,619 registered shares without par value, of which 160,869,792 are common shares and 95,627,827 are preferred shares.

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, and the ratification was published on the Federal Official Gazette on January 17, 2014.

This capital increase was implemented through the issuance of 9,188,417 preferred shares, with the same features of the outstanding shares, due to the exercise of the rights granted to 9,188,417 PN Subscription Warrants, as approved at the Board of Directors' Meeting held on February 19, 2009.

As a result of this capital increase, Banco Daycoval's capital was represented by 252,239,937 registered shares without par value, of which 160,869,792 are common shares and 91,370,145 are preferred shares.

c) Breakdown of capital into shares:

	Number of shares	
	2013	**2012**
Common shares	160,869,792	142,418,179
Preferred shares (1)	91,370,145	82,497,660
(-) Treasury preferred shares	(930,000)	(138,098)
Total shares	**251,309,937**	**224,777,741**

(1) As at December 31, 2013, includes a total of 9,188,417 preferred shares issued for a capital increase due to the exercise of the subscription rights of the same number of PN Subscription Warrants, as referred to in note 34.b.3).

d) Movements in capital stock:

	Number of shares		
	Common	Preferred	Total
Number of shares as at December 31, 2011	**142,418,179**	**73,285,870**	**215,704,049**
Share issuance	-	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**
Share issuance	18,451,613	38,727,348	57,178,961
Sale of treasury shares during the year	-	374,535	374,535
Share buyback	-	(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 movements in treasury preferred shares during the years ended December 31, 2013 and 2012:

	Opening balance	Buybacks	Disposals	Cancellations	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 Daycoval's treasury shares as at December 31, 2013 and 2012:

Type	Number of treasury shares	Carrying amount	Buyback trading prices			Closing market quotation (1)	Market value
			minimum	average	maximum		
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) Closing quotation of Daycoval's preferred shares traded under the ticker symbol DAYC4 disclosed by BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros, based on the last trading sessions closing price of December 2013 and 2012.

e) Share buyback program:

e.1) Daycoval's Board of Directors' meeting held on December 17, 2013 decided for and approved a new share buyback program, to be held in treasury and subsequently sold or cancelled, without capital reduction, using existing reserves, in accordance with Law 6404/76 as subsequently amended, CVM Instruction 10/80, and Daycoval's bylaws, whose main features are described below:

Purpose and term of the share buyback program:

I - Purpose: Daycoval will buy back into treasury for subsequent sale or cancellation up to 930,000 registered preferred shares.

II - Term: the share buyback program will remain effective until December 17, 2014.

Up to December 31, 2013, Daycoval had repurchased a total of 930,000 preferred shares under this program.

This program was discontinued as decided at the Board of Directors' meeting held on January 22, 2014, which approved a new share buyback program on the same date, as described in note 31.b).

e.2) During the year ended December 31, 2013 Daycoval approved and discontinued the following share buyback programs:

Board meeting date	Number of shares to be purchased	Buyback deadline	Number of shares actually purchased	Program closing date
1/18/2013	6,246,000	1/17/2014	6,246,000	2/20/2013
2/20/2013	3,153,000	2/20/2014	3,153,000	3/20/2013
3/20/2013	840,000	3/20/2014	840,000	4/29/2013
4/29/2013	6,852,300	4/29/2014	6,852,300	6/13/2013
6/13/2013	3,000,000	6/13/2014	3,000,000	6/13/2013
7/16/2013	6,500,000	7/16/2014	6,500,000	9/4/2013
4/9/2013	3,500,000	9/4/2014	3,500,000	12/17/2013
12/17/2013 (note 31.b))	930,000	12/17/2015	930,000	1/22/2014
		Total shares actually purchased	**31,021,300**	

f) Interest on capital and/or dividends paid or accrued

As established in the bylaws, the shareholders are entitled to dividends and/or interest on capital that in aggregate correspond to no less that 25% of net income, adjusted as prescribed by the Brazilian Corporate Law.

Interest on capital is calculated based on equity, limited to the TJLP (long-term interest rate) variance and contingent upon the existence of posted profits before their deduction, or retained earnings and earnings reserves.

f.1) Statement of calculation of dividends and interest on capital

The calculation of dividends and interest on capital for the years ended December 31, 2013 and 2012 is as follows:

	2013	% (a)	2012	% (a)
Net Income (Parent)	233,804		357,464	
Legal reserve	(11,689)		(17,873)	
Adjusted calculation base	**222,115**		**339,591**	
Additional dividends (b)	-		6,977	
Gross interest on capital	112,272		108,748	
(-) Withholding income tax (IRRF) 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 equivalent to the sum on net interest on capital on adjusted BRGAAP net incomes December 31, 2013 and 2012, which does not take the adoption of IFRSs into consideration.*

b) *Refers to additional dividends declared after the year ended December 31, 2012, classified as such in compliance with BACEN Circular Letter 3516/11.*

c) *Interim dividends based on profit for the quarter ended March 31, 2012, amounting to R$15,122, and the six-month period ended June 30, 2012, amounting to R$30,010.*

f.2) Dividends and interest on capital paid or accrued

Daycoval declared dividends and interest on capital, as follows:

	2013				
	Amount per share				
Description	Common shares	Preferred shares	Gross amount	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 paid or declared in the year			**112,272**	**(15,564)**	**96,708**

	2012				
	Amount per share				
Description	Common shares	Preferred shares	Gross amount	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 declared after December 31, 2012			**6,977**	**-**	**6,977**
Additional dividends (9)	0.0319	0.0319	6,977	-	6,977
Total paid or declared in the year			**160,857**	**(15,509)**	**145,348**

(1) Daycoval's Board of Directors' meeting held on March 27, 2013 ratified the Executive Committee's decision to pay, subject to the approval of the Shareholders' Meeting, interest on capital for the period January 1 to March 27, 2013. The amounts were distributed to the shareholders on April 15, 2013.

(2) Daycoval's Board of Directors' meeting held on June 27, 2013 ratified the Executive Committee's decision to pay, subject to the approval of the Shareholders' Meeting, interest on capital for the period March 28 to June 27, 2013. The amounts were distributed to the shareholders on July 15, 2013.

(3) Daycoval's Board of Directors' meeting held on September 30, 2013 ratified the Executive Committee's decision to pay, subject to the approval of the Shareholders' Meeting, interest on capital for the period June 28 to September 30, 2013. The amounts were distributed to the shareholders on October 15, 2013.

(4) Daycoval's Board of Directors' meeting held on December 27, 2013 ratified the Executive Committee's decision to pay, subject to the approval of the Shareholders' Meeting, interest on capital for 2013. The amounts were distributed to the shareholders on January 15, 2014.

(5) Daycoval's Board of Directors' meeting held on March 29, 2012 ratified the Executive Committee's decision to pay, subject to the approval of the Shareholders' Meeting, interest on capital for the period January 1 to March 29, 2012. The amounts were distributed to the shareholders on April 16, 2012.

(6) *Daycoval's Board of Directors' meeting held on June 29, 2012 ratified the Executive Committee's decision to pay, subject to the approval of the Shareholders' Meeting, interest on capital for the period March 30 to June 29, 2012. On the same meeting, the Board approved the payment of interim dividends based on profit for the quarter ended March 31, 2012. The amounts were distributed to the shareholders on July 16, 2012.*

(7) *Daycoval's Board of Directors' meeting held on September 28, 2012 ratified the Executive Committee's decision to pay, subject to the approval of the Shareholders' Meeting, interest on capital for the period June 30 to September 28, 2012. On the same meeting, the Board approved the payment of interim dividends based on profit for the six-month period ended June 30, 2012. The amounts were distributed to the shareholders on October 15, 2012.*

(8) *Daycoval's Board of Directors' meeting held on December 27, 2012 ratified the Executive Committee's decision to pay, subject to the approval of the Shareholders' Meeting, interest on capital for 2012. The amounts were distributed to the shareholders on January 15, 2013.*

(9) *Daycoval's Board of Directors' meeting held on February 18, 2013 proposed the distribution of additional dividends in the amount of R$6,977 for the year ended December 31, 2012, subject to the approval of the Shareholders' Meeting. Shareholders were paid beginning April 29, 2013. The amount referred to above is recognized in the statements of changes in equity for the six-month period and the year ended December 31, 2012, in line item 'Earnings reserves - Special earning reserves', as required by BACEN Circular Letter 3516/11.*

g) Revaluation and earnings reserves:

	2013	2012
Earnings reserves	**586,512**	**732,895**
Legal reserve (1)	89,521	77,832
Unrealized earnings reserve (2)	12,409	12,409
Bylaws reserves (3)	484,582	667,213
Special earnings reserves (4)	-	6,977

(1) *Mandatorily set up as 5% of net income until it reaches 20% of the realized capital, as per prevailing law.*

(2) *Reserve related to the net income of the indirect subsidiary Treetop Investments Ltd..*

(3) *Reserve recognized as provided for by Daycoval's bylaws.*

(4) *Refers to additional dividends declared after the year ended December 31, 2012, classified as such in compliance with BACEN Circular Letter 3516/11.*

35. Fair value of financial instruments

Fair value measurement and fair value hierarchy

Daycoval uses the following hierarchy to determine and disclose the fair value of financial instruments:

- Level 1: prices quoted in an active market for the same instrument;
- Level 2: prices quoted in an active market for similar assets or liabilities or based on another valuation method in which all the significant inputs are based on observable market data; and
- Level 3: valuation techniques in which the significant inputs are not observable market data.

The table below shows an analysis of financial instruments recognized at fair value by fair value hierarchical level:

	2013		2012	
	Level 1	Level 2	Level 1	Level 2
Held-for-trading financial assets				
Investment fund units	29,119	-	25,835	-
Debt instruments	-	-	290,220	-
Money market investments	116,002	-	119,142	-
Derivatives				
Swaps and forward transactions	-	174,471	-	126,127
Futures market	1,233	-	504	-
Available-for-sale financial assets				
Debt securities				
Federal government securities	881,067	-	252,955	-
Debt securities – abroad	97,425	-	89,347	-
Investment fund units	235,322	-	223,625	-
Equity securities				
Quoted shares	3,644	-	4,169	-
Trading financial liabilities				
Derivatives				
Swaps and forward transactions	-	4,102	-	2,594
Futures market	1,407	-	469	-
Financial liabilities measured at fair value				
Other financial liabilities				
Foreign borrowings and onlendings	-	640,237	-	280,428

As at December 31, 2013 and 2012, Daycoval has no financial instrument classified in the level 3 category.

Financial instruments recognized at fair value

The following is the description of the method used to calculate the fair value of financial instruments, using valuation techniques. The valuation techniques incorporate Daycoval estimates on the assumptions that a market participant would use to value the instruments.

Derivatives

Derivative products are measured using the valuation methods generally used by the market or, in certain cases, an entity-specific method, using observable market inputs, and consist of: interest rate swaps, currency swaps, currency forward purchase and sale contracts, and interest rate, foreign exchange fluctuation, and foreign exchange coupon futures. The most frequently applied valuation techniques include the valuation of futures contracts, and swap models, which used present value calculations. The models incorporate several inputs, including spot and future exchange rates and interest curve rates.

Available-for-sale financial assets

Available-for-sale financial assets are measured using valuation methods or models generally used by the market, using observable market inputs, and consist of equity instruments (public company shares traded in stock exchanges) and debt instruments issued by the Brazilian government (federal government securities) and/or issued by private sector companies in Brazil and/or abroad.

These assets are measured using models that incorporate observable market inputs.

Held-for-trading financial assets

Other financial assets held for trading are measured by valuation methods and consist of money market investments and derivatives. Daycoval values securities using valuation models that use discounted cash flow analyses, which only incorporate observable market inputs. Observable inputs include assumptions about the current interest rate and market prices charged for the asset being valued.

Fair value of financial assets and financial liabilities not measured at fair value

The following is the description of the methodology and the assumptions used to determine the fair value of financial instruments that are not recognized at fair value in the financial statements, which are measured at amortized cost.

Assets the fair value of which approximates the carrying amount

For short-term financial assets and financial liabilities (less than three months) it is assumed that the carrying amounts approximate their related fair values.

Fixed-income financial Instruments

The fair value of fixed-income financial assets and financial liabilities measured at amortized cost is estimated by comparing the current market interest rate of similar financial instruments. The estimated fair value of fixed-income deposits is based on the discounted cash flows using the current market interest rate used for debt instruments with similar credit risk and maturities. For quoted debt instruments, the amount is determined based on the market prices. For issued securities for which there is no observable market price, a discounted cash flow model, based on the appropriate future interest rate curve for the remaining maturity. For other instruments subject to floating rates, an adjustment is made to reflect changes in the credit spread required since the date that the instrument was initially recognized.

The following is a per-class comparison of the carrying amounts and fair values of Daycoval's financial instruments that are not measured at fair value in the financial statements. This table does not include the fair value of nonfinancial assets and liabilities.

	2013	
	Carrying amount	**Fair value**
Financial assets measured at amortized cost		
Loans and receivables (note 19)	9,145,462	10,102,295
Financial liabilities measured at amortized cost		
Time and interbank deposits and financial bills, mortgage loan bills, and agribusiness letters of credit (notes 27 and 29)	6,685,444	6,753,746
Payables from debt securities issued abroad (note 29)	1,400,768	1,545,139
Borrowings and onlendings (note 30)	1,158,557	1,158,557

	2012	
	Carrying amount	**Fair value**
Financial assets measured at amortized cost		
Loans and receivables (note 19)	7,755,811	8,452,667
Financial liabilities measured at amortized cost		
Time and interbank deposits and financial bills, mortgage loan bills, and agribusiness letters of credit (notes 27 and 29)	5,903,734	5,986,669
Payables from financial asset sale or transfer (2) (note 30)	140,705	140,705
Payables from debt securities issued abroad (note 29)	1,208,136	1,399,031
Borrowings and onlendings (note 30)	923,861	923,861

(1) Money market funding have maturities of less than 90 days and, therefore, the risk of their fair values differing substantially from their carrying amounts is assessed as immaterial.

(2) These 'Payables from the sale or transfer of financial assets' are recognized at present value, based on the interest rate used in the sale or transfer transaction, which differs substantially from the interest rate used for the assigned transactions.

36. Securitization and asset management operations

Securitization

The Special Purpose Entities (SPEs) are entities created to achieve a limited, strictly defined goal, such as the securitization of the financial assets, or undertaking a specific transaction to take or grant a loan.

Securitization is the process by which funds can be raised from outside investors, allowing them to invest in units of specific financial assets.

The following is detailed additional information about the special purpose entity, represented by a receivables investment fund.

Special purpose entity

The main information about Daycoval Veículos FIDC is as follows:

I. Characteristics of Daycoval Veículos FIDC:

The Fund was managed by Oliveira Trust Distribuidora de Títulos e Valores Mobiliários S.A. and was established as a closed-end mutual fund for qualified investors in accordance with prevailing regulation. Daycoval Veículos FIDC started its operations on August 11, 2008, for a fixed ten-year term, beginning on the day of the first payment of the Fund's first series Senior Units and its operations were discontinued December 13, 2013.

II. Name, nature, purpose and activities of Daycoval Veículos FIDC:

The purpose of Daycoval FIDC Veículos was to increase the investors' value through the appreciation of their units by investing primarily in the acquisition of receivables from the financial industry, entered into by Daycoval (Assignor) and its customers. These receivables were generated by vehicle financing.

Daycoval Veículos FIDC sought to achieve, but did not guarantee, a medium- and long-term yield equivalent to 113% of the DI (interbank deposit rate). This benchmark was applied to the Senior Units and there was not predefined benchmark for Subordinated Units.

III. Nature of Daycoval's involvement with the Daycoval Veículos FIDC and type of exposure to loss, if any, arising from this involvement:

Under the assignment agreement Daycoval was solely responsible for ensuring that the receivables met the assignment conditions, notwithstanding the right of the assignee, Daycoval Veículos FIDC, to do so either directly or through third parties.

IV. Amount and nature of the receivables and payables between Daycoval and Daycoval Veículos FIDC, assets transferred by Daycoval and use rights of Daycoval Veículos FIDC's assets:

In the period from January 1 to December 13, 2013 (date Daycoval Veículos FIDC's operations were discontinued) and the year ended December 31, 2012, Daycoval assigned to Daycoval Veículos FIDC R$9,946 and R$121,356 in vehicle financing receivables, respectively.

V. As at December 31, 2012, Daycoval Veículos FIDC's financial position was as follows:

Assets	**2012**
Cash and cash equivalents	14
Interbank investments	10,512
Securities	**14,828**
Federal government securities	14,828
Lending operations	**160,313**
Receivables	174,219
(-) Allowance for losses on receivables	(13,906)
Other assets	**31**
Other receivables	**7**
Total assets	**185,705**
Liabilities and equity	
Other payables	39
Equity	**185,666**
Senior units	115,702
Subordinated units	69,964
Total liabilities and equity	**185,705**

VI. Guarantees, sureties, mortgages or other collateral in favor of Daycoval Veículos FIDC:

Daycoval did not pledge any type of 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 Daycoval Veículos FIDC's activities

Daycoval held all Daycoval Veículos FIDC's subordinated units, and the senior units were held by qualified investors.

The General Meeting held on December 13, 2013 approved the early liquidation of Daycoval Veículos FIDC, with the full redemption of the senior and subordinated units, where the latter were held by Daycoval.

37. Asset management

Daycoval Asset Management, a consolidated company, is responsible for the management of third-party funds through investment funds, whose net equities as at December 31, 2013 and 2012, totaled R$1.8 billion and R$1.9 billion, respectively.

38. Share-based payments

The table below shows the expenses recognized for the services received from employees during the years ended December 31, 2013 and 2012:

	2013	**2012**
Expenses on share-based payment transactions	854	1,552
Total	**854**	**1,552**

Stock option plan

The Extraordinary Shareholders' Meeting approved on May 21, 2008 the Stock Option Plan under which Daycoval grants its officers, employees and individuals who provide services to Daycoval and its subsidiaries stock options. The stock option programs were approved by the Board of Directors on July 25, 2008 (First and Second Programs), on December 12, 2008 (Third Program), and on September 11, 2009 (Forth Program).

I - Plan purposes

The main purposes of the Stock Option Plan are: (i) stimulate Daycoval's expansion, by creating incentives aimed at a better integration of its employees as Daycoval shareholders; (ii) allow Daycoval to retain its staff by offering them an additional advantage and incentive, the opportunity to become Daycoval shareholders, under the terms, conditions and formats provided for in the Plan; and (iii) promote Daycoval's good performance and the interests of its shareholders under the long-term commitment of its executives, managers, and employees.

II - Plan management and shares

The Plan is managed by the Board of Directors and all decisions related to the Plan are approved by the Board.

The stock options granted under the Plan cannot exceed, during the Plan's effective period, a ceiling of 5% of total shares of Daycoval's subscribed and paid-in capital, at any time, and the shares granted after the exercise of the Stock Options will derive, as decided by the Board of Directors: (i) from the issue of new preferred shares, within the authorized capital ceiling; and/or (ii) from treasury shares.

III - Beneficiaries

Those eligible to the Plan are the executives, managers, employees of Daycoval and its direct or indirect subsidiaries, and individuals who provide services to Daycoval or its subsidiaries.

The beneficiaries will have no right as Daycoval shareholders (including the right to receive dividends), with respect to any shares under the Stock Options, until such shares are fully subscribed/vested and paid by the beneficiaries.

IV - Price and vesting period

1st Program

The price per share on the exercise of a stock option ("Strike Price") shall be equivalent to the weighted average price obtained in the last 30 trading sessions immediately prior to the stock option exercise notice, at a 30% discount.

The vesting period for the 1st Program is determined as follows:

Vesting period	Exercisable percentage of the stock option
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 price per share on the exercise of a stock option (“Strike Price”) will be R$15.00, as adjusted by the Broad Consumer Price Index (IPC-A) variance, released by the IBGE (Brazilian Institute of Geography and Statistics) or any index that replaces it in the future, 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 percentage of the stock option
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 on the exercise of a stock option (“Strike Price”) will be defined on the stock option grant date, as adjusted by the Broad Consumer Price Index (IPC-A) variance, released by the IBGE, or any index that replaces it in the future, from the date the beneficiaries join the Program to the date of exercise of the Stock Option.

The vesting period of the 3rd Program is 180 days from the date a beneficiary joins the Program.

4th Program

The price per share on the exercise of a stock option (“Strike Price”) shall be equivalent to the weighted average price obtained in the last 30 trading sessions immediately prior to the stock option exercise notice’s date, at a 30% discount.

The vesting period for the 4th Program is determined as follows:

Vesting period	Exercisable percentage of the stock option
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 - Stock options granted

Below are the movements in stock options granted, exercised and forfeited through December 31, 2013:

Grant Number	Grant Date	Vesting date	Exercise deadline	Stock options Granted	Stock options Exercised	Stock options Forfeited	Unexercised stock options
1st Program							
1st grant	7/25/2008	7/25/2010	7/25/2018	864,290	(864,290)	-	-
2nd grant	12/12/2008	12/12/2010	12/12/2018	42,857	(42,857)	-	-
3rd grant	11/5/2009	11/5/2011	11/5/2019	125,001	(62,501)	(62,500)	-
4th grant	8/30/2010	8/30/2012	8/30/2020	175,439	(131,580)	-	43,859
5th grant	9/29/2010	9/29/2012	9/29/2020	30,305	-	-	30,305
6th grant	11/30/2010	11/30/2012	11/30/2020	141,667	(70,834)	-	70,833
7th grant	1/13/2011	1/13/2013	1/15/2021	80,000	(40,000)	-	40,000
8th grant	1/15/2011	1/15/2013	1/15/2021	416,667	(208,334)	-	208,333
9th grant	3/16/2011	3/16/2013	3/16/2021	17,095	(8,548)	-	8,547
10th grant	7/4/2011	7/4/2013	7/4/2021	416,667	-	-	416,667
			Total	**2,309,988**	**(1,428,944)**	**(62,500)**	**818,544**
3rd Program							
1st grant	12/12/2008	6/12/2009	12/12/2018	303,000	(303,000)	-	-
			Total	**303,000**	**(303,000)**	**-**	**-**

Grant Number	Grant Date	Vesting date	Exercise deadline	Stock options Granted	Stock options Exercised	Stock options Forfeited	Unexercised stock options
4th Program							
1st grant	4/26/2010	4/26/2013	4/26/2020	146,045	(45,222)	-	100,823
2nd grant	7/1/2010	7/1/2013	7/1/2020	33,333	(16,666)	-	16,667
3rd grant	3/28/2011	3/28/2014	3/28/2021	41,667	-	-	41,667
4th grant	8/3/2011	8/3/2014	8/3/2021	83,334	-	-	83,334
5th grant	11/3/2011	11/3/2014	11/3/2021	33,334	-	-	33,334
6th grant	3/15/2012	3/15/2015	3/15/2022	140,017	-	(16,667)	123,350
7th grant	10/31/2012	10/31/2015	10/31/2022	15,152	-	-	15,152
8th grant	4/10/2013	4/10/2016	4/10/2023	17,700	-	-	17,700
9th grant	6/6/2013	6/6/2016	6/6/2023	27,300	-	-	27,300
10th grant	10/22/2013	10/22/2016	10/22/2023	26,667	-	-	26,667
			Total	**564,549**	**(61,888)**	**(16,667)**	**485,994**
			Total stock option plan	**3,177,537**	**(1,793,832)**	**(79,167)**	**1,304,538**

As at December 31, 2012, vested stock options totaled 1,456,574.

By the date of disclosure of these financial statements, there were no grants under the 2nd Stock Option Program.

VI - Exercised stock options

In the years ended December 31, 2013 and 2012, the following stock options were exercised to acquire Daycoval shares:

Program	Grant	Exercise date	Strike price (R$)	Market value (1) (R$)
2013				
1st Program	7th grant	1/15/2013	6.86	7.78
1st Program	8th grant	2/28/2013	6.78	11.00
1st Program	9th grant	4/23/2013	7.92	10.65
4th Program	1st grant	5/24/2013	7.94	10.00
4th Program	2nd grant	9/26/2013	5.40	8.75
4th Program	1st grant	9/27/2013	5.40	8.78
1st Program	4th grant	10/14/2013	5.40	9.08
1st Program	1st grant	10/16/2013	5.40	9.06

2012				
1st Program	3rd grant	6/13/2012	6.35	9.00
1st Program	2nd grant	7/12/2012	6.29	8.98
1st Program	1st grant	8/9/2012	6.21	10.00
1st Program	1st grant	8/14/2012	6.21	9.90
1st Program	4th grant	8/21/2012	6.74	10.25
1st Program	1st grant	8/24/2012	6.21	10.27
1st Program	1st grant	9/12/2012	7.09	10.40
1st Program	1st grant	10/25/2012	7.20	10.34
1st Program	3rd grant	11/7/2012	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 the DAYC4 share based on the closing quotation on the business day Daycoval stock option was exercised.

VII - Fair value calculation

The fair value of the stock options was calculated based on statistical models that take into consideration all the main features of this Plan, including vesting period, conditions for the exercise of the stock option, and price of the underlying asset.

Daycoval adopted the Monte Carlo simulation method to calculate the fair value of the stock options granted to the Plan's beneficiaries. The following factors have been adopted as assumptions in using this model: *(i)* average share price, taking into account the 30 trading sessions prior to the grant date; *(ii)* the Exponential Decay Model was used to determine the expected volatility; *(iii)* interest rate gathered in BM&FBOVESPA's swap curve, according to the stock options vesting period; and *(iv)* discount according to the percentage established in the Plan's Charter.

39. Lease commitments and agreements

Operating lease agreements – Daycoval as lessee

Daycoval is a party to property lease agreements (head office and branches). On average, these agreements are effective for renewable period of two to five years.

The balances of the future lease payments as at December 31, 2013 and 2012 are as follows:

	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years
2013				
Property leases	799	2,151	3,730	2,822
2012				
Property leases	374	1,022	1,501	190

Operating lease agreements – Daycoval as lessor

Daycoval does not have any lease agreements as lessor.

40. Related party disclosures

Compensation of Daycoval's top executives

a) Compensation of key management personnel:

The Annual Shareholders' Meeting sets the overall compensation of the key management personnel, as established by Daycoval's bylaws.

The Annual Shareholders' Meeting held on April 29, 2013 set 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
Total compensation	31,988	29,661
Direct and fringe benefits (health care)	444	339
Short-term benefits to granted to Management	**Number**	**Number**
Balance of stock options granted	494,195	506,099

Daycoval does not grant other short- or long-term postemployment or severance benefits to its key management personnel.

b) Equity interests:

As at December 31, 2013 and 2012, the members of the Board of Directors and the Executive Committee hold jointly the following interests in Daycoval's capital:

	Equity interests per type of share	
	2013	**2012**
Common shares (ON)	100.00%	100.00%
Preferred shares (PN)	22.41%	22.44%

Daycoval's direct and indirect subsidiaries and shareholders conducted transactions with Daycoval itself 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 Daycoval and its related parties as at December 31, 2013 and 2012. The transactions with direct and indirect subsidiaries have been eliminated during the preparation of the consolidated financial statements, as described in note 3.1.:

Transactions	2013 Assets (liabilities)	2013 Revenues (expenses)	2012 Assets (liabilities)	2012 Revenues (expenses)
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)	-
Irateí 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)**
Agribusiness letters 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 units	**-**	**-**	**69,964**	**31,155**
Other related parties - legal entity	**-**	**-**	**69,964**	**31,155**
Daycoval Veículos FIDC	-	-	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 yield rates and the related periods of transactions between Daycoval 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% to 110% of CDI	-	-	(53,421)	(6,891)	-	(60,312)
Daycoval Asset Management Ltda.	107% of CDI	-	-	(1,106)	-	-	(1,106)
Indirect subsidiaries		**-**	**-**	**(11,323)**	**(426)**	**-**	**(11,749)**
IFP Promotora de Serviços de Consultoria e Cadastro Ltda.	110% of CDI	-	-	-	(426)	-	(426)
SCC Agência de Turismo Ltda.	110% of CDI	-	-	(11,323)	-	-	(11,323)
Other associates		**(509)**	**-**	**-**	**-**	**-**	**(509)**
Daycoval Fomento Comercial Ltda.	107% of CDI	**(509)**	-	-	-	-	**(509)**
Shtar Empreendimentos e Participações S.A.	107% to 110% of CDI						
Parateí Agropecuária e Imob. Ltda.	107% of CDI						
Other related parties - individuals	103% to 112% of 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% of CDI	-	(950)	-	-	-	(950)
Other related parties – individuals	110% of CDI	**-**	**(752)**	(1,383)	**-**	**-**	**(2,135)**
Agribusiness letters of credit		**(125)**	**(813)**	**(255)**	**(98)**	**-**	**(1,291)**
Other related parties – individuals	100% of CDI	(125)	(813)	(255)	(98)	-	(1,291)
Mortgage loan notes		**(144)**	**(220)**	**(472)**	**-**	**-**	**(836)**
Other related parties – individuals	100% of CDI	(144)	(220)	(472)	-	-	(836)
Securities issued abroad		**(350)**	**-**	**(14,026)**	**-**	**-**	**(14,376)**
Direct subsidiaries		**(43)**	**-**	**(1,823)**	**-**	**-**	**(1,866)**
ACS Participações Ltda.	6.5% and 6.25%	(43)	-	(1,823)	-	-	(1,866)
Indirect subsidiaries		**(307)**	**-**	**(12,203)**	**-**	**-**	**(12,510)**
Treetop Investments Ltd.	6.5% and 6.25%	(307)	-	(12,203)	-	-	(12,510)
Prepaid expenses							
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**

Terms and conditions of related-party transactions

Under the Brazilian law, financial institutions cannot grant loans or advances, or guarantee transactions of their controlling shareholders, associates, officers or their second-degree relatives. Accordingly, Daycoval does not grant loans or advances, or guarantee any transaction of its direct and indirect subsidiaries, its officers or their families.

41. Guarantees

As at December 31, 2013 and 2012 banking guarantees provided and liabilities assumed on behalf of third parties total R$457,072 and R$438,974, respectively, and are broken down as follows:

Breakdown	2013	2012
Import financing	12,075	9,442
Collateral beneficiaries	461,854	416,220
Receivables assignment co-obligations	12,321	31,410
Total guarantees and liabilities on behalf of third parties	**486,250**	**457,072**

The guarantees provided and liabilities assumed on behalf of third parties are subject to financial charges and counter-guarantees provided by the beneficiaries.

The table below shows guarantees provided and liabilities assumed 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**

Daycoval does not guarantee any transaction of its direct and indirect subsidiaries, its officers or their families.

As at December 31, 2013 e de 2012, based on management analyses, there were no allowances set up for impairment losses of guarantees provided.

42. Risk management

The risk management is essential for the generation of value to Daycoval, its shareholders, employees and customers. Accordingly, Daycoval established 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 Daycoval'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.

Risk management is conducted by a collective body and enforced by a special unit, independent from the business units and organization's Internal Audit function. The risks policies are approved by Daycoval's Board of Directors.

Main risk categories and respective management structures:

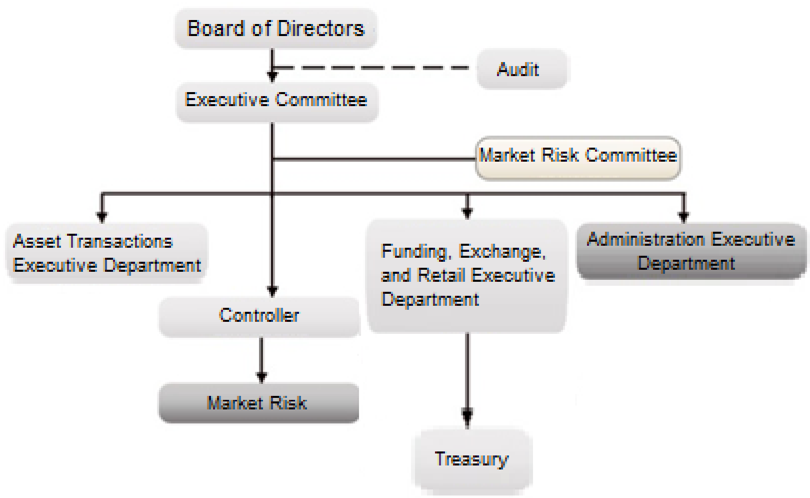
a) Market risk

Definition

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.

Structure



- **Types of risk**

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 or loss to parallel changes in the yield curve, resulting in equal differentials to all terms.
- Risk of changes in curve slope: profit or loss sensitivity to the changes in the timeframe of the yield curve, causing changes in pending or curve form.

Exchange price risk

Defined as the sensitivity of the foreign currency positions to changes in the type of foreign exchange.

Price risk

Defined as the sensitivity of outstanding securities to adverse movements in their market prices. This risk is classified as follows:

- Generic or systematic risk: sensitivity of the price of a position to changes in prices in general;
- Specific risk: price sensitivity not explained by changes in prices in general but related to an issuer's specific 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 summarizes the market risk exposure derived from the trading activities (trading portfolio). It represents the potential maximum loss on the market value that, under normal market conditions, could be caused by a certain position or portfolio, considering defined confidence level and timeframe.

VaR purposes:

- Measure positions homogeneously;
- Serve as basis to define the market risk limits;
- Report to and keep the organization’s top management informed about the market risks, thus facilitating the efficient capital allocation.

Among the different methodologies available to calculate the VaR (parametric, historical simulation and Montecarlo simulation), the organization understands that the parametric methodology is the most adequate for the characteristics of its trading portfolio’s positions.

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 organization is exposed.

It is based on the definition of a set of changes in certain market movements and the determination of the effects from the movements 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 organization as a whole.

In the definition of the scenarios, the following factors are taken into consideration:

- 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, to be actively traded 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 Daycoval’s business lines.

The segregation above is related to the way Management manages the business and its exposure to the market risks, and in accordance with the best market practices, the transaction classification criteria set out in BACEN Resolution 3464/07 and BACEN Circular 3354/07, and in the New Capital Accord - Basel II. Therefore, a sensitivity analysis was performed for the transactions included in the trading and banking portfolios, as prescribed by CVM Instruction 475/08, according to the nature of the activities, as they these transactions have material impacts on Daycoval's profit or loss.

The table below shows the sensibility analysis of the trading and banking portfolios as at December 31, 2013 and 2012:

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)
Total trading	**(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 carried out considering the following scenarios:

- Scenario 1: refers to the stress scenario considered probable for the risk factors and its preparation is based on available market inputs (BM&FBOVESPA, ANBIMA, etc.). Accordingly, the risk factors taken into consideration were as follows: (i) US$1.00=R$2.48 exchange rate (US$1.00=R$2.17 in 2012); (ii) fixed interest rate of 12.83% p.a. (9.14% p.a. in 2012); (iii) foreign currency coupon of 7.47% p.a. (7.06% p.a. in 2012); and (iv) Ibovespa of 44,811 points (53,028 points in 2012).

- Scenario 2: as set out by CVM Instruction 475/08, a 25-percent stress of the risk factors was considered for this scenario. Accordingly, the risk factors taken into consideration were as follows: (i) US$1.00=R$3.11 exchange rate (US$1.00=R$2.71 in 2012); (ii) fixed interest rate of 16.04% p.a. (11.43% p.a. in 2012); (iii) foreign currency coupon of 9.34% p.a. (8.83% p.a. in 2012); and (iv) Ibovespa of 33,608 points (39,771 points in 2012).

- Scenario 3: as set out by CVM Instruction 475/08, a 50-percent stress of the risk factors was considered for this scenario. Accordingly, the risk factors taken into consideration were as follows: (i) US$1.00=R$3.73 exchange rate (US$1.00=R$3.25 in 2012); (ii) fixed interest rate of 19.25% p.a. (13.71% p.a. in 2012); (iii) foreign currency coupon of 11.21% p.a. (10.59% p.a. in 2012); and (iv) Ibovespa of 22,405 points (26,514 points in 2012).

It is worth mentioning that the results shown in the table above reflect the impacts for each scenario projected on a static position of the portfolio as of December 31, 2013 and December 31, 2012. The market dynamics causes this position to change continually and does not necessary reflect the actual position on these financial statements' disclosure date. Additionally, as mentioned above, there is a continuous management of the Trading and banking portfolios' positions to mitigate the risks associated to such portfolios, 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 Daycoval.

- **Backtesting**

Backtesting is the comparison between the former estimated gain/loss and the actual gain/loss. The purpose is to evaluate the model adequacy.

For backtesting purposes, actual gains/losses are adopted for each business unit.

If, as a result of the process, significant exceptions are observed, the Market Risk Manager has the responsibility to review the model and propose adjustments to the Market Risk Committee.

- **Model validation**

The market risk methodologies and models must be continuously reviewed and enhanced as part on the ongoing risk management process, to ensure the reliability of the models, the relevance of the established limits, and the adaptability of the models to the business and the financial system evolution.

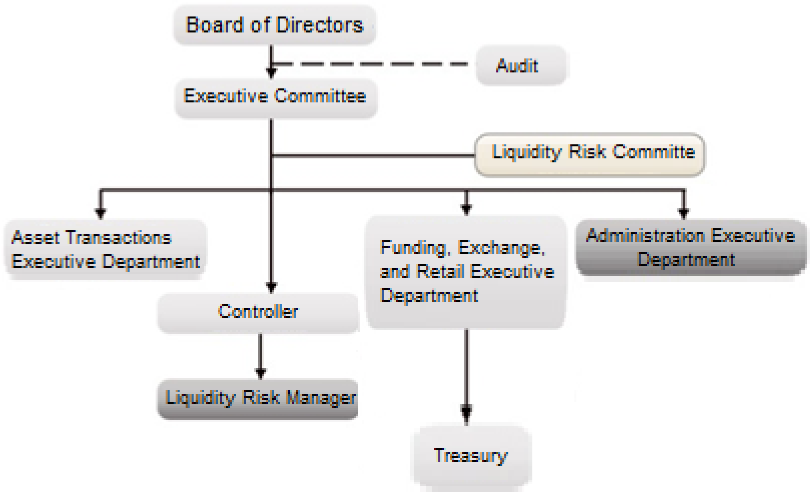
As part of this ongoing improvement process, the following aspects should be taken into consideration:

- Risk factors and types;
- Stability of correlations;
- Business objectives of the different portfolios and activities.

b) Liquidity risk

Definition
Liquidity risk
Liquidity risk is the risk of unbalances between tradable assets and liabilities—mismatches between payables and receivables—that might affect the organization's payment ability, taking into consideration the different currencies and settlement terms of its assets and liabilities.

Framework



The liquidity risk may result from either internal or external factors:

The main external risk factors are:

- macroeconomic factors, both domestic and international;
- liquidity policies set by the regulator;
- situations where the confidence and, consequently, the liquidity of the system might be compromises, for different reasons;
- credit agencies' ratings: sovereign risk and organization risk; and
- lack of funds in the market.

The main internal risk factors are:

- the organization's risk appetite and definition of he acceptable liquidity level;
- terms and rates mismatches caused by the characteristics of the traded products and services;
- concentration policy, both in fundraising and credit granting;
- covenants assumed by the organization: financial, economic and related to environmental management;
- increase in the number of early redemptions of funds raised or transactions with immediate or grace period liquidity clauses;
- exposure to illiquid or low liquidity assets; and
- leverage.

The liquidity risk, both of individual instruments and portfolios, may result from one or a number of these factors.

Among 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.

The table below snows the liquidity analysis de of financial assets and financial liabilities according to the period it is estimated they will be recovered or settled.

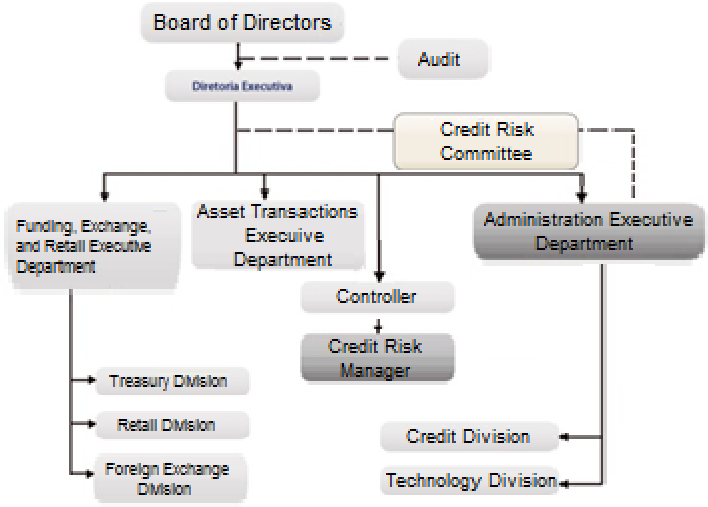
	2013					
	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Cash and cash equivalents	**1,288,559**	**-**	**-**	**-**	**-**	**1,288,559**
Financial assets						
Available for trading						
Investment fund units	29,119	-	-	-	-	**29,119**
Interbank deposits	-	116,002	-	-	-	**116,002**
Derivatives	7,903	3,192	164,609	-	-	**175,704**
Available for sale						
Investment fund units	235,322	-	-	-	-	**235,322**
Debt instruments	21,985	6,945	494,371	370,303	84,888	**978,492**
Equity instruments	3,644	-	-	-	-	**3,644**
Measured at amortized cost						
Loans and receivables	2,576,808	2,721,720	2,941,537	782,892	122,505	**9,145,462**
Total	**4,163,340**	**2,847,859**	**3,600,517**	**1,153,195**	**207,393**	**11,972,304**
Financial liabilities						
Available for trading						
Derivatives	(2,981)	(1,698)	(810)	(20)	-	**(5,509)**
Measured at fair value						
Borrowings and onlendings	(6,006)	(9,298)	(624,933)	-	-	**(640,237)**
Measured at amortized cost						
Demand and other deposits	(393,238)	-	-	-	-	**(393,238)**
Time and interbank deposits	(830,002)	(1,441,166)	(874,430)	(130,763)	(37,002)	**(3,313,363)**
Money market funding	(71,605)	-	-	-	-	**(71,605)**
Payables from security issues	(527,610)	(1,307,438)	(2,847,668)	(87,930)	(2,203)	**(4,772,849)**
Borrowings and onlendings	(334,792)	(468,506)	(234,403)	(114,507)	(6,349)	**(1,158,557)**
Payables from sale or transfer of financial assets	(100)	(2,021)	(10,097)	(103)	-	**(12,321)**
Total	**(2,166,334)**	**(3,230,127)**	**(4,592,341)**	**(333,323)**	**(45,554)**	**(10,367,679)**
Total financial assets and financial liabilities, net	**1,997,006**	**(382,268)**	**(991,824)**	**819,872**	**161,839**	**1,604,625**

	2012					
	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
Cash and cash equivalents	**1,709,091**	**-**	**-**	**-**	**-**	**1,709,091**
Financial assets						
Available for trading						
Investment fund units	25,835	-	-	-	-	**25,835**
Federal government securities	290,220	-	-	-	-	**290,220**
Interbank deposits	-	89,026	30,117	-	-	**119,142**
Derivatives	569	41,507	53,195	31,360	-	**126,631**
Available for sale						
Debt instruments	252,432	24,924	116,394	76,565	95,612	**565,927**
Equity instruments	4,169	-	-	-	-	**4,169**
Measured at amortized cost						
Loans and receivables	2,415,884	2,435,114	2,339,995	515,744	49,074	**7,755,811**
Total	**4,698,200**	**2,590,571**	**2,539,701**	**623,669**	**144,686**	**10,596,827**
Financial liabilities						
Available for trading						
Derivatives	(2,133)	(524)	(406)	-	-	**(3,063)**
Measured at fair value						
Borrowings and onlendings	-	(219,793)	(60,635)	-	-	**(280,428)**
Measured at amortized cost						
Demand and other deposits	(257,039)	-	-	-	-	**(257,039)**
Time and interbank deposits	(1,327,428)	(1,431,739)	(910,667)	(128,196)	(37,896)	**(3,835,926)**
Payables from sale or transfer of financial assets	(34,834)	(54,091)	(50,669)	(1,097)	(14)	**(140,705)**
Payables from security issues	(161,007)	(497,639)	(2,024,043)	(593,255)	-	**(3,275,945)**
Borrowings and onlendings	(286,257)	(448,125)	(143,133)	(32,410)	(13,936)	**(923,861)**
Total	**(2,068,698)**	**(2,651,911)**	**(3,189,553)**	**(754,958)**	**(51,846)**	**(8,716,966)**
Total financial assets and financial liabilities, net	**2,629,502**	**(61,340)**	**(649,852)**	**(131,289)**	**92,840**	**1,879,861**

c) Credit risk

Definition
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.

Framework



Assumption

The classification process takes place after the compliance with parameters of the prevailing the Credit Policy, used in Analysis and Grant.

Note: if the guarantees backing the transactions, according to the internal policy, have a strong influence in the decision-making process, they, therefore, influence the transaction's rating.

Transaction classification

Daycoval adopts consistent and verifiable criteria to classify its loan transactions that combine the borrower's economic, financial, personal and market information with the accessory guarantees provided to the operation. Based on this information, minimum allowances 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 with Confirmed and Reliable Customer, Asset and Transaction data.

Note also that for scoring model development purposes, the financed assets have been categorized and a Mathematical Risk Rating Formula was obtained for each financed asset.

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.

Quantitative information on the credit Risk Management

a) Maximum exposure to credit risk

	2013	**2012**
Derivatives	174,471	126,127
Debt instruments	361,866	338,807
Loans and receivables	8,676,373	7,367,001
Other assets	1,057,966	774,795
Guarantees	461,854	416,220
Total maximum exposure to credit risk	**10,732,530**	**9,022,950**

b) Quality of the 'Loans and receivables' portfolio:

The table below shows the breakdown and quality of the Loans and receivables portfolio for the years ended December 31, 2013 and 2012, taking into account their maturities and the amount recognized as impairment loss.

	2013			
Internal rating	**Unimpaired current transactions**	**Impaired current transactions**	**Impaired past-due transactions**	**Total**
Low risk	106,149	8,386,267	52,232	8,544,648
Medium risk	-	223,063	15,669	238,732
High risk	-	197,180	164,902	362,082
Impairment	-	(305,206)	(163,883)	(469,089)
Total	**106,149**	**8,501,304**	**68,920**	**8,676,373**

	2012			
Internal rating	**Unimpaired current transactions**	**Impaired current transactions**	**Impaired past-due transactions**	**Total**
Low risk	39,222	7,115,302	69,360	7,223,884
Medium risk	-	209,049	37,093	246,142
High risk	-	174,428	111,357	285,785
Impairment	-	(267,857)	(120,953)	(388,810)
Total	**39,222**	**7,230,922**	**96,857**	**7,367,001**

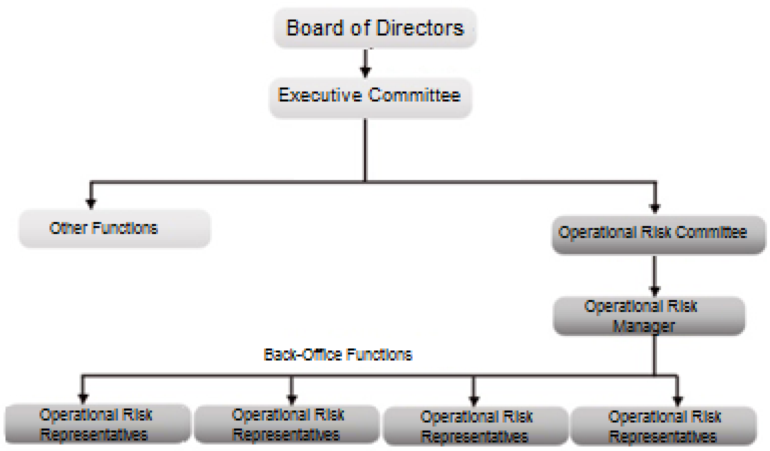
d) Operational risk

Definition

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.

Framework



43. Capital

Daycoval carefully manages its capital base to cover the risks inherited to its business. Daycoval's capital adequacy is monitored, amongst others, by complying with the rules and ratios established by the Basel Committee on Banking Supervision and adopted by the Central Bank of Brazil.

During the years ended December 31, 2013 and 2012, Daycoval strictly complied with all the capital requirements imposed by the Central Bank of Brazil.

Capital management

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.

Daycoval manages its capital structure by making adjustments pursuant to the changes in the economic scenario and the risk characteristics of its business.

To date, no changes were made to the goals, policies e and processes as compared to prior years.

Regulatory capital – Basel Accord

The BACEN has issued since March 1, 2013 and effective beginning 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 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 to be complied by the financial institutions, according to the following calendar:

	2013	2014	2015	2016	2017	2018	2019
Primary 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%
RC (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) *Primary Capital: consisting of shares, reserves and retained earnings;*

b) *Tier I: consisting of Primary Capital and other instruments capable of absorbing losses with the entity as a going concern; and*

c) *RC (regulatory capital): consisting of Tier I capital and other subordinated instruments capable of absorbing losses on entity liquidation.*

The Primary and Additional Capital, which represents the maintenance (fixed) and countercyclical (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 rules are effective beginning October 1, 2013 and follows the international adoption calendar, until its effective implementation on January 1, 2022.

The table below shows the calculation of the regulatory capital requirements and the Basil ratio:

	2013	2012
Tier I regulatory capital	**2,369,066**	**2,197,500**
Equity	2,440,276	2,203,507
Capital increase under approval	(71,210)	-
Deductions for Tier I regulatory capital	-	(6,007)
Tier II regulatory capital	**-**	**6,007**
Regulatory capital for comparison with the risk-weighted assets (RWAs)	**2,369,066**	**2,203,507**
Risk-weighted assets (RWAs)	**13,519,193**	**12,664,699**
Exposure to credit risk – RWAcpad (previously Pepr)	11,558,183	9,230,245
Foreign currency assets – RWAcam (previously Pcam)	175,107	642,627
Fixed interest indexed assets - RWAjur1 (previously Pjur 1)	757,462	768,618
Foreign currency coupon indexed assets - RWAjur2 (previously Pjur 2)	349,840	508,373
Inflation indexed assets – RWAjur3 (previously Pjur 3)	55,312	1,145
Stock – RWApacs (previously Pacs)	65,862	256,636
Operational risk - RWAopad (previously Popr) (a)	557,427	1,257,055
Minimum required regulatory capital (RWA x 11%) (b)	**1,487,111**	**1,393,117**
Basel ratio (1)	**17.52%**	**17.40%**
Interest rate portion in Banking Book (Pbanking)	59,981	35,670

(1) The Basel Ratio was calculated based on the equity as at December 31, 2013 and 2012 for BRGAAP purposes.

As at December 31, 2013 and 2012, Daycoval's Regulatory Capital exceed by 59.31% and 58.17%, respectively, the Minimum Regulatory Capital required by the BACEN.

a) Beginning July 1, 2013, Banco Daycoval 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 the six-month period ended June 30, 2013, Daycoval adopted the "Basic Indicator Approach (BIA)".

b) The risk-weighted assets (RWAs) for 2012 have been adjusted for purposes of comparison with the 2013 figures.

44. Other information

a) Claim coverage:

Despite the low risk exposure as a result of their assets not being physically concentrated, Daycoval and its subsidiaries have the policy of insuring their assets in amounts considered sufficient to cover potential losses.

b) Relationship with the auditor:

In accordance with CVM Instruction 381, of January 14, 2003, we inform that the firm engaged to perform an audit of Daycoval's financial statements for the year ending December 31, 2013, was not engaged to provide any services other than the independent audit services.

c) Audit Committee:

In accordance with National Monetary Council (CMN) Resolution 3198/04, and aimed at adopting the industry's best practices in conducting its businesses, the Extraordinary Shareholders' Meeting held on March 26, 2009 decided to establish an Audit Committee, consisting of 3 members, as provided for in the prevailing law. The establishment of this committee was submitted to the Central Bank of Brazil for approval on May 26, 2009.

d) Level 2 of Corporate Governance:

The Extraordinary Shareholders Meeting held on December 19, 2011 discussed and approved the following matters: (1) Daycoval's entry in the special security trading listing segment of BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros, called Level 2 of Corporate Governance; and (2) revision of its bylaws, including: (i) amendments to Article wording; and (ii) adjustment of the articles to the provisions of the Level 2 of Corporate Governance Internal Regulation of BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros.

The adherence to the Level 2 of Corporate Governance was ratified by the Central Bank of Brazil on March 22, 2013 and approved by BM&FBOVESPA S.A. – Bolsa de Valores, Mercadorias e Futuros on May 15, 2013.

45. Events after the reporting period

a) Capital increase – ratification

The BACEN ratified on January 15, 2014 Banco Daycoval's capital increase, as referred to in note 34.b), amounting to R$71,210, and this ratification was published in the Federal Official Gazette on January 17, 2014.

b) New share buyback program:

The Board of Directors approved on January 22, 2014 the implementation of a new share buyback program. Under the new program, Daycoval is authorized to buy back up to 6,359,800 preferred shares, to be kept in treasury for subsequent sale or cancellation, equivalent to 9.09% of the free float preferred shares. This authorization is effective for 365 days and ends on January de 2015. In the same meeting, the Board of Directors also approved the discontinuation of the share buyback program initiated on December 17, 2013 and the cancellation, without a capital reduction, of 930,000 registered preferred shares in treasury.

São Paulo, February 18, 2014

The Executive Committee	**Accountant** **José Roberto Mayer** **TCCRC – 1SP097138/O-1**