

Scotiabank Brasil S.A. Banco Múltiplo

**Financial statements
of June 30, 2015**

(A free translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil applicable to institutions authorized to operate by the Central Bank of Brazil)

Contents

Independent auditors' report on the financial statements	3
Balance sheets	5
Statements of income	7
Statements of changes in shareholders' equity	8
Statements of cash flows (indirect method)	9
Notes to the financial statements	10



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Independent auditors' report on the financial statements

To
The Management and Shareholders of
Scotiabank Brasil S.A. Banco Múltiplo
São Paulo - SP

We have examined the accompanying financial statements of Scotiabank Brasil S.A. Banco Múltiplo ("Bank") which comprise the balance sheet as of June 30, 2015 and the respective statements of income, changes in shareholders' equity and cash flows for the semester then ended, as well as the summary of the significant accounting practices and other explanatory notes.

Management's responsibility for the financial statements

The Bank's management is responsible for the preparation and adequate presentation for these financial statements in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil, such as for designing, implementing and maintaining the internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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 aforementioned financial statements present fairly, in all material respects, the financial position of the Scotiabank Brasil S.A. Banco Múltiplo as of June 30, 2015, the performance of its operations and its cash flows, for the year and semester then ended, in accordance with the accounting practices adopted in Brazil, applicable to institutions authorized to operate by the Central Bank of Brazil.

São Paulo, August 26, 2015

KPMG Auditores Independentes
CRC 2SP014428/O-6
Original report in Portuguese signed by
Luciana Liberal Sâmia
Accountant CRC 1SP198502/O-8

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
BALANCE SHEETS AT JUNE 30, 2015 AND 2014

(In thousands of reais)

	2015	2014
Assets		
Current assets	1,925,256	1,062,020
Cash and cash equivalents	1,453	6,567
Interbank investments	395,996	208,491
Money market investments	166,700	205,416
Interbank deposits	229,296	3,075
Securities and derivative financial instruments	889,196	404,790
Own portfolio	510,608	173,191
Derivative financial instruments	20,372	40,881
Tied to collateral agreement	358,216	190,718
Interbank accounts	69	34
Payment and receipts	-	1
Restricted deposits		
Deposits with Central Bank of Brazil	69	33
Loans	94,389	84,328
Loans		
Private sector	57,203	84,566
Sale or Transfer of Financial Assets	37,472	-
Allowance for doubtful accounts	(286)	(238)
Other receivables	543,491	357,116
Foreign exchange portfolio	527,776	347,974
Trading and intermediation of securities	8,045	8,291
Others	10,035	2,232
Allowance for doubtful accounts	(2,365)	(1,381)
Other assets	662	694
Prepaid expenses	662	694
Long-term assets	246,951	174,710
Securities and derivative financial instruments	88,652	136,461
Own portfolio	85,148	119,448
Derivative financial instruments	3,504	17,013
Loans	122,058	3,731
Loans		
Private sector	122,671	3,750
Allowance for doubtful accounts	(613)	(19)
Other receivables	36,037	34,104
Others	36,037	34,104
Other assets	204	414
Prepaid expenses	204	414
Permanent assets	2,476	3,834
Investments	6	6
Other investments	6	6
Fixed assets	1,875	2,963
Other fixed assets	10,799	11,972
Accumulated depreciation	(8,924)	(9,009)
Intangible assets	595	865
Intangible assets	1,826	1,801
Accumulated amortizations	(1,231)	(936)
Total assets	2,174,683	1,240,564

See the accompanying notes to the financial statements

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO

BALANCE SHEETS AT JUNE 30, 2015 AND 2014

(In thousands of reais)

	2015	2014
Liabilities		
Current liabilities	1,228,969	658,911
Deposits	309,955	214,513
Demand deposits	187	220
Interbank investments	59,709	23,033
Time Deposits	250,059	191,260
Money market funding	-	16,501
Third-party portfolio	-	16,501
Interbranch accounts	-	1
Third-party funds in transit	-	1
Borrowings	736,215	406,703
Foreign borrowings	736,215	406,703
Derivative financial instruments	85,716	992
Derivative financial instruments	85,716	992
Other liabilities	97,083	20,201
Foreign exchange portfolio	18,503	4,404
Tax and social security	14,469	3,296
Trading and intermediation of securities	18,729	2,849
Other	45,382	9,652
Long-term liabilities	514,852	177,024
Deposits	83,225	105,648
Time Deposits	83,225	105,648
Securities	51,524	-
Securities	51,524	-
Borrowings	212,905	32,958
Foreign borrowings	212,905	32,958
Derivative financial instruments	150,315	22,387
Derivative financial instruments	150,315	22,387
Other liabilities	16,883	16,031
Tax and social security	10,743	8,365
Others	6,140	7,666
Income for future years	17	40
Income for future years	17	40
Shareholders' equity	430,845	404,589
Capital:		
Domiciled abroad	321,122	321,122
Profit reserves	90,610	79,399
Accumulated profit	19,113	4,068
Total liabilities	2,174,683	1,240,564

See the accompanying notes to the financial statements

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
STATEMENTS OF INCOME
SEMESTERS ENDED JUNE 30, 2015 AND 2014

(In thousands of reais, except net income per thousand shares - R\$)

	<u>2015</u>	<u>2014</u>
Financial intermediation income	187,993	26,795
Loans	11,320	3,363
Securities	70,399	34,197
Derivative financial instruments	63,591	(10,765)
Foreign exchange operations	42,683	-
Financial intermediation expenses	(133,993)	1,831
Funding operations	(17,812)	(9,080)
Borrowings	(112,762)	32,250
Foreign exchange operations	-	(20,600)
Sale or Transfer of Financial Assets	(1,706)	-
Allowance for doubtful accounts	(1,713)	(739)
Gross income on financial intermediation	54,000	28,626
Other operating income (expenses)	(23,709)	(21,407)
Rendering of services	12,511	10,060
Personnel expenses	(21,769)	(21,456)
Other administrative expenses	(10,165)	(9,068)
Tax expenses	(6,053)	(2,101)
Other operating income	1,862	1,345
Other operating expenses	(95)	(187)
Operating income	30,291	7,219
Non-operating losses	(1)	(1)
Net income before taxes and profit sharing	30,290	7,218
Income and social contribution taxes	(10,171)	(2,936)
Provision for income tax	(6,353)	(1,829)
Provision for social contribution	(3,818)	(1,107)
Net income for the semester	20,119	4,282
Net income per thousand shares - R\$	9.06	1.93

See the accompanying notes to the financial statements

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
SEMESTERS ENDED JUNE 30, 2015 AND 2014

(In thousands of reais)

	Profit reserves			Income (loss) earnings (loss)	Total
	Capital	Legal	Statutory		
Balances at January 1, 2014	266,222	12,872	66,313	-	345,407
Capital increase	54,900	-	-	-	54,900
Net income for the semester	-	-	-	4,282	4,282
Allocations:					
Legal reserve	-	214	-	(214)	-
Balances at June 30, 2014	321,122	13,086	66,313	4,068	404,589
Balances at January 1, 2015	321,122	13,393	76,211	-	410,726
Net income for the semester	-	-	-	20,119	20,119
Allocations:					
Legal reserve	-	1,006	-	(1,006)	-
Balances at June 30, 2015	321,122	14,399	76,211	19,113	430,845

See the accompanying notes to the financial statements

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
STATEMENTS OF CASH FLOWS (INDIRECT METHOD)
SEMESTERS ENDED JUNE 30, 2015 AND 2014

(In thousands of reais)

	<u>2015</u>	<u>2014</u>
Operating activities		
Net income for the semester	20,119	4,282
Adjustments to net income		
Recording (reversal) of allowance for doubtful accounts	739	(130)
Recording of allowance for doubtful accounts	974	869
Depreciation and amortization	825	876
Expenses (reversal) with tax and labor provisions	(222)	80
Variation in assets and liabilities		
Decrease (Increase) in interbank investments	84	(145)
(Increase) in securities and derivative financial instruments	(250,330)	(262,156)
(Increase) in mandatory deposits at the Central Bank of Brazil	(2)	(1)
(Increase) in interbank	-	(1)
Increase (decrease) in interbranch investments	(6)	1
Decrease (increase) in loans operations	(150,191)	23,951
(Increase) in other credits	(168,237)	(166,677)
(Increase) in other assets	(68)	(682)
Increase in deposits	112,321	246,117
Increase in funding operations	-	16,501
Increase in funding securities	51,524	-
Increase in borrowings and on-lending obligations	338,708	160,487
Increase (decrease) in other obligations	(33,688)	13,484
(Decrease) in future income	(9)	(27)
Net cash generated/(used in) from operating activities	<u>(77,459)</u>	<u>36,829</u>
Investment activities		
Acquisition of fixed assets	-	(237)
Investments in intangible assets	(26)	(86)
Net cash (used in) from investment activities	<u>(26)</u>	<u>(323)</u>
Financial activities		
Capital increase	-	54,900
Net cash generated from financial activities	<u>-</u>	<u>54,900</u>
Net increase (decrease) in cash and cash equivalents	<u>(77,485)</u>	<u>91,406</u>
Cash and cash equivalents at the beginning of the semester	426,214	120,577
Cash and cash equivalents at the end of the semester	348,729	211,983
Net increase (decrease) in cash and cash equivalents	<u>(77,485)</u>	<u>91,406</u>

See the accompanying notes to the financial statements

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

1. Operations

Scotiabank Brasil S.A. Banco Múltiplo (“Bank”) is organized and authorized to operate as a Multiple Bank by means of its investment and commercial portfolios, including foreign exchange.

The Bank’s shareholders are The Bank of Nova Scotia (“BNS”) and BNS Investments Inc. (full invested of BNS), both with head offices in Canada.

2. Preparation and presentation of financial statements

The financial statements have been prepared and are presented in accordance with the accounting practices established by Corporate Legislation and the norms and instructions issued by the National Monetary Council (CMN) and the Central Bank of Brazil (BACEN), as set out in the Chart of Accounts for Financial Institutions (COSIF), and in the Accounting Pronouncements Committee (CPC), when applicable.

The authorization to issue these Financial Statements was granted by the Executive Board on August 17, 2015.

The Financial Statements include estimates and assumptions, such as allowance for loan losses, estimates of the fair value of certain financial instruments, provisions for contingencies, other provisions and the determination of the useful life of certain assets. The effective results might be different from those estimates and assumptions.

Amounts realizable and payable in up to one year and after one year are segregated, respectively, into current and long-term, according to the applicable regulation.

The cash flow statements have been prepared based on the indirect method and the amounts of cash and cash equivalents correspond to the balances of cash and interbank investments with original term equal to or lower than 90 days.

3. Description of significant accounting policies

a) Statement of Income

Income and expenses are recognized on the accrual basis.

For a better presentation, the Bank reclassifies the foreign exchange variation from “Other operating income/expenses” account directly to “Financial intermediation income/expenses” in the Statement of Income.

b) Current and non-current assets

These are stated at realizable value, reduced, when applicable, by the corresponding unearned income, including the monetary and foreign exchange variations gained and adjusted by provisions, when applicable, until the Balance Sheet date.

c) Securities

The Bank classifies its securities as "securities held for trading" and "securities held-to-maturity", which are valued as stipulated in BACEN Circular nº 3.068/01, in conformity to the following guidelines:

i) Trading securities – Include securities acquired to be actively and frequently traded. These securities are recorded at market value with any valuation or devaluation being posted against the appropriate income or expense account in the Income Statement for the period. Regardless of maturity, trading securities are classified as current assets.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

ii) Held to maturity securities - This category includes securities for which the Bank's Management has the intent and financial ability to hold them to maturity. These securities must be evaluated at their respective acquisition costs, plus intrinsic yield, which should affect the result for the period. Financial ability is characterized by the availability of third-party funds, denominated in the same currency and with a term equal to or higher than the securities recorded under this caption.

d) Derivative financial instruments

In accordance with BACEN Circular nº 3.082/02 and subsequent regulations, derivative financial instruments are classified on the date of their acquisition depending on whether or not the Management intends to use them for hedge purposes.

Operations that make use of derivative financial instruments at client's request, on the Bank's own initiative, or that do not fulfill hedge criteria (mainly derivatives used to manage global risk exposure), are recorded at market value, with realized and unrealized gains and losses being posted directly to the Statement of Income.

Derivatives financial instruments used to hedge risk exposure or to modify the characteristics of financial assets and liabilities which are highly correlated with respect to changes in the market value in relation to the market value of the item being hedged, not only at the start but also during the life of the contract and considered effective at reducing the risk associated with the exposure to be hedged, are classified as *hedge* in accordance with their nature:

- *Hedge* of market risk – The financial assets and liabilities and others financial instruments related are recorded at market value with realized and unrealized gains and losses, recognized in the Statement of Income;
- *Hedge* of cash flow – The effective hedge amount of the financial assets and liabilities, as well as the related financial instruments, being recorded at market value including realized and unrealized gains and losses, deducted when applicable from tax effects, should be recognized in a specific equity account. The ineffective hedge amount is recognized directly in the Statement of Income.

e) Loans

These are recorded based on the yields obtained, and recognized on a per day pro rata basis, according to the changes in the index and interest rates agreed upon.

Revenues and charges of any nature related to loan transactions which have been in arrears for a period of 60 days or more are recorded as unrecognized income and recognized in profit or loss when they are actually received.

According to Resolution 3.533/08 passed by the National Monetary Council and updated by subsequent rulings, the assignment of receivables whereby a substantial portion of the risks and rewards remains with the assignor, are to be kept in the loan portfolio as from January 1, 2012.

f) Allowance for doubtful accounts

Based on the analysis of outstanding operations conducted by the Management in order to define the appropriate amount to absorb probable losses from their realization, considering the economic scenario and both the specific and global risks of the portfolio, as well as the provisions set forth in the CMN Resolution nº 2.682/99, which requires periodic analysis of the portfolio and its classification into nine levels, where "AA" corresponds to minimum risk and H to loss. Non-performing loans classified as level "H" remain in this classification for six months, whereupon they are written off against the existing provision and controlled in memorandum accounts.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

g) Permanent assets

Stated at cost, combined with the following aspects:

- Other investments: valued at acquisition cost, minus any provision for losses, if applicable;
- Depreciation: calculated on a straight-line basis, at the annual rates which consider the economic useful life of the assets, as follows: 10% for furniture, equipment, security system and facilities; and 20% for data processing systems; and
- Amortization of intangible and deferred assets: calculated on a straight-line basis, for a period of up to 5 years.

h) Impairment

Pursuant to CMN Resolution nº 3.566/08 which approved the adoption of Technical Pronouncement CPC 01 (impairment), the recoverable value of assets is tested, at least, once a year, if there are indicators of loss. When the book value of the asset exceeds its recoverable value, the loss will be recognized directly in the Statement of Income.

No impairment losses had been identified as of June 30, 2015.

i) Current and non-current liabilities

Stated at their known or measurable amounts, including the charges, the monetary (on a “pro rata” basis) and the foreign exchange variations incurred.

j) Deferred income and social contribution taxes

The provision for income tax is made at the rate of 15% on taxable income, plus a surtax of 10%. Social contribution is calculated at the rate of 15% on taxable income.

The Bank has unrecorded deferred tax asset of income tax and social contribution deriving from tax loss carry forward, social contribution negative base and temporary differences. Based on CMN Resolution nº 3.059/02 and subsequent amendments, the historical taxable income as well as the short and medium term projections prepared by the Bank do not presently enable a reasonable estimate of the realization term of these unrecorded assets. As specified in Note 19 “b”, these credits were calculated on the basis of the aforesaid rates.

k) PIS and COFINS

PIS and COFINS contributions are provisioned for at the rate of 0.65% and 4%, respectively, pursuant to the legislation in force.

l) Contingent assets and liabilities and legal obligations (Tax and social security)

The Bank follows the guidelines set forth in CMN Resolution nº 3.823/09, which approved the adoption of Technical Pronouncement CPC 25 - Procedures applicable to the recognition, measurement and disclosure of provisions, contingent liabilities and contingent assets.

Contingent assets are not recognized in the financial statements, except when there are evidences that the decision will be favorable, and shall not be subject to appeal.

The lawsuits are classified as probable, possible or remote according to the risk of loss, where a provision is made for those classified as probable loss, according to the estimated amount of the loss, based on the opinion of our legal advisers, the nature of the lawsuits and previous rulings delivered by courts for similar cases. The lawsuits classified as possible loss are only disclosed and those classified as remote loss do not require provision or disclosure.

Legal obligations are lawsuits related to tax obligations, where the subject being contested is their legality or constitutionality which, regardless of the probability of success of the lawsuits in progress, have their amounts recognized in full in the Financial Statements.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

m) Share based payment

Qualified employees of the Bank participate in stock-based compensation plans, which are evaluated based on the price of the common share of The Bank of Nova Scotia (BNS). The Bank records its expense in the Statement of Income for the semesters against a provision in Liabilities, as established by CMN Resolution nº 3.989/11 which approved the adoption of the Technical Pronouncement CPC 10 - Stock-Based Compensation (Note 21).

4. Components of cash and cash equivalents

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	1,453	6,567
Money market investments	166,700	205,416
Interbank deposits	<u>180,576</u>	<u>-</u>
Total	<u>348,729</u>	<u>211,983</u>

5. Interbank Investments

	<u>2015</u>		<u>2014</u>	
	<u>Up to 1 month</u>	<u>1 - 6 months</u>	<u>Total</u>	<u>Total</u>
Money market investments				
Own portfolio	<u>166,700</u>	<u>-</u>	<u>166,700</u>	<u>189,039</u>
LFT	77,001	-	77,001	-
NTN	78,699	-	78,699	149,039
LTN	11,000	-	11,000	40,000
Financed position	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,377</u>
NTN	-	-	-	16,377
Interbank deposits	<u>180,576</u>	<u>48,720</u>	<u>229,296</u>	<u>3,075</u>
Interbank deposits	180,576	48,720	229,296	3,075
Total	<u>347,276</u>	<u>48,720</u>	<u>395,996</u>	<u>208,491</u>

6. Securities

The updated cost (plus yield) and the market value of securities as of June 30, 2015 and 2014 were as follows:

a) Trading securities

	<u>2015</u>					<u>2014</u>			
	<u>Up to 3 months</u>	<u>3 to 12 months</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>5 to 10 years</u>	<u>Market value / book value</u>	<u>Accrual value</u>	<u>Market value / book value</u>	<u>Accrual value</u>
Own portfolio									
LTN	214,890	145,559	20,247	-	-	380,696	381,216	44,389	44,884
NTN	-	-	14,015	-	1,470	15,485	15,628	55,464	55,069
Subtotal	<u>214,890</u>	<u>145,559</u>	<u>34,262</u>	<u>-</u>	<u>1,470</u>	<u>396,181</u>	<u>396,844</u>	<u>99,853</u>	<u>99,953</u>
Subject to collateral agreement									
LTN	-	358,216	-	-	-	358,216	362,030	190,718	197,395
Subtotal	<u>-</u>	<u>358,216</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>358,216</u>	<u>362,030</u>	<u>190,718</u>	<u>197,395</u>
Total	<u>214,890</u>	<u>503,775</u>	<u>34,262</u>	<u>-</u>	<u>1,470</u>	<u>754,397</u>	<u>758,874</u>	<u>290,571</u>	<u>297,348</u>

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

The market values of government bonds are calculated according to asset prices disclosed by the Brazilian Association of Financial and Capital Market Entities (ANBIMA). Government bonds are held in custody at the Special System for Settlement and Custody (SELIC).

b) Held to maturity securities (i)

	2015					Accrual value / book value	Market value	2014
	Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	5 to 10 years			Accrual value / book value
Own portfolio								
Debentures	6,628	30,698	68,614	16,534	-	122,474	123,597	142,763
Promissory notes	-	77,101	-	-	-	77,101	77,138	50,023
Total	6,628	107,799	68,614	16,534	-	199,575	200,735	192,786

(i) See note 3 “c”

The market value of the debentures and promissory notes is based on the pricing to independently model, which consists of calculating the future value of cash flows plus monetary restatement, which are discounted to their present value by the fixed interest rate plus the spread credit. Private bonds are held in custody at CETIP S.A. – Clearing House for the Custody and Financial Settlement of Securities.

7. Derivative financial instruments

The Bank participates in operations involving derivative financial instruments recorded in balance sheet and memorandum accounts, and whose purpose is to meet its own and its clients’ needs. These operations are intended to manage market risk exposure to potential losses caused by fluctuations in the price of financial assets and variations in interest rates, currencies and indexes. The Bank’s Management sets guidelines concerning the operation policy, control, establishment of strategies, as well as the limit of these positions.

The futures, swap and NDF operations are recorded in balance sheet and memorandum accounts at the contractual or reference value and are registered with the BM&FBovespa S.A. - Stock Exchange, Futures and Commodities or the CETIP.

The tables below show the reference values updated to the market price, the respective adjustments receivable and payable and net exposures in the Balance Sheets for derivative financial instruments on June 30, 2015 and 2014:

	2015		2014	
	Market values	Adjustment receivable (payable)	Market values	Adjustment receivable (payable)
Futures contracts				
Long position	3,856,173	(18,122)	2,068,810	7,636
DI	162,425	109	397,788	(397)
DDI	2,966,472	(14,821)	1,420,650	7,666
Dollar	727,276	(3,410)	250,372	367
Short position	2,571,340	7,461	1,177,798	(2,164)
DI	1,019,246	(469)	595,098	235
DDI	449,184	2,189	286,960	(829)
Dollar	1,102,910	5,741	295,740	(1,570)

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

On June 30, 2015, besides the daily adjustments of futures contracts, the amount R\$ 23 (2014 - R\$ 30), is also recorded under the caption “Other liabilities - trading and intermediation of securities” in current liabilities, which is related to brokerage fees payable to BM&FBovespa.

	2015			2014		
	Market values		Cost values	Market values		Cost values
	Referential values	Asset / (liability) net exposure	Asset / (liability) net exposure	Referential values	Asset / (liability) net exposure	Asset / (liability) net exposure
Swap agreements						
Asset position	1,141,779			921,977		
CDI	1,141,779	1,141,779	1,176,818	921,977	921,977	911,080
Liability position	(1,369,113)			(889,135)		
Dollar	(1,369,113)	(1,369,113)	(1,374,377)	(889,135)	(889,135)	(869,455)
Term of currencies						
Asset position	497,422			180,352		
Dollar	98,598	-	-	27,090	-	-
Prefixed rates	398,824	305,576	306,245	153,262	125,549	122,762
Liability position	(482,243)			(178,679)		
Dollar	(388,995)	(290,397)	(294,097)	(150,966)	(123,876)	(126,631)
Prefixed rates	(93,248)	-	-	(27,713)	-	-
Total net exposure		(212,155)			34,515	

The table below shows the reference values updated to the market price recorded in memorandum accounts and the respective terms to maturity as of June 30, 2015 and 2014:

	2015				2014	
	Up to 1 month	1 to 6 months	6 to 12 months	Above 12 months	Total	Total
Futures contracts	1,108,096	1,976,388	1,907,204	1,435,825	6,427,513	3,246,608
DI	122,938	185,592	557,211	315,930	1,181,671	992,886
DDI	449,184	921,739	924,838	1,119,895	3,415,656	1,707,610
Dollar	535,974	869,057	425,155	-	1,830,186	546,112
Swap contracts	(28,392)	(25,051)	(27,080)	(146,811)	(227,334)	32,842
CDI	63,055	181,672	187,614	709,438	1,141,779	921,977
Dollar	(91,447)	(206,723)	(214,694)	(856,249)	(1,369,113)	(889,135)
Term currency	3,262	12,020	(103)	-	15,179	1,673
Dollar	(88,760)	(203,627)	1,990	-	(290,397)	(123,876)
Prefixed rates	92,022	215,647	(2,093)	-	(305,576)	125,549

The market and credit risk associated with these products, as well as the operational risks, are similar to those related to other types of financial instruments.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

The results with derivative financial instruments for the semesters ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Swap	(117,223)	82,219
Term	15,070	(4,985)
Future	165,704	(87,999)
Options	40	-
Total	<u>63,591</u>	<u>(10,765)</u>

An area independent from the operating and business areas is responsible for the evaluation and measurement of assets and liabilities existing in the Bank, which is in compliance with BACEN Circulars n°. 3.068/01 and 3.082/02. These calculations are based on prices, rates or information collected from independent sources, such as BM&FBovespa, Stockbrokers, BACEN, ANBIMA, among others.

The table below shows the amounts of contracts designated as hedge financial instruments and financial instruments regarding the item subject to hedge as semesters ended June 30, 2015 and 2014:

	<u>2015</u>		
	<u>Hedge Instruments</u>	<u>Subject to Hedge</u>	
	<u>Market Value</u>	<u>Market Value</u>	<u>Adjustment at Market Value</u>
Hedge Strategy for Market Risk			
<i>Foreign borrowings hedge</i>	340,302	347,225	348,710
Total	<u>340,302</u>	<u>347,225</u>	<u>348,710</u>
	<u>2014</u>		
	<u>Hedge Instruments</u>	<u>Subject to Hedge</u>	
	<u>Market Value</u>	<u>Market Value</u>	<u>Adjustment at Market Value</u>
Hedge Strategy for Market Risk			
<i>Foreign borrowings hedge</i>	31,679	32,958	33,180
Total	<u>31,679</u>	<u>32,958</u>	<u>33,180</u>

The effectiveness determined for the hedge portfolio is in compliance with the BACEN Circular 3.082/02.

The Bank uses market risk hedge to protect itself from exchange exposure risk for payments of principal and fixed rate exchange interest, related to the funding contracted abroad.

The transaction is structured as a combination of DDI futures contracts used as derivative hedging instruments and obligations arising from foreign loans raised in US dollar, falling due in April 2017 and designated as an item hedged against market risk.

For the foreign funding market value, item subject to hedge, what is taken into consideration the characteristics of the operation in relation to interest rate and corresponding term for determination of the future amount of cash flows, which will be deducted at present value at market rates, calculated based on the prices traded on BM&FBovespa.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

8. Risk management

Operational risk

The Bank has an across-the-board operational risk management structure which is responsible for identifying, evaluating, monitoring, controlling, reducing and reporting risks facing the organization. In this context, all employees have full access to all the tools, methodologies and reports produced by the Operational Risk department, enabling the dissemination of the risk-control culture inside the Bank.

The Bank's Operational Risk structure also includes the participation of the Executive Board, which is immediately involved in every significant event and actively participates in the monitoring of actions aimed to mitigate these risks. In addition to the daily monitoring, Risk Management also reports on a monthly basis the main operational risk events to the department heads and to the Executive Boards of the Bank and of The Bank of Nova Scotia (BNS).

Management of market and liquidity risks

Consistent with the requirements of the Head Office and always following the best worldwide adopted practices in risk management, the Bank has a comprehensive structure of risk control and management, integrated and independent from the business areas and which seeks the optimization of the risk/return relation, focusing on efficient monitoring and strict control of the risk exposure factors. An integrated set of processes using platforms of local and global systems is responsible for the determination, analysis and report of market, credit, liquidity and operating risks. The limits of risk are determined and approved by both local directors and those in the Head Office and are monitored on a preventive basis.

In this context, the market and liquidity risk management is performed on a daily basis by using own models and instruments such as VaR - Value-at-Risk, projections of cash flow, stress test, backtesting, analysis of sensitivity of interest, foreign exchange and volatility.

By complying with BNS's requirements, the Bank was able to meet Central Bank demands regarding implementation of a market and liquidity risk structure (CMN Resolutions n° 3.464/07 and 4.090/12). In addition, the Bank calculates the capital requirements due to market risk exposure in accordance with the criteria established by CMN Resolution n° 4.193/13.

Credit risk management

Consistent with the rules established by the BACEN (CMN Resolutions n° 2.682/99, 2.844/01, 3.721/09, and others), and the organization's risk philosophy, the Bank has a credit risk management structure which includes the analysis and establishment of individual credit limit for the entire range of loan takers, as well as the analysis and monitoring of the Bank's aggregate credit risk, which takes into account all product lines offered by the Bank and all economic segments where loan takers operate.

The credit risk culture is broadly disseminated in the Bank, and the description of the products offered to loan takers includes the identification of the credit, market and operating risks, as well as the information systems that control them. Individual credit limits for loan takers are approved by using the Bank's own techniques/methodologies, and are reviewed at least once a year together with their ratings which, under CMN Resolution n° 2.682/99, are reviewed every six months for credit risks that exceed 5% of the Bank's reference shareholders' equity.

The Board of Executive Officers and the risk areas systematically work in the management of credit risks, which include the approval of individual credit limits and related institutional policies. In addition, they work in the monitoring of the aggregate credit portfolio and stress testing for evaluating the credit portfolio's resistance to adverse economic scenarios.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

Capital management

The Bank is dedicated to maintaining a robust capital basis in order to support risks associated to its businesses. The Bank's Capital Management structure, which encompasses internal policies, actions and procedures related to Capital Management and Internal Process for Capital Adequacy Evaluation, is in line with BNS's global policy, and also complies with Brazilian Central Bank's (BACEN) requirements provided for in CMN Resolution nº 3.988/11.

The principles that govern the Bank's capital management structure, as described in the document, intend to meet the requirements in connection with: regulatory rules; existence of appropriate governance and supervision; capital management policies, strategies and measurement that focuses on the relationships between risk propensity, risk profile and capital capacity; a solid risk management process; a capital adequacy evaluation process that is in accordance with governance and capital policies; existence of adequate systems, processes and controls to assist in capital planning, forecast, measurement, monitoring and reporting.

The Executive Board is directly involved in the Capital Management Structure and is also responsible for the annual review and approval of internal policies. In addition, the Executive Board acts on monitoring level and adequacy of the Bank's capital through periodic reports produced and sent by the areas that are directly involved in the capital management process.

Descriptions of operational risk, market risk, liquidity risk, credit risk and capital management structures are published in a directory of public access, available at the address: <http://www.br.scotiabank.com> (unaudited).

9. Loan operations

a) Credit portfolio composition by type of operation, activity and term

	2015					Total 2014
	Up to 3 months	3-12 months	Falling due		Total	
			1-3 years	3-5 years		
Private sector						
Bank Credit Certificate (CCB)	19,248	20,989	40,698	21,973	102,908	36,850
Commerce	7,880	20,989	40,698	21,973	91,540	-
Other services	11,368	-	-	-	11,368	36,850
Discounted trade bills	11,038	-	-	-	11,038	21,521
Commerce	11,038	-	-	-	11,038	21,521
Export credit notes (NCE)	2,178	-	60,000	-	62,178	22,445
Industry	-	-	-	-	-	22,445
Other services	2,178	-	60,000	-	62,178	-
Export financing (CCE)	-	3,750	-	-	3,750	7,500
Commerce	-	3,750	-	-	3,750	7,500
Loan transactions linked to assignments	37,472	-	-	-	37,472	-
Other services	37,472	-	-	-	37,472	-
Advances on foreign exchange contracts (ACC)	100,186	359,994	-	-	460,180	357,901
Industry	38,733	214,295	-	-	253,028	228,922
Commerce	61,453	145,699	-	-	207,152	128,979
ACC Income receivable	992	2,040	-	-	3,032	3,028
Industry	479	1,063	-	-	1,542	1,992
Commerce	513	977	-	-	1,490	1,036
Advances on exportation contracts	9,516	-	-	-	9,516	-
Commerce	9,516	-	-	-	9,516	-
ACE Income receivable	205	-	-	-	205	-
Commerce	205	-	-	-	205	-
Total	180,835	386,773	100,698	21,973	690,279	449,245

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

b) Credit risk concentration

	<u>2015</u>	<u>2014</u>
Major debtor	99,435	81,659
Percentage of entire credit portfolio	14.4%	18.2%
20 major debtors	690,279	449,245
Percentage of entire credit portfolio	100.0%	100.0%

c) Allowance for doubtful accounts

<u>Level of Risk</u>	<u>Provision</u>	<u>Total portfolio</u>		<u>Allowance for doubtful accounts</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
AA	0.00%	37,472	121,683	-	-
A	0.50%	652,807	327,562	(3,264)	(1,638)
Total		<u>690,279</u>	<u>449,245</u>	<u>(3,264)</u>	<u>(1,638)</u>

d) Sale or Transfer of Financial Assets

In October 2014, the Bank assigned receivables and remained with the credit risks associated with the assets that were transferred under joint liability agreements. As of June 2015, the carrying value of the Bank Credit Certificate (CCB) was R\$ 37,472 (note 9 “a”) and that of the incurred obligation was R\$33,602 (note 16).

e) Changes in the allowance for doubtful accounts

	<u>2015</u>	<u>2014</u>
Balance at the beginning of the semester	(1,551)	(899)
Recording of provision	(1,713)	(869)
Reversal of provision	-	130
Balance at the end of the semester	<u>(3,264)</u>	<u>(1,638)</u>

In the semesters ended June 30, 2015 and 2014, there were no credit recoveries and renegotiations.

10. Foreign exchange portfolio - Current assets

	<u>2015</u>	<u>2014</u>
Purchased foreign exchange to be settled	509,293	340,542
Rights on foreign exchange sales	16,606	4,404
Income receivable from granted advances	3,237	3,028
Advances in national currency received	(1,360)	-
Total	<u>527,776</u>	<u>347,974</u>
	<u>2015</u>	<u>2014</u>
Sold foreign exchange to be settled	16,473	4,404
Obligations on foreign exchange purchase	471,726	357,901
Advances on foreign exchange contracts	(469,696)	(357,901)
Total	<u>18,503</u>	<u>4,404</u>

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

11. Other receivables - Sundry

	<u>2015</u>	<u>2014</u>
Judicial deposits (i)	36,037	34,104
Prepayments of IRPJ and CSLL	5,899	1,501
Taxes and contributions recoverable	3,321	25
Salary advances	776	681
Others	39	25
Total	<u>46,072</u>	<u>36,336</u>
Current assets	10,035	2,232
Long-term assets	36,037	34,104

- (i) As of June 30, 2015, that asset includes a court deposit (note 17 “d”) in the amount of R\$ 21,384 (2014 – R\$20,040), made for the tax contingency consisting of a tax deficiency assessed because of the non-deductibility of expenses on assumed debt. This tax deficiency was written off in 2013, after the Bank joined the tax amnesty program established by Law 11.941/09. The Bank waits this deposit to be given back to it.

12. Deposits

	<u>2015</u>					<u>2014</u>	
	<u>No maturity</u>	<u>Up to 3 months</u>	<u>3 to 12 months</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>Total</u>	<u>Total</u>
Demand deposits	187	-	-	-	-	187	220
Interbank deposits	-	59,709	-	-	-	59,709	23,033
Time deposits	-	203,503	46,556	59,908	23,317	333,284	296,908
Total	<u>187</u>	<u>263,212</u>	<u>46,556</u>	<u>59,908</u>	<u>23,317</u>	<u>393,180</u>	<u>320,161</u>

13. Money market borrowings

On June 30, 2015, the amount of money market borrowings is represented by issues on the amount of R\$ 51,524 (2014 – zero) falling due in April, 2017.

14. Loan obligations

Loan obligations basically consist of foreign-currency funds raised with BNS to finance foreign trade, with R\$ 601,895 (2014 - R\$ 384,626) maturing by April 2016, and of funds raised abroad pursuant to CMN Resolution 3.844/10 which total R\$ 347,225 (2014 - R\$ 55,035) and mature by April 2017. Transactions bear annual interest ranging from 0.2830% to 2.2382% and are adjusted for the exchange rate.

15. Other liabilities - Tax and social security

	<u>2015</u>	<u>2014</u>
Provision for deferred IRPJ and CSLL on income	11,790	2,146
Provision for deferred IRPJ and CSLL (i)	8,129	5,319
Provision for tax contingences and legal obligations (note 17“d”)	3,368	3,046
Taxes and contributions on salaries	1,925	1,150
Total	<u>25,212</u>	<u>11,661</u>
Current liabilities	14,469	3,296
Long-term liabilities	10,743	8,365

- (i) Refers to the provision for income and social contribution taxes on net positive adjustment to fair value of securities and derivatives market in the amount of R\$ 2,241 (2014 - 380) and monetary restatement of judicial deposits of R\$ 5,888 (2014 - R\$ 4,939).

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

16. Other liabilities - Sundry

	<u>2015</u>	<u>2014</u>
Obligations arising from assignment-related transactions	33,602	-
Salaries, bonuses and social security charges	16,168	13,930
Accounts payable - administrative expenses	997	991
Accounts payable to related companies	348	449
Provision for labor contingences (Note 17 “d”)	335	1,865
Reserve for the Credit Guarantee Fund	68	64
Others	4	19
Total	<u>51,522</u>	<u>17,318</u>
Current liabilities	45,382	9,652
Non-current	6,140	7,666

17. Legal, Tax and Social Security Contingencies and Liabilities

a) Contingent assets

The Bank does not have any contingent assets recorded in its Balance Sheet, nor does it have, at this moment, any judicial proceedings that generate expectation of future gains.

b) Contingent liabilities

The Bank is a party in lawsuits and administrative proceedings arising from the normal course of its activities, involving labor, tax and social security matters. The evaluation for making provisions is conducted in accordance with the criteria described in Note 3 “I”.

The Bank maintains provisions for those contingent liabilities classified as probable loss, in amounts regarded as sufficient to cover possible losses. The amounts reserved are recorded under the headings of “Other liabilities – taxes and social security” (Note 15) and “Other liabilities – sundry” (Note 16), in long-term liabilities.

Ongoing labor lawsuits classified as possible loss amount to R\$ 49,358 (2014 - R\$ 44,906). Most labor lawsuits refer to actions filed by former employees and outsource personnel to obtain indemnities, mostly regarding overtime payment and other labor rights.

There are ongoing proceedings of tax-related nature classified as possible loss, in the amount of R\$ 10,460 (2014 - R\$ 9,663), arising from taxes that the Bank has been challenging in court, the main of which being related to an application for offsetting the withholding income tax on financial investments made by Cotinco Assessoria Empresarial Ltda., a non-financial firm merged by the Bank in 2003, in the amount of R\$ 4,578 (2014 - R\$ 4,390).

c) Legal obligations

The main proceeding, in the amount of R\$ 1,903 (2014 - R\$ 1,638), refers to the challenge against the increase in the rate of Workers’ Compensation Insurance, as defined by the Decree nº 6.042/07.

d) Changes in balances

	Balance at					Judicial deposits (i)		
	12/31/2014	Formation	Reversal	Usage	Updating	Balance at 06/30/2015	2015	2014
Labor	2,028	-	(412)	(1,281)	-	335	52	52
Tax contingencies	-	-	-	-	-	-	31,952	30,413
Legal obligations	3,178	89	-	-	101	3,368	4,033	3,639
Total	<u>5,206</u>	<u>89</u>	<u>(412)</u>	<u>(1,281)</u>	<u>101</u>	<u>3,703</u>	<u>36,037</u>	<u>34,104</u>

(i) See Note 11.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

18. Shareholders' equity

The fully paid-up capital is represented by 2,221,627,157 (2014 – 2,221,627,157) nominative common shares with no par value.

Management will decide, in the annual General Meeting the minimum amount for dividend payments related to the adjusted net income in accordance with article 202 of corporate law.

Profit reserves

The legal reserve is formed by the allocation of 5% of the net income for the semester, up to the limit defined by the current legislation. The statutory reserve balance refers to an undistributed portion of prior-year income, which, as determined by the General Meeting, was transferred to subsequent years.

19. Deferred income and social contribution taxes

a) Calculation of the income tax and social contribution levied on the operations

	2015		2014	
	Income tax	Social contribution	Income tax	Social contribution
Net Income before taxes and after profit sharing	30,290	30,290	7,218	7,218
Temporary additions (exclusions)	11,742	11,742	445	445
Non-deductible provision	7,485	7,485	-	-
Adjustment to market value - Securities and derivatives	5,251	5,251	(8,048)	(8,048)
Others	(994)	(994)	8,493	8,493
Permanent additions (exclusions)	138	114	55	55
Taxable base	42,170	42,146	7,718	7,718
Compensation of tax losses and negative base of social contribution	(12,651)	(12,644)	(2,315)	(2,315)
Taxable base after taxation	29,519	29,502	5,403	5,403
Rates	15% and 10%	15%	15% and 10%	15%
Total current IRPJ and CSLL	(7,365)	(4,425)	(1,336)	(810)
Deferred tax liabilities	1,012	607	(493)	(297)
Total	(6,353)	(3,818)	(1,829)	(1,107)

b) Changes in deferred income and social contribution taxes by nature and origin

	Balance at 12/31/2014	Formation	Reversal	Balance at 06/30/2015
Deferred tax liabilities				
Mark to market of derivatives and securities – IRPJ	2,714	-	(1,313)	1,401
Mark to market of derivatives and securities - CSLL	1,628	-	(788)	840
Monetary restatement of judicial deposits - IRPJ	3,379	301	-	3,680
Monetary restatement of judicial deposits - CSLL	2,027	181	-	2,208
Total	9,748	482	(2,101)	8,129

On June 30, 2015, the Bank has unrecorded deferred tax assets on temporary differences in the amount of R\$ 8,326 (2014 - R\$ 7,441) and on tax losses and negative basis of social contribution of R\$ 20,277 (2014 - R\$ 24,595)

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

20. Related parties

Transactions between related parties are disclosed in conformity with CMN Resolution nº 3.750/09, in compliance with Technical Pronouncement CPC 05 - Related Parties Disclosure, approved by the Accounting Pronouncements Committee (CPC). These operations are carried out at usual market values, terms and average rates in effect at the respective dates.

a. Related party transactions

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Cash and cash equivalents (i)	69	65
<u>Liabilities</u>		
Time deposits (ii)	(1,555)	(1,450)
Borrowings (iii)	(949,121)	(439,661)
Other obligations (iv)	(348)	(449)
<u>Income</u>		
Revenue from foreign exchange operations (i)	4,227	-
Fee income (v)	11,330	8,491
Other income (iv)	-	16
<u>Expenses</u>		
Funding operations expenses (ii)	(87)	(69)
Expenses on borrowings, assignments and on-lendings (iii)	(112,762)	32,250
Foreign exchange transactions (i)	-	(88)
Other administrative expenses (iv)	(592)	(477)

(i) Refers to cash and cash equivalents in foreign currency and arbitration transactions with BNS.

(ii) Refers to fund raised with Scotia Participações e Serviços Ltda..

(iii) Refers to funds raised with BNS (note 14).

(iv) Refers to technical services with BNS and Scotia Colômbia.

(v) Refers to revenue from origination fee, as well a reimbursement of expenses for the placement of transactions with BNS and Scotiabank & Trust (Cayman) Ltd..

b. Management compensation

For the purpose of disclosing management compensation, only Statutory Officers were considered. Expenses with management compensation for the semester ended June 30, 2015 in total amount of R\$ 5,694 (2014 - R\$ 6,273), of which R\$ 3,763 (2014 - R\$ 3,225) represents salaries and payroll charges, profit sharing, and bonuses and charges on bonuses, denominated short-term benefits, and R\$ 1,931 (2014 - R\$ 3,048) that represents share-based compensation. There are no post-employment benefits, other long-term benefits or work agreement termination benefits.

21. Share based payment

Share-based payment plans are evaluated based on The Bank of Nova Scotia (BNS) common share price traded in the Toronto Stock Exchange in Canada (TSX). BNS share price fluctuations change the unit value, which affects the Bank's share-based payment expenses. The portion that calculates share price fair value also varies according to the Bank's performance. These plans are settled in cash and their expenses are recognized in the Statement of Income for the semester against a provision in liabilities. Eligible employees are paid based on this variable compensation according to one of the following plans: RSU, PSU or DPP.

SCOTIABANK BRASIL S.A. BANCO MÚLTIPLO
NOTES TO THE FINANCIAL STATEMENTS
SEMESTERS ENDED JUNE 30, 2015 AND 2014
(In thousands of reais)

a. RSU - Restricted Share Unit Plan

According to RSU plan, eligible employees will receive a bonus in restricted share units after three years. Final amount to be paid varies according to BNS share price. As of June 30, 2015, the amount of liabilities in this plan is R\$ 395 (2014 - R\$ 215) and the number of shares is 6,670 units measured at weighted average fair value of R\$ 155.99 per share. Total expenses recorded for this plan in the semester is R\$ 188 (2014 - R\$ 84).

b. PSU - Performance Share Unit Plan

According to PSU plan, eligible employees will receive a bonus after three years. In addition to BNS share price variation, this bonus portion is subject to performance criteria (return on shareholders' equity and total return to shareholder) measured over a three-year period, on which a multiplying factor is applied. As of June 30, 2015, the amount of liabilities for this plan is R\$ 4,194 (2014 - R\$ 3,083) and the number of shares is 31,527 units measured at weighted average fair value of R\$ 155.99 per share. Total expenses recorded in this plan for this semester is R\$ 1,339 (2014 - R\$ 2,237).

c. DPP - Deferred Performance Plan

Under the DPP plan, the bonus portion received by employees eligible for this plan is allocated as units. Values of these units are defined based on BNS shares market price variation and are paid to employees in each of the three following years. As of June 30, 2015, the amount of liabilities for this plan is R\$ 1,674 (2014 - R\$ 853) and the number of shares is 8,596 units measured at the weighted average fair value of R\$ 147.43 per share. Total expenses recorded in this plan for the semester is R\$ 432 (2014 - R\$ 418).

22. Basel Index and Operational Limits

The Bank calculates the Basel index (New Capital Agreement) and the operational limits based on the Brazilian Central Bank guidelines, as follows:

	<u>2015</u>	<u>2014</u>
Referential Equity (PR)	430,760	404,554
Minimum PR required for the amount of Risk Weighted Asset (RWA)	189,120	122,566
Value corresponding to the R_{BAN}	3,540	204
Margin value	238,100	281,784
Extended Basel Index (includes R_{BAN})	24.59%	36.25%
Fixed assets to equity ratio – CMN Resolution nº 2.283/96	0.56%	0.94%

Financial institutions are obliged to keep investment in permanent assets in accordance with Reference Shareholders' Equity level. Funds invested in permanent assets are limited to 50% of adjusted Reference Shareholders' Equity pursuant to current regulation. As of June 30, 2015, the Bank falls under this limit.

23. Other information

- a) Under Provisional Measure no. 675, as amended by Act of the Chairman of the National Congress no. 24, it establishes, from October 31, 2015, the rate of 20% social contribution on the balance sheet from financial and similar institutions. As of June 30, 2015, the impacts of this change would be R\$ 1,016 referring to provision for deferred social contribution and R\$ 3,799 on tax credits not recorded.
- b) As of June 30, 2015, the liabilities for confirmed export credits recognized in memorandum accounts amounted to R\$ 4,653 (2014 - R\$ 1,101).

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